

# ANNUAL REPORT | 2017



**midlandbank**<sup>ltd</sup>  
*bank for inclusive growth*



## MDB-Progressing and on Track

Midland Bank (MDB) came to the financial frontier of Bangladesh in 2013 to serve people from all walks of life. Since the beginning, the Bank has been focusing on convenience and accessibility to create superior customer experience. Being committed to the clients, community and economy, the Bank aims to bind the nation together by including people from all across the society - urban and rural, local and global to pursue inclusive banking. 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 the region and beyond borders.

With changing banking landscape and shifting consumer needs, MDB continues to build alliances and find new ways of customer solutions. Innovative delivery channels propped up by cutting-edge tools and technologies have branded us a friendly financial service provider with a basket of customer friendly products, services and solutions. Over time, with steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the society, MDB has emerged as a major force in banking industry of the country.

In whatever form you appear to us-a branch-lover who likes to interact face-to-face, a self-driven customer who uses ATMs, an internet user who logs into the Bank, a mobile customer who orders transactions, a remote customer who wants to make an online payment or a visitor to social media searching for new offers, we are ever ready to serve with passion and dedication.

# Towards nation building, our commitment continues...

**MDB Credit Card**

**MDB Prepaid Card**

**MDB Bill Pay**

**MDB Home Loan**

**MDB SME Banking**

**MDB Super Saver**

**MDB Gift Cheque**

**MDB Car Loan**

**MDB Personal Loan**

**MDB College Saver**

**MDB Mobile APP**

**MDB school Saver**

**MDB Probashi Savings**

**midland online**

Contact Centre 24/7  
**16596**  
09617016596, 09611016596

# 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, 2017**

We are pleased to enclose a copy of the Bank's Annual Report 2017, together with the Audited Financial Statements for the year ended December 31, 2017 for your kind information and record.

Thank you.

Sincerely,



**Mr. Md. Masuduzzaman**  
Company Secretary (CC)



# 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%)
- Increase rate of withholding tax and VAT on banking services
- Changes in the overall economic condition resulting from natural calamities and political instabilities
- Changes in government policy issues
- Over burden of SLR as a PD Bank
- Impact of 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
- Change in interest rate
- Sluggish capital market arising from rumors
- Compliance issues raised by the international forums which are likely to affect export growth
- Rise in international prices of essential goods which may result in volatility in Foreign Exchange Market
- Risk management of lending portfolio often requires stress testing which is based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication



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# Midland Bank 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 2017 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 2017 has seen us rise from 42,913 to 61,938 customer accounts, net profit after tax grew by 4% to BDT 692 million and balance sheet rose to BDT 41,949 million in less than five years. Total deposits hit near BDT 34,240 million in the reporting year, up from BDT 26,676 million a year earlier and the loan book increased from BDT 21,045 million to BDT 27,296 million at the year end. By and large, this was most successful on our part to post return on equities (ROE) which is 12.30% and Earnings per Share (EPS) as best as BDT 1.44. At the year-end 2017, Bank's paid up capital increased to BDT 4,795.20 million indicating a remarkable growth of 11.00%. Total capital base stood at BDT 6,143 million as at the balance sheet date. Bank's Capital to Risk Weighted Asset Ratio (CRAR) stood at 21.03% at the year-end which stayed much above required ceiling of 11.25% as per Basel III compliance. Total customer-base of Midland Bank grew to a total of 44,395 in 2017 from 30,691 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 447 SME entrepreneurs were extended BDT 2,140 million in loan during the year. 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

<b>Name of the Company</b> Midland Bank Limited	<b>Authorized Capital</b> BDT 10,000 million	<b>Chairman</b> Mr. M. Moniruzzaman Khandaker
<b>Legal Form</b> Public Limited Company	<b>Paid-up Capital</b> BDT 4,795.20 million	<b>Vice Chairman</b> Mrs. Nilufer Zafarullah, MP
<b>Registered Office</b> N.B. Tower (Level 6 to 9) 40/7 North Avenue, Gulshan 2 Dhaka 1212	<b>Total Capital (Tier-i &amp; ii)</b> BDT 6,142.70 million	<b>Managing Director &amp; CEO</b> Mr. Md. Ahsan-uz Zaman
<b>Date of Incorporation</b> March 20, 2013	<b>Total Asset</b> BDT 41,948.73 million	<b>Additional Managing Director</b> Mr. Mohammad Masoom
<b>Formal Inauguration</b> June 20, 2013	<b>Statutory Reserves</b> BDT 559.84 million	<b>Chief Risk Officer (CRO)</b> Mr. Mohammad Masoom
<b>Company Registration No.</b> C-108070/13	<b>Capital to Risk Weighted Asset Ratio (CRAR)</b> 21.03%	<b>Chief Financial Officer (CFO)</b> Mr. Md. Zahirul Islam, FCA
<b>Bangladesh Bank Permission No.</b> BRPD (P-3)745(67)/2013-1665 April 09, 2013	<b>Earnings Per Share</b> BDT 1.44	<b>Company Secretary</b> Mr. Md. Masuduzzaman (CC)
<b>Core Banking Activities:</b> All Types of Commercial Banking Activities Money Market Operations Financial Intermediary Services Any Related Financial Services	<b>Net Asset Value Per Share</b> BDT 12.20	<b>Head of Internal Control &amp; Compliance</b> Mr. Mohammad Syejuddin Ahmmed
<b>Delivery Channels</b> Branches 24 ATMs 26 Agent Banking Centre 08 Collection Booths 04 Real-time Online Banking Internet Banking SMS/Alert Banking Debit/ Credit/ Prepaid Card with Global Access Shared Network across the Country	<b>Accounting Year-end</b> December 31	<b>Auditors</b> Hoda Vasi Chowdhury & Co., Chartered Accountants
	<b>Credit Rating Agency</b> Credit Rating Information & Services Limited (CRISL)	<b>SWIFT Code</b> MDBLBDDH
	<b>Website</b> www.midlandbankbd.net	<b>Contact Centre:</b> 16596 (Short Code) (+88) 09617016596 (+88) 09611016596
	<b>Total Manpower</b> Employee: 411	

## 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	June 28, 2017	
Credit Rating Agency	Credit Rating Information & Services Limited (CRISL)	

# Value Creation for Stakeholders during 2017

Customers	2017	2016
Total Deposit & Advance Accounts	61,938	42,913
Interest paid to Customers	BDT 2,042 M	BDT 1,601 M
Loans & Advances	BDT 27,296 M	BDT 21,045 M
Deposits	BDT 34,240 M	26,676 M
Service Points	01	01
SMS Banking A/c	32,740	13,250

Shareholders	2017	2016
Profit after Tax	BDT 692 M	BDT 668 M
Total Assets	BDT 41,949 M	BDT 35,352 M
Shareholders' Fund	BDT 5,852 M	BDT 5,399 M
Dividend Payout	10% stock	11% stock
Earnings Per Share	1.44	1.39

Employees	2017	2016
Total Headcount	411	375
Total Staff Cost	BDT 423 M	BDT 452 M
Talent Development: Training hours	2,500 hrs (approx.)	2,320 hrs (approx.)
Per Employee Operating Profit	2.91 M	2.88 M

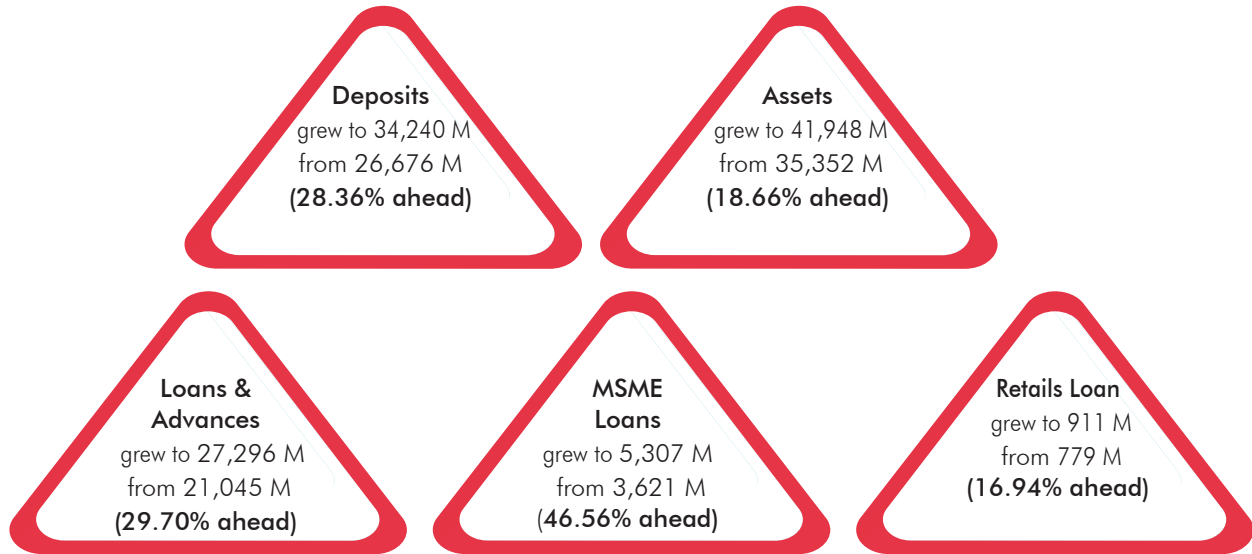
Government Institutions	2017	2016
Tax paid to Government	BDT 674 M	BDT 446 M
Investment in Govt. Securities	BDT 4,462 M	BDT 5,019 M
Tax Collected on behalf of Govt.	BDT 306 M	BDT 219 M
Excise Duty Collected on behalf of Govt.	BDT 42 M	BDT 26 M

Business Partners	2017	2016
Fees & Commissions	BDT 293 M	BDT 165 M
Payment to Service Providers	BDT 350 M	BDT 328 M
No. of Correspondent Banks	71	64
Business Partnership Signed	75 Deals	4 Deals

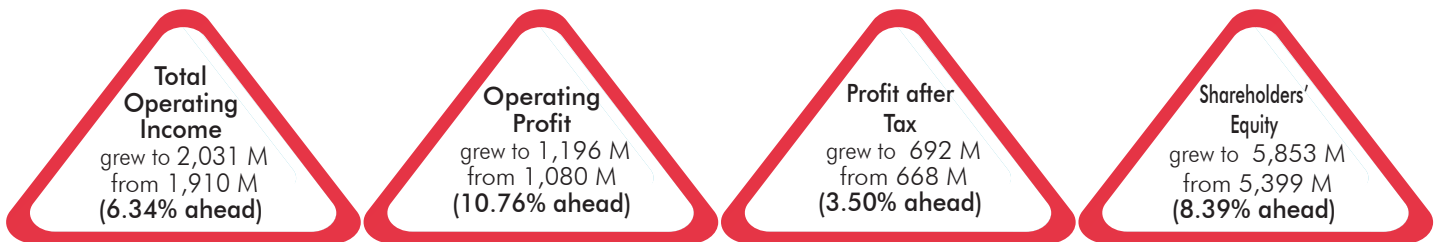
Community	2017	2016
CSR / Donation	BDT 8.80 M	BDT 39.60 M
Internet Customers (midland online)	1,816	1,038
Refinance to SME, Agri, Women	67.55 M	BDT 56.09 M
Utility Bill Collection	1,941 M	1,225 M
Call Received by Call Centre	9,446	8,932

# Performance Dashboard

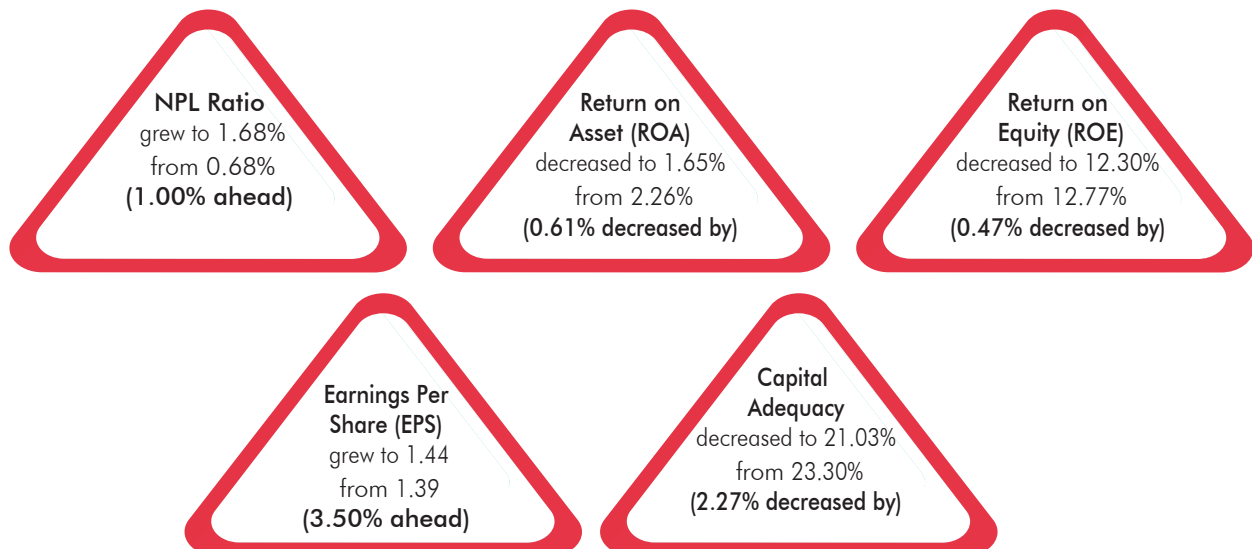
## Volume Growth



## 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 solution 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

Banking industry is increasingly depending on information technology to fuel its business growth through offering better, convenient and quality services to its customer. Also increasing competition, integration with international financial market induced the Banks to continually enhance its IT infrastructure/network. As such, a rapid increase in the usage of digital channels such as internet banking, mobile banking, digital wallets, ATM, POS etc. has taken place. These leading to the higher risks of cyber threats and the need for banking institutes to get ahead of these threats and adopt a proactive approach to cyber security.

To everyone's surprise, attacks against the finance industry are becoming increasingly sophisticated and highly targeted. 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 order to shield against all sorts of cyber fraud, MDB continuously updating information security policies, systems and infrastructures and ensuring to 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.

MDB has already introduced Two Factor Authentication (2FA) for all remote logins for digital banking, as, a password, now a days is not a good enough security and can be stolen, either electronically or by social engineering techniques. 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, MDB is educating its employees with all advanced training model. People with IT credentials are leading the way to the IT involvement. For an effective change MDB is breaking away from traditional security awareness models to employ creative and immersive techniques and deploy technologies that can influence user behaviors.

Sophisticated and upgraded IT system of MDB 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 MDB IT division has been thinking on encrypting endpoints to help minimize the consequences associated with lost devices. To help control access, MDB IT administrators validate and protect the identities of users, sites and devices throughout the organization. Furthermore, MDB at all times provides trusted connections and authenticate transactions where appropriate.

Midland Bank Limited has a team of certified IT professionals to conduct comprehensive technology and security assessments to retain the customer's unflinching trust on its back, and at the forefront, has the responsibility to fulfill the customer's dreams with ever higher weapons to fight all odds related to cyber threats and cyber security.





## Milestones

17-Apr-2012	Letter of Intent
20-Mar-2013	Certificate of Incorporation
20-Mar-2013	Commencement of Business
09-Apr-2013	Head Office Approval
10-Apr-2013	Gazette Published
27-Apr-2013	First Press Conference
20-Jun-2013	First Branch Operation (Dilkusha Corporate Branch)
30-Jul-2013	BACH Operation
02-Sep-2013	BEFTN Operation
08-Sep-2013	SWIFT Operation
18-Sep-2013	ATM Live Operation
18-Sep-2013	Q-Cash Operation
19-Sep-2013	Statutory Meeting of the Shareholders
07-Nov-2013	ATM Inauguration
26-Apr-2014	First Annual General Meeting (AGM)
11-Sep-2014	MDB Contact Centre launched
11-Sep-2014	midland online (Internet Banking) launched
01-Oct-2014	NPSB Operation launched
19-Nov-2014	VISA Operation inaugurated
01-Oct-2015	Completion of Centralized Banking Model (CBM)
29-Oct-2015	RTGS Operation launched
26-May-2016	Midland Bank Training Institute (MDBTI) inaugurated
03-Jan-2017	"midland online" Android Mobile App launched
23-Jan-2017	First Agent Banking Centre inaugurated
07-Mar-2017	Introduction of MDB Prepaid Card
15-Sep-2017	Core Banking Software upgraded from Desktop to Web version
02-Oct-2017	NPSB Fund Transfer through MDB Internet Banking "midland online"
23-Oct-2017	Titas Gas Bill collection started
31-Dec-2017	Establishment of Bank's real time Disaster Recovery Site



# MDB Financial Performance and Ratios

## Five Years Overview

Financial Highlights	In BDT Million					
	2013	2014	2015	2016	2017	% Changes in 2017 Over 2016
<b>Income Statement</b>						
Interest income	347.4	970.8	1,689.53	2,178.91	2,816.99	29.28%
Interest expenses	146	623.7	1,359.46	1,600.58	2,042.08	27.58%
Net interest income	201.4	347.1	330.07	578.32	774.91	33.99%
Investment income	4.27	217.1	974.47	1,166.79	963.67	-17.41%
Commission, exchange and brokerage	2.39	40.37	102.92	133.30	242.54	81.95%
Other operating income	1.19	18.71	22.97	31.77	50.23	58.11%
Total Operating income	209.3	623.2	1,430.43	1,910.18	2,031.35	6.34%
Operating expenses	172.9	464.5	655.03	830.54	835.57	0.61%
Profit before provision and tax	36.4	158.7	775.4	1,079.64	1,195.78	10.76%
Provision for loans and off-balance sheet exposure	17.64	57.55	145.07	110.01	160.49	45.89%
Profit after provision before tax	18.76	101.2	630.33	969.63	1035.29	6.77%
Provision for tax	7.97	66.52	191.51	301.22	343.45	14.02%
Profit after tax	10.79	34.67	438.82	668.41	691.83	3.50%
<b>Balance Sheet</b>						
Authorized capital	10,000	10,000	10,000	10,000	10,000	0.00%
Paid-up capital	4,000	4,000	4,000	4,320	4,795	11.00%
Total shareholders' equity	4,023	4,049	5,067	5,399	5,852	8.39%
Deposits	2,902	8,479	17,956	26,676	34,240	28.36%
Loans and advances	1,831	6,500	13,888	21,045	27,296	29.70%
Investments	521	2,986	5,429	5,973	5,777	-3.28%
Fixed assets	90	166	211	236	199	-15.68%
Earning assets	6,848	13,750	21,937	32,208	37,859	17.55%
Total assets	7,532	15,107	23,893	35,352	41,949	18.66%
Total liabilities	3,509	11,058	18,827	29,953	36,097	20.51%
Total Off-balance sheet exposure	158	1,263	2,289	3,605	5,067	40.55%
<b>Foreign Exchange Business</b>						
Import	144.4	2,759	5,590	7,535	7,827	3.88%
Export	76.99	465	1,480	2,989	7,246	142.42%
Inward foreign remittance	-	24	138	228	133	-41.67%
<b>Capital Measure</b>						
Risk Weighted Assets (RWA)	4,134	9,380	17,689	23,210	29,213	25.68%
Core Capital (Tier-i)	4,010	4,045	4,484	5,149	5,836	13.34%
Supplementary Capital (Tier-ii)	24	77	165	259	307	18.49%
Total Capital held (T-i + T-ii)	4,034	4,122	4,650	5,408	6,143	13.59%

# MDB Financial Performance and Ratios

## Five Years Overview

Financial Highlights	In BDT Million					% Changes in 2017 Over 2016
	2013	2014	2015	2016	2017	
Required Capital (10% of RWA, Or 4,000 million which is higher)	4,000	4,000	4,000	4,000	4,000	0.00%
Capital Surplus/(Deficit), (A-B)	34	122	650	1,408	2,143	52.18%
Tier I Capital Ratio	97.03%	43.13%	25.36%	22.18%	19.98%	-2.20%
Tier II Capital Ratio	0.57%	0.82%	0.93%	1.12%	1.05%	0.07%
Capital to Risk Weighted Asset Ratio (CRAR)	97.60%	43.95%	26.29%	23.30%	21.03%	-2.27%
<b>Credit Quality</b>						
Non-performing loans (NPLs)	-	-	140	144	458	218.86%
NPL to total loans and advances (%)	-	-	1.01%	0.68%	1.68%	1.00%
Provision for unclassified loans	16	63	141	222	256	15.40%
Provision for classified loans	-	-	56	72	185	157.00%
Provision for Off-Balance Sheet exposure	2	13	23	36	51	41.67%
<b>Share Information</b>						
No. of Shares outstanding	400 M	400 M	400 M	432 M	479.52 M	11.00%
No. of Shareholders	32	32	32	34	37	8.90%
Earnings per share (EPS), (BDT)	0.05	0.09	1.10	1.55	1.44	-7.10%
Net Assets Value Per Share (BDT)	10.06	10.12	12.67	12.40	12.20	-2.00%
<b>Profitability &amp; Performance Ratio</b>						
Net Interest Margin (NIM)	11%	2.52%	1.50%	5.06%	3.78%	1.28%
Advance to Deposit Ratio	63.10%	76.66%	77.35%	78.89%	79.72%	0.83%
Cost to income Ratio	82%	74%	45.22%	43.48%	41.13%	-2.35%
Cost of fund on average deposits	12.18%	10%	9.73%	6.62%	6.33%	-0.29%
Return on average assets (ROA)	0.14%	0.23%	1.84%	2.26%	1.65%	-0.61%
Return on shareholders' equity (ROE)	0.27%	0.86%	8.63%	12.77%	12.30%	-0.47%
<b>Liquidity Ratio</b>						
Cash Reserve Ratio	8%	6.80%	6.61%	7.30%	7.62%	0.32%
Statutory Liquidity Ratio	29%	45.67%	35.38%	23.67%	17.48%	-6.19%
Liquidity Coverage Ratio (LCR)	-	204.33%	127.88%	418.80%	249.28%	-169.52%
Net Stable Funding Ratio (NFSR)	-	102.95%	100.54%	122.21%	128.05%	5.84%
Leverage Ratio	-	-	17.62%	13.86%	13.02%	-0.84%
<b>Other information</b>						
No. of Branches	5	11	20	21	24	14.29%
No. of ATM	2	5	18	23	26	13.04%
No. of employees	150	198	335	375	411	9.60%
No. of foreign correspondents	25	40	56	64	71	10.94%
No. of NOSTRO Accounts (Major currency is 5)	6	9	11	12	12	0.00%

# The Sponsor Shareholders

SL	Name	Designation	Percentage %
1	Mr. Kazi Zafarullah	Sponsor Shareholder	2.00%
2	Mrs. Nilufer Zafarullah, MP	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	2.00%
6	Dr. Kazi Shahidullah	Sponsor Shareholder	0.25%
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%
13	Mr. Nazib Ahmed	Sponsor Shareholder	0.25%
14	Mrs. Israt Ahmed	Sponsor Shareholder	0.25%
15	Dr. Fahmida Haque	Sponsor Shareholder	0.25%
16	Mrs. Ela Haque	Sponsor Shareholder	0.25%
17	Mr. Niranjan Chandra Saha	Sponsor Shareholder	0.25%
18	Mrs. Salina Maksuda	Sponsor Shareholder	0.25%
19	Mr. Basudev Saha	Sponsor Shareholder	0.25%
20	Reedisha Knitex Ltd. (Rep. by: Mr. Rezaul Karim)	Sponsor Shareholder	5.00%
21	Mondol Fabrics Ltd. (Rep. by: Mr. Abdul Momin Mondol)	Sponsor Shareholder	5.00%
22	Liberty Knitwear Ltd. (Rep. by: Mrs. Ferdous Ara)	Sponsor Shareholder	5.25%
23	That's It Sportswear Ltd. (Rep. by: Mr. Md. Kamal Hossain)	Sponsor Shareholder	5.00%
24	Refat Garments Ltd. (Rep. by: Mrs. Shahnaq Parveen)	Sponsor Shareholder	5.00%
25	Hazrat Amanat Shah Spinning Mills Ltd. (Rep. by: Mrs. Lutfu Begum)	Sponsor Shareholder	5.00%
26	Garment Export Village Ltd. (Rep. by: Mr. A.K.M. Badiul Alam)	Sponsor Shareholder	5.00%
27	Beq Knit Ltd. (Rep. by: Mr. Md. Rokonzaman Sarker)	Sponsor Shareholder	4.75%
28	Badsha Textiles Ltd. (Rep. by: Mr. Kamal uddin Ahmed)	Sponsor Shareholder	5.00%
29	Master Abul Kashem	Sponsor Shareholder	4.63%
30	Mr. Mohammed Jamal Ullah	Sponsor Shareholder	5.00%
31	Al-haj Mohammed Issa Badsha	Sponsor Shareholder	4.21%
32	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	5.00%
33	Mr. Md. Wahid Miah	Sponsor Shareholder	5.00%
34	Mother Steel Limited (Rep. by: Mrs. Nigar Sultana Daizy)	Shareholder	0.37%
35	Azan Limited (Rep. by: Mrs. Salma Issa)	Shareholder	0.37%
36	Ms. Muttaffin Issa	Shareholder	0.21%
37	Ms. Moomtahina Issa	Shareholder	0.21%
<b>Total</b>			<b>100%</b>

# The Board of Directors





### **Mr. M. Moniruzzaman Khandaker**

Chairman

Mr. M. Moniruzzaman Khandaker is the Founder Chairman and the most experienced Board Member of Midland Bank Limited. He is the key architect for setting the pace of this great corporate voyage for excellence which manifested Midland Bank into a sound banking intuition in a short period.

Born in a respectable Muslim family of Comilla District, Mr. Moniruzzaman had his early schooling in local educational institutions and subsequently obtained B.Com (Hon's) Degree, M.Com Degree, L.L.B. Degree from Dhaka University in addition to participating in numerous training courses and seminars in various countries of the world. 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. Before taking the helm of Midland Bank Limited, he served three terms as the Chairman of state owned Karmashangstan Bank. Throughout his career, he also served as Independent Director and Advisor to numerous financial institutions and conglomerates, notably Bangladesh Commerce Bank, the City Bank Limited, Phoenix Insurance, Phoenix Finance & Investments Limited, Anwar Group and Apollo Group. In addition, his law firm, 'Khandaker & Associates', is the top Fiscal Law Firm in the country representing notable figures of the society including our Honorable Prime Minister of Bangladesh, Mrs. Sheikh Hasina Wazed for 23 years and counting.

Apart from being a lawyer of repute and a dynamic visionary leader, Mr. Moniruzzaman has been playing a commendable role in social welfare and community development. 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 provides free quality education for women in the District of Comilla. He built Chand Tara Jame Mosque in the same area for daily prayer services including Jumma prayers and for the children of the locality to learn the holy books he also established a library containing around 2500 books including the Holy Al-Quran, the Bible, the Hadith and the Torah. Mr. Moniruzzaman received numerous trophies and accolades for his outstanding contribution to the society and its 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 10<sup>th</sup> 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 Kallayan Trust.





### Mr. Abdullah Ahmed Yousuf

Director

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



### 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 early career as an exhibiting artist in New York. His 20 years business career began with ship management in Greece, and in Bangladesh as the Managing Director of Refresh 360 Ltd, that ran as a 3D animation company for few years. During in his formative business years also he ran the Reliance Textile Industries, after which he went back to Greece and then shortly returned to Bangladesh as consultant for Chinese firms; whereby successfully implemented Bangladesh's first large scale Chinese G to G investment in the Fertilizer sector. Mr. Zafar is one of the active Directors of Hong Kong Shanghai Manjala Textiles Limited (HSMPL). Mr. Zafar has ventured into the energy business as CEO, where his family owned company Hongkong Shanghai Manjala Power Limited (HSMPL) has recently signed agreement with GOB to implement offshore LNG Terminal project. Simultaneously, Mr. Zafar is working with various foreign JV partners for the LNG business and for future energy infrastructure business in Bangladesh. Mr. Zafar, is an energetic and promising entrepreneur and apart from his numerous business interests in Bangladesh and abroad, Mr. Zafar is also an avid sportsman who constantly participates in Squash tournaments. Mr. Zafar 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:

#### Chief Executive Officer (CEO)

- Hongkong Shanghai Manjala Power Limited (HSMPL)

#### Director

- Hon Kong Shanghai Manjala Textiles Limited (HSMPL)



### 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.

#### Shareholder

- AIBL Capital Market Services Ltd.

#### Proprietor

- MAK Corporation
- Master Steel Re-Rolling Mills



### 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.
- Shezad Food Products Limited.
- Silverbell Properties Limited.

#### Director

- Asia Insurance Ltd.

#### Proprietor

- Bismillah Store
- M/s Mohammed Jamal Ullah



### 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

Ahsan Khan Chowdhury is one of the sponsor directors and a member of the Executive Committee of Midland Bank Ltd. He is also the Chairman of the Risk Management Committee of the Bank.

Mr Chowdhury was born in Dhaka, Bangladesh on September 6, 1970. He studied in Dhaka and later for higher studies, he went to USA where he graduated from Wartburg College Iowa in 1992. He is the Chairman & CEO of PRAN-RFL Group, one of the leading business conglomerates in Bangladesh.

Mr. Chowdhury started his business career in the family Real State, Food, Plastic and Light engineering business. Under his dynamic leadership, PRAN-RFL Group earned extensive acceptability and recognition in Bangladesh as well as globally in a short span of time. The Group comprises of 51 companies involved in different sectors. Today, it is the fastest growing corporate in Bangladesh, which contributes significantly to the socio economic development of the country.

Currently the group has diversified interest in Agro-processing, Food and Plastic, Light Engineering, Banking etc. The group has its own production facilities in 16 different locations all over Bangladesh. The Group is directly employing over 110,000 people and another 15, 00,000 people subsists of PRAN-RFL Group.

PRAN-RFL has not only been successful in Bangladesh market but also in export markets. The Group is now exporting its products to over 134 countries of the world. In recognition of outstanding contribution in exports his company was awarded with Best Exporters Trophy for last 14 consecutive years by the Government of Bangladesh.

Mr. Chowdhury is an active member of all Trade and Commerce bodies, associations and clubs in Bangladesh. He is involved in many socio-economic activities to serve the community.

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

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



## **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 (BCI, ORGANIC YARN FROM CONTROL UNION: GOTS & OCS, OEKO-TEX, CONTROL UNION, AUSTRALIA) Jute Mills, Garments, Ship, Construction, Transport, Filling Station, Heavy Equipment, Engineering and Brick industry of the country. Under his dynamic Management, Karim Jute Spinners Ltd. (ISO 9001: 2015 certified) was awarded 'Agrani Bank Trophy' for being best export performers in 2010 and won 'National Export Trophy' for three times, i.e. 2011-12, 2013-14 and 2014-15 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 a life member of Faridpur Diabetic Samitee and 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 Spinning Lines
- M/S Md. Wahid Miah

### **President**

- Faridpur Chamber of Commerce & Industries

### **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 Melalshan Memorial School, Faridpur
- Faridpur Club, Faridpur.
- Shabjan Nesa Mohila Madrasa, Faridpur
- Bangladesh Contractor Association
- Faridpur Bus-Truck Owners Association
- Faridpur Bus Owners Association
- Faridpur Truck Owners Association

### **Member**

- Federation of Bangladesh Chambers of Commerce and Industries (FBCCI)
- Standing Committee on 2017-2019 Ministry of Foreign Affairs (Europe & North America), International Organization.
- 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
- Sufi Club, Faridpur
- Sandhani Club, Faridpur
- Faridpur Diabetic Shametti
- Faridpur Muslim Mission, Faridpur

### **Honorable 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 38 years.

Presently he is holding the following portfolios in different organizations:

### **Chairman**

- Southeast University, Board of Trustee
- South Asia Foundation, Board of Trustee
- 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

### **Proprietor**

- Reedisha Trading & Distribution Co.

### **President**

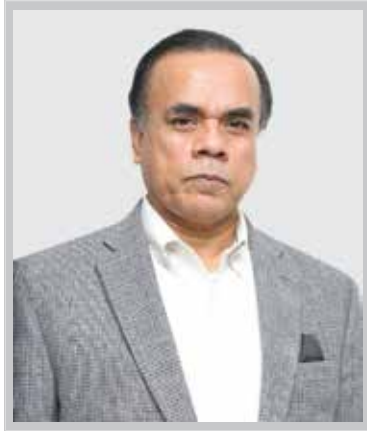
- Bangladesh Cosmetics and Toiletries Manufacturers Association

### **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

On completion of post-Graduation with Honours in Management from Dhaka University, Mr. A.K.M. Badiul Alam chosen “Business” as his profession. Glorious family background of Kasba, Brahmanbaria has inspired him to go forward. He established a small textile weaving unit in 1984. Thereafter, he turned his business line to the trend of national demand of the time. He has a successful story in marketing, networking for exporting RMG’s as well as in Apparel Manufacture. AMTRANET GROUP now is one of the prominent RMG Exporter from Bangladesh.

Mr. A.K.M. Badiul Alam is a member of the Board of Directors of Midland Bank Limited as the nominee Director of Garments Export Village Limited. He is also member of the Executive Committee of the Board of Directors of the Bank.

His initiatives have created employment too many unemployed and made unskilled workers to valuable workforce who are now rendering their labour and efforts for development of the national economy. Besides RMG Manufacturing and exporting, Mr. Alam also taken initiatives to establish companies relating to Electricity generation, Oil refinery. He has also involved with the Medical service, Technical education, traditional and International standard basic educational institutions. He has earned name & fame by voluntary welfare service to his local native people.

Presently he is holding position in the following companies/institutions:

#### **Chairman**

- Garments Export Village Limited.
- Power Vantage Wear limited.
- Amtranet Limited.
- Bravo Apparel Manufacturer Limited.
- Kasba Mohila University & College.
- Kasba Pouro High School.

#### **Director**

- Shahjibazar Power Co. Limited.
- Patromax Refinery Limited.
- Zenith Islami Life Insurance Limited.
- Eden Multi Care Hospital (pvt.) Limited.
- Australian International School, Dhaka.

#### **Founder**

- Badiul Alam Science and Technical 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 one of the Directors of Bangladesh Garments Manufacturers & Exporters Association (BGMEA) during the session 2011-2012. Mr. Abdul Momin Mondol has over 16 years of experience in Textiles and Garments’ industry. He had been a selected CIP by the Government of Bangladesh on the year of 2012 & 2013. 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 accommodated with 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 earning and employment. The Group also received several international awards for ‘Quality’ from Europe and America.

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

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

- Micro Fibre Ltd.
- Liberty Knitwear Limited
- Midland Knitwear Limited
- A-One Polar Limited
- Orient Chem-Tex Limited
- Fortune Chemicals (BD) Limited
- Tubingen Chemicals (BD) Limited
- SungarhTex Limited
- 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. Lutfia Begum**

Director

Mrs. Lutfia 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.

Currently Mrs. Lutfia 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.
- M/S Faysal Enterprise



### **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. Luffa 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



**Honorable Shareholders, Partners and Colleagues,**

Assalamu Alaikum,

On behalf of the Board of Directors, I cordially welcome you to the 5th Annual General Meeting (AGM) of Midland Bank Limited. It is my great pleasure and honor to have this opportunity to enlighten you with the growth of our adored organization, Midland Bank Limited. You would be happy to know that we concluded another year of solid growth despite many challenges that came our way. This progress is the result of continued strong business performance and I am grateful to you for allowing me to present before you the audited financial statements of the Bank for the year ended on 31 December 2017, our progress on important operational and financial objectives during the year and our outlook for the future. I believe this presentation of the 'Annual Report' bears immense importance for all the investors for evaluation of our performance of last year. While presenting this statement on this grand occasion, I am delighted to see MDB grow as a fourth generation banking brand with a significant presence in Bangladesh. Without your relentless hard work and outright support from my fellow colleagues and stakeholders, we could not have established ourselves as a bank of repute within this short period considering the adverse situation in the banking industry in Bangladesh, especially for the fourth generation banks.

Global economic activity rallied and firmed up in 2017. Prudent fiscal policies, both implemented and proposed, catalyzed economic activity and pushed the global economy to a higher growth rate of 3.7%, a ½ percentage point higher than in 2016. This growth has been underway since mid-2016 as the pickup in activity and easier financial conditions has been reinforcing each other. Among advanced economies, growth was at 2.3%, with notable growth in Germany, Japan, Korea, and the United States. Emerging markets and developing economies growth stood at 4.7% in 2017, up from 4.4% in 2016 where key economies such as Brazil, China, and South Africa posted strong growth. World trade growth was supported by a pickup in investment among advanced economies and increased manufacturing output in Asia. Fuel prices increased as well, which raised headline inflation in advanced economies, but wage and core-price inflation remained weak.

Bangladesh economy experienced changes in many fronts critically important for its accelerated growth. Though some macro indicators reflected positive trends, the economy weakened due to a number of developments toward the second half of the year. The annual GDP growth of Bangladesh was at 7.28% in 2017, up from 7.11% in



2016, a significant achievement. The GDP rose as consumption picked up in response to rising income, growth from the industrial sector and the services sector and major boost from the public sector. But on the downside, inflation showed an increase to 6.04%, mainly due to two rounds of floods. The current account moved into a wider trade deficit due to imports growing at a higher rate than exports. Remittance earning growth also experienced a negative growth despite an increase in manpower export. 2017 has also been daunting for Bangladesh due to the Rohingya crises, which will have future fiscal implications.

The banking industry in Bangladesh faced numerous challenges throughout 2017, mainly due to high liquidity, subdued credit demand, growing pressure to slash the interest rates to single digits and increased tendency among the corporate business houses to avail low cost foreign currency funds. The banking sector exposed further weaknesses through major indicators such as rise of non-performing loans (NPL), lower capital adequacy and lack of proper corporate governance. The government has been recapitalizing the state-owned banks for their losses year after year, but without any fruition. Despite the Central Bank's attempt to improve performance of the banking sector, quantitative improvements were not visible in 2017 and some of the fourth generation banks performed poorly. Penetrating through the headwinds, Midland Bank stood out and experienced inclusive sustainable growth. The Board and our management navigated the Bank in the right direction as to make it one of the most stable, sound and resilient among the fourth generation banks.

In 2017, MDB came out as the most successful among the fourth generation banks by upholding its vision of increasing returns without compromising the Bank's commitment to ethics and sustainability. During 2017, the Bank registered operating profit of BDT 1,195.78 million and posted net profit after tax at BDT 691.83 million. The Bank earned distributable profit of BDT 480.99 million, up from BDT 476.41 million in 2016. Total deposit rose by 28.35% to BDT 34,240.23 million from BDT 26,675.93 million. Loans and advances increased by 29.69% to BDT 27,292.60 million from BDT 21,044.89 million. Amount of fee based income increased by 77.36% to BDT 292.77 million from BDT 165.07 million. Shareholders' equity rose to BDT 5,851.99 million from BDT 5,399.07 million, with an increase of 8.39%. Unlike many of our peer competitors, we were well-capitalized, deposit funded and liquid. MDB's capital management framework was intended to ensure best composition capital in relation to business growth. Bank's Capital to Risk Weighted Assets Ratio (CRAR) stood at 21.03% against minimum requirement of 11.25% per Basel iii compliance. Return on Assets (ROA) and Return of Equity (ROE) stood at 1.65% and 12.30%, respectively. In an adverse scenario of Non-Performing Loan (NPL) in the banking industry of Bangladesh, MDB was able to maintain its NPL below 2% (1.68%), compared to an industry average of 9.31%. At the end of 2017, our number of branches stood at 24 (Twenty Four) including 12 (Twelve) rural branches and 8 (Eight) Agent Banking Centres covering strategically important locations of the country. The Bank expanded to 26 (Twenty Six) ATM Booths, 5 (Five) Bill Collection Centers and provided customers access to over 6,000 ATMs in different commercially important locations of the country. In 2017, the Bank introduced sophisticated technology, i.e. NPSB network, Android mobile apps, BEFTN web upgrade, online NPS IBFT operations, EMV Chip base debit and credit cards and various lucrative deposit and loan products to cater to the financial requirements of our valued clients.

Skilled human resources and sophisticated software is essential in running any successful financial institution and sustainable planning is required for proper development. In 2017, our Human Resources Management division aimed at building strong, dedicated, skilled and professional manpower base with a mission to be the employer of choice in the financial sector where all employee work with pride and pleasure. To increase profitability and sustain growth, MDB utilized one of the most advanced Core Banking System (CBS) which witnessed tremendous process improvements to where many IT based initiatives were launched. Our technology platform was fine-tuned to achieve efficiency in all its operations. As pressure increased to expand business volumes and manage tight interest spreads, MDB brought greater focus on process automation to improve the cost structure of the Bank.

Money laundering (ML) and Terrorist Financing (TF) are serious risks in almost every part of the world. Emerging sophisticated techniques of moving illicit money have compelled financial intermediaries including MDB to make compliance programs more rigorous. To stave off the risk of financial crime, MDB focused in training employees, strengthening its screening system and ensuring that policies and procedures were effective and always up-to-date. MDB is firmly determined not to let money launderers and terrorists or perpetrators use it as their tool to launder money or finance terrorist activity in any possible way.

Corporate governance involves a set of identifiable relationships among the stakeholders of the Bank. MDB strives to practice and follow standard principles in accordance with the rules, regulations and guidelines from regulatory authorities. 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 financial performance of the Bank. They guided the Bank towards the goal set by the stakeholders, ensuring highest standards of integrity, accountability, transparency, ethics and professionalism.



Green Banking promotes eco-friendly banking practices and reduce emitted carbon mark from banking activities, thus building our world into a safe living habitat. Our Board and management are committed in providing resources for the growth of green business and practices. MDB emphasizes on green revolution of internal operations by adopting proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark. In 2017, we incorporated environmental risks in our CRM, introduced mobile banking and online or paper less banking as well as e-recruitment system, re-financed eco-friendly and energy efficient projects, facilitated employee training and took customer awareness initiatives.

Just as previous years, MDB was involved in a broad range of direct and indirect 'Corporate Social Responsibility' engagements which included humanitarian relief and disaster response, widening opportunities for disadvantaged population segments, supporting of healthcare and education. Midland Bank as a corporate citizen has been very much active to the cause of society in meeting its obligations to the less privileged and donated a total of BDT 8.8 million in 2017.

World economic activity is projected to pick up pace in 2018 and 2019, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes given uncertainty surrounding the policy stance of the U.S. administration and its global ramifications. The current upswing provides an ideal opportunity for reforms. Shared priorities across all economies include implementing structural reforms to boost potential output and making growth more inclusive. In an environment of financial market optimism, ensuring financial resilience is imperative.

2018 will be a turning point for Bangladesh as it prepares to graduate from the least developed country status and continue its efforts toward becoming a middle-income country. Bangladesh economy is set to continue expanding at a rapid pace and projected to be among the fastest growing least developed countries in 2018, underpinned by strong domestic demand, especially large infrastructure projects and new initiatives in the energy sector. The growth of gross domestic product is expected to remain above 7% in 2018 and 2019. Inflation is expected to be subdued around 5½ % in 2018 and 2019, but fiscal deficit will continue to be high. The positive outlook will contribute to further gradual progress in labor market indicators and a reduction in poverty rates. Bangladesh has placed significant emphasis on the growth rate of its GDP, but the high growth is yet to be translated into generation of enough income for the poor, creation of employment, access to quality education and better healthcare for all, and above all, reduce income inequality. In the coming years, policymakers must make broader development goals as it is time for us to shift the gear for further excellence.

Midland Bank firmly believes in good corporate relationship and helping clients as well as other key stakeholders achieve sustainable growth. We are committed to integrating environmental, social and governance issues into our 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. We have set our goals to expand while protecting the interest of all the stakeholders with new energy and endeavor. To grow sustainably and profitably, MDB will continue its focus on further strengthening its strong capital base and financing in emerging business sectors. We are confident that our strategic focus on people, processes and technology along with our cost efficient approach will help us achieve our target and overcome future challenges.

On behalf of the Board, I express my sincere gratitude and thanks to honorable shareholders, patrons, business partners and customers for your support, loyalty and belief in our institution. I would like to express my deep sense of gratitude to the Government of Bangladesh, Central Bank, Ministry of Finance, Bangladesh Securities & Exchange Commission (BSEC), National Board of Revenue (NBR) and other regulatory bodies for their valued guidelines, advice and ceaseless support. I appreciate the contribution made by our auditors, legal advisors and correspondents for their time and prudent roles. 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 the Management Team and the MDB family for their total commitment, dedication and hard work, to whom the credit is due for the Banks' achievements. Last but not the least, my thanks to my colleagues on the Board who have always been supportive and agile in our endeavor to navigate the institution in the right direction. 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.

Thank you, and as always, I welcome your thoughts and suggestions.



**M. Moniruzzaman Khandaker**  
Chairman

# 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 dated 10.10.2016 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. Luffa Begum	Director	Member
05.	Mr. Md. Kamal Hossain	Director	Member

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

## Participation of non-members:

Master Abul Kashem, Director and external auditors attended and participated in one of the meetings as special invitee. In addition to that the Managing Director and CEO, Additional Managing Director, Deputy Managing Director, Head of Legal and Head of ICCD 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.
- The BAC submits the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- This BAC supervises other assignments delegated by the Board and evaluates its own performance regularly.

**Meetings of the BAC**

Bangladesh Bank suggested banks to hold at least 4 meetings in a year. In the year 2017, 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 2017 meetings:**

- Review of Annual Financial Statements 2016 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2016.
- Recommendation regarding appointment/re-appointment of External Auditor(s) of the Bank for the period upto 5th Annual General Meeting.
- Review and recommend for the approval of Internal Control and Compliance Policies and Procedures–March 2017 updated in light with Bangladesh Bank ICC guideline.
- Review and recommend for approval of ICCD activity plan for the year-2017.
- Review and 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.
- Review the performance of ICCD in 2016, half yearly in 2017 and submit the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- Review the summary of audit findings by internal auditors and recommend the management for rectification.

- Review the highlight of all Bangladesh Bank Inspection reports and recommend the management for rectification.
- Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.
- Follow up of implementation status of meeting decisions taken by BAC.
- Review of quarterly and half-yearly un-audited financial statements in 2017.
- Review of annual integrated health report-2016.
- Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.
- 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 Circular on Self-Assessment of Anti-Fraud Internal Controls.
- Review of the quarterly report of Loan Documentation Checklist (LDCL) placed by ICCD.
- Review of list of approvals taken as Credit Policy exception.
- Review of Bangladesh Bank comprehensive Inspection report and compliance thereof.

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, 2017. Since most of the computation is system based, the possibility of manipulation is almost absent. The committee has selected Bangladesh Standards of Auditing (BSA) and Bangladesh Financial Reporting Standards (BFRS) as the accounting standard and accordingly the financial statement clearly states the compliance of GAAP, SEC and Bangladesh Bank guideline.

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

# Managing Director & CEO's review

Respected shareholders and endearing partners, Assalamu Alaikum.

It is an enormous pleasure to present the performance of the Bank for the year 2017 which reflects our achievement and prospects for progression. At this august moment, I sincerely express my heartfelt gratitude to our shareholders, customers and the community at large for their active support and cooperation as we stepped into our 5th year. 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, safe and delightful. From twenty four hours access through our Contact Centre, ATM network, Internet application midland online, to making ourselves available from our conveniently located branches and offices, we were beside our customers to help them with their everyday personal or business needs. Be it small or large, we constantly strived to make it easier and convenient to bank with us. At this initial stage of our life, we feel MDB delivered on the noble and lofty hopes of its investors by performing profitably and strengthened its position in this intensely competitive and volatile market environment while remaining compliant with regulatory requirement.



## Economic environment:

On the economic front, GDP grew at a historically high rate of 7.28%, contributed mostly by manufacturing and service sector. However, the economy was impacted due to crop-loss for flood in the middle of the last year, lower flow of inbound remittance, high import for food, capital machinery and fuel, which resulted in higher current account deficit and consequently Taka depreciated substantially. Capital market was rather erratic, however, finishing the year with improved index. All these macro-economic factors impacted banking sector.

## Business strategy:

To achieve our vision, we focused on innovation for improving service quality, enhancing our service channels for ensuring rationalized growth, adherence to compliance and professionalism. Keeping the fast changing and competitive environment, our endeavour is to focus more on innovation and superior banking solution and be the catalyst for change while remaining competitive. Moreover, we focused more on risk management issues including practice of strong and professional credit culture and addressing security concerns. Best of our expertise is directed towards formulating policies and guidelines to achieve our strategic goal for balanced and sustainable growth and also to grab higher market share. However, due attention is given to manage higher risk exposure emanating from growth of business and changing market dynamics.



Current banking network involves highly labour intensive process which is a great concern in view of shrinking spread in the banking industry. This is being addressed through introduction of centralized business platform equipped with cutting edge capital intensive IT system. Though it involves higher initial capital investment and also requires professional and skilled manpower, it will ultimately pay off through facilitating optimum utilization of manpower, improved 24/7 online services and virtual connectivity of customers vis-à-vis higher productivity. This also ensures strict adherence of compliance and maintain healthy asset quality. Innovative arrangement in the banking model and replacing and redefining some of the conventional function also helped to reduce operational cost and manage risk.

MDB having its vision for contributing sustainable economic growth of the country, realizes the requirement of a strong infrastructure, logistics and industrial base which require large investment by the private sector. Banks and other financial institutions typically participate in syndication financing to arrange large amount of fund for big projects to develop infrastructure, logistics and industrial base. In order to properly channel fund for that purpose and exploring profitable business opportunities, MDB introduced Structured Finance Unit (SFU) in 2017 as an integral part of the Corporate Banking Division. The SFU is dedicated for industrial growth, promoting infrastructure projects, managing alternative financing through innovative products and instruments. In 2017, MDB and Infrastructure Development Company Limited (IDCOL) was jointly mandated as “Joint Lead Arranger” to source BDT 600.00 million in the form of Syndicated Term Loan for Kushiara Auto Bricks Limited, an environment friendly automated brick manufacturing unit with production capacity of 180,000 solid bricks/day.

Given present dwindling profit margin of financial industry under intense competition and lower inflationary economic environment, cost concern is a strategic choice to win a competitive edge. We are focusing more on transaction based self-liquidating business to generate fee based revenue for achieving higher yield. To provide banking to the un-banked, seeking financial inclusion, we are continuing Agent Banking to make services available to the masses, hitherto not served by formal banking channel. This will help us generate more low cost deposit and diversify our business portfolio. As Bangladesh economy is gradually being integrated with international value chain we are continually upgrading ourselves in terms of usage of technology, capacity building of our manpower, establishing business relationship with other financial institutions all over the world and also our investment portfolio.

### **Performance:**

Midland Bank recorded a profit after tax of BDT 691.83 million with a 3.50% year-on-year growth and total assets of BDT 41,948.73 million up by 18.66%. The Bank passed another year of growth in its nascent banking life across all business lines. The Bank's loan portfolios and deposits maintained a balanced growth of 29.70% and 28.36% respectively supported by a customer centric business model. At the close of the year, our loans and advances were BDT 27,295.40 million as our client acquisition strategies supported growth. Our credit lines comprised mostly of corporate portfolio, SME lending and retail loans. The NPL ratio of 1.68% though deteriorated during the year as compared to 0.68% of year 2016, still remains at industry low and ranks our Bank as one of the best in the industry on the issue. The Advance to Deposit ratio was maintained at healthy 79.72% as at the year-end while CASA contribution to total deposits improved to 24.17%, thus enabling the Bank to gain a competitive margin. Continuous focus on streamlining operations resulted in an improved cost to income ratio to 41.13% consolidating our bottom line. The key financial health check indicators reflect a sound position with Capital Adequacy being 21.03% at the close of 2017 as per Basel standard.

### **Customer values:**

Empirical evidence suggests that market drives customers' demand. In rhyme with consumer needs we focused on creating customer value by launching/ remodeling new products to cater their requirement which improved our customer base substantially.

Traditional banking business was geared towards large business entities and upper class population, base of which is limited and hence off-limits the growth of banking business. Besides too much concentration of banking sector on these large conglomerates and higher echelon of the society allows this segment of customers to dictate pricing and security terms which puts the banking sector in weaker position. In view of the situation, being a forward looking Bank we concentrated more on large number of Small and Medium Enterprises (SMEs) which is the main driver and

also contributes lion share of the economy. This necessitates steering our vision, from the outset of our business, towards concentrating in this segment, hitherto not given priority which in turn allowed us to lessen our reliance on large conglomerates and concentrate more in this sector to diversify our portfolio as well as enhance our profitability.

Both across asset and liability sides, we remained vibrant by disbursing Agri, Microfinance, green development loans and foreign currency fee based transactions and structuring current, savings and scheme deposit accounts. All of these offerings have drawn a significant appetite shown by the SME customers during the year under review. During 2017, a good total of 152 MSME entrepreneurs were added to SME client-base bringing the total to 476 and disbursed a sum of BDT 2140.00 million which consolidated our SME portfolio with BDT 3196.10 million outstanding at the year-end. To improve the gender balance in SME finance, we closed the year with BDT 631.60 million loan disbursement on account of total 10,565 women entrepreneurs (directly through Bank to 37 number of Women Entrepreneurs and indirectly through MFIs to 10,528 number of Women Entrepreneurs) recording a growth of 63.33% in loan disbursement.

### **HR capital:**

Main asset of our Bank is talented, educated, professional and self-motivated human resources who drive the Bank towards excellence for achieving our organizational goal. MDB attaches top priority to acquire talented and skilled manpower. We consider development of human resource is a continuing process to overcome the technical and business challenges and turned challenges into opportunity to keep the Bank ahead of other competitors. We continued to invest in our Training Institute to improve the skill level of our manpower.

### **Social commitment:**

From the beginning of our journey we are committed to be a responsible stakeholder for serving the society and also maintain high standard of ethics and integrity in all of our activities. Last year the Bank contributed a portion of our net profit after tax for various CSR programmes. Our major area of CSR activities are education, community health, disaster management and support for the underprivileged.

### **Pleased to acknowledge:**

I convey my sincere appreciation to our honourable Board of Directors who entrusted and also guided us in our journey of achieving success. I also acknowledge that the Board at all times upheld high professionalism and ethical standard in its deliberations. I express my gratitude towards our valued clients to have trust on us to serve them with our products, services and delivery channels. I also convey my gratitude to our regulatory bodies who guided us and also provided us with solution and advice in our endeavour. I thank our honourable Chairman for his vision, guidance and support extended to us for which I feel deeply indebted.

It is a pride for me to be a part of MDB family - a team committed towards achieving excellence with talent, professionalism and devotion. I express my gratitude to all employees of the Bank who worked tirelessly to better the institution and deliver quality service to meet the need of our clients.

May Almighty Allah grant us wisdom and strength and guide us as we serve our clients and the nation.

Sincerely,



**Md. Ahsan-uz Zaman**  
Managing Director and CEO

# DIRECTORS' REPORT

## Dear Stakeholders,

The Board of Directors welcome you all in the 5th 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, 2017. This section of the Annual Report contains an overview of the global and local economy we have passed last year and issues likely to surface in the New Year.

## Global Economic Outlook & Risks

Global economic activity rallied and firmed up in 2017. Prudent fiscal policies, both implemented and proposed, catalyzed economic activity and pushed the global economy to a higher growth rate of 3.7%, a ½ percentage point higher than in 2016. This growth has been underway since mid-2016 as the pickup in activity and easier financial conditions has been reinforcing each other. Among advanced economies, growth was at 2.3%, with notable growth in Germany, Japan, Korea, and the United States. Emerging markets and developing economies growth stood at 4.7% in 2017, up from 4.4% in 2016 where key economies such as Brazil, China, and South Africa posted strong growth. World trade growth was supported by a pickup in investment among advanced economies and increased manufacturing output in Asia. Fuel prices increased as well, which raised headline inflation in advanced economies, but wage and core-price inflation remained weak.

Emerging and low-income commodity exporters, especially energy exporters, continue to struggle, as do several countries experiencing civil or political unrest, mostly in the Middle East, North and sub-Saharan Africa, and Latin America. And many of these same countries are the ones that are also most exposed to the negative impacts of climate change, such as heat waves and heavy precipitation. Advanced economies will not be immune to future climate developments, however—through either direct impacts in some advanced regions, such as the coastal United States, or the spillovers from mass migrations and geopolitical instability emanating from poorer countries.

In particular, most advanced economies face medium-term growth rates significantly lower than in the decade before the global financial crisis of 2007–09. The reasons behind these slowdowns differ across countries. For some economies, notably China's, declining long-term growth is a natural result

of rebalancing and convergence. For emerging commodity exporters, which benefited from China's own rapid manufacturing growth in years past, permanently lower export prices call for new growth models. For advanced economies, expected slow productivity growth and aging workforces play major roles. Lower trend per capita growth rates can be problematic for several reasons: they make it harder for the poor to raise their living standards. Needed structural reforms differ across countries, but all countries have ample room for measures that would raise economic resilience along with potential output. For some countries where output gaps have closed, the time has come to think about gradual fiscal consolidation, to reduce enlarged public debt levels and create buffers to be used in the next recession. Such actions could entail adverse spillovers abroad. This global fiscal package can also help reduce excess global imbalances. Investing in human capital should help to push labor's income share upward. In sum, policy should promote an environment conducive to sustainable real wage growth. Priorities for mutually beneficial cooperation include strengthening the global trading system, further improving financial regulation, enhancing the global financial safety net, reducing international tax avoidance, fighting famine and infectious diseases, mitigating greenhouse gas emissions before they create more irreversible damage, and helping poorer countries, which are not themselves substantial emitters, adapt to climate change. The strength of the current upswing makes the moment ideal for domestic reforms. Policymakers should act while the window of opportunity is open.

## Bangladesh Economic Outlook & Risks

The Bangladesh economy is projected to grow 7.40 percent in FY18, up from 7.11 percent in FY16. Bangladesh Bank's (BB) FY18 monetary program seeks to set a prudent, flexible course towards containing 12 months average CPI inflation within targeted 5.40 percent ceiling while also supporting attainment of the 7.40 percent GDP growth targeted by the government. According to monetary Programme FY18, Domestic Credit growth ceiling at 15.80 percent, 13.90 percent growth ceiling of Broad Money (M2) and 12 percent annual average growth ceiling for Reserve Money (RM). An annual average rather than point-to-point target for RM is being adopted for the first time, for better adherence to the chosen monetary stance. Lion's share of the domestic

credit growth has been allocated towards 16.30 percent growth in credit to the private sector, alongside a smaller 12.10 percent growth in Bank credit from public sector, in view of the latter's ample access to non-banking borrowing through NSCs. Export and remittance slowdown limiting monetary expansion through a lower 5.50 percent NFA growth projection, Reserve Repo, Repo policy interest rates will be kept unchanged for the time being, but BB will remain in readiness for policy rate adjustment if and when needed.

The main downside risks to the outlook for Bangladesh include fiscal slippages and a setback in implementation of reforms to improve corporate and financial sector balance sheets. About the risk confronting the countries, the World Bank report said that the main risks to the outlook are domestic. Current account deficits gradually widened across the region, including in countries such as India, Bangladesh and Pakistan. Corporate Debt overhangs and high levels of non-performing loans (NPL) have been long-standing concerns in some countries, including Bangladesh and India. Slippages relating to upcoming elections and weak tax revenues (e.g., Bangladesh, Nepal and Pakistan) could derail fiscal consolidation efforts, said the WB. Setbacks in efforts to resolve these domestic bottlenecks would continue to weigh on investment, and more broadly on medium-term growth prospects in the region.

## Bangladesh Banking Sector

The banking sector of Bangladesh is one of the major contributors to the Bangladesh economy with the commercial sector playing a pivotal role in the financial sector. The banking industry in Bangladesh began with six nationalized commercialized banks, two state-owned specialized banks and three foreign Banks after Bangladesh attained independence in 1971. There are 57 scheduled Banks in Bangladesh who operate under full control and supervision of Bangladesh Bank (Central Bank) which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. (Amendment upto 2013). In the 1980s, the banking industry of Bangladesh achieved significant development with the establishment of private Banks. Since then, various other forms of financial institutions have been formed to reform the transaction system in Bangladesh. Currently, there are five major categories of Banks in existence- Central Bank (Bangladesh Bank), State owned Commercial Banks (SCBs), Private Commercial Banks (PCBs), Foreign Commercial

Banks, Specialized Development Banks. Bangladesh Bank is responsible for the majority of financial controls of most of the financial institutions in the country, including regulating currency, credit controlling, monetary policy, exchange control, foreign exchange reserves.

Banking sector has passed a steady year in 2017. The political stability in 2017 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, the growth in credit flow to private sector reached at 18.13 percent in December 2017 against 16.20 percent as projected by Central Bank in its H1 monetary policy FY 18. The domestic credit recorded an increase of BDT 1,204,968 million or 14.48 percent at the end of December 2017, against the increase of BDT 913,936 million or 12.34 percent at the end of December 2016. Credit to the private sector recorded a growth of 18.13 percent while credit to the public sector decreased by 8.26 percent in December 2017 as compared to the same month of the previous year.

Reserve money recorded an increase of BDT 254,856 million or 13.31 percent at the end of December 2017, against the increase of BDT 312,834 million or 19.53 percent at the end of December 2016. Of the sources of reserve money, Bangladesh Bank's net foreign assets increased by BDT 179,589 million or 7.62 percent and net domestic assets increased by BDT 75,267 million or 17.09 percent at the end of December 2017 as compared to December 2016. Money multiplier stood at 4.87 at the end of December 2017 which was 4.52 at the end of June 2017. But the inflow of remittance witnessed a downward trend in the last couple of months of FY17 as the country received 5.67 percent lower than the same period of FY16.

Focus on lending to MSME and Agricultural sectors continued. The total SME loans by the Banks and Non-Bank Financial Institutions increased by BDT 294,470 million or 18.33 percent and stood at BDT 1,901,064 million at the end of September 2017 as compared to BDT 1,606,594 million at the end of September 2016. SME loans as percentage of total loans stood at 22.30.

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 2017. Average lending rate in the industry came down at single digit.

Therefore, average spread stood at 4.44 percent at the end of December 2017 as against 4.35 percent at the end of December 2016.

## Credit Risk Management Initiatives

Previous year, Bank emphasized on follow up and monitoring of credit facilities as delinquency management is growing as a bigger challenge with the age of the Bank. MIS on daily overdue listing, monitoring of sectoral exposure caps, and early alert reporting was in the forefront of developments.

In 2018, refinement of existing process, and implementation of new risk guidelines by the Central Bank will be the top agendas. Risk based pricing, asset segregation, concentration risk management, and introduction of Internal Risk Based Approach of the Basel framework will be prioritized.

## REVIEW OF BUSINESS: MDB

### Brief history of MDB

Midland Bank Limited (MDB) was incorporated on 20 March 2013 under the Companies Act 1994 as a Public Limited Company with a paid-up capital of BDT 400 crore. The Bank started its commercial operation on 20 June 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 24 Branches including 12 Rural Branches and 26 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, Credit and Prepaid VISA cards. The Bank maintained a satisfactory level of growth of its assets and liabilities in spite of all challenges during the year 2017.

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 of cost all level of operations by ensuring budgetary goal.
- 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 20 June 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 2017, the number of branches stood at 24 (Twenty Four) including 12 (Twelve) rural branches and 8 Agents Banking Centers covering commercially important locations of the country. The Management foresees to open 6 (Six) more branches and 22 Agents Banking centers under the Agent banking license in the forthcoming year 2018. MDB with the added network is about to bring the whole country under its banking network.

## Capital Strength (Capital Adequacy)

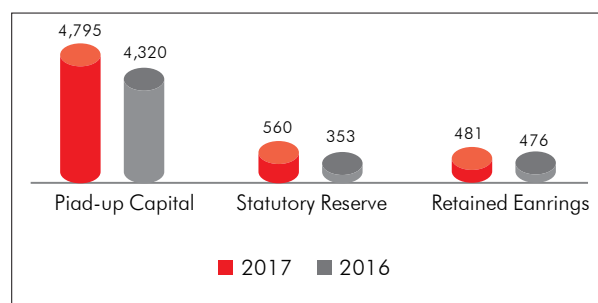
We firmly believe that capital base of the Bank is our utmost strength. This is the first time ever in Bangladesh all the 4th Generation Banks commenced its commercial operation with huge paid-up capital of BDT 4,000 million. Apart from the paid-up capital, we were able to enlarge the shareholders equity of the Bank to BDT 5,852 million at the year ended of December 2017 from BDT 5,399 million at the end of December 2016.

The following table embodies the Tier1 capital (core capital) and Tier 2 (supplementary capital) of the Bank as per BASEL III Capital Accord.

### Tier- 1 Capital:

Particulars	In BDT Million		% of Growth
	December 2017	December 2016	
Paid-up Capital	4,795.20	4,320.00	11.00%
Statutory Reserve	559.84	352.78	58.69%
Retained Earnings	480.99	476.41	0.96%
<b>Sub-Total (A)</b>	<b>5,836.03</b>	<b>5,149.19</b>	<b>13.34%</b>

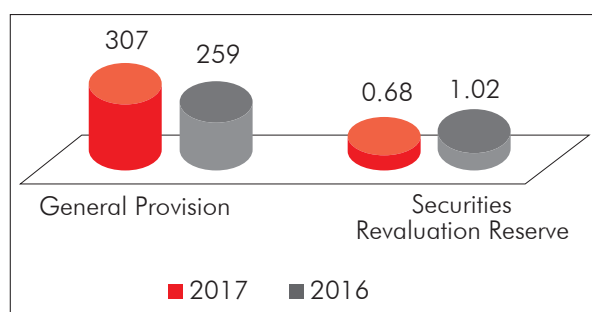
### Tier-1 Capital



### Tier- 2 Capital:

Particulars	In BDT Million		% of Growth
	December 2017	December 2016	
General Provision	305.99	257.80	18.60%
Securities Revaluation Reserve	0.68	1.02	-33.33%
<b>Sub-Total (B)</b>	<b>306.67</b>	<b>258.82</b>	<b>18.40%</b>
<b>Grand Total (A+B)</b>	<b>6,142.70</b>	<b>5,408.01</b>	<b>13.58%</b>

### Tier-2 Capital



The Capital to Risk Weighted Assets Ratio (CRAR) stood at 21.03 percent as on 31 December 2017, against the minimum CRAR of 11.25 percent.

## FINANCIAL PERFORMANCE OF MDB

Particulars	In BDT Million		% of Growth
	December 2017	December 2016	
Cash	2,389	1,974	21%
Balance with other Banks & FIs	4,959	5,346	-7%
Money at call and short notice	160	-	100%
Investments	5,778	5,973	-3%
Loans & Advances	27,296	21,045	30%
Fixed Assets	199	236	-16%
Other Assets	1,168	778	50%
<b>Total Assets</b>	<b>41,949</b>	<b>35,352</b>	<b>19%</b>
Borrowings from other Banks, Financial Institutes and Agents	313	2,271	-86%
Deposits and Other Accounts	34,240	26,676	28%
Other Liabilities	1,544	1,006	53%
Capital/Shareholders' Equity	5,852	5,399	8%
<b>Total Liabilities</b>	<b>41,949</b>	<b>35,352</b>	<b>19%</b>

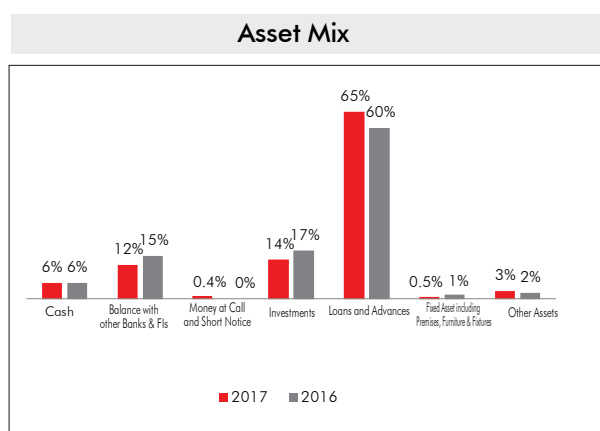
## BALANCE SHEET

### ASSETS

Total Assets of the Bank stood at BDT 41,949 million in 2017, against BDT 35,352 million in 2016, registering a positive growth of 19 percent. During the year, Loans & Advances growth was at 30 percent over the previous corresponding period, on the other hand, the growth of deposit was at 28 percent and growth of equity at 8 percent against previous year of 2016, respectively. The flow in assets was evident in the



increase of loans and advances, other 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 CRR & SLR purpose with Central Bank (Bangladesh Bank). During the reporting year 2017, the economy observed that private sector credit growth was 18.10 percent substantially overshooting the 16.20 percent H1 FY18 program target.



#### Growth of Balance Sheet items:

Particulars	In BDT Million		% of Growth
	December 2017	December 2016	
Total Assets	41,949	35,352	19%
Advances	27,296	21,045	30%
Deposits and Other Accounts	34,240	26,676	28%
Shareholders' Equity	5,852	5,399	8%

#### Cash and Balance with Bangladesh Bank, Financial Institutions and Its Agents

##### ♦ Cash in hand

The balance stood at BDT 2,389 million in 2017 compared to BDT 1,974 million in 2016. The balance increased by BDT 415 million in 2017, showing a growth of 21 percent. 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, Financial Institutions and Its Agents

The aggregate position of the Bank was BDT 4,959 million in 2017, compared to BDT 5,346 million in 2016. The balance decreased by BDT 387 million in 2017, due to encashment of matured placement fund with NBFIs for keeping ADR and wholesale borrowing limit in line with regulatory requirement.

## Investments

During the year, the investment was at BDT 5,778 million, compared to BDT 5,973 million in 2016. The Bank's investment comprises of government securities of BDT 4,461 million and others (investment in debenture, corporate bond, etc.) of BDT 1,316 million. The balance decreased by BDT 196 million in 2017, due to sale of Treasury Bonds and encashment of matured placement fund with other NBFIs.

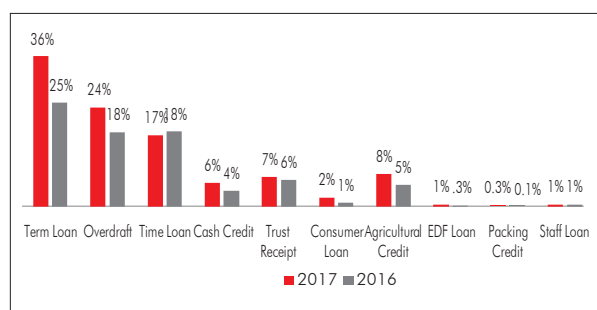
## Loans and Advances

Loans and Advances outstanding of the Bank amounted at BDT 27,296 million in 2017 representing a growth of 30 percent, compared to BDT 21,045 million in 2016. Yield on loans and advances decreased to 9.98 percent from 11.16 percent due to reduce the lending rate during 2017. Approval and disbursement of loans and advances were well managed. As a result, MDB has a nominal Non-performing Loan (NPL) of BDT 457.58 million (1.68 percent) during the FY 2017.

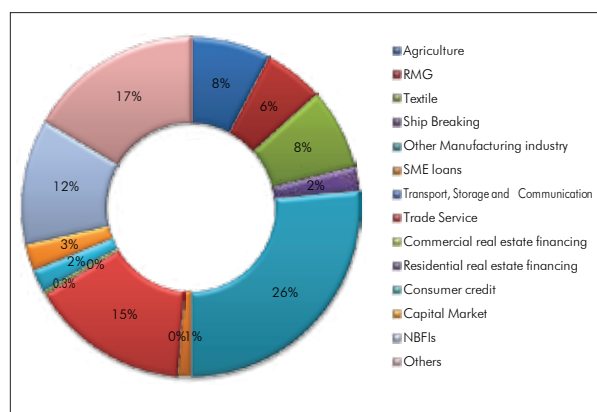
In the financial year 2017, borrowers became averse to injecting new fund in their business. Bankers were hard pressed to find a solution to a two pronged problem: worsening current portfolio versus lower opportunity to expand business in absence of committed borrowers. Against the backdrop, MDB came 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 1.68 percent. Based on contractual maturity terms 69.43 percent of the current loan portfolio will be matured less than one year, 30.55 percent will be matured more than one year, but less than 5 years and 0.02 percent will be matured over 5 years (**note # 7.04**). Bank's Advance to Deposit Ratio (ADR) at the end 2017 increased to 79.72 percent from 78.89 percent in 2016, marking an efficient mobilization of fund and equity in the most liquid banking industry in Bangladesh during the reporting period.

### Category-wise Loan Mix



### Sector-wise Loans & advances 2017



### Fixed Assets and Other Assets

The aggregate amount of fixed assets of the Bank was BDT 199 million in 2017, compared to BDT 236 million in 2016 demonstrating a negative growth of 16 percent, due to amortization of fixed assets during the year, while other assets comprises of advance income tax, advance office rent, accrued interest on investment, etc. (note # 9B) amounted to BDT 1,168 million in 2017, compared to BDT 778 million in 2016, showing a growth of 50 percent.

### Liabilities

Total liabilities excluding shareholders' equity of the Bank registered growth of 20 percent with a total volume of BDT 36,097 million in 2017, as against BDT 29,953 million in 2016. Deposits and other accounts were BDT 34,240 million in 2017, compared to BDT 26,676 million in 2016 with an admirable growth of 28 percent.

### Borrowings from other Banks, Financial Institutions and Its Agents

The borrowing represented call borrowing, REPO of Treasury Bills and refinances against SME loans from Bangladesh Bank (Central Bank), etc. The borrowings

were mainly used for Bank's liquidity, purchasing Treasury Bills / Bonds as a Primary Dealer (PD) Bank, which were devolved on the Bank in excess of CRR & SLR requirements.

### Deposits

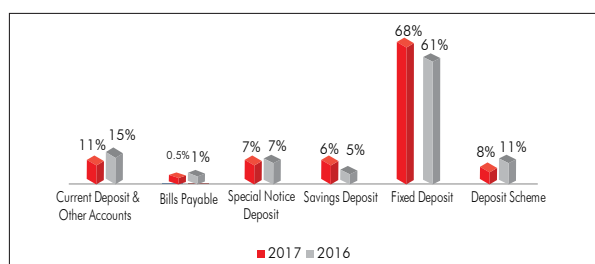
Customer deposits are the prime source of funding for Commercial Banks. To attract the new customers, it was really challenging, being a new entrant as a fourth generation Bank in the industry. However, we were able to manage efficient mobilization of deposit mix. The success was well supported by expansion of branch network, ATM Booths, Agent Banking Centers (ABC) and introduction of various rewarding 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 successfully enhanced the deposit portfolio to BDT 34,240 million in 2017 with a growth of 28 percent compared to BDT 26,676 million in 2016. The cost of deposit and cost of fund stood at 6.33 percent and 7.64 percent, respectively in 2017, as against 6.62 percent and 8.52 percent, respectively in 2016. The strong customer-based deposits comprises of individual, corporation, small & medium size enterprises, NBFIs, government entities, NGOs, autonomous bodies and others.

During the financial year 2017, MDB's deposit blend was stable with cost free and low cost deposits was at 24 percent of total deposits, Fixed Deposits to total Deposits was at 68 percent and Scheme Deposits to total Deposits was at 8 percent. High cost deposits in deposit mix such as Scheme Deposit reduced by 3 percent in 2017. A wide range of liability products are now available at MDB to meet variant needs of deposit clients

Deposit Mix	Outstanding Amount (In BDT Million)		% of Growth	Deposit Mix (%)	
	2017	2016		2017	2016
Current Deposits	3,652	4,106	-11%	10%	15%
Bills Payables	167	145	15%	1%	1%
Short Notice Deposits	2,407	1,895	27%	7%	7%
Saving Deposits	2,052	1,441	42%	6%	5%
Fixed Deposits	23,220	16,261	43%	68%	61%
Scheme Deposits	2,742	2,828	-3%	8%	11%
<b>Total Deposits</b>	<b>34,240</b>	<b>26,676</b>	<b>28%</b>	<b>100%</b>	<b>100%</b>

## Deposit Mix 2017

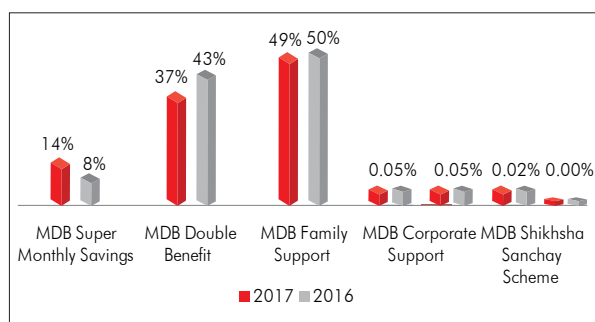


## Scheme Deposits

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 Limited 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 mobilized are given below:

Deposit Schemes	2017	2016	% of Growth
	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	-
<b>Total</b>	<b>2,828</b>	<b>2,066</b>	<b>37%</b>

## Deposit Scheme Mix



## Shareholders' Equity

The shareholders' equity increased by BDT 453 million to BDT 5,852 million in 2017, as against BDT 5,399 million in 2016 (8.39 percent ahead). Statutory reserve was up by BDT 207 million to BDT 560 million

in 2017, as against BDT 353 million in 2016 (58.64 percent ahead), while retained earnings rose by BDT 5 million to BDT 481 million in 2017, as against BDT 476 million in 2016. The growth in shareholders' equity increased by 8.39 percent, which 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 BDT 1,196 million in 2017 as against BDT 1,080 million in 2016, representing positive growth of 11 percent. Net profit after tax increased to BDT 694 million in 2017 from BDT 668 million in 2016, due to expansion of business as well as capital gain from trading and sale of shares and T-bills / bonds during the year 2017.

### Interest Income

The Bank enumerated total interest income on loans and advances BDT 2,817 million in 2017 as against BDT 2,179 million in 2016 (26 percent ahead). The Bank also earned an amount of BDT 1,256 million from commission, exchange & brokerage, income from investment and other operating income in 2017 as against BDT 1,332 million in 2016. The growth of income was mainly driven by real growth in overall assets portfolio and upsurges in commission, fees and exchanges as well as efficient utilization of fund. Yield on loans and advance reduced to 9.98% in 2017 from 11.16% of 2016, due to sliding lending rate during the 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. Income from investment decreased to BDT 964 million in 2017 from BDT 1,167 million, due to decrease the rate of interest of T-bill/bonds during the year. Investment Income was another major contributor to total operating income accounting for 47 percent of net operating income.

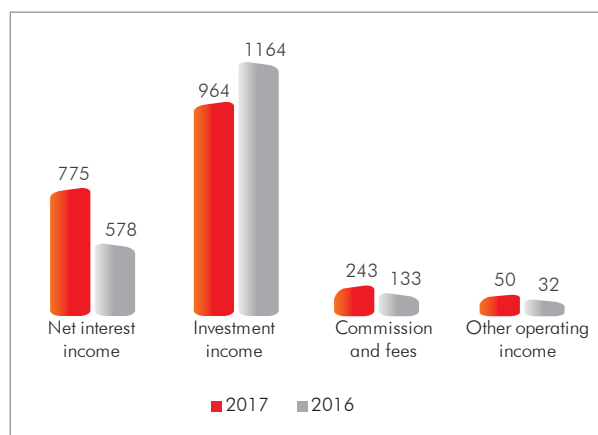
### Commission, Fees and Brokerage Income

Income from commission, fees and exchanges increased to BDT 243 million in 2017 from BDT 133 million (83 percent ahead), due to increase of non-funded business and depreciation of BDT against

USD during the year. Regulatory pressure continued to rationalize the rate of commission and charges in an effort to broaden wider access of mass people to modern banking. Increasing volume of banking business and transactions together with huge sales of banking products and cost effective measures enabled us to offset the loss from reduced commission and charges.

Particulars	2017	2016	% of Growth
	In BDT Million		
Interest income	2,817	2,179	29%
Interest paid	2,042	1,601	28%
Net interest income	775	578	34%
Investment income	964	1,167	-17%
Commission, fees and brokerage, etc.	243	133	83%
Other operating income	50	32	56%
Net operating income	2,032	1,910	6%
Operating expenses	836	830	1%
Net operating profit before provision and tax	1,196	1,080	11%
Provision on loans and advances	160	110	46%
Net Profit before tax	1,035	970	7%
Provision for corporate tax	344	301	14%
Net Profit after tax	692	669	4%

#### Revenue Mix



## Expenses

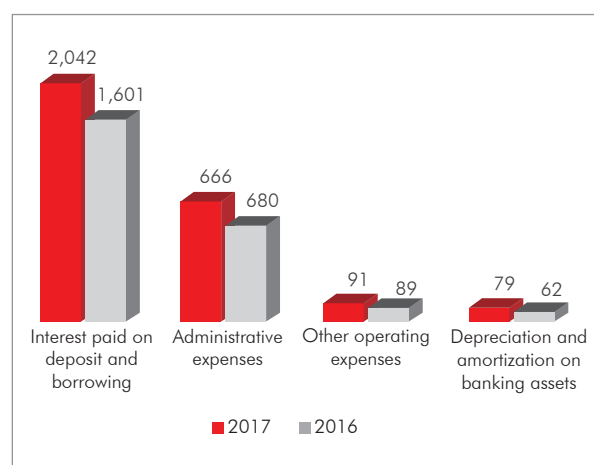
Interest paid on deposits and borrowings was BDT 2,042 million in 2017 compared to BDT 1,601 million in 2016. Administrative expenses incurred by the Bank amounted at BDT 836 million in 2017 as against BDT 830 million in 2016. Interest paid on deposits and borrowings and administrative expenses mostly increased due to expansion of business, increases of branch network and upsurge of provisioning of gratuity & provident fund during the

year. The cost of deposit and cost of fund stood at 6.33% and 7.64% respectively in 2017 as against 6.62 percentage & 8.52 percentage in 2016. The cost income ratio reduced to 41.13% from 43.48% which indicates efficiently operation of the Bank. Depreciation and repairs on of fixed assets totaled BDT 79 million up by 27 percentage from previous year.

#### Summary of Expenses:

Particulars	2017	2016	% of Growth
	In BDT Million		
InInterest paid on deposit and borrowing	2,042	1,601	28%
Administrative expenses	666	680	-2%
Other operating expenses	91	88	3%
Depreciation and amortization on banking assets	79	62	27%
Total Expenditures	2,878	2,431	18%

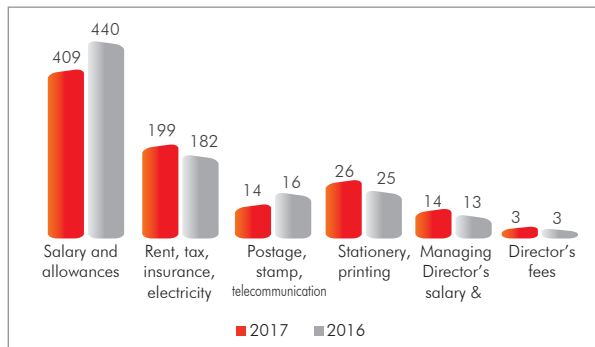
#### Summary of Expenses



#### Summary of Administrative Expenses:

Particulars	2017	2016	% of Growth
	In BDT Million		
Salary and allowances	409	440	-7%
Rent, tax, insurance, electricity, etc.	199	182	9%
Legal Expenses	1	1	0%
Postage, stamp, telecommunication, etc.	14	16	-13%
Stationery, Printing, Advertisement, etc	26	25	4%
Managing Director's salary & allowances	14	13	8%
Director's fees	3	3	0
<b>Total Administrative Expenditures</b>	<b>666</b>	<b>680</b>	<b>-2%</b>

### 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 remains steady during 2017, because of expansion of service delivery channels (Branches, ATM and Agent Banking Centers) were launched end of December 2017 and other operational cost kept in control during the year.

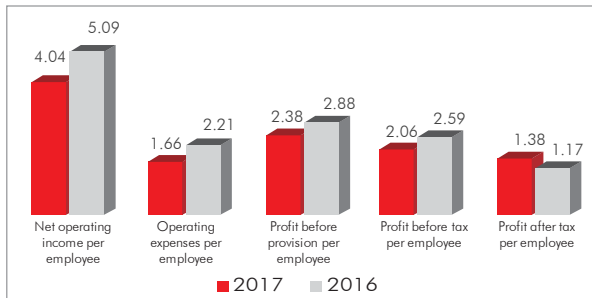
As a new growing Bank persuaded to expand business base and inclusive relationship as well as for smooth running of business under compliant environment, the Bank's operating expenses are usually high at the beginning stage. However, a prudent management of expenses and cost-control are our relentless 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	2017	2016	% of Growth
	In BDT Million		
Number of employee	503	375	34%
Net operating income per employee	4.04	5.09	-21%
Operating expenses per employee	1.66	2.21	-25%
Net operating profit per employee	2.38	2.88	-17%
Net profit before tax per employee	2.06	2.59	-20%
Net profit after tax per employee	1.38	1.78	-22%

### HR Productivity



### General provision against Unclassified Loans (UCL)

General provision against UCLs (Standard & SMA) was BDT 34 million for 2017 as against BDT 81 million for 2016. The Bank also maintained general provision against off-balance sheet exposures of BDT 15 million, compared to BDT 13 million in 2016, 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 against Classified Loans (CL)

Specific provision is required to make against classified loans and advances (Sub-standard-SS, Doubtful Debts-DF & Bad Loss-BL) as per Bangladesh Bank guidelines. During the year 2017, the Bank kept specific provision of BDT 112 million as against BDT 16 million in 2016.

### Other Provision

No provision was made against diminution in value of investment in shares and protested bills, as the Bank was not required such provision during the reporting year, but provision of BDT 0.13 million was kept against other assets during the year in compliance with regulation.

### Net Profit before Tax

After making appropriate provision as stated above, net profit after provision stood at BDT 1,036 million in 2017 compared to BDT 970 million in 2016, representing a growth of 7 percent.

### Net Profit after Tax

As per Income Tax Ordinance 1984, the Bank has made provision of current tax and deferred tax of BDT 344 million in 2017 as against BDT 301 million in 2016. After making appropriate provision of tax, net profit after tax stood at BDT 692 million in 2017, compared to BDT 668 million in 2016, representing a growth of 4 percent.

### Statutory Reserve

As per section 24 of the Bank Company Act 1991 (Amendment up to 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 560 million in 2017, compared to BDT 353 million in 2016 with a growth of 59 percent.

### Key financial ratios of the Bank

Particulars	2017	2016
ROE-Return on average equity (PAT/ Average Equity)	12.34%	12.77%
ROA-Return on average assets (PAT/ Average Assets)	1.80%	2.26%
Cost to Income Ratio (Operating expense/ Revenue)	41.13%	43.48%
Capital to Risk Weighted Assets Ratio (CRAR)	21.03%	23.30%
Advance to Deposit ratio	79.72%	78.89%
NPL ratio	1.68%	0.68%
Adjusted EPS (in BDT)*	1.45	1.39
Adjusted Net Asset Value per Share (in BDT)*	12.21	11.26

\*Net asset value per share (NAV) and EPS of 2016 adjusted by number of outstanding shares held on 31 December 2017, due to increases number of shares in 2017 at BDT 4,795.20 million from BDT 4,320 million in 2016 by issuing 11% stock dividend for the financial year 2016.

### Appropriation of Profit

Profit after Tax (PAT) stood at BDT 692 million for the financial year 2017. Profit available for distribution among shareholders is BDT 481 million after a mandatory transfer to statutory reserve of BDT 207 million (20% on profit before tax and BDT 5 million of Corporate Social Responsibility (CSR). Directors have recommended stock dividend @ 10% for the financial year 2017.

### Summary of appropriation of profit

In BDT Million

Particulars	Year 2017	Year 2016
Profit after tax (PAT)	691.84	668.41
Retained earnings brought forward from previous year	1.21	14.23
To be appropriated	693.05	682.64
Transfer to statutory reserve	(207.06)	(202.73)
Transfer to CSR	(5.00)	(3.50)
Distributable profit for the financial year	476.41	480.99
Dividend recommended:		
Stock dividend (10 % in 2017&11% in 2016)	479.52	475.20
Retained earnings to be carried forward	1.47	1.21

### Human Capital

Skilled human resources is essential for running any successful financial institution and sustainable planning is required for proper development of human resources. In 2018, our Human Resources Management Division's aims for building strong, dedicated, skilled and professional manpower base with a mission to be the employer of choice in the financial sector where all employees work with pride and dignity. To increase profitability and sustainable growth, MDB's HRM division established performance driven culture to expedite the utmost effort from its employees. To maintain a well-motivated team, employees were rewarded with promotions, increments and performance bonus every year. I am highly confident that Bank's competent HR team will take the Bank to newer heights and deliver expected results to the shareholders for years to come.

### 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. The Bank maintains 12 (Twelve) Nostro Accounts in 4 (four) major international currencies and ACU currency and 153 RMA relationships with reputed international Banks in 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).

### Maturity Analysis

In BDT Million

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	21,600	11,146	5,451	38,197
Non-interest earning assets	544	3,180	-	3,724
<b>Total assets</b>	<b>22,144</b>	<b>14,326</b>	<b>5,451</b>	<b>41,921</b>
Interest bearing liabilities	26,285	4,889	354	31,528
Non-Interest bearing	1,258	3,283	-	4,541
<b>Total liabilities</b>	<b>27,543</b>	<b>8,172</b>	<b>354</b>	<b>36,069</b>
<b>Maturity Gap</b>	<b>(5,399)</b>	<b>6,154</b>	<b>5,097</b>	<b>5,852</b>

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

### Green Banking

Green Banking is defined as promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities, thus building our world into a safe living habitat. The Board and Management are committed in providing resources for the growth of green business and practices. MDB put emphasis on green revolution of internal operations by adopting proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark. In 2017, we incorporated environmental risks in our CRM, introduced mobile banking and online or paper less banking as well as e-recruitment system, re-financed eco-friendly and energy efficient projects, facilitated employee training and took customer awareness initiatives.

### Money laundering and Terrorist Financing

Money Laundering (ML) and Terrorist Financing (TF) are global phenomena, apparent in almost every part of the world. ML and TF are components of terrorist activity which threatens a country's financial sector

reputation as well as its national security. Emerging sophisticated techniques of moving illicit money have compelled financial intermediaries including MDB to make compliance programs more rigorous. To stave off the risk of financial crime, MDB focused in training employees, strengthening its screening system and ensuring that policies and procedures were effective and always up-to-date. MDB is firmly determined not to let money launderers and terrorist or perpetrators use it as their tool to launder money or finance terrorist activity in any possible way.

### Corporate Social Responsibility

The Bank is very much active to the cause of society in meeting its obligations to the less privileged peoples. MDB was involved in a broad range of direct and indirect Corporate Social Responsibility (CSR) engagements which included humanitarian relief and disaster response, widening opportunities for disadvantaged population segments, supporting of healthcare and education. During the year, the Bank contributed to Baputipara Balika Biddaloy and Chad Tara Mosque for books, and to Shishu Bikash Kendra of Zonta Club for breakfast for students. Bicycles were distributed among meritorious but financially challenged female students. MDB provided financial assistance to thousands of flood affected victims and donated as well as distributed more than 15,000 blankets amongst winter affected poor people through Prime Minister Relief Fund. In addition, the Bank donated BDT 2.00 million to Bangabandhu Sheikh Mujibur Rahman Memorial Trust, a charitable organization, working for the socio-economic wellbeing 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 honorable Prime Minister of the People's Republic of Bangladesh.

The Bank conducted various CSR activities during the year 2017 (details are discussed in CSR report in this annual report).

### Corporate Governance:

Corporate governance involves a set of identifiable relationships among the stakeholders of the Bank. MDB strives to practice and follow standard principles in accordance with the rules, regulations and guidelines from regulatory authorities. It is incumbent upon every leader of our Bank to model the right values and to lead by example to ensure the right

behavior continues year after year. The Board of Directors remained committed to ensure the highest standards of corporate governance throughout the organization with the objectives of safeguarding the interests of all stakeholders and financial performance of the Bank. They guided the Bank towards the goal set by the stakeholders, ensuring highest standards of integrity, accountability, transparency, ethics and professionalism. With the ultimate objective of taking this financial institution to the next trajectory of inclusive sustainable growth, two supporting committees, i.e. Executive Committee and Audit Committee provided guidance and direction to the Board and Management. Another committee- Risk Management Committee analyzed Bank's core risks. For an effective control system, Internal Control & Compliance Division (ICCD) and Board Audit Committee functioned in sync within the Bank. External Auditors appointed by the shareholders for auditing the financial statements of the Bank and providing their independent opinion whether the financial statements were prepared in accordance with applicable rules and regulations and international accounting standards that reflecting the truth and fairness of the financials of the Bank.

### **Corporate Sustainability**

In order to uphold corporate sustainability, MDB has concentrated in the key areas i.e. nation building, creation of healthy and congenial works place, enhancing the market place, support to the community and fortification of the environment. As a socially conscious and responsible corporate body, MDB is committed to the improvement of the society as a whole. MDB is continuously trying to put its efforts to help the disadvantaged population of the country in the sector of education, health, disaster management, sports, arts and culture, etc. The Bank is contributing a portion of its net profit every year to the CSR Fund. The Bank conducted various CSR activities during the year 2017 (details are discussed in CSR 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 Board, Executive Committee, Risk Management Committee and Audit Committee as per regulatory

guidelines (**Note-30**). The Managing Director & CEO was paid salaries and allowances as per approval of MDB Board and Bangladesh Bank. (**Note- 25.01**)

### **Accounting Records**

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

### **Accounting Policy and Implementation of BAS / BFRS**

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

### **Internal Control**

The Board of Directors is responsible for approving the overall business strategies and significant policies of the Bank, setting acceptable level for these risks and ensuring that senior management takes necessary steps to identify, measure, monitor and control of these risks. The Board of Directors also approve an effective internal control system that also requires to setting an appropriate control structure, with control activities defined at every business level. These include review by top level management, appropriate activity controls for different departments / divisions, physical control, checking for compliance with exposure limits and follow-up on non-compliance, a system of approvals and authorization, and a system of verification and reconciliation, thereon.

## Standard Reporting

The financial statements have been prepared in accordance with Bangladesh Bank guidelines, 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 1991 (Amendment up to 2013) and Company Act, 1994. Midland Bank Limited 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.

## Internal Control Environment

The Board of Directors set the tone for an effective internal control background from end to end regular review of the process identifying, evaluating, and managing the significant operational risks of the Bank. Management is responsible to formulate Standard Operation Procedures (SOP) duly approved by the

Board of Directors, are signed off by each Head of Division / Branch to provide assurance that this SOP is communicated, understood and complied with accordingly. Every year top management team conducts a self-assessment of key control that affect the business and develop action plans to make the internal control environment stronger.

## Supplier Payment Policy

The Bank has developed and implemented a set of vendor's payment policy in its procurement policy and procedures duly approved by the Board of Directors. Before processing any payment, 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/beneficiaries. 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.

## Shareholders' Value

The Board of Directors is fully committed to accretion high value of its shareholders investment by earning solid profitability through delivering excellence in services to its valued clients and stakeholders. The Board was able to keep its commitment by settling excellence profitability trends in the year 2017. During the year, earning per share (EPS) stood at BDT 1.44 against BDT 1.39 in 2016, Return on Investments (ROI) at 11.82% against 12.35% in 2016, Return on Average Assets (ROA) stood at 1.80%, against 2.26% in 2016 and Return on Shareholders' Equity (ROE) at 12.34% against 12.77% in 2016.

## 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. 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 2017, a total 14 (Fourteen) meetings of the Board of Directors were held.

### **Appointment of Auditors**

Hoda Vasi Chowdhury & Co., Chartered Accountants had conducted the audit of the Bank for the financial year 2017. They have completed 2nd terms (2 years). As such, they are eligible for conducting audit another one year (FY2018) as per guidelines of Bangladesh Bank. The Board of Directors in its 69th Meeting held on 28 February 2018 recommended to re-appoint Hoda Vasi Chowdhury & Co., Chartered Accountants as external auditors of the Bank for conducting audit for the financial year 2018. Shareholders of the Bank will approve re-appointment of Hoda Vasi Chowdhury & Co., Chartered Accountants in its 5th AGM to conduct the audit for the financial year 2018.

### **Annual General Meeting**

The schedule of 5th Annual General Meeting (AGM) of the Bank to be decided later. The Directors' Report along with the financial statements was approved at the 69th Board Meeting held on 28 February 2018 to be placed before the shareholders of the Bank in the 5th AGM of review and approval.

### **Outlook Financial Year 2018**

During the financial year 2018, the Bank will continue to strengthen its position by expanding the core business activities, particularly in Retail Finance, Commercial Lending to SME and Agriculture, Corporate Finance, 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 greater shareholders' value in coming year 2018.

### **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 prudent guidance and timely support of the Board of Directors have substantially contributed to the 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 time to time.

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

On behalf of the Board of Directors



**M. Moniruzzaman Khandaker**  
Chairman

# Report on Economic Impact

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

The capital adequacy computation as on December 31, 2017 is given below:

In BDT million		
Particulars of Capital Fund	2017	2016
Paid up Capital	4,795.20	4,320.00
Statutory Reserve	560.30	352.78
Retained Earnings	480.99	476.41
<b>Total Tier - I (Core) Capital</b>	<b>5,838.34</b>	<b>5,149.19</b>
<b>Tier-II(Supplementary) Capital:</b>		
General Provision including Off Balance Sheet items	306.00	257.80
Revaluation Reserve on Investment in Securities	0.67	1.02
<b>Total Tier - II (Supplementary) Capital</b>	<b>306.67</b>	<b>258.82</b>
<b>Total Capital (Tier I + II)</b>	<b>6,142.70</b>	<b>5,408.01</b>
Total risk weighted assets	29,213.08	23,210.27
Tier - I (Core) Capital Ratio	19.98%	22.18%
Tier-II (Supplementary) CapitalRatio	1.05%	1.12%
<b>Capital to Risk Weighted Asset Ratio (CRAR) – Minimum Requirement @ 11.25%</b>	<b>21.03%</b>	<b>23.30%</b>

## Statement of Value Added and its Distribution

In BDT million		
Particulars	2017	2016
Income from banking services	4,073.43	3,510.76
Less: Cost of services & supplies	2,391.85	1,928.43
Value added by banking services	1,681.58	1,582.33
Non-banking income	-	-
Provision for loans and off-balance sheet exposure	(165.03)	(110.01)
<b>Total</b>	<b>1,516.55</b>	<b>1,472.32</b>
<b>Distribution of value addition</b>		

To employees as salaries & allowances	423.04	452.09
To providers of capital as dividend & reserve	207.52	202.73
To Government as income tax	371.60	307.36
<b>Sub-Total</b>	<b>1,002.16</b>	<b>962.63</b>
<b>To expansion and growth</b>		
Retained profit	479.78	465.68
Depreciation	62.76	50.60
Deferred taxation	(28.15)	(6.14)
<b>Sub-Total</b>	<b>514.39</b>	<b>510.28</b>
<b>Grand Total</b>	<b>1,516.55</b>	<b>1,472.32</b>

### 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 cognizant about their return on capital invested. As a commercial Bank, we are deeply concerned for delivery the value to all of our Shareholders/equity providers. During the reporting year 2017, the economic value added of MDB are as under:

Particulars	In BDT million	
	2017	2016
Shareholders' Equity	5,851.99	5,399.08
Add: Accumulated provision for Loans & Advances and Off Balance sheet exposure	490.63	330.27
<b>Total Shareholders' Equity</b>	<b>6,342.62</b>	<b>5,729.34</b>
Average Shareholders' Equity	6,035.98	5,508.17
<b>Earnings</b>		
Profit after tax	691.83	668.41
Add: provision for Loans & Advances and Off Balance sheet exposure	160.49	110.01
Less: written off during the year	-	-
<b>A. Earning for the year</b>	<b>852.33</b>	<b>778.42</b>
Average cost of equity (based on weighted average rate of Shanchay Patra issued by the Government of Bangladesh) plus 2% risk premium.	10.35%	10.35%
<b>B. Cost of average equity (6,035.98*9.64%)</b>	<b>624.72</b>	<b>570.10</b>
<b>Economic Value Added (A-B)</b>	<b>227.61</b>	<b>208.32</b>



# Performance by Banking Segments

## CORPORATE BANKING

2017 has been a mixed year of achievements and challenges for Bangladesh economy. Although some macro-economic indicators reflect the positive trends, the overall strength of the economy weakened during last quarter due to higher food inflation, record current account deficit for higher import payment for essential commodities and capital machineries coupled with negative remittance growth and moderate export growth. One of the major achievements of the economy has been a 7.28% GDP growth in FY 2016-17 breaking the six percent cycle that continued for more than 10 years.

In 2017, the banking sector exposed to deteriorated weaknesses through major indicators such as rise of non-performing loans, liquidity crisis, lower capital adequacy and the overall lack of good governance in the sector. The situation even deteriorated more for 4th generation Banks. In spite of the fact, MDB successfully operated and could manage to harness reasonable operating profit keeping Non-Performing Loan (NPL) at very low level through its appropriate due diligence process and strong monitoring. Corporate Banking Division of the bank has significant contribution to its performance.

In 2017, Corporate Banking Division (CBD) along with other functional units of the Bank has contributed to the success of the Bank with significant growth than the previous year. Out of total asset book growth of BDT 6.56 billion, BDT 2.20 billion was contribution of Corporate Banking Division which is 33.53% of total book's growth. Asset book of CBD reached the height of BDT 2.23 billion in October'17. Nevertheless to mention, due to strategic decision of management of the Bank, Corporate Banking Division decelerated its asset growth in last quarter of the year 2017 and ended up closing the book with BDT 2.20 billion. In liability side, out of total liability book growth of BDT 6.11 billion, BDT 5.06 billion was contributed by corporate liability team and also corporate asset team, under their separate liability target, which is 82.81% of total liability book growth (Year to Year) of the bank.

MDB having its vision for contributing faster and sustainable economic growth of the country, realizes the requirement of a strong infrastructure, logistic and industrial base which require large investment by private sector under PPP mode. Banks and other financial institutions typically participate in syndication financing to arrange/manage large amount of fund for large projects to develop infrastructure, logistic and industrial base. In order to properly channel fund for that purpose, MDB introduced Structured Finance Unit (SFU) in 2017 as integral part of the Corporate Banking Division. The SFU is dedicated for industrial growth, promoting infrastructure projects, managing alternative financing through innovative products and instruments. SFU also is responsible to explore opportunities in the market to cater new arrangement for easy availability of fund at a competitive rate. Sensing the proper knowledge gap of the entrepreneurs, SFU offers financial planning, advisory and agency function.

### Corporate Asset Team's contribution and initiatives

Corporate asset team has newly penetrated in Telecommunication Sector apart from existing investment in RMG sector, Textile sector, Foods & Beverage sector, Ship breaking sector, Steel sector, Power & Energy sector and Automobile sector. Among NGOs and NBFIs, corporate team targeted only top tier NGOs (Top-20) and NBFIs with sound financial strength. By dint of careful scrutiny and selective approach, NPL ratio is targeted to maintain at minimum range.

Throughout 2017, FX rates particularly BDT-USD exchange rate has shown strong & rather abrupt upward trend. While this favored the exporters, but for the local market-based clients which rely on import for supplies exposed to significant exchange rate risk. Midland Bank Limited identified such situation as a good business opportunity through providing hedging the exchange rate risk by offering & executing "Forward" for USD 15 Million against UPAS LCs.

Structured Finance Unit (SFU), the latest addition to MDB's Corporate Banking Division, successfully sourced a syndication deal of Kushiya Auto Bricks Limited. Later, Midland Bank Limited and Infrastructure Development Company Limited (IDCOL) jointly mandated as "Joint Lead Arranger" to source BDT 60 crore for the project in form of Syndicated Term Loan. This is the first deal of MDB as "Lead Arranger". The project, Kushiya Auto Bricks Limited, is an environment friendly automated brick manufacturing unit with production capacity of 180,000 solid bricks/day.



Mandate Signing Ceremony of Syndicated Term Loan Facility for Kushiya Auto Bricks Limited

### 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 and since then, Midland Bank Ltd. has devised 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 like Meghna group, T.K. Group and Southeast University.

In the year 2017, corporate liability book reached the threshold of BDT8.16 billion out of which, centralized corporate liability team's contribution was BDT 3.36 billion. Due to better position in liability side, management of Midland Bank desired to focus less on liability in the 2nd half of the year. Moreover, a lot of investments in infrastructure project took place in the market and government borrowing from commercial banks also increased in the 2nd half of year, which resulted in drying up liability of overall of banking system. Midland Bank is not out the league and faced challenge during last two months of 2017. However, Corporate Liability team continued to its aggressive approach in the market to contribute more in book value of total liability of the Bank.

## RETAIL DISTRIBUTION

Retail Distribution Division (RDD) have continued to transform its retail banking model into a more simple, personal and user friendly model since its launch in March, 2015. RDD primarily focuses on customer satisfaction, digital transformation of distribution channels, products and services and operational excellence of processes of the Bank. In 2017, the Bank opened 3 more branches (Sylhet, Khulna and Sompura Bazar) along with 3 ATM Booths to broaden its business network followed by introduction of 8 Agent Banking Centres in a strategic locations of the country to strengthen presence of MDB and to cater the financial market of rural area, hitherto not covered by banking services. During 2017, the Bank has also continued its focus on increasing the number of customer base which leads to both quantitative and qualitative growth of the Bank. This measure enabled MDB to broaden retail customer base from 30,819 to 44,360 which facilitated to mop up cost free and low cost deposits of BDT 2.00 Billion, a significant achievement for a fourth generation Bank in this acute competitive market situation. MDB received BDT 259.10 Million remittance in 2017 and amassed utility bills of BDT 1.94 Billion from DESCO, DPDC, REB, WASA, BRTA etc.

We have launched few competitive deposit products (RMG Star Savings Account, MDB Interest First) and loan product (MDB Amar Bari) in the market in 2017 to meet customer requirements and help our goal of financial inclusion for the low income group, hitherto not served by the banking sector.

Midland Bank Ltd. is always in the forefront in implementing technology based solutions. We have one of the most user friendly, multi-functional and highly secured Internet Banking facility in the country with state of the art

technology. Besides BEFTN (Bangladesh Electronic Fund Transfer Network) and RTGS (Real Time Gross Settlement), we are among the first six Banks who have introduced and integrated ourselves with NPSB (National Payment Switch Bangladesh) with our Internet Banking facility to enable customers to transfer fund from their accounts to anywhere in Bangladesh without coming to the branch. We have connected our ATM (Automated Teller Machines) and Debit Card to the NPSB (National Payment Switch Bangladesh) to provide customers' access to more than 5,000 ATMs across the country. Our SMS based service facilitate our customers for receiving notification on every transaction in their mobile phone.

### **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 satisfying the client requirement with excellence, but not compromising the compliance issues.

### **Our aim for the future**

RDD plans to expand the Bank's business and service network along with development new product, improving service quality for consolidation our position in the market to ensure faster and sustainable growth of the bank.

## **MSME FINANCING**

Micro, small and medium sized enterprises, apart from agriculture sector is the biggest employer of Bangladesh economy and it's combined contribution to GDP is higher than large enterprises. As such this segment is considered as the growth engine of the country's economy.

In view of the immense importance and business potentially of this sector, MDB attaches top priority to develop SME sector through extending short term financing to wide range of manufacturing and service based enterprises. To support and harness potentiality of this sector, MDB launched ECSP & SME Division on September 2013 to deal with business of this segment. The Division developed/structured a range of loan products to cater requirement of different business sub segments. This facilitated MDB to enhance it's portfolio in this sector from Tk. 15.13 Crore (in 2013) to Tk. 214.00 Crore (in 2017), a phenomenal growth of 14 times in a period of five years.

Bangladesh Bank envisaged priority in segments i.e. women entrepreneurs, micro enterprise, cottage industries, under privileged group, 3rd gender, ethnic groups etc. with re-financing opportunity at lower rate of interest. MDB disbursed loan of Tk. 63.16 crore to the women entrepreneur during the year 2017 which is an outstanding achievement considering age of MDB and total portfolio.

To facilitate remote level Micro/Small entrepreneurs, MDB is under process to sign an agreement with Bangladesh Bank for refinancing under "Second Small & Medium Sized Enterprise Development Project (SMESPD-2)" scheme. Under this refinancing project we will be able to finance the Micro/Small scale enterprises outside Dhaka & Chittagong City Corporation area with comparative lower rate, in regard MDB opened 50% of branches in rural area and also introduced Agent Banking in different remote area, hitherto not covered by banking facilities to facilitate and identification of potential client, delivery of loan, supervise proper end use, engage intense monitoring and ensure recovery.

SME Division envisage to enhance its portfolio by amount of Tk. 235.00 crore mainly to the Bangladesh Bank designated priority sectors keeping in mind geographical diversification and also business segment diversification.

## **AGRICULTURE CREDIT**

Agriculture is the mainstay of Bangladesh economy contributes 14.2% GDP and generates employment; it remains a major supplier of raw materials for agro-based and food processing industries, and contributes significantly towards export earnings. Agriculture sector comprises crops, horticulture, pisciculture, livestock, and forestry sub-sectors with crop sub-sector being the predominant. Agriculture is the principal source of food and nutrition.

Also agriculture tremendously generates trade, service and transport sectors and also creates market for manufacturing sector.

In view of the imminence importance of agriculture sector Midland Bank allowed more than 5% of its portfolio to Agri crop sector at convenient rate through Non-government organization as per BB set target. Besides substantial credit facilities were also allowed to Non Crop sector e.g. pisciculture, livestock. MDB also envisage to deliver Agri credit facility through their own distribution channel.

So, its role is important in improving the wellbeing of the vast population through enhancing productivity, profitability and employment generation, poverty alleviation in the rural areas. As such role of Agriculture sector cannot be over emphasized.

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 of MDB is trying to lending in agri sector and successfully meet 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 2016-2017 (based on July to June), MDB's disbursement target in agri lending was Tk. 45.00 crore. MDB achieved its target for the financial year 2016-2017 by 355.56% & Special Agricultural Credit at 4% concessional Interest Rate by 110%. To achieve the target for the FY 2017-2018 MDB is working very hard & already achieved almost 135.08% against yearly sale at the end of December 2017.

## **INTERNATIONAL TRADE**

MDB International division provides full range of services to all corporate and SME clients for their trade solution. Bangladesh is becoming an active partner of International value chain and also international trade is increasingly complex due to regulatory and compliances issue. As such International Trade is a lucrative area of business and also one of the challenging areas of banking operations. To tackle the challenge MDBL has successfully completed centralization of trade services in 1st April 2015 which is a qualitative shift from conventional concept. International Division of Midland Bank possesses experienced professionals with sound educational background, engaged in centralized trade operations for catering the foreign trade needs of the customers.

### **Foreign Correspondents**

Midland Bank has continuously developed strong correspondent relationship with internationally reputed banks to facilitate its foreign trade operation. As of December 31, 2017 the number of foreign correspondents stood at 125 in 41 countries of the world. Our excellent reputation in meeting our commitment along with our strong financials have enabled us in securing credit lines (both funded and non-funded) from internationally reputed Banks. This facilitates the bank for growing steadily and sustainably in the International transaction.

### **NOSTRO Accounts**

At present, Midland Bank is maintaining 12 nostro accounts in major international currencies viz.: US Dollar, Pound Sterling, Japanese Yen, Euro & Dollar accounts under Asian Clearing Union (ACU), with reputed international banks, ensuring effective foreign currency management as well as timely payment of foreign currency commitments.

### **Foreign Trade**

In 2017 the total Import business handled by the Bank was USD104.58 million registering a growth of 9.23 % over the Import Business of 2016 (USD95.74 million). Total export business routed through the Bank in 2017 was USD60.46 million which was 59.35% higher than that of 2016 (USD37.94 million). The higher growth of Foreign Trade contribute substantially towards profitability of MDB.

### **SWIFT Operations**

Midland Bank has become a member of SWIFT in 2013 to ensure smooth, reliable and secured financial transactions for its retail, SME and corporate customers. In the last quarter of 2017, our SWIFT operation unit has introduced SWIFT Alliance Message Management 7.1.40 which enables all AD branches to be linked up with SWIFT uninterruptedly with more than 12,000 Live Institutions in 258 countries around the world.

## Key Features of International Division are

Automation of TSD: Real time transmission of L/C and send acknowledgment copy of L/C and advice to client, standard L/C format, daily maturity tracking, export import register, compliance of regulatory and audit issues, on job training, seminar, workshop.

International Division ensures excellent customer experience for all of their transaction. International Division, in addition to providing services, ensures local and international compliance, KYC and the operating procedures.

## TREASURY

2017 was a year of volatility and opportunity for Treasury wholesale market. Yield of government bill-bond rate experienced upward movement from 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, though net market liquidity shrank starting from mid of the year. USD-BDT market experienced one of the most volatile years in recent times. Slow remittance receipt coupled with strong import growth and sluggish export performance resulted in depreciation of BDT against USD by approx. 5.02% in 2017. However, actual market volatility was much higher and central bank sold large amount of greenback into the market to make it stable.

### Midland Bank Treasury:

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



### Money Market Desk

Midland Bank money market desk is one of the most active and efficient desk in the inter-bank market. Dealers exercise all kinds of money market product available in market 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 product available in market like Commercial paper, Subordinated debt, Preference Share etc. This desk is an active participant in secondary market trading of government securities. Being a Primary Dealer (PD), this desk also performs all the responsibilities of primary dealer. Active participation in secondary market trading of government securities generated capital gain of BDT 335.9 million in 2017.

### Foreign Exchange Desk

Midland Bank Treasury is capable of vanilla and derivatives products in FX market. Midland bank was very active in foreign exchange market, both in inter-bank and with corporate customers.

### 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.

### Equity Investment Desk

Midland Bank started taking exposure in Secondary equity market from 2017. The desk, with in-depth market knowledge and long-term investment orientation, was able to generate handsome return from secondary equity market.

## 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 2017, total foreign exchange transaction volume was USD 4,689.90 million compared to USD 2844.64 million in 2016, achieving a transaction growth of 164.87% in 2017. Also, Midland Bank treasury was very active in secondary bond trading. Total secondary bond market transaction turnover by Midland Bank Ltd. in 2017 was Tk. 27,723.7 million which was 19.6% of entire market.

## Treasury Priorities in 2018

- More active participation in secondary market of government securities by exploring market to both corporate and individual customers.
- Enhancing the capabilities of corporate sales desk to tap foreign exchange business and enhance cross selling capabilities.
- Exploring new opportunities and provide tailored solution to customer by offering new derivative products.
- Manage balance sheet with specific focus on interest rate movement and business need.
- Automation of Treasury activities by introducing Treasury Module in the bank.

## Treasury Market Outlook for 2018

Market outlook always correlates with money growth, expected inflation, private sector credit growth, benchmark rate and level of government borrowing. Inflation on December was contained within expected level of inflation by Central Bank, however higher credit growth and rising import cost for BDT depreciation is posing threat on inflation outlook. Current account deficit further widened throughout the year, with balance stood -4.43 billion on Nov 2017. Higher import and payment for some mega projects will put pressure on exchange rate. Taka may further depreciate by another 2.50-3.0% in 2018. Interest rate path is reversing up, due to higher credit growth, funding uncertainty and expectation. In our projection money market rate will be stable around reference rate as the market still have around Tk.17,000 crore of deployable liquidity at Dec 2017. However, average deposit and lending rate of industry will move up in 2018. Yield on government securities will also experience upward movement due to higher deposit cost and funding uncertainty.

## AGENT BANKING

Midland Bank Ltd (MDBL) envisages for inclusive growth encompassing all segments/ sectors of the economy, all strata of the population and geographical locations to foster balanced growth and distribute economic prosperity covering the entire country and as well as harness our business opportunity from the areas that was not previously served by the modern banking system. To achieve this vision, we set up 50% of our branches in the rural areas and also structured a good number of business products to serve the unbanked population. However, considering the fact that it is impossible for any Bank to cover a significant portion of the vast rural areas with banking business/branches/services centers. To address the situation, MDBL launched Agent Banking service on 23 January 2017. Within one year of operation, MDB established 8 Agents banking centers, covering 7 districts, opened 906 accounts with total deposit of Tk. 19.7 Million, 77% of which constitutes cost free and low cost deposit.

Considering the sensitivity and to ensure the safety, security and compliance in serving the unserved, a portion of these are illiterate segment, some prolific measures have been undertaken to safeguard the interest of customers, agents and Bank. Integration of Bio-metric authentication, SMS alert against each transaction, printed receipt in Bangla and awareness through visual materials in Agent Banking Centres are some examples of this safety and security endeavor. The initial success and experience of Agent Banking has given confidence to expand networks of Agent Banking Centres and within the year 2018, we planned to start 25 Agent Banking Centres throughout country which will enhance our low cost deposit base.

We also envisage to extent lending, through our well structured products designed to serve, hitherto the unbanked population and also to deliver Agri crop lending through our agent banking network to achieve our cherish goal of inclusive growth.

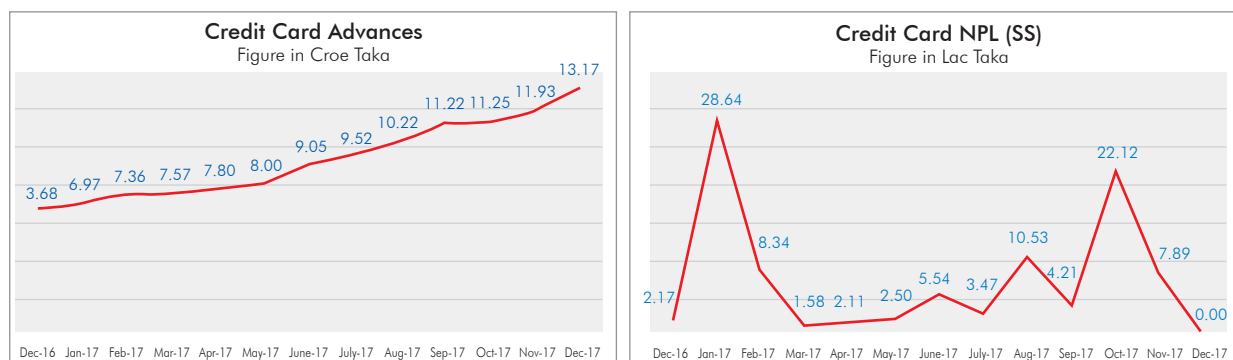


## MDB CARDS

MDB is a relatively new entrant in the challenging cards business, dominated by few large private and multinational banks. In short period, it successfully created its own brand image to penetrate into this highly competitive though lucrative market. MDB's strong IT base and professional business team ensures to deliver quality, client convenient and secured services and created a satisfied client base though small at present but growing at an accelerated rate.

Card Division continuously increased the number of business partners in 2017 and signed agreements with large merchant establishments including Fashion & Lifestyle, Restaurants, Hotel & Resorts and Health & Beauty Care etc. As of 31st December 2017, the Bank had 70 merchants under discount and "EasyPay" (0% interest) installment purchase program. Highlights of the year 2017 include introduction of EMV Chip Cards having latest features, functionalities and generating secured transactions. 2FA enabled e-Commerce transaction was introduced and deployed 3 onsite ATMs at new branches enhancing total ATM at 23. Also MDB cards have access to more than 9,000 ATMs located all over country under Q-cash payment system. Card Division launched e-statement for visa credit cards to obsolete paper based statement. This achievement attracts MDB Card users to augment their usage and also ensures acceleration of card acquisition.

Card Division successfully completed the year 2017 with significant achievements. The business team achieved significant growth in issuing cards and also in billing volume. By the end of 2017, Card Division acquired 2,300 Visa credit card customers and 16,810 Visa debit card customers. The credit card outstanding was raised to Tk.65.00 million over the year 2017. Furthermore, delinquency is nil, a remarkable achievement considering card market scenario which depicts professionalism on the part of business and approving teams.



### Priorities for the year-2018

Nevertheless, the quest for excellence is a continuous process and in this regard we are planning to introduce following steps in 2018:

- Introducing Biometric Smart Card Reader at ATM for fingerprint recognition.
- Introducing Visa payWave cards for the Bank.
- Introducing value added services i.e. safety net insurance program, reward points, branch POS and conversion of card outstanding into EMI credit facility.

Implementation of these initiatives will enhance capacity of MDB, secure cards/ transactions more effectively, offer the client more convenience, safety and secrecy; thus improve our competitive edge significantly. As such our card issuing, transaction, card billing volume and subsequently our lending with card will enhance significantly.

## INFORMATION TECHNOLOGY

To keep pace with the fast changing environment, client's requirement for quality, fast, safe and varied services and in accordance with regulatory requirement as well as to achieve competitive edge, MDB started its operations with information technology driven modern infrastructure.

MDB Information Technology Division is manned by interactive & professional team, who are relentlessly involved for development of innovative products, upgrade infrastructure, IT enabled services, implementation of techniques to mitigate risks in order to achieve the goal of the Bank and strengthen MDB position in the fast changing market. MDB implemented secure and reliable communication channel to ensure security of the Bank, clients' safe and quality transaction with confidentiality, which in turn facilitated the Bank to ensure growing satisfied customer base. To be the first choice of banking, MDB connected with latest payment systems NPSB, introduced by Bangladesh Bank during 2017, NPSB is a real time inter-bank fund transfer arrangement facilitated to our customers to avail smooth and secured transactions with 6 (six) member Banks of NPSB, which enabled the Bank to reach at a new height.

Core Banking System (CBS), is the backbone of today's banking activities which MDB upgraded in the year 2017 to fulfill our customer needs in more efficient manner. This allows the Bank to launch diversified deposit and lending products and other banking services to meet wide ranging requirement of all segments of customer. Also through automation and robustness of the processes, MDBL ensures transparency, accuracy and security of the services of the Bank.

To strengthen practices and procedures in compliance of Central Bank and also to overcome any catastrophic event, we established our 1st Disaster Recovery Site (DRS) at Zahed Plaza, Gulshan, with world renowned, latest and sophisticated devices and technology for continuation of our banking services.

## **MDB'S SERVICE EXCELLENCE**

MDB is always dedicated to maintain 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 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](mailto: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 2018**

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 AND COMPLAINT MANAGEMENT

To achieve sustainable growth, satisfied customer is prerequisite for which quality and timely services are to be rendered with diversified service, products to meet client's specific requirement. In this intensely competitive market environment, keeping and improving quality services is imperative for enhancing the customer and penetrating into new market. In view of this environment, MDB attaches top priority for developing and continuously monitoring customer services rendered by the Bank in its day to day operation.

To exclusively and professionally look after the matter MDB developed Customer Services & Complaint Management (CS&CM) Division which takes a relentless effort in establishing a customer-friendly environment by resolving any complain from the customer through prompt analysis, investigation and initiating remedial measures. Besides various preemptive measures have been initiated e.g. training sessions for the officials of the Bank, Information Technology enabled services facilities, customer awareness program for continuously improving our services and also our customers are gaining more confidence on us, which positioned MDB as a Bank of their first choice.

We received only 13 complaints on different category /segments, all of these addressed properly which depicts our satisfactory service quality and level of customer satisfaction.

## HUMAN RESOURCES MANAGEMENT

Human Resources Management Division has an aim to contribute for building strong, dedicated, skilled and professional manpower base for the Bank in peoples' development who are involved in the profitability curve and sustainable growth of the Bank. We believe that everyone has a latent talent, and for that we thrive to find out the underlying talent of the employees and help them to utilize their talent properly towards achieving individual development and organizational goals. This Bank established performance driven 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 continuing process and the output of the development helps the organization to meet the objective and vision of the organization. The Bank highly emphasizes on attitude driven talent acquisition process as we don't offer merely a job for the employees but we are highly conscious to offer 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 with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance. The financial sector with increased global, regional and local competition coupled with socio-economic sensitivity has created enormous challenges in organization like private commercial Banks. To cope with new challenges, our strategic approach is to make our people techy to cope with technology based environment. Thus we thrive for caring our people so that they can grow as future leaders of the Bank. Also we created enabling working environment to attract, develop and retain quality manpower to ensure all the development of the Bank.

We appreciate the employees' creativity and innovation for improving the work process of the Bank. Employees will be provided the work life balance, respect and caring attitude within the organization that they are expected to share externally with every customer as a Brand Ambassador of the Bank.

## RESEARCH AND PLANNING

As a forwarding looking bank MDB has setup Research and Planning Division to deal with the dynamic of financial market and as well as overall economic trend. Research and Planning Division of MDB contributed towards sustainable growth of the Bank through providing valuable inputs in setting goals, direction and policy.

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 is a never ending activity. To stay relevant, a bank's policies and frame work must keep pace with and support future developments with the assistance and guidance of its 'Research and Planning' Division. The primary mission of MDBs R&P Division is to provide expert policy and technical advice based on a sound framework for business planning through conduct of economic and social research, policy analysis, rational planning, technical cooperation-coordination and the compilation and analysis of statistical information. A well-measured approach and analysis of the market and own business in the process of decision and functional engagement is essential for MDB to excel in this extremely competitive market. To be proactive in every decision, information is the key to assess and forecast future business conditions. As a result, R&P Division dedicated to present a view of future prospects and risks, has evolved in playing a key role at MDB. Even though research and planning expenditure in the Bangladesh banking industry is minimal compared to international standards, MDB made significant investment in it in order to consolidate existing position and accelerate further development. MDBs R&P wing added stimulant to the Bank and infused dynamism to its operation by providing insight into how to achieve the Bank's quest to be a model bank in the industry.

In 2017, R&P Division focused on branch and ATM feasibility study, interest rate sensitivity of loans and deposits, business and fiscal policies, regulatory guidelines, branding development, primary- secondary-syndicated market research, repackaging of existing products and future prospects. In the coming years, R&P Division will explore market opportunities for new products, conduct feasibility studies for expansion, assist in repackaging low performing products, identify and resolve data gaps, provide deeper insight into prospective customers while generating specific action plans, develop comprehensive comparative reports on deposit mix, loan-income-performance ratios, assess vulnerabilities, research on the implications of trends and develop methods to better identify and analyze risks. Ensuring competitiveness and quality of products and services as well as well-timed exploration of market is the core of R&P challenges. R&P at MDB 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, aided by R&Ps input, will be essential in 2018 to align our Bank better to its mission.

At the end of 2017, when we look back into our journey across the just concluded year, there remain certain goals yet to be achieved. R&P Division will strive to reach a newer height and MDB must translate R&P resource into a tangible gain and not least, as a meaningful leadership to the Bank. R&P Division drew inspiration from the achievements in 2017 and looks forward to ambitious feats in 2018 by being part of a collaborative effort by all the divisions to achieve MDBs goals and, ultimately, MDBs vision.

## **CREDIT ADMINISTRATION**

Midland Bank Ltd. implemented centralized platform in the year 2015 to conduct operation and business ensuring addressing of compliance and regulatory issues and also to mitigate risks. Credit Administration Division is the core pillar of centralized business platform of a compliant Bank, which independently deals with documentation, disbursement and monitoring of a loan in order to mitigate lending risk, the most critical and major activity of the Bank, for maintaining asset quality. Submission of regulatory returns timely is also within the ambit of the Division according to the prescribed criteria.

The Credit Administration function is semi-technical in ensuring that proper documentation and approval are in place for the disbursement of financial facilities. Functions of Credit Administration of MDB is strictly segregated from Relationship / Business team for avoiding possibility of compromise in documentation or issues not being highlighted at the appropriate level.

Credit Administration Division of MDB manned with professional and experienced manpower ensures perfection of documentation, which helps the business units to run business smoothly along with addressing the risk properly. Besides the Division is entrusted to monitor the borrower's compliance and proper account conduct/ performance to ensure quality portfolio. Present performance of CAD meets the requirement of all the stakeholders. However, CAD is striving for achieving further excellence through identifying the shortcoming for its improvement with the support of IT and other stakeholders.

## LEGAL

Business and Law is very much interconnected to each other. A financial Institution is recognized as compliant one when it runs business and others activities abiding all rules and regulations of the country. Legal Division of a Bank ensures the legal compliance of the bank through legal support to all departments and branches of that Bank and maintaining liaison with our Lawyers and different regulatory and other related authorities such as Bangladesh Bank, Land records, Tax authority, Ministry of Finance, Judiciary, Anti-Corruption Commission, CID, Police, Central Intelligence Cell etc. by mitigating their queries regarding illegal and irregular transactions/ activities and complained matter.

### The major responsibilities of this unit are as follows

- Obtain Legal Opinion through Credit Administration Division from the Retainer /Legal Advisors / Expert Lawyers on various issues, and sending and reply of Legal Notice through our panel lawyers on behalf of bank to the stakeholders as per the requirements of management.
- Take initiative and performing all procedures regarding enlistment (i.e. preparing memo, submitting the memo before the Board, preparing offer letter after final approval of the Board in favor of enlisted lawyers) of Panel lawyers and renewal of Retainer for the Bank.
- Vetting of property documents as well as Lease Agreements in connection with the floor spaces purchased /acquired for the Branch Premises.
- Vetting of outsourcing Agreement in line with BRPD circular No.02 dated 19/01/2015. Drafting of Lease Agreement and vetting of property documents purchased for the ATM Booth.
- Maintain Liaison with Retainer / Panel lawyer for smooth conducting of the suits / cases / writs / Appeals / Revisions and providing them all kinds of logistic and documentary support for proper execution of the respective cases.
- Provide up to date report regarding conducting cases as per requirements of internal and external authorities.
- Mitigate the queries of different authorities such as Bangladesh Bank, Tax Authority, Ministry of Finance, Anti-Corruption Commission, Courts, CID, Police, Central Intelligence Cell etc. regarding various illegal and irregular transactions and activities and investigation of different cases.
- Providing legal supports of different branches and departments of the bank as per requirement and Preservation of case / suit related documents.

## ANTI-MONEY LAUNDERING

Money laundering and illegitimate movement of corrupt, unethical and drug money are global menace. A part of such fund ends to terrorist, organized criminals, drug peddler and also non state actors which creates financial indiscipline, facilitate tax evasion, smuggling, create social disruptions, terrorist and also negatively impacts on international trade. A major portion of money laundering conduits through banking channel.

This adverse situation are compelling the financial intermediaries to make their compliance programme more rigorous. MDB, as a Compliant Bank, is firmly determined not to let Money Launderers and Terrorists or Criminals to use the Bank as a channel to Launder Money or Finance Terrorism.

Hence, MDB has its own Anti-Money Laundering (AML) & Combating Financing of Terrorism (CFT) Compliance Programme. It has been designed considering the range of activities, complexity of operations and the nature and degree of Money Laundering & Terrorist Financing risks faced by the Bank. Certainly, it is designed as per the prevailing laws, Bangladesh Financial Intelligence Unit (BFIU) Guidelines, Circulars & Instructions of competent authorities. MDB applies risk sensitive Customer Due Diligence (CDD) measures, monitors Business Relationships and Suspicious Transactions pursuant to the national regulations and international standards.

MDB, during the year 2017 has performed following activities for strict adherence of anti-money laundering program:

- To facilitate the implementation of the Anti Money Laundering & Combating Financing of Terrorism Compliance Culture in MDB, AML Division of the Bank issued 08 (Eight) Circulars & 05 (Five) Circular Letters during 2017 in consistency with BFIU Circulars & Circular Letters and ML & TF Risk Management Guidelines as well as Bank's ML & TF Risk Management Policy Guidelines. Moreover, AML Division made instruction for Agent Banking regarding AML & CFT issues;
- MDB AML Compliance Committee has been reformed as Central Compliance Committee (CCC) under the direct supervision of CAMLCO, who will directly report to the Managing Director/Chief Executive Officer;
- Messages were sent from the desk of Managing Director & CEO on January 08, 2017 to all employees of the bank for ensuring compliance in AML & CFT issues;
- For effective implementation of Bank's AML & CFT issues, the Bank arranged an awareness programme on November 27, 2017 for Senior Management (Board of Directors) on AML & CFT;
- AML Division of MDB is conducting day long Training Programme on AML & CFT including Trade Based Money Laundering on a regular basis for all employees specially Branch officials. During the period 2017 AMLD organized three training programme where the total participants were 113;

- AMLD conducted inspection on AML & CFT compliance status of 06 (Six) Branches and conducted a 2 hours session at Branch premises to build up awareness among the employees where the total participants were 88;
- As part of Know Your Employee (KYE) programme, MDB performs reference check and background check in the process of employee screening;
- Monitor customer transactions Branch as well as centrally on a regular basis for identifying Suspicious Transaction. The complex transaction, transactions with deviation from normal transaction and the transactions that does not have reasonable purpose or the transaction with unusual pattern are more emphasized during our monitoring;
- AMLD submitted numbers of Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR) to BFIU ;
- AMLD is continuously communicating with branches to improve their AML & CFT compliance culture, identifying needs and directing branches as needed and responding to queries of branches;
- AMLD has extended its initiative to create awareness on AML & CFT among the customers by displaying awareness Poster on conspicuous place of the Branches and distributing awareness Leaflets among the Customers.

Main goals of AMLD for the year 2018 are to strengthen our Compliance Culture in all units of MDB. Specific goals are as follows:

- AMLD will update ML & TF Risk Management Policy Guidelines in 2018 for incorporating the BFIU circular 19 dated 17-09-2017 of Bangladesh Financial Intelligence Unit (BFIU);
- Continuing communication with Branches to improve their AML & CFT compliance culture, identifying needs and directing Branches as and when needed and responding to queries of Branches;
- 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 IT enabled Automated Sanction Screening tool to perform screening against UNSCR, OFAC and domestic sanction list;
- Monitoring of branches shall be robust in 2018 which shall include conducting special inspections on the Branches as a part of its own monitoring programme of Branches' AML & CFT compliance, apart from ICCD;
- AMLD will take proper measures to upgrade the status of all the Branches at least to Satisfactory Level regarding AMLD.
- AML Division will take proper measure among the officials of the Bank to conduct Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) and identify Beneficial Ownership of account;

## 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 2017, ICCD in MDB had three fold of functions consisting of two separate departments viz. a. Audit and Inspection Department, b. Monitoring and Compliance Department. 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 and Inspection 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. ICCD has updated its Internal Control and Compliance Policies & Procedures as per Bangladesh Bank's revised guideline in 2017 which was approved by Board of Directors in its 56th Meeting dated 30th March, 2017 under Memo No. B-67/2017. Internal Control & Compliance Functions of above two departments in 2017 are enumerated below:



#### **a. 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, Risk Management Committee, Managing Director, Additional Managing Director and Deputy Managing Director (if any) of the Bank.

#### **Functions of Audit & Inspection Department:**

- To conduct periodic audit in different Branches and Divisions /Departments/Units of Head Office.
- To carry out surprise checks in the various areas as per recommendation by monitoring and compliance department.
- 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 /Unit as well as whole organization.

#### **b. Monitoring and Compliance Department:**

Monitoring Department is responsible to monitor the operational performance of various Branches/Divisions/Departments. 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 Head of Internal Control and Compliance/Head of Audit and Inspection 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.

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. The Department followed up the Branches/Divisions/Departments for implementation / rectification of the findings / irregularities brought out in the Internal Audit Report/s. 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 2017:**

Risk Based Audit checklist for both Branches and Head Office Divisions were revised by ICCD in 2017. 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 a newly opened Branch during 2017 was conducted as directed by MD and CEO. In addition, special inspections on Anti Money Laundering activities of Branches were also conducted. On the basis of instruction of Senior Management and Board of Directors, ICCD also conducted some special investigations. In pursuant to comply with the provision of Bangladesh Bank's "Guideline on ICT Security For Banks and Non-Bank Financial Institutions, May, 2015, Version 3.0" ICCD also conducted Information System (IS) Audit on a number of Branches. As per instruction of Bangladesh Bank, ICCD also conducted audit on daily basis reporting of Foreign Exchange Transactions of 2015 and 2016 in the Online Foreign Exchange Transaction Monitoring System of Bangladesh Bank. After commencing of Agent Banking business, the Bank has opened 8 booths so far. While auditing Agent Banking division, ICCD also visited 1 Agent Banking booth in 2017. As per instruction of Bangladesh Bank, ICCD

also prepared health report of the Bank on the basis of financial position of 31.12.2016 and the report was approved by Board of Directors afterwards. Besides, ICCD coordinated Bangladesh Bank's inspection team/s 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 2017 which are presented in comparison with those of 2016:

SL No	Particulars	Performance-2016	Performance-2017
<b>Audit and Inspection Department</b>			
01.	Annual Audit and Inspection of branches	20 Branches	21 Branches
02.	Annual Audit and Inspection of head office divisions / departments	19 Div/Dept.	22 Div / Dept.
03.	Surprise Visit to the branches	21 Times	22 Times
04.	Special Inspection of new branches	5 Branches	1 Branch
05.	Special Inspection report on anti-money laundering	23 Branches	25 Branches
06.	Special Inspection report on IS / IT	-	2 Branches
07.	Special Inspection on QOR and DCFCL	2 Branches	2 Branches
08.	Special Inspection on daily on-line reporting of Foreign Exchange Transactions in Bangladesh Bank website during 2015 and 2016	-	2 Times
09.	Agent Banking center visit	-	1 center
10.	Special Investigation/Inspection against complaint and Board/ Management directives	3 Cases	5 cases
<b>Monitoring Department</b>			
11.	Review of QOR, LDCL and DCFCL	2 Times	4 Times
12.	Review of various statements like loans and advances	6 Times	4 Times
<b>Compliance Department</b>			
13.	Internal Audit and Inspection report review and compliance monitoring	143 Times	118 Times
14.	Bangladesh Bank and other regulator's inspection report and compliance thereof	30 Times	31Times
15.	Compliance of regulatory changes: placed summarized report	4 Times	4 Times

### Bangladesh Bank Inspection Statistics

Bangladesh Bank inspection team conducted a total number of 14 inspections on 07 division/departments/units of the head office and 7 branches during the year 2017 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	2017	
		Head Office	Branch
i.	Comprehensive Inspection	1	3
ii.	Comprehensive Inspection on Foreign Exchange Transaction (TSC)	1	1
iii.	Internal Control & Compliance (ICC)	1	-
iv.	Information System Security (ICT)	1	1
v.	Foreign Exchange Risk Management (FEX)	1	-
vi.	Asset Liability Management (ALM)	1	-
vii.	Anti-Money Laundering (AML)	-	2
viii.	Credit Risk Management (CRM)	1	-

### Plan for 2018:

Like every year, ICCD makes a plan to perform its yearly activity in light with Bangladesh Bank guidelines, circulars issued from time to time, industry best practices etc. Significant activities that ICCD will cover are enumerated below:

- Perform audit and inspection on 26 Branches including 5 newly opened Branches.
- Perform AML, ICT/IS audit on all 26 Branches.
- Perform Audit and Inspection of all 22 head office divisions/departments.
- Pay visit to selective agent center/s
- Pay Surprise Visit to the Branches where needed as directed by the management/Internal Control Team.
- Perform special audit on 5 newly opened Branches when new Branches will be opened.
- Monitor and review the QOR, LDCL, Self-Assessment Report on AML and send report there against.
- Take steps to monitor internal GL accounts and Staff accounts centrally and produce exception reports thereon.
- Ensure compliance of Bangladesh Bank Inspection Reports, External and Internal Audit and Inspection reports etc.
- Ensure compliance of Regulatory Changes.

## RISK MANAGEMENT

Risk Management activities which are being reviewed by the Board Risk Management Committee is being communicated in the form of meeting minutes (including observation, 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 risk parameter 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, Interest Rate Risk, Market Risk, Operational 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	During the year 2017 (in Number)
Number of Members of Board RMC	5
Number of Board RMC Meetings	4

### 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 risk 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	During the year 2017 (in Number)
Number of Member of RMC	13
Number of RMC Meeting	06

## 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 are also being complied effectively. The Bank's risk mitigating technique is not to wait for the risk but to take precautionary measures to mitigate the risk and lessen impact of the risk before incident happens. To supplement the stand of the Bank, RMD is extensively working on robust Risk Management practices and exchange of ideas about Risk Management 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 taking/absorbing capacity (defined by regulatory constraints).

## Risk Management Reporting

As per directives of Bangladesh Bank, RMD of the Bank performed the following reporting during the year 2017. 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 (CRMR)	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 which is 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 initiate preemptive measures to mitigate the identified issues. Detailed status 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 emphasized in managing Credit Risk Management. In this regard, Credit Risk Management Division has been strengthening with required qualified professional and experienced manpower to facilitate proper scrutiny, analysis and structuring of credit proposal. Credit Administration process regarding documentation, limit loading etc. has been centralized which have mitigated various risks arising from human error in banking. Similarly, 100% of Branches came under the purview 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 action for enduring sustainable financial and economic growth. Environmentally derived risks for the Bank are inability of the clients to make payments due to unexpected environmental costs, interruption/discontinuation of client business by imposing penalties/closure notice by competent authorities, decrease in the value of security due to environmental impairment during the term of investment etc. Environment risk management procedure includes identify environmentally derived-potential liabilities for Bank in transactions, assess the awareness, 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 Rating (EnvRR) 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 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 changes.

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 and market scenario;
- 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. The Treasury 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 as per set guidelines.

## **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 vis-a-vis maximization of spread through mitigating 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 decision 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 its liability fail to meet its maturing day to day obligations or to fund invested in assets could not be liquidated duly to meet obligation. Liquidity risk arises when the cushion provided by the liquid assets is not sufficient to meet maturing obligations. Accordingly, short of liquidity may force the bank to undertake transactions at higher cost resulting in a loss of earnings in a worst case scenario.

The liquidity risk could result in loss of depositor /borrower/supplier confidence and in a worst case scenario liquidation of the Bank if it is unable to undertake transactions even current market prices may result liquidation of the bank. 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 utmost care to prevent 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. Risk Management Committee 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 risk management organs of the Bank. To mitigate its operational risks and 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 2017, the ICCD successfully conducted comprehensive inspection on all Divisions and Branches according to its approved activity plan and submitted findings thereon to the competent authority for discussion, review, suggestion and proper evaluation. Thus the ICCD of the Bank always plays active role in mitigating operational risk and is enabling the Bank to become more compliant gradually.

### **Top and emerging risks**

We monitor and review top and emerging risks that may affect our future results, and take preemptive action to mitigate potential risks if required. We perform in-depth analyses, which include stress testing our exposures related 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 we consider with potential negative implications, as well as regulatory and accounting developments that are material for MDB.

### **Technology, information and cyber security risk**

MDB is a forward looking financial institution and as such evolving its business processes by leveraging innovative technologies e.g. internet for faster and documented communication between the divisions, departments and branches and also with the clients. This facilitates faster identification of any deviant activities risk and as well as faster delivery of our services. At the same time, this enhances cyber threats and the associated financial, reputation and business interruption risks have also increased. However to mitigate such risk, MDB has adequate professional, skilled manpower and also upgrade its technology.



## Operational Risk

Operational risk refers 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 has compliant documented process 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 risk which arises 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. So 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 also being reported to Bangladesh Bank and Board Risk Management Committee of the Bank for their guidance against the particulars risk areas. In view to finding of stress testing, guidance from Bangladesh Bank and Board RMC also being taken into account for assessing potential risks of the bank.

## SPECIAL ASSETS MANAGEMENT

MBD established strong credit culture based on credit policy, best market practices and competences which restricts our NPL at minimum level of 1.68% of our credit portfolio as on 31.12.2017. However, to handle the classified and other deteriorated loan accounts, effectively Special Assets Management Division has been formed on 23.05.2017. Special Assets Management Division with the support of Business Units, Credit Risk Management Division, Credit Administration Division and Legal Division perform its activities to contain, recover and reduce NPL.

SAMD is operating for achieving following objectives:

- Formulating effective recovery strategy on each NPL accounts with the support of respective business unit and CRMD.
- Minimizing net credit losses through recovery of classified and non-performing loans.
- Maximizing Bank's profitability by converting Non-Performing Loans (NPL) into regular loan accounts through rescheduling as per rescheduling guidelines.
- Controlling delinquency/ loan loss provisioning in line with Bangladesh Bank guidelines.
- Management of all delinquent and classified loan accounts and its portfolio.
- Extract maximum benefits from the cases/ suits through recovery of loans vis-à-vis liquidation of collateral.
- Adhere to Bangladesh Bank's policy guidelines.

# Corporate Governance



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

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

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

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

Place: Dhaka  
Dated: 28 February 2018

  
K. M. Hasan FCA  
Managing Partner

# Corporate Governance

## Introduction

Corporate Governance (CG) comprises 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 27 October 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:

### MDB's Governance Standard

- 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 31 December 2017 including the Managing Director as ex-officio member. The Chairman and 19 other Directors are Non-Executive Directors and only the Managing Director & CEO is an Executive Director. All the Directors have been elected by the shareholders of the company in the Annual General Meeting (AGM). 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 of Directors 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 the Honorable High Court Division of the Supreme Court of Bangladesh in the Writ Petition No. 10376/2016, dated 27 November 2017, there is no scope to appoint Independent Directors in the Board of Directors of our Bank, until resolve the issue by the Honorable High Court Division of the Supreme Court of Bangladesh.

## 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 2017, a total 14 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 27 October 2013, Banks in the country can only provide the following facilities to the Directors:

- The Chairman of the Board of Directors may be provided car, telephone, office chamber and private secretary.
- Directors are entitled to fees and other benefits for attending the Board/Executive Committee/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 but at least once in every two years.

## 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 4th AGM held on 29 June 2017 approved the appointment of M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants as the statutory auditors of the Bank for the financial year 2017. In compliance with the provision 4 of BSEC guidelines, the External Auditor was not engaged with MDB in any of the following services during the year 2017:

- 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 interest 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 arises from the review of the Committees concerned.

## Board Committees

As per rule set by Bangladesh Bank vide BRPD Circular No.11, dated 27 October 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 Limited 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.

MDB Board Executive Committee held 19 (Nineteen) meetings in 2017. Highlights of the Executive Committee activity during the year 2017 are appended in the Report of Executive Committee at page # 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 approve Quarterly, Half Yearly and Annual financial reports of the Bank. The Audit Committee also meets the Head of Internal Control & Compliance as well as Head of Internal Auditor of the Bank to review their charter, scopes of work and the organizational structure. The inspection reports from regulators and internal Audit 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 2017 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 2017 are appended in the Report of the Audit Committee at page no 35 - 38.

### **Risk Management Committee (RMC)**

According to Bank Company (Amendment upto 2013) and BRPD Circular No. 11 dated 27 October 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's 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 2017 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 2017 are appended in the report of the Risk Management Committee.

### **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 of 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 behavior expected of all levels of directors, officers and employees; and
- Regular reporting by business divisions/units that helps assessing 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 2017. This process ensured an internal control system to the tune of best financial reporting practice throughout the financial year and upto 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.

### **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 27 November 2017. Therefore, there is a restriction on Election and Re-election of Directors as per Companies Act 1994, Bank Companies Act 1991 (Amendment upto 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 expresses 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](http://www.midlandbankbd.net) to provide investors with the full text of the annual report 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 Annual General Meeting (AGM) and audited financial statements for any particular year are published in two leading circulated Bangla and English dailies. The Quarterly and half-yearly unaudited financial statements are also submitted to the regulatory bodies in compliance with regulations. Our policy focuses on constructive use of the AGM and all shareholders are encouraged to participate. Shareholders are open to ask questions at the AGM.

### **Commitment to other Stakeholders**

We always honor the rights and interests of other groups of stakeholders giving a fair delicacy. In addition to our respected shareholders, we have our valued customers, the core 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 conscious 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. allocation 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 community. 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 to Government Treasury on time. During 2017, MDB paid advance corporate tax of BDT 326 million while deposited withheld tax of BDT 260 million, VAT of BDT 46 million and Excise Duty of BDT 42 million.

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

	(BDT in Million)				
	2017	2016	2015	2014	2013
Advance Corporate Tax	326	201	100	50	21
Withheld VAT, Tax & Excise Duty	348	245	169	83	30
<b>Total</b>	<b>674</b>	<b>446</b>	<b>269</b>	<b>133</b>	<b>51</b>

## 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 Bangladesh Securities and Exchange Commission (BSEC) 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 February 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	
<b>1.00</b>	<b>BOARD OF DIRECTORS</b>			
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.			<p>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, as such, there is no scope to appoint Independent Directors in the Board as well as Board Audit Committee.</p>
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 (NBFI);			
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			

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.3	<b>Qualification of Independent Director (ID)</b>	-		
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		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management / professional experiences.			
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			
1.4	<b>Chairman of the Board and Chief Executive Officer:</b> The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals.	✓		
1.5	<b>The Directors' Report to Shareholders:</b>	-	-	-
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	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	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)	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-</b>	-	-	-
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	N/A		There is no Subsidiary/Associated Companies of MDB yet form.
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)	<b>Executives;</b>	✓		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details);	✓		
1.5 (xxii)	<b>In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:</b>	-	-	-
1.5 (xxii) a)	A brief resume of the director;	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
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;	✓		
<b>2.00</b>	<b>CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS)</b>			
2.1	<b>Appointment:</b> 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.	✓		
<b>3.00</b>	<b>AUDIT COMMITTEE</b>			
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.	✓		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
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.	N/A		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, as such, there is no scope to appoint Independent Directors in the Board as well as Board Audit Committee.
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.

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	N/A		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, as such, there is no scope to appoint Independent Directors in the Board as well as Board Audit Committee.
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		
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.	✓		No such case.
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	Sespected 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	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
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.	✓		
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		No subsidiary company of MDB yet form.
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.			
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.			
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.			
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			
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	✓		
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	14	14	100%
2	Mrs. Nilufer Zafarullah, M P	Vice Chairman	14	11	79%
3	Dr. Kazi Shahidullah	Director	14	13	93%
4	Ms. Scherezad Joya Monami Latif	Director	14	1	7%
5	Mr. Abdullah Ahmed Yousuf	Director	14	3	21%
6	Kazi Omar Zafar	Director	14	6	43%
7	Master Abul Kashem	Director	14	13	93%
8	Mr. Mohammad Jamal Ullah	Director	14	7	50%
9	Al-haj Mohammed Issa Badsha	Director	14	9	64%
10	Mr. Ahsan Khan Chowdhury	Director	14	8	57%
11	Mr. Md. Wahid Miah	Director	14	2	14%
12	Mr. Rezaul Karim	Director	14	7	50%
13	Mr. A.K.M. Badiul Alam	Director	14	11	79%
14	Mr. Abdul Momin Mondol	Director	14	7	50%
15	Mrs. Ferdous Ara	Director	14	9	64%
16	Mr. Md. Kamal Hossain	Director	14	13	93%
17	Mrs. Shahnaj Parveen	Director	14	11	79%
18	Mrs. Lutfu Begum	Director	14	9	64%
19	Mr. Md. Rokonzaman Sarker	Director	14	14	100%
20	Mr. Kamal uddin Ahmed	Director	14	1	7%

# Pattern of Shareholding

The pattern of shareholding of Midland Bank Limited as on 31 December 2017 as per BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012:

- Shareholding by Parent/Subsidiary/Associated Companies and other related parties : Nil
- 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 31 December 2017:

- 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	13,186,800	Professor Rasheda Zaman	NIL
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	4,795,200	Mr. Kazi Zafarullah	9,590,400
3	Dr. Kazi Shahidullah	Director	1,198,800	Mrs. Shabnam Shahidullah	NIL
4	Ms. Scherezad Joya Monami Latif	Director	47,952,000	N/A	NIL
5	Mr. Abdullah Ahmed Yousuf	Director	27,572,400	Mrs. Sabiha Mahboob	1,198,800
6	Mr. Kazi Omar Zafar	Director	9,590,400	Mrs. Mariantzella Danika Zafar	NIL
7	Master Abul Kashem	Director	22,200,000	Mrs. Nigar Sultana Daizy	NIL
8	Mr. Mohammed Jamal Ullah	Director	23,976,000	Mrs. Shahnaz Jamal	NIL
9	Al-haj Mohammed Issa Badsha	Director	20,200,000	Mrs. Salma Issa	NIL
10	Mr. Ahsan Khan Chowdhury	Director	23,976,000	Mrs. Seema Chowdhury	NIL
11	Mr. Md. Wahid Miah	Director	23,976,000	Mrs. Suborna Mostafa	NIL
12	Mr. Rezaul Karim	Nominee Director of Reedisha Knitex Ltd.	23,976,000	Mrs. Shirin Akhter	NIL
13	Mr. A.K.M. Badiul Alam	Nominee Director of Garment Export Village Ltd.	23,976,000	Mrs. Shahida Alam	NIL
14	Mr. Abdul Momin Mondol	Nominee Director of Mondol Fabrics Ltd.	23,976,000	Mrs. Zannatul Ferdous	NIL
15	Mrs. Ferdous Ara	Nominee Director of Liberty Knitwear Ltd.	25,174,800	Mr. Md. Shamsuzzaman	NIL
16	Mr. Md. Kamal Hossain	Nominee Director of That's It Sportswear Ltd.	23,976,000	Mrs. Ashneel Chowdhury	NIL
17	Mrs. Shahnaj Parveen	Nominee Director of Refat Garments Ltd.	23,976,000	Mr. Md. Belal Hossain	NIL
18	Mrs. Lutfa Begum	Nominee Director of Hazrat Amanat Shah Spinning Mills Ltd.	23,976,000	Mr. Al-haj Mohammed Helal Miah	NIL
19	Mr. Md. Rokonzaman Sarker	Nominee Director of Beg Knit Ltd.	22,777,200	Mrs. Arzuman Ara	NIL
20	Mr. Kamal uddin Ahmed	Nominee Director of Badsha Textiles Ltd.	23,976,000	N/A	NIL

- Shares held by:

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

- Shareholding by other Executives and Spouse : Nil
- Shareholders holding ten percent (10%) or more voting interest in the company : Ms. Scherezad Joya Monami Latif (10%)

# Management Committees

## MANCOM

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Shamsul Azam Khan Head of Credit Risk Management 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. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
9	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member
10	Mr. Md. Masuduzzaman Head of Legal Division	Member
11	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member Secretary
12	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
13	Mr. Nazmul Ahsan Head of Treasury & Market Risk (Front)	Member

## Investment Committee (IC)

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	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. Mohammad Masoom Additional Managing Director	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
5	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
6	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
7	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member Secretary

### Risk Management Committee (RMC)

1	Mr. Mohammad Masoom Additional Managing Director & CRO	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member
4	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
5	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
6	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
7	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Md. Zaidul Haq Head of Anti Money Laundering Division	Member
9	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member
10	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
11	Mr. Md. Humayoun Kabir Risk Management Division	Member Secretary

### Credit Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director & CRO	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member Secretary
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. Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member

### Anti-Money Laundering Compliance Committee (AMLCC)

1	Mr. Mohammad Masoom Additional 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. Mahabubur Rahman Head of Central Operations & Service Delivery	Member
5	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	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. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
3	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member
4	Mr. Mohammed Rashadul Anwar Head of Public Relation Division	Member Secretary

## Sustainable Finance Committee

1	Mr. Mohammad Masoom Additional Managing Director & CRO	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member
4	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
5	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
6	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
7	Mr. A.K.M. Ashiqur Rahman Head of Credit Administration Division	Member
8	Mr. Md. Humayoun Kabir Risk Management Division	Member
9	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
10	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
11	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
12	Mr. Mostafizur Rahman Head of Card Division	Member
13	Mr. Md. Emarat Hossain Khan Head of General Service Division	Member
14	Mr. Mohammed Rashadul Anwar Head of Public Relations Division	Member
15	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology 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	Member
5	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member

### ICT Steering Committee

1	Mr. Mohammad Masoom Chief Risk Officer	Chairman
2	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member Secretary
3	Mr. Md. Mahabubur Rahman Head of Operation	Member
4	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
5	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
6	Md. Masuduzzaman Head of Legal Division	Member

### ICT Security Committee

1	Mr. Mohammad Masoom Chief Risk Officer	Chairman
2	Mr. Md. Mahabubur Rahman Head of Operation	Member
3	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member Secretary
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. Mohammad Masoom Chief Risk Officer (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. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
6	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
7	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member secretary
8	Mr. Md. Humayoun Kabir Risk Management Division	Member

### Integrity Building Committee (IBC)

1	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Chairman
2	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member
3	Mr. Md. Emarat Hossain Khan Head of General Services Division	Member
4	Mr. Md. Zaidul Haq Head of Anti Money Laundering Division	Member
5	Mr. Md. Mahabubur Rahman Head of Central Operations & Service Delivery	Member
6	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member Secretary
7	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
8	Mr. Mohammed Rashadul Anwar Head of Public Relation Division	Member

### Purchase Committee (PC)

1	Mr. Mohammad Masoom Additional Managing Director	Chairman
2	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member
3	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
4	Mr. Md. Emarat Hossain Khan Head of General Services Division	Member
5	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Secretary Member

# Report on Risk Management





# Statement of the Chief Risk Officer

The overriding concern of risk management practices is to ensure maximum extent of trade-off between the risk and return, thereby optimization of profitability and at the same breath mitigation of risks on all core areas to ensure the sustainable growth paradigm. In common parley, the banks are in the business of risk and which are multidimensional by nature and remain inherent on all fronts of banking business transactions. We at Midland Bank attach utmost priority to ensure compliance with the prudential guidelines as applicable to all core risk areas to promote the interest of the institution. We believe that the risk which can't be measured can also not be managed or controlled. We in our Bank maintain risk management group headed by Chief Risk Officer (CRO) and their responsibilities are well defined and they work with professional zeal and passion to better protect the interest of MDB.

The Risk Management Division (RMD) closely watch the existing and emerging risk factors for on time identification, assessment as well as mitigation of the risk on six core risk areas. The Risk Management Division (RMD) inter-alia performs following activities:

1. Defining of risk appetite on different fronts of banking operations;
2. Formation of risk strategies in match with the risk appetite;
3. Risk policies and procedures as articulated are communicated unambiguously for necessary compliance;
4. Measuring of risk and making it's alignment with the risk perception/business outlook of senior management.



## Risk appetite statement

MDB's risk appetite statement defines the extent 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:

- Safeguarding our reputation and brand equity;
- We prefer for having better insight regarding the business where we finance;
- Ensuring better trade-off between risk and return vis-a-vis optimization of profitability;
- No compromise in due diligence process for having better risk perception;
- To stay compliant on all areas as per the guidelines prescribed by the regulatory authorities.

Our MDB risk appetite statement is reviewed annually in conjunction with our strategic, financial and capital planning cycle to ensure alignment and to help ensure MDB stays within its risk appetite/risk level. The Board, RMC, and senior management regularly 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.

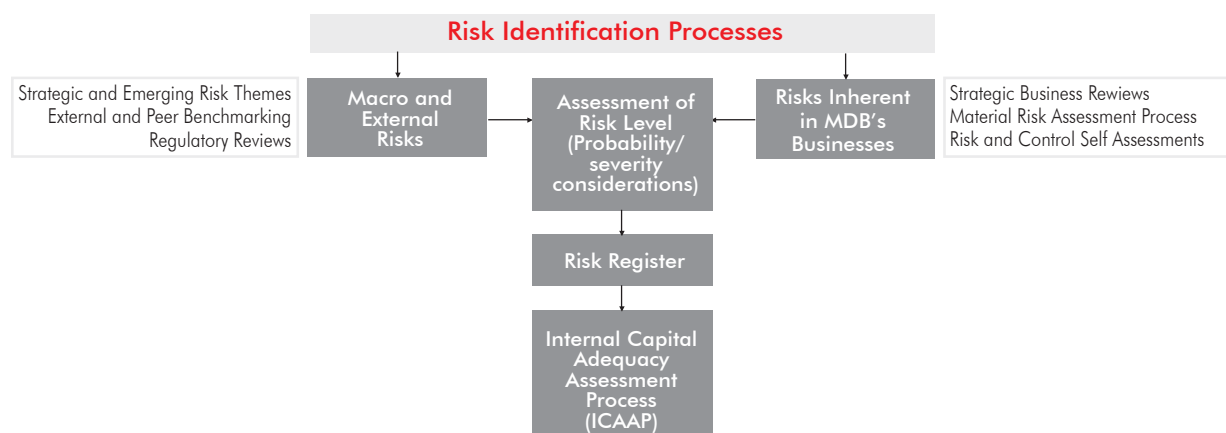
## Risk policies and limits

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 and trading 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 track 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 a suitable mitigate. 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 estimate 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. Refer to the “Capital resources” section for additional details.

## **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. As a matter of policy perception, we conduct stress testing on our balance sheet and the results generated in the process are brought to the attention of the senior management for having necessary guidance and initiation of measures for mitigation/remediation.

## **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 and Business Banking and our 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 were revalidated by legal firms and also cross examined by the 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 and market making activity.

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 replace 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 of liquidity environment, including regulatory, business and/or market developments. Besides, we constantly endeavor to keep the liquidity risk within our institutional appetite/risk perception in a measured way.

## 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 oversight functions, which are responsible for monitoring and providing independent oversight 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

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**

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.

Our Compliance department is responsible for the development and maintenance of a comprehensive regulatory compliance program, including oversight of the RCM framework. This department is independent of business management and reports regularly to the RMC of the Board.

Primary responsibility for compliance with all applicable regulatory requirements rests with senior management of the business and infrastructure groups, and extends to all employees. The Compliance department's activities support those groups, with particular emphasis on regulatory requirements that govern the relationship between MDB and its clients, that help protect the integrity of the capital markets, or that relate to money laundering and terrorist financing.

## **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 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 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**

Bangladeshi banking 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 so far built up sound foundation for proper risk management underpinned by the objective to ensure compliance on all the forms of banking operations and at the same time to stay transparent and accountable for all of its actions and activities. Here it is noteworthy that our board as a matter of policy perception prioritizes to secure the interest of our depositors and all other stake holders with a firm commitment to take MDB to the next trajectory of sustainable growth with a view to making it one of the most preferred banking financial institution.



**Mohammad Masoom**

Additional 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 four 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 2017, amidst a challenging macroeconomic environment and intense 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 defense, 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.

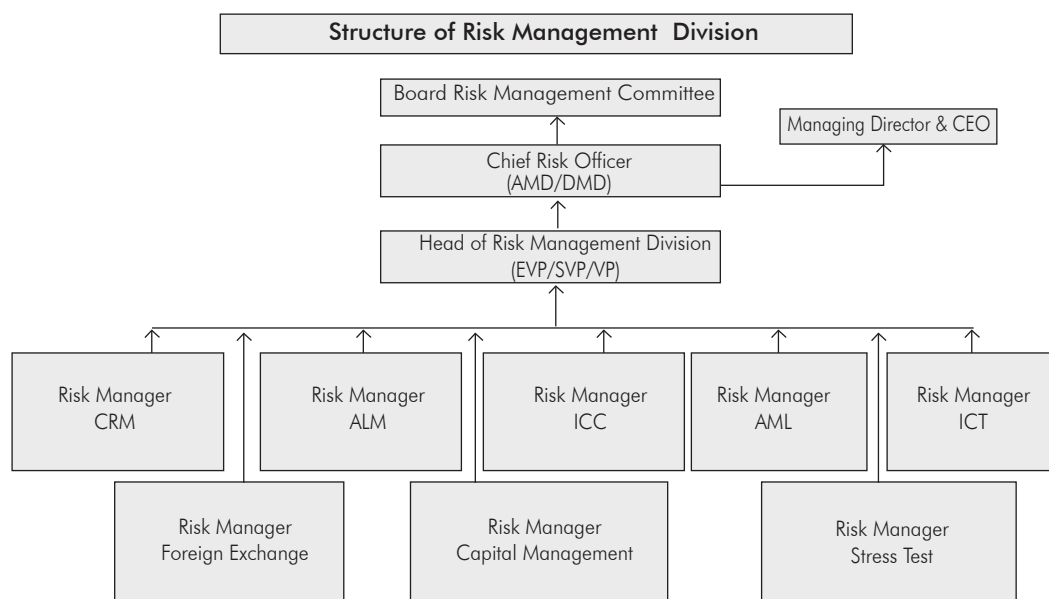
Several Executive Management Committees each with specialized focus support the BRMC and are responsible for the coordination of risk matters for the different business areas.

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 guiding 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 to maintain sound asset quality, managing credit risk is its most critical and major activity of the Bank. The credit risk arises primarily from Corporate, 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 moderately 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
<b>Loan origination and Risk Appraisal</b>	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.
<b>Credit approval and Sanction</b>	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.
<b>Credit Administration and Disbursement</b>	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. Functions of Credit Administration of MDB is strictly segregated from Relationship/ Business team for avoiding possibility of compromise in documentation or issues not being highlighted at the appropriate level.
<b>Credit risk monitoring and reporting</b>	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.
<b>Recoveries and credit quality</b>	Currently, respective credit officers at branch and business units of head office follow up recovery of all performing and non-performing loans. However, to handle the classified and other deteriorated loan accounts, effectively Special Assets Management Division has been formed on 23.05.2017. Special Assets Management Division with the support of Business Units, Credit Risk Management Division, Credit Administration Division and Legal Division perform its activities to contain, recover and reduce NPL.

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

## Credit Rating Models

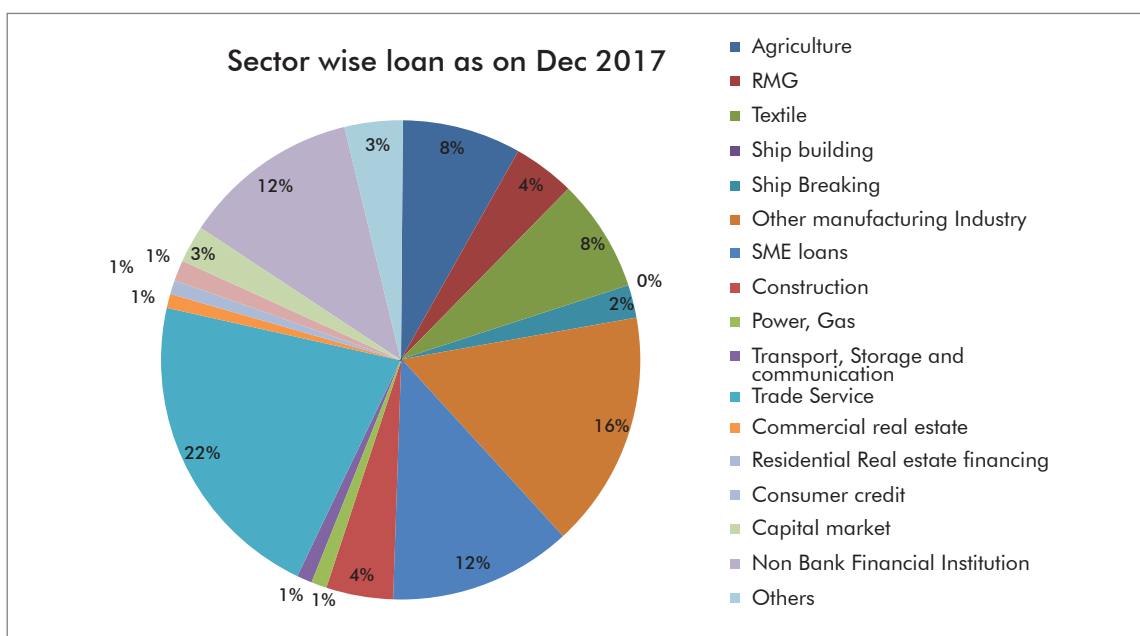
Bank uses a numerical grading system for all Corporate and SME clients other than small segment customers. The grading system is called 'Credit Risk Grading Matrix' (CRGM), which was introduced by Bangladesh Bank and mandatory to use the tool before taking lending decision. CRGM compares degree of credit 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 'Marginal' or below. It is also bank's internal policy that CRG of a borrower has to be 'Acceptable' 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.

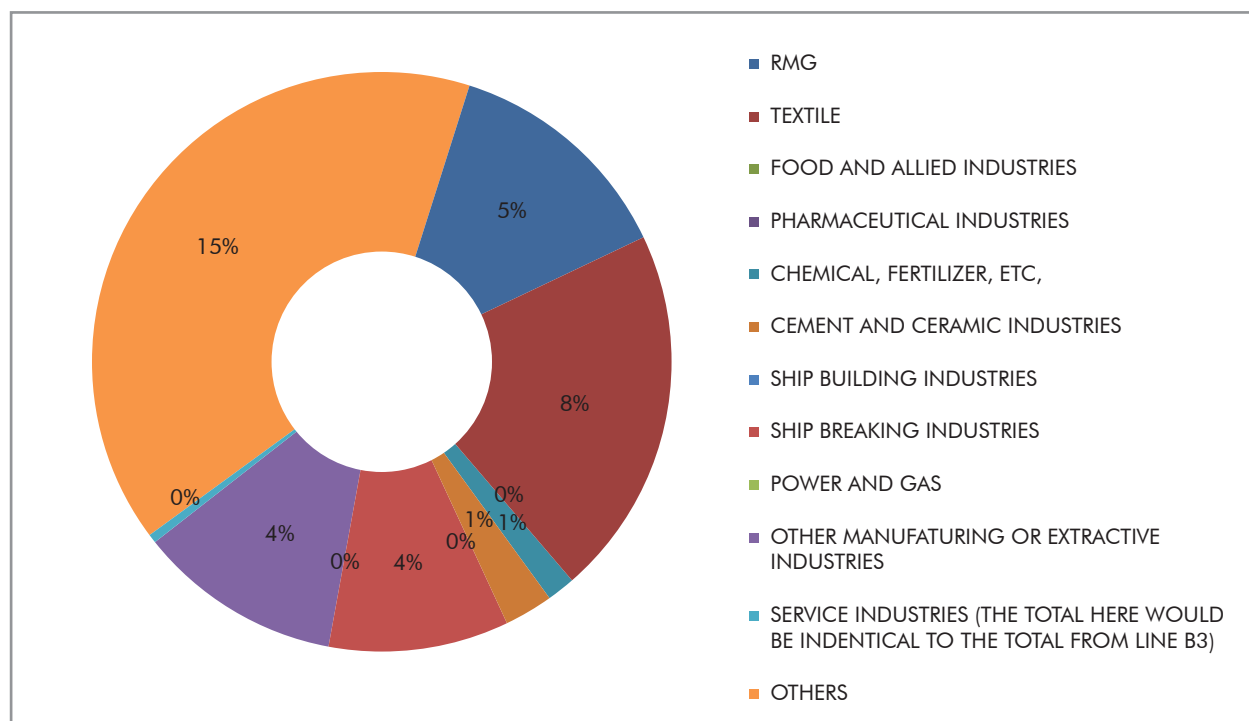
## Credit Concentration Risk

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 2017



## Sector wise loan and advance 2017



## 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:

- 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.
- Such security must always have a stable minimum value.
- 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 increased in 2017 compared with previous year. NPL in the banking industry has increased as 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 1.68% at the end of 2017; increasing from 0.68% of 2016.

## 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 book. 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. Currently bank's proprietary equity holding is BDT 155.5 million at market price as on 31st of December 2017.

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 as on 31-Dec-2017

Particulars	<1M	1-3M	3-6M	6-12M	1-5Y	5>
Rate Sensitive Asset (RSA)	416.6	826.7	522.8	342.9	1114.2	561.2
Rate Sensitive Liability (RSL)	771.3	1295.9	290.5	395.9	454.1	34.8
Net Gap	(354.7)	(469.3)	232.3	(53.1)	660.1	526.4
Cumulative Gap	(354.7)	(823.9)	(591.6)	(644.7)	15.3	541.8

Loss on NII from Adverse Movement of Interest Rate	1 month	3 Months	1 Year
1% Adverse Movement of Interest Rate	0.2956	2.0599	6.4472
2% Adverse Movement of Interest Rate	0.5911	4.1197	12.8943



## 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 31<sup>st</sup> of December 2017

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	725	869	551	405	126	253	750	220	160	181	4240
Total liabilities	832	1574	317	416	157	119	207	14	20	584	4240
Net Liquidity gap	(107)	(705)	235	(11)	(31)	135	543	206	139	(403)	-
Cumulative gap	(107)	(812)	(577)	(589)	(620)	(486)	58	263	403	-	-

## 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 2017	Position as of 31 Dec 2017
Liquid Asset to Total Assets	>30.00%	28.55%
Gross Loan to customer deposit	<=85.00%	81.7%
Liquidity Coverage Ratio	>=100.0%	249.28%
Cash Reserve Requirement	>=6.50%	6.67%
Statutory Liquidity Require	>=13.00%	17.48%
Leverage Ratio	>3.00%	13.00%
Net Stable Funding Ratio	>=100.00%	128.05%

## 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 2017 reporting.

Liquidity Coverage Ratio	Minimum Limit: 100%	Position as per Dec 2017 reporting: 249.28%
Leverage	Minimum Limit: >3.00%	Actual as on 31 December 2017: 13.02%

## 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.

### **Information Technology and Communication Risk**

MDB Information Technology Division is manned by interactive & professional team, who are relentlessly involved for development of innovative products, upgrade infrastructure, IT enabled services, implementation of techniques to mitigate risks in order to achieve the goal of the Bank and strengthen MDB position in the fast changing market. MDB implemented secure and reliable communication channel to ensure security of the Bank, clients' safe and quality transaction with confidentiality.

### **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, 2017 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 from 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 2017 is presented below:**

Stress Test : Simple Sensitivity Analysis  
Position as on : 31 December 2017  
Regulatory CRAR : 11.25%  
CRAR before shock : 21.03%

Individual Shocks	CRAR aftershocks (%)		
	Minor	Moderate	Major
Performing loan directly downgraded to B/L (RMG sector)	21.00	20.97	20.93
Performing loan directly downgraded to B/L (Textile)	20.92	20.70	20.49
Increase in NPLs due to default of top large borrowers	16.38	10.88	7.23
Negative shift in NPL categories	20.93	20.64	20.46
Decrease in FSV of the collateral	20.94	20.85	20.68
Increase in NPLs	19.59	16.38	12.21
Interest Rate Shock	19.29	17.55	15.82
FEx: Currency Depreciation	20.94	20.86	20.77
Equity Shock	20.66	20.30	19.56

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after combined shock	17.24	11.46	4.39

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after credit shock under Basel III (Balance Sheet)	20.81	20.61	20.41

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after Credit shock under Basel III (Off Balance Sheet)	21	20.98	20.96

## 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

Minimum Common Equity Tier-1 (CET-1) Capital Ratio	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital Conservation Buffer	-	0.625%	1.25%	1.875%	2.50%	2.50%
Minimum CET-1 plus Capital Conservation Buffer	4.50%	5.125%	5.75%	6.375%	7.00%	7.00%
Minimum T-1 Capital ratio	5.50%	5.50%	6.00%	6.00%	6.00%	6.00%
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total Capital plus Capital Conservation Buffer	10.00%	10.625%	11.25%	11.875%	12.50%	12.50%
Phase-in of deduction from CET1						
Excess Investment over 10% of a bank's equity in the equity of banking, financial and insurance entities.	20%	40%	60%	80%	100%	100%
Phase-in of deduction from Tier-2 Revaluation Reserves (RR)						
RR for Fixed Assets, Securities and Equity	20%	40%	60%	80%	100%	100%
Leverage Ratio	3%	3%	3% Readjustment	Migration to Pillar 1		
Liquidity Coverage Ratio	≥ 100% (From Sep.)	≥ 100%	≥ 100%	≥ 100%	≥ 100%	≥ 100%
Net Stable Funding Ratio	≥ 100% (From Sep.)	≥ 100%	≥ 100%	≥ 100%	≥ 100%	≥ 100%

### 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	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)

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.	$\text{LCR} = \frac{\text{Stock of high quality liquid assets}}{\text{Net cash outflows over 30 days}} \geq 100\%$
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#### Net Stable Funding Ratio (NSFR)

NSFR is designed as an incentive for banks to improve the longer-term structural funding of their balance sheet, off balance sheet exposures and capital market activities.	$\text{NSFR} = \frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$
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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 number one 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.	<b>Midland Bank Limited</b>
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, 2017.</p> <p>A brief description of the Bank and its subsidiaries are given below:</p> <p><b>Midland Bank Limited (MDB):</b></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, <b>Tier-1 Capital of MDB</b> consists of (i) Fully Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings.</p> <p><b>Tier-2 Capital</b> 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>b)</b>	<b>The amount of Tier-1 capital with separate disclosure of:</b>	<b>Solo</b>
	I. Fully Paid up capital	4795.20
	II. Non repayable share premium account	-
	III. Statutory reserve	559.84
	IV. General reserve	-
	V. Retained earnings	480.99
	VI. Minority interest in subsidiaries	-
	VII. Non-cumulative irredeemable preference shares	-
	VIII. Dividend equalization account	-
	<b>Sub-Total (A)</b>	<b>5836.03</b>
<b>c)</b>	<b>The total amount of Tier 2 capital (B)</b>	<b>306.67</b>
<b>d)</b>	Other deductions from capital	-
<b>e)</b>	<b>Total eligible capital (A+B)</b>	<b>6142.70</b>

**6. Capital Adequacy:**
**Qualitative disclosure**

a)	<p>A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.</p> <p>The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.</p> <p>The Bank has maintained capital adequacy ratio on the basis of "Solo" is 21.03% against the minimum regulatory requirement of 11.25%. Tier-I capital adequacy ratio for "Solo" is 19.98% as against the minimum regulatory requirement of 7.25%. 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

	<b>Particulars</b>	<b>Solo</b>
b)	Capital requirement for credit risk	25471.19
c)	Capital requirement for market risk	1056.06
d)	Capital requirement for operational risk	2685.82
e)	Total and Tier-1 capital ratio:	
	• For the consolidated group; and	-
	• For stand alone	95%
	Minimum capital requirement (10% of RWA or BDT 400 crore, whichever is higher)	4,000.00
	Total Risk Weighted Assets (RWA)	29213.07
	<b>Total and Tier-1 Capital Ratio:</b>	
	<b>Total CRAR</b>	<b>21.03%</b>
	<b>Tier-1 CRAR</b>	<b>19.98%</b>
	Tier-2 CRAR	1.05%

## 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><b>Continuous &amp; Demand Loan are classified as:</b></p> <ul style="list-style-type: none"> <li>➤ Sub-standard- if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months;</li> <li>➤ Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months;</li> <li>➤ Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond.</li> </ul> <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"> <li>➤ 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”.</li> <li>➤ 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”.</li> <li>➤ 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”.</li> </ul> <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"> <li>➤ 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”.</li> <li>➤ 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”.</li> <li>➤ 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”.</li> </ul> <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"> <li>➤ Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”.</li> <li>➤ Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”.</li> <li>➤ Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”.</li> </ul> <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:	
	<b>Particulars</b>	<b>Rate</b>
	On unclassified small enterprise financing (SME)	0.25%
	On unclassified general loans and advances including housing finance	1%
	On interest receivable on loans	1%
	On off-balance sheet exposures	1%
	On unclassified 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%
	<b>Specific provision:</b>	
	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:	
	<b>Particulars</b>	<b>In BDT Million</b>
	Term Loan	9702.43
	Overdraft	6438.63
	Time Loan	5687.52
	Cash Credit	1507.60
	Loan Against Trust Receipts (LTR)	1870.82
	Consumer Loan	586.18
	Payment Against Documents (PAD)	0
	Agricultural Credit	1062.70
	EDF Loan	136.09
	Packing Credit	79.07
	Staff Loan	140.62
	Other Loans & Advances	2.35
	Bill purchased/discounted-Inland	58.55
	Bill purchased/discounted-Foreign	23.06
	<b>Total</b>	<b>27295.62</b>



c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.exp osure.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:	
		<b>Particulars</b>	<b>In BDT Million</b>
		<b>Urban:</b>	
		Dhaka Zone	22270.30
		Chittagong Zone	4060.00
		Rajshahi Zone	72.80
		<b>Sub-Total</b>	<b>26403.10</b>
		<b>Rural:</b>	
		Dhaka Zone	686.00
		Chittagong Zone	33.90
		Rajshahi Zone	113.50
		Mymensingh	59.10
		<b>Sub-Total</b>	<b>892.50</b>
		<b>Grand Total (Urban + Rural)</b>	<b>27295.60</b>
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
		A. Agriculture, Fishing, And Forestry	2094.90
		B. Trade & Commerce	6182.60
		Retail Trading	741.20
		Wholesale Trading	2956.10
		Export Financing	79.10
		Import Financing	1891.60
		Lease Finance	144.60
		Others	370.00
		<b>C. Construction (Commercial Real Estate, Construction And Land Development Loans):</b>	<b>1730.10</b>
		Residential Real Estate	236.80
		Commercial Real Estate	290.40
		Infrastructure Development	1182.50
		Others	20.40
		<b>D. Transport</b>	<b>52.20</b>
		<b>E. Consumer Financing</b>	<b>700.70</b>
		Loans For The Purchase of Flats or	
		Other Single-family Dwellings	55.30
		Loans For The Purchase of Motorized Personal Transport	111.90
		Loans For The Purchase of Durable	
		Consumption Goods	173.00
		Credit Card Loans	131.70
		Other Personal Loans	228.80
		<b>F. Loans To Financial Institutions</b>	<b>6499.80</b>
		Loans To NBFIs	3279.60
		Loans To Merchant Banks And Brokerage Houses	697.70
		Other, Including Loans To Microfinance Institutions And Ngos	1523.20
		Miscellaneous	999.30
		<b>G. Industry</b>	<b>10033.30</b>
		Rmg	1062.10
		Textile	2096.90
		Food And Allied Industries	492.90
		Chemical, Fertilizer, Etc.	160.70
		Cement And Ceramic Industries	204.00
		Ship Breaking Industries	654.10
		Other Manufacturing Or Extractive Industries	2984.10
		Service Industries (The Total Here Would Be Identical To The Total From Line B3)	268.20
		Others	2110.30
		<b>grand Total</b>	<b>27293.60</b>

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	4077.30
		Not more than 3 months	3893.60
		More than 3 months but less than 1 year	10981.30
		More than 1 year but less than 5 years	8339.00
		More than 5 years	4.40
		Total	27295.60
f)	By major industry or counterparty type:		
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.		
	Particulars	In BDT Million	
	Continuous Loans & Advances	80.43	
	Demand Loans & Advances	57.46	
	Term Loans & Advances	319.72	
	Short Term Agro Credit and Micro Credit	-	
	Total	457.61	
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	184.64	
	Provision on unclassified loans and advances	255.32	
	Provision on Off-balance sheet exposures	50.67	
	Total	490.63	
	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		112.17	
Provision on unclassified loans and advances		33.56	
Provision on Off-balance sheet exposures		14.62	
Total		160.36	
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	143.50	
	Addition/adjustment during the year	314.10	
	Closing balance	457.60	
Movement of specific provisions for NPAs.	Particulars	In BDT Million	
	Opening balance	72.47	
	Provisions made during the period	112.17	
	Transferred from unclassified loan & advances	-	
	Write-off	-	
	Write-back of excess provisions	-	
	Closing Balance	184.64	

## 8. Equities: Disclosures for Banking Book Positions

### Qualitative disclosure

a)	The general qualitative disclosure requirement with respect to equity risk, including:	
	<ul style="list-style-type: none"> <li>• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons;</li> </ul>	<p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> <li>i) Quoted Securities (Common or Preference Shares &amp; Mutual Fund) that are traded in the secondary market (Trading Book Assets).</li> <li>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.</li> </ul>
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<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>

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.	147.89	155.47
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	50.44	
d)	<ul style="list-style-type: none"> <li>• Total unrealized gains (losses)</li> </ul>	7.58	
	<ul style="list-style-type: none"> <li>• Total latent revaluation gains (losses) of T-bills/bonds</li> </ul>	15.96	
	<ul style="list-style-type: none"> <li>• Any amounts of the above included in Tier-2 capital.</li> </ul>	0.70	
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).		
	<ul style="list-style-type: none"> <li>• Specific Market Risk</li> </ul>		15.55 million
	<ul style="list-style-type: none"> <li>• General Market Risk</li> </ul>		15.55 million

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

### Qualitative disclosure

a)	<p>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.</p>	<p>Interest rate risk is the risk where changes in market interest rates might adversely affect a Bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the Bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a Bank and is often gauged by comparing the volume of a Bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.</p> <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

	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	4857.90	4794.70	1700.00	1823.60
		Balance with other Banks & Financial Institutes	3450.00	100.00	0	0
		<b>A. Rate Sensitive Assets</b>	<b>8307.90</b>	<b>4894.70</b>	<b>1700.00</b>	<b>1823.60</b>
		Term Deposits	11668.50	3159.60	1470.00	1489.00
		Saving Deposits	315.80	711.50	350.00	361.50
		Borrowing from other Banks	20.60	76.30	0	0
		<b>B. Rate Sensitive Liabilities</b>	<b>12004.90</b>	<b>3947.40</b>	<b>1820.00</b>	<b>1850.50</b>
		GAP (A-B)	(3697.00)	947.30	(120.00)	(26.90)
		Cumulative GAP	(3697.00)	(2749.70)	(2869.70)	(2896.60)
		Adjusted Interest Rate Changes (IRC)	1%	1%	1%	1%
		Quarterly earnings impact (Cum. GAP*IRC)	(9.12)	(13.56)	(21.23)	(28.97)
		Cumulative earnings impact to date	(9.12)	(22.68)	(43.90)	(72.87)
		Earning impact / Average quarterly profit	-3.13%	-7.80%	-15.09%	-25.05%

## 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"> <li>i. Interest rate risk</li> <li>ii. Equity position risk</li> <li>iii. Foreign exchange (including gold) position risk throughout the Bank's balance sheet and</li> <li>iv. Commodity risk.</li> </ul>
	ii) Methods used to measure Market risk.	<p><b>Measurement Methodology:</b></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"> <li>a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.</li> <li>b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.</li> <li>c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk.</li> <li>d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.</li> </ul>
	iii) Market Risk Management system.	<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>

## Qualitative disclosure

	iv) Policies and processes for mitigating market risk.	<p>To mitigate the several market risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices / policies and risk management prudential limits are adhere to.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <ul style="list-style-type: none"> <li>i) <b>Foreign exchange risk management:</b> 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.</li> <li>ii) <b>Equity Position Risk:</b> 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"> <li>a) Security of Investment</li> <li>b) Fundamentals of securities</li> <li>c) Liquidity of securities</li> <li>d) Reliability of securities</li> <li>e) Capital appreciation</li> <li>f) Risk factors and</li> </ul> </li> </ul>
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## Quantitative disclosure

In BDT Million

b)	The capital requirements for	Solo
	Interest rate risk	13.40
	Equity position risk	31.09
	Foreign exchange risk and	61.11
	Commodity risk	-
	<b>Total Capital Requirement</b>	<b>105.60</b>

## 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>
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	<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><b>Human Resources</b></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 &amp; 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><b>Workforce Diversity:</b></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 2017, workforce diversity is furnished below:</p> <table><tr><th>Age Group</th><th>Male</th><th>Female</th><th>Total</th></tr><tr><td>Above 50 years</td><td>11</td><td>1</td><td>12</td></tr><tr><td>30-50 years</td><td>335</td><td>29</td><td>364</td></tr><tr><td>Below 30 years</td><td>103</td><td>24</td><td>127</td></tr><tr><td>Total</td><td>449</td><td>54</td><td>503</td></tr></table>	Age Group	Male	Female	Total	Above 50 years	11	1	12	30-50 years	335	29	364	Below 30 years	103	24	127	Total	449	54	503
Age Group	Male	Female	Total																		
Above 50 years	11	1	12																		
30-50 years	335	29	364																		
Below 30 years	103	24	127																		
Total	449	54	503																		



<p>iii) Potential external events</p>	<p><b>Risk factors/Potential external events:</b></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"> <li> <p><b>General business and political condition</b></p> <p>MDB's performance greatly depends on the general economic conditions of the country. The effect of recession is still unfolding which may result to slow down in business environment. Political stability is must for growth in business activities.</p> </li> <li> <p><b>Changes in credit quality of borrowers</b></p> <p>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.</p> </li> <li> <p><b>Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions</b></p> <p>MDB is subject to regulations and compliance of regulation is must. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect the performance. Changes in provisioning requirement will also affect the performance of the Bank.</p> </li> <li> <p><b>Implementation of Basel-III</b></p> <p>Basel-III 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.</p> </li> <li> <p><b>Changes in market conditions</b></p> <p>Changes in market conditions particularly interest rates on deposits and volatility in Foreign Exchange market is likely to affect the performance of the Bank. Depositors are becoming increasingly price sensitive and any unilateral upward change by a Bank will exert pressure on interest rate structure of the Banking sector. It is feared that wage earners remittances may decline due to fall in job opportunity in international market. Unless offset by export performances, there may be pressure in the Foreign Exchange market.</p> </li> <li> <p><b>The risk of litigation</b></p> <p>In the ordinary course of business, legal actions, claims by and against the Bank may arise. The outcome of such litigation may affect the financial performance of the Bank.</p> </li> <li> <p><b>Success of strategies</b></p> <p>MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.</p> </li> </ul>
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<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"> <li>• Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it;</li> <li>• 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;</li> <li>• 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.</li> <li>• <b>The following risks have also to be reviewed:</b> <ul style="list-style-type: none"> <li>• Operational Risk</li> <li>• Market Risk</li> <li>• Liquidity Risk</li> <li>• Reputation risk</li> <li>• Insurance Risk</li> <li>• Sustainability Risk</li> </ul> </li> <li>• Setting the portfolio objectives and tolerance limits/parameters for each of the risks;</li> <li>• 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;</li> <li>• Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank.</li> <li>• Ensure compliance with the core risks management guidelines at the department level, and at the desk level;</li> <li>• 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;</li> <li>• Analysis of self resilience capability of the Bank;</li> <li>• Initiation to measure different market conditions, vulnerability in investing in different sectors;</li> <li>• The unit will also work for substantiality of capital to absorb the associated risk in banking operation.</li> </ul> <p><b>Activities undertaken by "Risk Management Division" since inception and recent approaches</b></p> <ul style="list-style-type: none"> <li>• Risk Management Division of MDB is currently arranging monthly as and when required 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;</li> <li>• 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 &amp; techniques guided by the members of Risk Management Division;</li> </ul>
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	iv) Policies and processes for mitigating operational risk.	<ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Stress Testing in MDB:</b></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"> <li>Interest rate;</li> <li>Forced sale value of collateral;</li> <li>Non-performing loans (NPLs);</li> <li>Share prices; and</li> <li>Foreign exchange rate.</li> </ul> <p>The stress testing based on the financial performance of the Bank as on December 31, 2017 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 major combined shocks, some additional capital may be required.</p>
	iv) Policies and processes for mitigating operational risk.	<p><b>v) Approach for calculating capital charge for operational risk.</b></p> <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 <math>\alpha</math> (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><math>\alpha</math> = 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"> <li>be gross of any provisions;</li> <li>be gross of operating expenses, including fees paid to outsourcing service providers;</li> <li>exclude realized profits/losses from the sale of securities held to maturity in the Banking book;</li> <li>exclude extraordinary or irregular items;</li> <li>exclude income derived from insurance.</li> </ol>

**Quantitative disclosure**

**In BDT Million**

	Particulars	Solo Basis
b)	The capital requirement for operational risk	268.58

## 12. Liquidity Risk

### Qualitative disclosure

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.

c)	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 policies 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><b>Measurement Methodology:</b></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</p> <p>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> $LCR = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$ <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"> <li>A. Total value of stock of high quality liquid assets</li> <li>B. Total cash outflows, next 30 days (stressed scenario)</li> <li>C. Total cash inflows, next 30 days (stressed scenario)</li> </ul>

c)	i) Views of BOD on system to reduce Liquidity Risk	<p><b>Net Stable Funding Ratio:</b></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 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><b>The equation:</b></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 <math>\text{ASF}/\text{RSF} \geq 1</math> 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> <ul style="list-style-type: none"> <li>a) Asset-Liability Maturity Analysis (Liquidity profile);</li> <li>b) Whole sale borrowing capacity;</li> <li>c) Maximum Cumulative Outflow (MCO);</li> </ul> <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <ul style="list-style-type: none"> <li>a) Stress Testing (Liquidity Stress);</li> <li>b) Net open position limit - to monitor the FX funding liquidity risk;</li> </ul>
	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 &amp; 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 / policies and risk management prudential limits are adhere to.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>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>
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#### Quantitative disclosure

BDT in Million

2017 in millions

b)		Solo	
<ul style="list-style-type: none"><li>Liquidity Coverage Ratio</li></ul>	The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2017 was as under:		
	Particulars	Ratio	
		BB requirement	MDB's position
	Liquidity Coverage Ratio (LCR)	100%	249.28%
<ul style="list-style-type: none"><li>Net Stable Funding Ratio (NSFR)</li></ul>	The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2017 was as under:		
	Particulars	Ratio	
		BB requirement	MDB's position
	Net Stable Funding Ratio (NSFR)	100%	128.05%
<ul style="list-style-type: none"><li>Stock of High quality liquid assets</li></ul>	As stipulated by BB vide DOS Circular Letter No. 1 dated 1 <sup>st</sup> January 2015, the Stock of High Quality Liquid Assets (SHQLA) of Midland Bank Limited as of 31 December 2017 was as under:		
	6,850.85		
<ul style="list-style-type: none"><li>Total net cash outflows over the next 30 calendar days</li></ul>	2,748.25		
<ul style="list-style-type: none"><li>Available amount of stable funding (ASF)</li></ul>	33,672.12		
<ul style="list-style-type: none"><li>Required amount of stable funding (RSF)</li></ul>	26,296.88		

### 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</p> <p>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>
	iii) Approach for calculating leverage ratio	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

b)		Solo	
• Leverage Ratio	Leverage Ratio (LR) under Basel III of Midland Bank Limited as of 31 December 2017 was as under:		
		Particulars	Ratio
			BB requirement      MDB's position
		Leverage Ratio	3%      13.02%
• 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]	41,920.58
		less: Total Specific Provision [B]	184.64
		Total Adjusted On Balance Sheet exposure [A-B]	41,735.94



• Off balance sheet exposure	3,093.22										
• Total exposure	<p>Total Exposures for calculating Leverage Ratio under Basel III of Midland Bank Limited as of 31 December 2017 was as under:</p> <table> <tr> <th>Particulars</th><th>Amount</th></tr> <tr> <td>Total On Balance Sheet Exposures [A]</td><td>41,920.58</td></tr> <tr> <td>Total Off-Balance Sheet Exposures [B]</td><td>3,093.22</td></tr> <tr> <td>less: Total Deduction/ Regulatory adjustments [C]</td><td>184.64</td></tr> <tr> <td>Total Adjusted exposure [A+B-C]</td><td>44,829.16</td></tr> </table>	Particulars	Amount	Total On Balance Sheet Exposures [A]	41,920.58	Total Off-Balance Sheet Exposures [B]	3,093.22	less: Total Deduction/ Regulatory adjustments [C]	184.64	Total Adjusted exposure [A+B-C]	44,829.16
Particulars	Amount										
Total On Balance Sheet Exposures [A]	41,920.58										
Total Off-Balance Sheet Exposures [B]	3,093.22										
less: Total Deduction/ Regulatory adjustments [C]	184.64										
Total Adjusted exposure [A+B-C]	44,829.16										

## 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 2017 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 seeks to adjust remuneration to take account of longer-term performance.	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.	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.	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.
		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.	The following variable remuneration has been offered by MDB to its employees:  <b>Annual Increment</b> 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.

#### 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 2017. 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.	410
	Number of guaranteed bonuses awarded.	2 festival bonuses
	Total amount of guaranteed bonuses awarded.	28.50

		<b>Solo</b>
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	In BDT Million	
	Fixed	376.30
	Variable	46.70
	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

# MDB Photo Gallery





## MDB Photo Gallery

Honourable Prime Minister Sheikh Hasina receives a cheque for Tk. 20 lac from Mr. M Moniruzzaman Khandaker, Chairman of the MDB for Father of the Nation Bangabandhu Shaikh Mujibur Rahman Memorial Trust



Mr. M Moniruzzaman Khandaker, Chairman presided over the Board Meeting of the MDB

Mr. M Moniruzzaman Khandaker, Chairman of the MDB presided over the 4th Annual General meeting at Westin Hotel, Dhaka





## MDB Photo Gallery



Mr. Rezaul Karim, Chairman, Executive Committee (EC) of the Board of Directors along with other Directors of the Committee cuts a cake celebrating 100th meeting of the EC of MDB

Mr. M Moniruzzaman Khandaker, Chairman of MDB presided over the meeting on Awareness Programme of Senior Management



Mrs. Nilufer Zafarullah, M.P., Vice Chairman of MDB handing over the cheque for financial assistance to Shishu Bikash Kandro of Zonta Club Dhaka III

## MDB Photo Gallery

Honourable Prime Minister Sheikh Hasina receives blankets from Mr. M Moniruzzaman Khandaker, Chairman of MDB for PM Relief Fund



Mr. M Moniruzzaman Khandaker, Chairman of MDB handing over the cheque for financial assistance to Babutipara girls high school of Muradnagar of Cumilla

Mr. M Moniruzzaman Khandaker, Chairman of MDB inaugurates the Customer's Night of the Bank at Westin Hotel, Dhaka





## MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates a Branch of the Bank at Khulna



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates a Branch of the Bank at Chatkhil, Noakhali



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates a Branch of the Bank at Sylhet

## MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB presides over the half-yearly Business Conference 2017 of Corporate Banking Division of the Bank



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB presides over the half-yearly Manager's Conference 2017 of the Bank

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB attending a Doa Mahfil on the occasion of the Bank's 4th Anniversary





## MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Belabo, Narshingdi

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Shahjahanpur, Bogura



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Bajitpur, Kishoregonj

## MDB Photo Gallery

Mr. Masihul Haq Chowdhury, Additional Managing Director of MDB formally inaugurates an Agent Banking Centre of the Bank at Betila, Manikgonj



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Shahjampur, Sirajgonj

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Kamalnagar, Lakshmipur





## MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB formally inaugurates an Agent Banking Centre of the Bank at Dhunot, Bogura

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



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB distributes bicycles among under privileged school girls of different upazilas of Bogura district, under "SHAPNO JATRA", a special CSR programme of Midland Bank Ltd.



## MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB distributes blankets among the winter affected poor people of the country



Mr. Md. Abul Bashir, General Manager, Bangladesh Bank and Project Director of SMESPD-2 and Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of Midland Bank Ltd. shake hands after signing an agreement on behalf of their respective organizations for availing fund under Second Small and Medium Sized Enterprise Development Project (SMESPD-2) through re-finance facility of Bangladesh Bank

Mr. Swapan Kumar Roy, General Manager of SMESP Division, Bangladesh Bank and Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of Midland Bank Ltd. shake hands after signing an agreement on behalf of their respective organizations for Financing Facility under JICA assisted Urban Building Safety Project of Bangladesh Bank



## MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB and Mr. Sk Farid Ahmed, Managing Director of Silkways Card and Printing Limited shake hands after signing an agreement on behalf of their respective organizations for personalizing Visa cards of the Bank

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB, Mr. Mahmood Malik, Executive Director & CEO of Infrastructure Development Company Limited and Mr. Md. Motiur Rahman, Managing Director of Kushiara Auto Bricks Limited signed the agreement on behalf of their respective organizations for raising fund against syndicated term loan facility



Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Tareq Ibrahim, Managing Director of Savvy Food Ltd. shake hands after signing an agreement on behalf of their respective organizations for discount facility for MDB credit and debit card holders



## MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB and Mr. Mustaque Ahmed, Company Secretary of Titas Gas Transmission & Distribution Company Ltd. signed the MoU on behalf of their respective organizations, in presence of Engineer Mir Moshir Rahman, Managing Director of Titas Gas for collecting Titas Gas bill



Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Hossain Patoari, Director (Finance), FMT Cell of REB signed the agreement on behalf of their respective organizations in presence of Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of Midland Bank for collecting bills from REB customers through Midland Bank Agent Banking

Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Ashish Chakraborty, Chief Operating Officer of SSL Wireless signed the MoU on behalf of their respective organizations for EMI facility at 0% interest for MDB credit and debit card holders



## MDB Photo Gallery



Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Jewel Khan, Director of AFC Health Limited signed the MoU on behalf of their respective organizations for special discount and EMI facility at 0% interest for in-patient and out-patient medical services from AFC Fortis Escorts Heart Institute countywide for MDB credit and debit card holders

Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Al Emran Chowdhury, Chief Operating Officer of Labaid Hospitals signed the MoU on behalf of their respective organizations for special discount on basic and special health screening package, in-patient and out-patient medical services from Labaid Hospitals country wide for MDB credit and debit card holders



Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Kabir Uddin Tusher, GM, Marketing & Business Development of Asgar Ali Hospital signed the agreement on behalf of their respective organizations for special discount and EMI facility at 0% interest for in-patient and out-patient medical services from Asgar Ali Hospital for MDB credit and debit card holders



## MDB Photo Gallery

Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Sohail Majid, Deputy Director, Marketing & Sales of US-Bangla Airlines signed the agreement on behalf of their respective organizations for EMI facility at 0% interest for MDB credit and debit card holders



Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Morshedul Alam Chaklader, Director & CEO of Total Air Services Limited (TAS), the General Sales Agent (GSA) of AirAsia Berhad, a Malaysian based airline, signed the MoU on behalf of their respective organizations for special discount facilities for MDB credit and debit card holders

Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Shahidul Islam, President, CFA Society of Bangladesh signed the agreement on behalf of their respective organizations for issuing MDB Visa Prepaid Card to candidates who wish to enroll for the CFA program from Bangladesh by making online payments of program enrollment fee



## MDB Photo Gallery



Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB and Mr. Md. Abu Tariq Zia Chowdhury, Head of Retail and Corporate Sales of Rahimafrooz signed the MoU on behalf of their respective organizations for EMI facility at 0% interest for MDB credit and debit card holders

Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Tauquir Ahmed, Managing Director of Nokkhottrobari Resort signed the MoU on behalf of their respective organizations for special discount facilities for MDB credit and debit card holders



Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Sushil Chandra Ghosh, Head of Sales of PARTEX Furniture signed the MoU on behalf of their respective organizations for EMI facility at 0% interest for MDB credit and debit card holders



## MDB Photo Gallery

Mr. Md. Ridwanul Hoque, Head of Retail Distributions of MDB and Mr. Faiz Ahmed, GM, Finance of Runner Group signed the MoU on behalf of their respective organizations for EMI facility at 0% interest for MDB credit and debit card holders



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of MDB inaugurates the training programme for the employees of the Bank titled "Loan Documentation"

Mr. Masihul Huq Chowdhury, Additional Managing Director of MDB inaugurates the training programme for the employees of the Bank titled "Foundation Course"



## MDB Photo Gallery



Officials of Chittagong region of MDB attending the training programme of the Bank titled "Foundation Course"

Mr. Khondoker Nayeemul Kabir, Deputy Managing Director of MDB inaugurates the training programme at the Bank titled "Integrated Supervision System Reporting"



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



## MDB Photo Gallery

Dr. Shirin Sharmin Chaudhury  
Honourable Speaker,  
Bangladesh Parliament and  
Mr. Fazle Kabir, Honourable  
Governor, Bangladesh Bank  
visited MDB Stall in presence  
of Mr. Md. Ahsan-uz Zaman,  
Managing Director & CEO of  
the Bank in the “Banker-SME  
Women Entrepreneur  
Conference & Product  
Exhibition-2018” organized by  
Bangladesh Bank



MDB participated Rally  
organized by Bangladesh Bank  
on the occasion of Nation's  
graduation to Developed  
Country

Mr. Md. Ahsan-uz Zaman,  
Managing Director and CEO of  
MDB inaugurates the 'Seba  
Soptaho' along with other high  
officials of the Bank on the  
occasion of Nation's graduation  
to Developed Country.



## Bank Financed Projects



Energypac Engineering Limited

ACI Motors - YAMAHA



Saiham Knit Composite Limited



# Sustainability Report

## Sustainability

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 also for future generations. 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.

## MDBs Approach to Sustainability

Being a responsible partner of the society and economy MDB thrives to contribute towards attaining sustainable development goals (SDGs) e.g. end poverty and hunger, ensure access to safe water, affordable /reliable energy for all, promote sustainable and inclusive economic and industrial growth, recycling program etc. 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 environment 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. 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 is 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 growing 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 2018, 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. During 2017, a good total of 152 MSME entrepreneurs were added to SME client-base bringing the total to 476 and disbursed a sum of BDT 2140.00 million which consolidated our SME portfolio with BDT 3196.10 million outstanding at the year-end. To improve the gender balance in SME finance, we closed the year with BDT 631.60 million loan disbursement on account of total 10,565 women entrepreneurs (directly through Bank to 37 number of Women Entrepreneurs and indirectly through MFIs to 10,528 number of Women Entrepreneurs). 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 to 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. 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 2017, we have disbursed a sum of BDT 34.00 million to a number of 08 Zig Zag on account of eco-friendly Brick Kilns. Besides, specific environment risk management plan and guidelines are in place with the Bank.

We spent an amount of BDT 8.80 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. 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 2017, 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 micro and 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 631.60 million in loans to Women Entrepreneurs in the calendar year 2017. 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.

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

# Green Banking



# Green Banking: Towards Sustainable Banking

## Green Vision

Green Banking is an environment friendly and socially responsible banking activities while giving special attention to social and environmental aspects with the aim of conservation of nature and natural resources. The main objective of green banking is to ensure the use of organizational resources in favor of the environment and society. Green banking as concept is proactive and smart way of thinking with a vision for future sustainability. A green Bank takes into consideration all sorts of social and environmental factors to merge into a long run sustainable financial gain shared by all of the earth inhabitants. Green Banking initiatives have been undertaken by global communities to reduce environmental degradation, lessening carbon emission and reduce utilization of non-renewable resources for the protection of future generations from its impact. Green finance as a branch of green banking makes significant contribution towards transition to resource efficient and low carbon regime i.e. green industry and green economy in general. Investment in greener and sustainable projects offers continuing multiple economic, social and environmental benefits.

## Concepts of Green Banking

Green Banking refers to the efforts of the banking sector to keep the environment green and to minimize greenhouse effects through reducing the use of non-renewable energy & materials (electricity, gas, fuel, paper, stationery etc.), increasing the use of renewable or recyclable energy & materials (solar power, bio-gas, electronic media of communication etc.), reducing the emission of industrial carbon, scrutiny of negative impacts of the corporations on environment and taking necessary mitigating measures there against during financing and also to finance green projects (i.e. ETP, Bio-Gas Plant, Green Factory & Office Building, Solar Power, Hybrid Hoffman Klin, energy & water efficient projects, water conservation, rain water harvesting etc.). Products included in green banking are Online Banking, Internet Banking, Mobile Banking, ATM, ADC, Green Credit, Green Marketing, E-Signatures, Solar Use, Bio-Gas, Afforestation etc.

## MDB Green Banking Policy

In accordance with the instruction as laid down in the “Policy Guidelines for Green Banking” dated February 27, 2011 of Bangladesh Bank, Green Banking Policy and strategy framework has been developed for Midland Bank Limited in June 2014. MDB, being a responsible corporate entity values its corporate social responsibilities and believes that it's every Green Banking step would contribute a little in ensuring greener world. Also MDB policy discourages financing of environmentally and socially undesirable projects.

## Green Activities of MDB

Midland Bank Limited (MDB) is much more aware to implement and promote green banking initiatives in line with 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 Green Banking 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.

## Environmental Risk Management

MDB conducts Environmental Risk Rating (EnvRR) for the projects as well as the credit facilities (both new and existing). New ESRM policy as per BB guidelines is under process of implementation.

## 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 by using energy saving lights in bank premises, shutting down the computer properly and switching off the computer monitor before leaving office every day, ensuring that light, fans, air conditioners have been switched off before leaving office every day and using energy efficient electronic equipment.

## Fuel Consumption

- Ensuring economic use of fuel by buying energy efficient vehicles 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

- Ensuring economic use of water in all other cases and not misusing drinking water.

## Others

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

## Green Reporting and Disclosure

MDB prepares Green Banking & Sustainability Reports to disclose updates on its quarterly activities and engagements to Sustainable Finance Department of Bangladesh Bank as well as to the Board of Directors. Also, Green Report Card on yearly activities is published in the annual report and posted on the website.

### MDB Green Report Card 2017:

[Fig. In BDT Million]

SL	Particulars	Total		Remarks
		No. of Projects	Amount	
A	Introducing Green Finance			Policy formulation is under process
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			
06	Others (if any) Zig Zag Brick Project	08	34	
	Total			
B	Online Banking			
01	No. of ADCs (own ATM & ADM)	26		
02	Shared ADCs	8,000		
03	No. of Branches with online coverage	24		
04	No. of total accounts	61,937		
05	No. of accounts facilitated with internet banking	1,816		
06	No. of accounts facilitated with Mobile/SMS Banking	32,740		
C	Awareness Building			
01	Training Programs 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		

# Corporate Social Responsibility (CSR)

MDBL endeavors for progress of the society as a responsible partner for development to achieve our cherish goal for inclusive growth. We consider sustainable business model addressing, evolving and maintaining durable, mutually beneficial relationship with our partners for achieving Millennium Development Goal as part of CSR activities, in addition to directly contributing to various CSR programs. A major area of CSR activities of MDB are education, community, health, disaster management and support for the underprivileged by contributing a portion of profit.

MDB business activities directly contribute to national economy, create employment, support export growth and trade services. The Bank pay taxes to Govt. of Bangladesh and dividends to shareholders, procures goods and services, pay and develop employees which has a significant swell and trickle-down effect on the economy, society and population.

As a socially responsible Bank we structured a number of lending products to meet the requirement of, hitherto unbanked segment of population and also ensure sustainable growth of the economy. To deliver our lending products specifically designed for the unbanked / underprivileged segment of the population, we set up 50% of the branches in the rural areas and also established 8 Agent Banking Centers in different remote area of the country as part of social responsibility. MDB envisages to enhance its network in the rural and remote area to enhance capability for delivering its responsibility. Also MDB policy discourages financing of socially undesirable business.



# Financial Statements-2017





# 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 Act 1991 (amended upto 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 Act 1991 (amended upto Act 2013) for ensuring that the Bank is suitably and efficiently managed and controlled.

Midland Bank Limited has been running on Centralized Banking Model since 2015. The main objective of adopting the model was to reduce the operational risk and ensure the compliance at maximum. Through establishing the Centralized Banking Model the different entities of the Bank have set up internal controls in all its operational and business functions by producing timely and effective policies, circulars and manuals. The Board of Directors have reviewed the policies and manuals in line with relevant practice and regulatory requirements of various segments of businesses and operations 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 has developed the internal financial control system and also continuously monitoring its effectiveness. The Directors are assured that relevant accounting records have been maintained and reasonable steps as far as practicable have been taken to ensure the accuracy and reliability of accounting records for preparation of financial statements. These provide reasonable assurance for protection of Bank's assets, maintenance of proper accounting records and reliability of financial information.

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

The Board has reviewed the external auditors' report and considered that, these financial statements for the year 2017 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 upto 2013), as per guidelines of the Bangladesh Bank, Company Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations issued by the regulatory bodies time to time. Any change to accounting policies and reasons for such change is disclosed in the "Notes to the Financial Statements" of this annual report.

The Board Audit committee comprised 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 31 December 2017 have been prepared in compliance with relevant accounting principles and regulatory requirements. The Committee also discussed and exchanged views with the representatives of external auditors and reviewed the financial statements and recommended to the Board of Director for consideration and approval of these financial statements for year ended on 31 December 2017.

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

On behalf of the Board of Directors



**M. Moniruzzaman Khandaker**  
Chairman

# Declaration of Managing Director & CEO and Chief Financial Officer to the Board of Directors

The financial statements of MDB have been prepared in compliance with the Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act 1991 (Amendment upto 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/CMRRC-D/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, 2017 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 2017, 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 2017, 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.

## 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 2017;
- (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 1,500 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, February 28, 2018



**Hoda Vasi Chowdhury & Co**  
Chartered Accountants

**Midland Bank Limited**  
**Balance Sheet**  
As on December 31, 2017

	Notes	2017 BDT	2016 BDT
<b><u>Property and Asset</u></b>			
<b>Cash</b>	<b>3.00</b>	<b>2,389,298,936</b>	<b>1,974,495,597</b>
In Hand (Including Foreign Currency)		349,765,072	266,871,763
With Bangladesh Bank and its agent Bank (including Foreign Currency)		2,039,533,864	1,707,623,834
<b>Balance with other Banks &amp; Financial Institutions</b>	<b>4.00</b>	<b>4,958,952,464</b>	<b>5,345,768,200</b>
In Bangladesh		4,626,308,045	5,190,207,643
Outside Bangladesh		332,644,418	155,560,557
<b>Money at Call and Short Notice</b>	<b>5.00</b>	<b>160,000,000</b>	<b>-</b>
<b>Investments</b>	<b>6.00</b>	<b>5,777,444,855</b>	<b>5,973,266,299</b>
Government		4,461,557,055	5,019,255,149
Others		1,315,887,799	954,011,150
<b>Loans and Advances</b>	<b>7.00</b>	<b>27,295,604,708</b>	<b>21,044,892,968</b>
Loans, Cash Credit, Overdrafts, etc.		27,213,998,989	21,003,711,952
Bills Purchased and Discounted		81,605,719	41,181,016
<b>Fixed Asset including Premises, Furniture &amp; Fixtures</b>	<b>8.00</b>	<b>199,342,151</b>	<b>235,907,314</b>
<b>Other Asset</b>	<b>9.00</b>	<b>1,168,088,256</b>	<b>777,694,725</b>
<b>Non-Banking Asset</b>		<b>-</b>	<b>-</b>
<b>Total Property and Asset</b>		<b>41,948,731,369</b>	<b>35,352,025,103</b>
<b><u>Liabilities and Capital</u></b>			
<b>Borrowing from other Banks, Financial Institutions &amp; Agents</b>	<b>10.00</b>	<b>312,581,754</b>	<b>2,271,378,214</b>
<b>Deposit and Other Accounts</b>	<b>11.00</b>	<b>34,240,234,843</b>	<b>26,675,927,555</b>
Current Deposit & Other Accounts		3,651,631,011	4,105,966,554
Bills Payable		166,777,070	144,958,753
Short Notice Deposit		2,407,269,499	1,895,252,148
Savings Deposit		2,051,850,811	1,441,176,318
Fixed Deposit		23,220,175,452	16,260,923,050
Deposit Scheme		2,742,531,001	2,827,650,732
<b>Other Liabilities</b>	<b>12.00</b>	<b>1,543,928,746</b>	<b>1,005,647,430</b>
<b>Total Liabilities</b>		<b>36,096,745,342</b>	<b>29,952,953,199</b>
<b>Capital/Shareholders' Equity</b>			
Paid up Capital	<b>14.00</b>	4,795,200,000	4,320,000,000
Statutory Reserve	<b>15.00</b>	559,840,988	352,783,354
Revaluation Reserve on Investment in Securities	<b>16.00</b>	15,956,791	249,877,044
Retained Earnings	<b>17.00</b>	480,988,247	476,411,507
<b>Total Shareholders' Equity</b>		<b>5,851,986,027</b>	<b>5,399,071,904</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>41,948,731,369</b>	<b>35,352,025,103</b>



# Midland Bank Limited

## Balance Sheet

As on December 31, 2017

	Notes	2017 BDT	2016 BDT
<b>Off-Balance Sheet Items</b>			
<b>Contingent Liabilities</b>	18.00		
Acceptance and endorsements		1,539,124,236	711,151,439
Letter of Guarantee		1,877,260,025	1,172,642,462
Irrevocable Letter of Credit		1,141,357,031	1,508,052,867
Bills for Collection		509,272,161	212,777,317
Other Contingent Liabilities		-	-
<b>Other Commitments</b>		<b>5,067,013,454</b>	<b>3,604,624,085</b>
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		-	-
<b>Total Off Balance Sheet Items including Contingent Liabilities</b>		<b>5,067,013,454</b>	<b>3,604,624,085</b>

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, February 28, 2018

  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

**Midland Bank Limited**  
**Profit and Loss Account**  
For the Period ended December 31, 2017

Particulars	Notes	2017 BDT	2016 BDT
Interest Income	20.00	2,816,989,608	2,178,907,697
Less: Interest Paid on Deposit and Borrowing, etc.	21.00	2,042,076,672	1,600,584,191
<b>Net Interest Income</b>		<b>774,912,936</b>	<b>578,323,506</b>
Income from Investment	22.00	963,667,348	1,166,785,119
Commission, Exchange and Brokerage	23.00	242,541,015	133,303,904
Other Operating Income	24.00	50,231,311	31,771,230
		<b>1,256,439,674</b>	<b>1,331,860,253</b>
<b>Total Operating Income</b>		<b>2,031,352,610</b>	<b>1,910,183,759</b>
<b>Less: Operating Expenditure</b>			
Salary and Allowances	25.00	408,959,405	439,583,585
Rent, Tax, Insurance, Electricity	26.00	199,132,346	182,160,480
Legal Expense	27.00	1,119,598	1,410,342
Postage, Stamps and Telephone	28.00	13,105,546	15,746,761
Printing, Stationery, Advertisement	29.00	25,851,300	25,299,380
Managing Director's Remuneration	25.01	14,076,559	12,510,000
Directors' Fee	30.00	2,640,400	2,596,700
Audit Fee	31.00	356,500	334,500
Depreciation on and Repair to Bank's Property	32.00	78,722,691	62,123,900
Other Expenditure	33.00	91,605,424	88,774,942
		<b>835,569,769</b>	<b>830,540,591</b>
<b>Total Operating Expenses</b>		<b>835,569,769</b>	<b>830,540,591</b>
<b>Profit Before Provision</b>		<b>1,195,782,841</b>	<b>1,079,643,169</b>
<b>Provision for Loans, Advances &amp; Off Balance Sheet</b>			
General Provision	34.00	33,564,153	80,704,333
Specific Provision		112,174,280	16,148,551
Provision for Off Balance Sheet Exposures		14,623,894	13,159,008
Provision against Other Asset		132,344	-
		<b>160,494,671</b>	<b>110,011,892</b>
<b>Total Provision</b>		<b>160,494,671</b>	<b>110,011,892</b>
<b>Profit Before Tax</b>		<b>1,035,288,170</b>	<b>969,631,277</b>

**Midland Bank Limited**  
**Profit and Loss Account**  
For the Period ended December 31, 2017

	Notes	2017 BDT	2016 BDT
<b>Less: Provision for Tax</b>	<b>35.00</b>	<b>343,453,795</b>	<b>301,220,445</b>
Current Tax		371,600,975	307,364,330
Deferred Tax		(28,147,180)	(6,143,886)
<b>Net Profit After Tax</b>		<b>691,834,375</b>	<b>668,410,832</b>
Retained Surplus Brought Forward	<b>17.01</b>	1,211,507	14,226,930
		<b>693,045,881</b>	<b>682,637,762</b>
<b>Appropriation:</b>			
Transferred to Statutory Reserve	<b>36.00</b>	207,057,634	202,726,255
Transferred to CSR Fund	<b>37.00</b>	5,000,000	3,500,000
		<b>212,057,634</b>	<b>206,226,255</b>
<b>Retained Surplus, Carried Forward</b>		<b>480,988,247</b>	<b>476,411,506</b>
<b>Earnings Per Share</b>	<b>38.00</b>	<b>1.44</b>	<b>1.39</b>

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, February 28, 2018

  
**Hoda Vasi Chowdhury & Co.**  
Chartered Accountants

**Midland Bank Limited**  
**Statement of Cash Flow**  
**For the Period ended December 31, 2017**

	Notes	2017 BDT	2016 BDT
<b>A) Cash Flow From Operating Activities:</b>			
Interest Received		3,841,980,986	3,276,399,798
Interest Paid on Deposits, Borrowings, etc.		(1,923,024,531)	(1,552,377,862)
Dividend Income		20,057,949	25,849,122
Fees & Commission Income		242,541,015	133,303,904
Recoveries of Loans previously written off		-	-
Cash Paid to Employees as Salaries and Allowances		(423,035,964)	(452,093,585)
Income Tax Paid		(326,249,540)	(200,776,072)
Cash Received From Other Operational Income	39.00	50,231,311	31,771,230
Cash Paid for Other Operational Expenses	40.00	(349,771,641)	(328,303,365)
<b>Cash Flow From Operating Activities Before Changes in Net Current Asset</b>		<b>1,132,729,584</b>	<b>933,773,171</b>
<b>Changes in Net Current Asset :</b>			
Investment in Treasury Bond		323,696,041	(1,673,593,944)
Loans & Advances		(6,250,711,740)	(7,157,031,178)
Other Asset		(117,378,789)	42,620,385
Bank Deposit		2,201,077,673	(1,320,980,256)
Customers' Deposit		5,244,177,473	9,993,184,587
Borrowing from Other Banks, Financial Institutions & Agents		(1,958,796,461)	1,990,122,610
Other Liabilities		1,185,671	(1,487,890)
		<b>(556,750,132)</b>	<b>1,872,834,313</b>
<b>Net Cash Flow From Operating Activities</b>		<b>575,979,452</b>	<b>2,806,607,484</b>
<b>B) Cash Flow From Investing Activities:</b>			
Investments in Shares & Bonds		(361,876,649)	795,988,850
Proceeds from Sale of Fixed Assets		-	185,000
Purchase of Fixed Asset		(26,197,000)	(78,969,216)
<b>Net Cash Flow From Investing Activities</b>		<b>(388,073,650)</b>	<b>717,204,634</b>
<b>C) Cash Flow From Financing Activities:</b>			
Receipts from Issue of Capital		-	-
Dividend Paid		-	-
<b>Net Cash Flow From Financing Activities</b>		<b>-</b>	<b>-</b>

**Midland Bank Limited**  
**Statement of Cash Flow**  
For the Period ended December 31, 2017

Notes	2017 BDT	2016 BDT
D) Net Increase in Cash and Cash Equivalents	187,905,803	3,523,812,118
E) Effect of Changes of Exchange Rates on Cash and Cash Equivalents	-	-
F) Opening Cash and Cash Equivalents	7,320,483,498	3,796,671,380
Closing Cash and Cash Equivalents (D+E+F)	<u>7,508,389,301</u>	<u>7,320,483,498</u>
The above closing Cash and Cash Equivalents include:		
Cash in Hand	349,765,072	266,871,763
Balance with Bangladesh Bank and its Agent Bank	2,039,533,864	1,707,623,834
Balance with Other Banks & Financial Institutions	4,958,952,464	5,345,768,200
Money at Call and Short Notice	160,000,000	-
Treasury Bill	-	-
Prize Bond	137,900	219,700
	<u>7,508,389,300</u>	<u>7,320,483,498</u>
Net Operating Cash Flow Per Share	<u>1.20</u>	<u>5.85</u>

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, February 28, 2018

  
Hoda Vasi Chowdhury & Co.  
Chartered Accountants

**Midland Bank Limited**  
Statement of Changes in Equity  
For the Period ended December 31, 2017

Particulars	Paid-up Capital		Statutory Reserve		Revaluation Surplus on Investments		Retained Earnings		Total	
	BDT		BDT		BDT		BDT		BDT	
<b>Balance as at January 01, 2017</b>	<b>4,320,000,000</b>		<b>352,783,354</b>		<b>249,877,044</b>		<b>4,76,411,507</b>		<b>5,399,071,904</b>	
Stock Dividend	475,200,000		-		-		(475,200,000)		-	
Revaluation Reserve transferred during the period	-		-		(233,920,252)		-		(233,920,252)	
Net Profit for the year after tax	-		-		-		691,834,375		691,834,375	
Appropriation made during the period	-		207,057,634		-		(207,057,634)		-	
Transfer to CSR	-		-		-		(5,000,000)		(5,000,000)	
<b>Balance as at December 31, 2017</b>	<b>4,795,200,000</b>		<b>559,840,988</b>		<b>15,956,791</b>		<b>480,988,248</b>		<b>5,851,986,027</b>	
<b>Balance as at December 31, 2016</b>	<b>4,320,000,000</b>		<b>352,783,354</b>		<b>249,877,044</b>		<b>476,411,507</b>		<b>5,399,071,904</b>	

The annexed notes form an integral part of these accounts

  
**Managing Director & CEO**

Dhaka, February 28, 2018

  
**Director**

  
**Director**

  
**Chairman**



# Midland Bank Limited

## Liquidity Statement

For the Period ended December 31, 2017

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
<b>ASSET :</b>						
Cash in hand & Balance with Bangladesh Bank	544,265,072	-	-	-	1,845,033,864	2,389,298,936
Balance with other Banks and Financial Institutions	1,459,000,000	3,400,000,000	99,952,464.00	-	-	4,958,952,464
Money at Call & Short notice	160,000,000	-	-	-	-	160,000,000
Investments	70,137,900	10,000,000	179,300,000	1,970,800,000	3,547,206,955	5,777,444,855
Loans and Advances	4,077,300,000	3,893,600,000	10,981,300,000	8,339,004,708	4,400,000	27,295,604,708
Fixed Asset	-	-	-	100,383,308	98,958,842	199,342,151
Other Asset	-	-	-	-	1,168,088,256	1,168,088,256
Non-Banking Asset	-	-	-	-	-	-
<b>Total Asset</b>	<b>6,310,702,972</b>	<b>7,303,600,000</b>	<b>11,260,552,464</b>	<b>10,410,188,016</b>	<b>6,663,687,917</b>	<b>41,948,731,369</b>
<b>LIABILITIES :</b>						
Borrowing From Other Banks, Financial Institutions & Agents	186,000,000	25,400,000	75,300,000	25,881,754	-	312,581,754
Deposit and Other Account	7,703,400,000	12,759,400,000	7,038,300,000	5,477,300,000	1,261,834,843	34,240,234,843
Provision & Other Liabilities	4,710,000	892,100,000	15,286,835	12,500,020	619,331,890	1,543,928,746
<b>Total Liability</b>	<b>7,894,110,000</b>	<b>13,676,900,000</b>	<b>7,128,886,835</b>	<b>5,515,681,774</b>	<b>1,881,166,733</b>	<b>36,096,745,342</b>
<b>Net Liquidity</b>	<b>(1,583,407,028)</b>	<b>(6,373,300,000)</b>	<b>4,131,665,629</b>	<b>4,894,506,242</b>	<b>4,782,521,184</b>	<b>5,851,986,027</b>

The annexed notes form an integral part of these accounts

  
Managing Director & CEO

Dhaka, February 28, 2018

  
Director

  
Director

  
Chairman

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**1. The Bank and its activities**

**1.1.1 Midland Bank Limited (MDB):**

Midland Bank Limited ("the Bank") was incorporated on 20 March 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 24 (Twenty Four) including 12 (Twelve) 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. Significant accounting policies and basis of preparation of financial statements**

**2.1 Basis of accounting**

**2.1.1 Statement of compliance**

The Financial Reporting Act 2015 (FRA) was enacted in 2015. Under the FRA, the Financial Reporting Council (FRC) is to be formed and it is to issue financial reporting standards for public interest entities such as banks. The Bank Companies Act 1991 has been amended to require banks to prepare their financial statements under such financial reporting standards. The FRC has been formed but yet to issue any financial reporting standards as per the provisions of the FRA and hence Bangladesh Financial Reporting Standards (BFRS) as issued by the Institute of Chartered Accountants of Bangladesh (ICAB) are still applicable.

Accordingly, the financial statements of the Bank continue to be prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the requirements of the Bank Companies Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, Securities and Exchange Rules 1987. In case any requirement of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank differ with those of BFRS, the requirements of the Bank Companies Act 1991, and provisions and circulars issued by Bangladesh Bank shall prevail.

**2.1.2 Use of estimates and judgments**

In preparation of the financial statements, management is 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 a going concern basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant areas where estimates and judgments have been applied are 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**  
**For the year ended December 31, 2017**

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**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.

**b) Foreign currencies translation**

Foreign currency transactions are converted into equivalent BDT using the prevailing exchange rates on the dates of respective transactions as per BAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into BDT at weighted average rate of inter-bank market as 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.

**c) 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 prevailing on the balance sheet date.

**d) 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 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.

**2.1.8 Reporting Period**

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

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

**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 on daily basis and applied to loan account quarterly, except EMI loan of which interest are being charged on due date and interest of staff loan are being charged to staff loan account yearly.
- 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 18 November, 2014.

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

Particulars	Rate (%)
<b>General provision:</b>	
On unclassified general loans and advances, including house finance.	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 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%
<b>Specific provision:</b>	
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), including Short Term Agricultural and Micro Credits.	100%
On substandard and doubtful short term Agricultural and Micro Credits (SS & DF).	5%

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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- 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, 2017.
- 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, etc.). However, such general provision cannot satisfy the conditions imposed by IAS 37. At the year end on 31 December 2017, the Bank has maintained provision for loans and advance of BDT 439.96 million in the Balance Sheet under the head of other liabilities, as against BDT 438.96 million of regulatory requirement (**note # 7.09**).
- h) General Provision against all unclassified Credit Card loans under Consumer Financing: BRPD Circular No-12 dated 20 August, 2017
- i) Provision for Short-term Agricultural and Micro-Credits: BRPD Circular No- 15 dated 27 September, 2017
- j) Maintenance of general provision against the liabilities of LC(s) issued in favor of fast track power plant projects: BRPD Circular Letter No. 01 dated 01 January, 2018

### 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 accredited, using the effective yield method are taken to discount account. Accounting treatment for government treasury securities (HTM/HFT) is made as per clarification of DOS circular # 5, dated January 28, 2009.

**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 short trading, 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. Investment (HTM) is shown in the financial statements (**note # 6.i**).

**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.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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 calculated 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 where market price is below the cost price of investment as per Bangladesh Bank guidelines (**note # 6.2**).

**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 (**note # 6.2**).

**vi) Investment in subsidiary:**

Investment in subsidiary is accounted for under cost method of accounting in the Bank's financial statements in accordance with BFRS-10. Accordingly, investment in subsidiaries are stated in the Bank's balance sheet at cost, less impairment loss, if any. MDB has no subsidiary company as of 31 December 2017.

**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 recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred.
- c) **Revaluation of Land and Building:** As per Bangladesh Accounting Standard (BAS-16) revaluation should be made with sufficient regulatory compliance to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of reporting period. The fair value of Land and Buildings is usually determined from market based evidence by an appraisal that is normally undertaken by the professionally qualified valuers. Therefore, any upward increases of the assets have positively impact on the capital adequacy of the Bank (50% of the assets valuation is considered as Tier-2 "Supplementary Capital" subject to deduction as per roadmap from implementation of BASEL-III) with a view qualify for higher capital adequacy. MDB did not revalued of its assets since of its inception.



**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

- d) Depreciation is charged for the year at the following rates on straight line method on all fixed assets 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%
Intangible Assets (Software)	Straight Line	20%
Computer & Peripherals	Straight Line	20%
Interior Decoration	Straight Line	10%
<b>Category of Fixed Assets (ATM's Assets):</b>		
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 BAS 23.
- h) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of 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/depreciation 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 Expenses: 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 services [IAS 38.70].

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**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). Due relocation of Uttara Branch, an amount of BDT 3.04 million has been impaired and charged to profit and loss account during the year 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 completed 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 recognised when there is a contractual right to receive cash or another financial asset from another entity.

**2.2.11 Inventories**

Inventories measured at the lower of cost and net 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".

**Bank as lessor:**

Amount due from lessees under the finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

**Bank as lessee:**

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payment. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

**2.2.13 Non-banking assets**

Non-banking assets are acquired on account of failure of a borrower to repay the loan on time after receiving the decree from the honorable court regarding the right and title of the mortgage property. The Bank has been awarded ownership of the mortgage properties according to the verdict of the honorable court in accordance with section 33(7) of "Artharin Adalat-2003". The value of the non-banking assets has been determined and reported in the financial statement on the basis of valuation report on an independent valuer. There are no assets acquired in exchange for loan during the period of financial statements.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**2.2.14 Reconciliation of inter-bank and inter-branch Account**

Accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences which may affect the financial statements significantly. Un-reconciled entries / balances in the case of inter-branch transactions as on the reporting date are not material.

**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.

**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. Authorized capital of the Bank as on 31 December 2017 was at BDT 10,000 million (**note-14.1**).

**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 Bank, ordinary shareholders rank after all other shareholders' and creditors and are fully entitled to any residual proceeds of liquidation. Paid-up capital of the Bank as on 31 December 2017 was at BDT 4,795.20 million, against BDT 4,320.00 million on 31 December 2016 (**note-14.2**).

**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 (Amendment upto 2013) until such reserves along with share premium equal to its paid up capital. Statutory reserve of the Bank as on 31 December 2017 was at BDT 559.84 million, against BDT 352.78 million on 31 December 2016 (**note-15**).

**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 BAS 12: "Income Taxes". During the financial year, the Bank did not revalue of its any fixed asset.

**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. The Bank has no such fund as of 31 December 2017

**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.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**2.3.7 Borrowings from other Banks, Financial Institutions and Agents**

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from Banks, Financial Institutions and Agents. These are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the profit & loss account. Disclosures of borrowings against Repo are shown in (notes- 10, 12 and 21.02).

**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 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 (estimated as per BAS 12, provision of latest Finance Act, related SROs/ Guidelines, etc., issued by National Board of Revenue-NBR) are recognized as tax liability under the 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 (PF) benefits are given to the confirmed members of the PF of the Bank in accordance with Bank's Service Rules. Accordingly, a Trust Deed and Provident Fund Rules were prepared and obtained 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 of the Bank (03 members from the Board of Directors and 03 members from management). 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 eligible employees in accordance with Bank Service Rules. The Bank prepared 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 of the Bank (03 members from the Board of Directors and 03 members from management). Valuation of Gratuity scheme has been made to assess the adequacy of the liabilities provided for the scheme as per BAS 19 "Employees Benefit".

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**iii) Employees' social security superannuation fund**

Midland Bank employees' social security superannuation 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 is being distributed as per rules of "Employees Welfare Fund". Retirement benefits are also provided from this fund.

**iv) Performance bonus**

The Bank is giving performance/incentive bonus to the employees in every year. This bonus amount is being distributed among the employees based on their performance.

**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, MDB has been maintaining @1% provision against off-balance sheet exposures.

**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 Nostro Accounts more than 3 months as on the reporting date. Since there is no un-reconciled entries which are outstanding more than 3 months during the year, as such 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 on unclassified loan and advances (Standard & SMA) is recognised on an accrual basis. Interest income on classified loan and advances (SS & DF only) is credited to interest suspense account 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. 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 transaction.

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**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.

**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 Bank 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 2017, 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 "Earnings Per Share (EPS)".

**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 Party Disclosures", Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC) guidelines. Details of Related party transactions have been disclosed in **note # 41**.

**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 divided @ 10% for the financial year 2017, in its 69th Board Meeting, held on 28 February 2018.

**2.5 Credit Rating**

Credit Rating Information and Services Limited (CRISL) has rated the Bank based on December 31, 2016 with "A" (pronounced as A) in the long Term and ST 3 for the Short Term. The date of rating was June 28, 2017.

Year	Long term rating	Short term rating
2016	"A"	"ST 3"



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Midland Bank Limited has been rated as “A” (pronounced as A) in the long Term and ST3 for the Short Term by Credit Rating Information and Services Limited (CRISL) based on audited financials of the FY 2016 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 of 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 2017, 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-7.07** 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.

### **iii) 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.

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CRGM compare degree of credit risk associated with a borrower but, this model does not have any predictive ability. The numeric 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)**

During the year ended on 31 December 2017, Non-performing Loans (NPL) as percentage of total loans stood at 1.68 percentage. However the amount of Default Loans did not changed significantly. Domestic financial and banking sector were 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 1.68% at the end of 2017 upward from 0.68% in 2016.

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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.

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**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, 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 (**Note # 6.2**).

**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.

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 every year in terms of Anti Money Laundering Prevention Acts and Anti-Terrorist Acts duly approved by the Board. Besides, Board of Directors and top management and 394 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 continued 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 Additional 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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**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 analysis of the effectiveness of the reviewed activities, evaluates the quality of the risk management and control systems and processes and provides recommendations for potential improvements.

There are two major Departments working in ICCD named as (i) Audit and Inspection Department and (ii) Monitoring and Compliance 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 "Monitoring and Compliance Department" is to ensure compliance of irregularities / lapses mentioned in the Internal and External audit reports within stipulated time frame and to analyze data / information collected from various Branches / Divisions / Departments and assesses the risk of individual Branch / Division / Department. ICCD has already started to conduct IS/IT audit in the Branches and Head Office IT Division.

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ICCD has a Risk Based Audit (RBA) Format for Branches and separate RBA formats for major operative Divisions / Departments of Head Office. ICCD conducted Risk Based Audit in 21 Branches and 22 Head Office Divisions in 2017. ICCD has revised its policy documents named Internal Control and Compliance policy and procedures -2017. A comprehensive Internal Control Manual named "Internal Control and Compliance Division (ICCD)'s Standard Operating Procedure - June 2017" has already been approved by the management. 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 trying to recruit some highly expert & certified IT auditors from other Banks / organizations. ICCD has planned to excel its monitoring activities on the operations of Branches and Head Office Divisions using technology. 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 Board Audit Committee (BAC) of Midland Bank Limited was formed by the Board of Directors in its 15th Meeting held on April 26, 2014 in compliance with Bangladesh Bank's BRPD circular No.11, Dated: October 27, 2013.

Pursuant to the BRPD Circular no. 11, dated October 27, 2013 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.

**Details of the committee are given below:**

SL No.	Name	Status with the Bank	Status with the Committee
i)	Dr. Kazi Shahidullah	Director	Chairman
ii)	Al-haj Mohammed Issa Badsha	Director	Member
iii)	Mrs. Ferdous Ara	Director	Member
iv)	Mr. Md. Kamal Hossain	Director	Member
v)	Mrs. Lufta Begum	Director	Member

During the year 2017, the Audit Committee of the Board conducted 5 (Five) meetings in which the following important issues were discussed / reviewed:

- a. Review of Annual Financial Statements 2016 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2016.
- b. Recommendation regarding appointment/re-appointment of External Auditor(s) of the Bank for the period upto 5th Annual General Meeting.
- c. Review and recommend for the approval of Internal Control and Compliance Policies and Procedures–March 2017 updated in light with Bangladesh Bank ICC guideline.
- d. Review and recommend for approval of ICCD activity plan for the year-2017.
- e. Review and 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.
- f. Review the performance of ICCD in 2016, half yearly in 2017 and submit the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- g. Review the summary of audit findings by internal auditors and recommend the management for rectification.
- h. Review the highlight of all Bangladesh Bank Inspection reports and recommend the management for rectification.
- i. Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.
- j. Follow up of implementation status of meeting decisions taken by BAC.
- k. Review of quarterly and half-yearly un-audited financial statements in 2017.
- l. Review of annual integrated health report–2016.
- m. Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.



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- n. Review of Bangladesh Bank's Circular on Self-Assessment of Anti-Fraud Internal Controls.
- o. Review of the quarterly report of Loan Documentation Checklist (LDCL) placed by ICCD.
- p. Review of list of approvals taken as Credit Policy exception.
- q. Review of Bangladesh Bank comprehensive Inspection report and compliance thereof.

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

#### **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
- b) Financial Reporting
- c) Internal Audit
- d) External Audit
- e) Compliance with existing laws and regulations
- f) Miscellaneous

#### **Meetings of the BAC**

Bangladesh Bank suggested Banks to hold at least 4 meetings in a year. In the year 2017, 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 2017 meetings:**

- Review of Annual Financial Statements 2016 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2016.
- Recommendation regarding appointment/re-appointment of External Auditor(s) of the Bank for the period upto 5th Annual General Meeting.
- Review and recommend for the approval of Internal Control and Compliance Policies and Procedures–March 2017 updated in light with Bangladesh Bank ICC guideline.
- Review and recommend for approval of ICCD activity plan for the year-2017.
- Review and 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.
- Review the performance of ICCD in 2016, half yearly in 2017 and submit the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- Review the summary of audit findings by internal auditors and recommend the management for rectification.
- Review the highlight of all Bangladesh Bank Inspection reports and recommend the management for rectification.
- Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.
- Follow up of implementation status of meeting decisions taken by BAC.
- Review of quarterly and half-yearly un-audited financial statements in 2017.
- Review of annual integrated health report–2016.
- Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.
- 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 Circular on Self-Assessment of Anti-Fraud Internal Controls.
- Review of the quarterly report of Loan Documentation Checklist (LDCL) placed by ICCD.
- Review of list of approvals taken as Credit Policy exception.
- Review of Bangladesh Bank comprehensive Inspection report and compliance thereof.

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**iii) 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 No.	Name	Status with the Bank	Status with the 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) meeting during the year where the following important issues were discussed/reviewed

- Review of Capital to Risk Weighted Asset Ratio (CRAR), Stress testing, Duration Gap for each quarter.
- Review of Risk Appetite statement for the year 2017
- Review of Comprehensive Risk Management Rating
- Review of Internal Capital Adequacy Assessment Process (ICAAP) along with supplementary documents for 2016 and revised ICAAP 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.
- Maturity bucket mismatch in respect to rate sensitive asset and liability, cash inflow and outflow specially MCO in 1 month bucket to be maintained within the regulatory limit i.e. 19%.
- Business units & CRMD to be taken effective steps for having adequate securities against loan & advances, especially top-borrowers
- Concerned divisions and RM are advised to pursue the respective default clients get their loan regularized.
- Retail is advised to reduce dependency on top depositors and core depositors to be encouraged. Management is also advised to collect core deposit through arranging campaign in various college and university. In addition to that some collection booth would be set up in suburban area in test basis for augmenting core deposits which lead to reduce high cost deposit.
- All sorts of rating (ECAI & EnvR) to be automated within shortest possible time as well as RMs' will be notified before the expiration of rating through pop-up notification.
- To adequately deal with the persistent threat of cyber-attacks, DRS & BCP to be operational within shortest possible time. All measures to be taken to safeguard the Bank from insider computer intrusion and wire fraud.
- Corporate business unit to keep an eye on large loan and mix the portfolio accordingly.
- Concerned divisions and respective RMs to make their best efforts to recover the defaults loans.

**iv) Directors' responsibility on financial statements**

The Board of Directors take the responsibility for preparation and presentation of these financial statements.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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v) **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.

vi) **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.

vii) **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:

<b>Name of the BAS / BFRS</b>	<b>BAS / B FRS</b>	<b>Status of compliance</b>
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

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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
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 (EPS)	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
<b>Bangladesh Financial Reporting Standards (BFRS):</b>		
First time adoption of Bangladesh Financial Reporting Standards	BFRS 1	N/A
Share Based Payment	BFRS 2	N/A

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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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 Resource	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**

\* 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 2017 that have a significant impact on the Bank.

**New and amended standards and interpretations not yet adopted by the Bank**

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2017 have been considered. However, these amendments have not material impact on the financial statements of the Bank.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

A number of standards and amendments to standards are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. However, the Bank has not early applied the following new standards in preparing these financial statements.

**a) BFRS 9 Financial Instruments**

BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from BAS 39. BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. As per the Bank's assessment, any material impact of BFRS 9 would be primarily on calculation of impairment provision. However, as Bangladesh Bank has not issued any circular to revise its current impairment, classification and measurement policies to align with BFRS 9 the Bank is unable to quantify any potential impact on its financial statements.

**b) BFRS 15 Revenue from Contracts with Customers**

BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRS 13 Customer Loyalty Programmes. BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on preliminary assessment the Bank has determined that BFRS 15 has no material impact on its financial statements.

**c) IFRS 16 Leases**

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period beginning on or after 1 January 2019. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Bank has not yet assessed any potential impact of IFRS 16 on its financial statements.

**d) IFRS 17 Insurance Contracts**

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. The Bank has not yet assessed in potential impact of IFRS 17 on its financial statements.

**Difference between BAS / BFRS and Bangladesh Bank Regulation:**

The financial statements of the Bank have been prepared up to 31 December 2017 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



**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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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, cash flows 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 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.

**2) Investment in Shares and Securities**

**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.

**3) Revaluation gain / loss on Government Securities**

**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.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**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.

**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.

**6) 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 BPRD 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.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
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**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.

**11) Non-banking Assets**

**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, recognized, and 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.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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**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 off 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.

**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) 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, 2017. Figures of previous year have been rearranged whenever necessary to confirm the current year / period presentation.

**iii) 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.

**iv) 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 in its 69th Board meeting held on 28 February, 2018.

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>3.00 Cash</b>		
In Hand (Including foreign currency) (note 3.01)	349,765,072	266,871,763
Balance with Bangladesh Bank and its Agent Bank (note 3.02)	2,039,533,864	1,707,623,834
	<b>2,389,298,936</b>	<b>1,974,495,597</b>
<b>3.01 In Hand (Including foreign currency)</b>		
Local Currency	338,621,053	265,357,319
Foreign Currency	11,144,019	1,514,444
	<b>349,765,072</b>	<b>266,871,763</b>
<b>3.02 Balance with Bangladesh Bank and its Agent Bank</b>		
With Bangladesh Bank		
Local Currency	2,007,199,965	1,687,413,660
Foreign Currency	32,323,999	20,141,250
With Sonali Bank (as agent of Bangladesh Bank-Local Currency)	9,900	68,925
	<b>2,039,533,864</b>	<b>1,707,623,834</b>
<b>3.03 Cash Reserve Requirement (CRR ) and Statutory Liquidity Ratio (SLR )</b>		
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, excluding 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.		
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.		
<b>a) Cash Reserve Requirement (CRR)</b>		
Required Reserve	1,845,116,350	1,502,414,160
Maintained Reserve	1,996,628,710	1,687,090,130
<b>Surplus/(Deficit)</b>	<b>151,512,360</b>	<b>184,675,970</b>
<b>b) Statutory Liquidity Ratio (SLR)</b>		
Required Reserve	3,690,232,690	3,004,828,310
Maintained Reserve	4,962,834,487	5,470,802,882
<b>Surplus/(Deficit)</b>	<b>1,272,601,797</b>	<b>2,465,974,572</b>
Total Required Reserve	5,393,417,010	4,507,242,470
Actual Reserve held	6,959,463,197	7,157,893,012
<b>Surplus/(Deficit)</b>	<b>1,566,046,187</b>	<b>2,650,650,542</b>
<b>c) Components of Statutory Liquidity Ratio (SLR)</b>		
Cash in Hand	349,765,072	266,871,763
Balance with Bangladesh Bank	-	-
Balance with Sonali Bank	-	-
Excess Reserve of CRR	151,512,360	184,675,970
Government Securities	4,461,557,055	5,019,255,149
	<b>4,962,834,487</b>	<b>5,470,802,882</b>
<b>4.00 Balance with other Banks and Financial Institutions</b>		
In Bangladesh	4,626,308,045	5,190,207,643
Outside Bangladesh	332,644,418	155,560,557
	<b>4,958,952,464</b>	<b>5,345,768,200</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

			2017 BDT	2016 BDT
4.01	<b>In Bangladesh</b>	<b>Transaction Currency</b>		
	<b>Current Account</b>			
	Standard Bank Ltd.	BDT	15,435	18,315
	Sonali Bank Ltd.	BDT	34,505,039	49,264,003
	Janata Bank Ltd.	BDT	12,072,700	49,508,850
	Agrani Bank Ltd.	BDT	52,580,774	51,509,424
	Rupali Bank Ltd.	BDT	27,300,131	6,608,850
	Trust Bank Ltd.	BDT	2,188,273	9,523,598
	The Premier Bank Ltd.	BDT	501,977	3,568,912
			<b>129,164,329</b>	<b>170,001,952</b>
	<b>Special Notice Deposit</b>			
	Mercantile Bank Ltd.	BDT	23,536,976	16,793,893
	Prime Bank Ltd.	BDT	599,348	592,056
	Eastern Bank Ltd.	BDT	3,007,393	2,819,742
			<b>27,143,717</b>	<b>20,205,691</b>
	<b>Fixed Deposits Receipt (FDR)</b>			
	Fas Finance & Investment Ltd.	BDT	200,000,000	300,000,000
	First Finance Ltd.	BDT	320,000,000	250,000,000
	Peoples Leasing & Finance Services Ltd.	BDT	-	400,000,000
	National Bank Of Pakistan	BDT	700,000,000	600,000,000
	Premier Leasing & Finance Ltd.	BDT	600,000,000	600,000,000
	Phoenix Finance & Investments Ltd.	BDT	400,000,000	200,000,000
	Bangladesh Finance & Investment Company Ltd.	BDT	200,000,000	300,000,000
	International Leasing & Financial Services Ltd.	BDT	500,000,000	400,000,000
	Fareast Finance & Investment Ltd.	BDT	400,000,000	300,000,000
	Union Capital Ltd.	BDT	-	200,000,000
	Industrial Promotion and Development Company of Bangladesh Ltd.	BDT	-	750,000,000
	Meridian Finance and Investment Ltd.	BDT	-	100,000,000
	Prime Finance & Investment Ltd.	BDT	100,000,000	100,000,000
	Lanka Bangla Finance Ltd.	BDT	600,000,000	350,000,000
	Bay Leasing & Investment Ltd.	BDT	-	50,000,000
	Mercantile Bank Ltd.	BDT	-	100,000,000
	CAPM Venture Capital & Finance Ltd	BDT	200,000,000	-
	Industrial and Infrastructure Development Finance Company Ltd.	BDT	100,000,000	-
	NRB Commercial Bank Ltd.	BDT	150,000,000	-
	<b>Sub total</b>		<b>4,470,000,000</b>	<b>5,000,000,000</b>
			<b>4,626,308,045</b>	<b>5,190,207,643</b>
4.02	<b>Outside Bangladesh (NOSTRO Accounts)</b>	<b>Transaction Currency</b>		
	<b>In current account</b>			
	AB Bank, Mumbai Branch	US\$	52,498,672	8,528,148
	United Bank of India	US\$	2,298,293	1,462,894
	Axix Bank Limited	US\$	17,631,566	2,136,470
	National Bank of Pakistan, Tokyo Japan	JPY	334,524	96,203
	Mashreq bank Psc, NY	US\$	205,468,815	102,317,329
	Mashreq bank Psc, United Kingdom	GBP	310,811	618,726
	National Australian Bank, Melbourne	AUD	-	-
	Mashreq bank Psc, United Kingdom	EURO	12,533,710	1,228,310
	Commerz Bank-Frankfurt	EURO	-	212,367
	Kookmin Bank, South Korea	US\$	9,788,987	728,690
	Habib American Bank, NY	US\$	18,666,705	19,626,376
	NIB Bank, Pakistan	US\$	12,937,175	18,605,043
	Aktif Yatirim Bank	EURO	175,160	-
			<b>332,644,418</b>	<b>155,560,558</b>
	<b>Details of NOSTRO accounts are shown in Annexure-A</b>			



**Midland Bank Limited**  
**Notes to the Financial Statements**  
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	2017 BDT	2016 BDT
<b>4.03 Maturity grouping of Balance with other Banks and Financial Institutions</b>		
On Demand	1,459,000,000	2,195,768,200
Less than three months	3,400,000,000	3,050,000,000
More than three months but less than one year	99,952,464	100,000,000
More than one year but less than five years	-	-
More than five years	-	-
	4,958,952,464	5,345,768,200
<b>5.00 Money at Call and Short Notice:</b>	160,000,000	-
	<b>160,000,000</b>	-
<b>6.00 Investments</b>		
Government (note 6.01)	4,461,557,055	5,019,255,149
Others (note 6.02)	1,315,887,799	954,011,150
	<b>5,777,444,855</b>	<b>5,973,266,299</b>
<b>i) Investment Classified as per Bangladesh Bank Circular</b>		
Held to Maturity (HTM)	4,026,423,907	2,662,936,649
Held for Trading ( HFT)	434,995,248	2,103,155,155
Reverse Repo	-	252,943,644
Prize Bond	137,900	219,700
Government Securities Encumbered	-	-
Other Investments	1,315,887,799	954,011,150
	<b>5,777,444,855</b>	<b>5,973,266,299</b>
<b>ii) Investment Classified as per Nature</b>		
<b>Government Securities</b>		
<b>Treasury Bills ( at present value )</b>		
<b>Un-encumbered</b>		
28 days	-	-
91 days	-	-
182 days	-	-
364 days	-	-
5 Years	-	-
<b>Sub-total</b>	-	-
<b>Encumbered</b>		
91 days	-	-
182 days	-	-
364 days	-	-
<b>Sub-total</b>	-	-
<b>Total Treasury Bill</b>	-	-
<b>Treasury Bonds</b>		
<b>Un-encumbered</b>		
2 Years	-	-
5 Years	59,823,006	264,132,828
10 Years	2,598,787,866	2,852,949,141
15 Years	1,053,797,773	1,290,764,463
20 Years	749,010,511	358,245,372
<b>Sub-total</b>	<b>4,461,419,155</b>	<b>4,766,091,804</b>
<b>Encumbered</b>		
2 Years	-	-
5 Years	-	-
10 Years	-	-
15 Years	-	-
20 Years	-	-
<b>Sub-total</b>	-	-
<b>Total Treasury Bond</b>	<b>4,461,419,155</b>	<b>4,766,091,804</b>
Reverse Repo	-	252,943,644
<b>Prize Bonds ( at face value )</b>	137,900	219,700
<b>Sub Total</b>	<b>4,461,557,055</b>	<b>5,019,255,149</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
6.02 Other Investments		
Shares in quoted companies	147,887,799	12,011,150
Details shown in Annexure-B		
Shares in unquoted companies ( at face value ) :		
Regent Energy & Power Ltd.(Preference Share)	90,000,000	120,000,000
Union Capital Ltd. (Preference Share)	30,000,000	40,000,000
	120,000,000	160,000,000
Bond, Debenture & Commercial Papers:		
Convertible Coupon Bond-BSRM	88,000,000	132,000,000
AB Bank Subordinated Bond	160,000,000	200,000,000
Trust Bank Subordinated Bond	200,000,000	250,000,000
UCB Subordinated Bond	200,000,000	200,000,000
SIBL Subordinated Bond	200,000,000	-
Standard Bank Subordinated Bond	200,000,000	-
	1,048,000,000	782,000,000
Sub Total	1,315,887,799	954,011,150
Total	5,777,444,855	5,973,266,299

6.03 Assets pledged as security for liabilities as at December 31, 2017 is BDT 488,769,284 of Treasury Bill and Bond against Re-Purchase Agreement. Details are as under:

(a) i. Disclosure regarding outstanding Repo as at December 31, 2017

Counter Party Name	Agreement Date	Reversal Date	Amount
Agrani Bank Limited	27-Dec-2017	3-Jan-2018	488,769,284
Total			488,769,284

(ii) Disclosure regarding outstanding Reverse Repo as at December 31, 2017

(b) Disclosure regarding overall transaction of Repo for the year 2017

Particulars	Minimum the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under Repo:			
i) with Bangladesh Bank	-	-	-
ii) with Other Banks & Financial Institutions	291,189,338	3,102,578,840	906,573,861
Securities purchased under reverse Repo:			
i) with Bangladesh Bank	-	-	-
ii) with Other Banks & Financial Institutions	194,904,178	416,826,900	30,726,819

6.04 Maturity grouping of Investment as follows:

On Demand	137,900	219,700
Up to one month	70,000,000	-
Less than three months	10,000,000	8,000,000
More than three months but less than one year	179,300,000	516,900,000
More than one year but less than five years	1,970,800,000	1,011,946,599
More than five years	3,547,206,955	4,391,200,000
	5,777,444,855	5,928,266,299

7.00 Loans and Advances

Loans, Cash Credits, Overdrafts, etc. (note-7.01.01)	27,213,998,989	21,003,711,952
Bills Purchased and Discounted (note-7.01.02)	81,605,719	41,181,016
Total Loans and Advances	27,295,604,708	21,044,892,968

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>7.01 Loans, Cash Credits, Overdrafts, etc.</b>		
<b>In Bangladesh:</b>		
Term Loan	9,702,431,559	6,615,447,887
Overdraft	6,417,809,107	4,795,138,941
Time Loan	4,632,810,030	4,839,209,716
Cash Credit	1,507,599,367	1,016,119,220
Trust Receipt	1,891,639,870	1,731,267,550
Consumer Loan	586,181,829	313,157,032
Agricultural Credit	2,117,406,392	1,416,889,773
EDF Loan	136,086,520	88,969,201
Packing Credit	79,067,942	34,128,430
Staff Loan	140,617,711	147,900,805
Other Loans and Advances	2,348,662	5,483,398
	<b>27,213,998,989</b>	<b>21,003,711,952</b>
<b>Outside Bangladesh</b>	-	-
	<b>27,213,998,989</b>	<b>21,003,711,952</b>
<b>7.02 Bill Purchased and Discounted</b>		
Payable in Bangladesh	58,549,323	30,660,516
Payable outside Bangladesh	23,056,396	10,520,500
	<b>81,605,719</b>	<b>41,181,016</b>
<b>7.03 Net Loans &amp; Advances</b>		
Gross Loans & Advances ( note- 7)	<b>27,295,604,708</b>	<b>21,044,892,968</b>
Less:		
Classified Loans & Advances (note-7.08)	457,579,924	143,503,196
Interest Suspense (Note-12.04)	26,176,658	15,561,542
Provision for Loans & Advances-General Provision (Note -12.01)	255,321,845	221,757,692
Net Loans & Advances	<b>26,556,526,281</b>	<b>20,664,070,539</b>
<b>7.04 Maturity grouping of Loans and Advances</b>		
On Demand	4,077,300,000	527,500,000
Not more than three months	3,893,600,000	6,316,700,000
More than three months but less than one year	10,981,300,000	6,875,900,000
More than one year but less than five years	8,339,004,708	6,438,500,000
More than five years	4,400,000	886,292,968
	<b>27,295,604,708</b>	<b>21,044,892,968</b>
<b>7.05 Maturity grouping of Bills Purchased and Discounted</b>		
Within one month	32,700,710	12,500,010
More than one but not more than three months	41,800,009	20,801,000
More than three months but less than six months	7,105,000	7,880,006
More than six months	-	-
	<b>81,605,719</b>	<b>41,181,016</b>
<b>7.06 Concentration of Loans and Advances:</b>		
a) Loans and Advances to Institutions in which the Directors of the Bank have interest	195,575,458	22,171,732
b) Advances to Managing Director & other Senior Executives	140,617,711	147,900,805
c) Advances to Industries		
Agriculture	2,094,946,831	1,418,701,733
RMG	1,559,667,366	915,322,886
Textile	2,104,163,992	1,592,918,114
Ship Breaking	654,088,861	1,179,036,974
Other Manufacturing industry	7,193,782,134	3,891,203,948
SME loans	347,953,846	320,030,639
Transport, Storage and Communication	12,731,626	12,731,626
Trade Service	4,098,132,808	3,641,755,907
Commercial real estate financing	90,325,329	187,704,117
Residential real estate financing	10,969,025	152,474,140
Consumer credit	583,343,370	172,993,534
Capital Market	697,660,414	645,184,983
NBFIs	3,279,577,916	2,263,824,328
Others	4,232,068,021	4,480,937,503
	<b>26,959,411,539</b>	<b>20,874,820,431</b>
	<b>27,295,604,708</b>	<b>21,044,892,968</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>7.07 Details of Large Loan:</b>		
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 614.27 crore as at December 31, 2017 (BDT 540.80 crore in 2016)		
Number of Clients	32	17
Outstanding Advances (BDT )	14,136,273,280	3,811,668,538

Client wise details are given below:

Sl	Name of the clients	Status	Outstanding (BDT )		Total 2017 (BDT )	Total 2016 (BDT )
			Funded	Non - Funded		
1	Adex Group	UC	667,800,000	364,845,581	1,032,645,581	562,085,329
2	Navana Group	SMA	305,300,000	88,678,740	393,978,740	428,074,882
3	Nilol-Niloy Group	UC	592,600,000	109,071,428	701,671,428	394,604,164
4	Abdul Monem Group	UC	157,200,000	-	157,200,000	75,982,790
5	Noman Group	UC	598,800,000	-	598,800,000	608,092,752
6	Kazi Firms Group	UC	81,800,000	21,725,639	103,525,639	121,222,201
7	Zon Ron Group	UC	412,000,000	650,738,807	1,062,738,807	917,451,717
8	Rangs Group	UC	632,900,000	9,051,350	641,951,350	559,944,493
9	Abul Khair Group	UC	332,400,000	33,504,590	365,904,590	577,984,547
10	Habib Group	UC	-	-	-	552,341,545
11	GPH Group	UC	478,500,000	15,178,373	493,678,373	673,023,265
12	Pride Group	UC	559,800,000	200,091,858	759,891,858	443,060,417
13	Energypac Group	UC	443,600,000	160,826,025	604,426,025	436,543,289
14	Alliance Group	UC	192,400,000	3,658,040	196,058,040	424,685,944
15	Anwar Group	UC	606,000,000	12,298,366	618,298,366	481,072,596
16	BD Group	UC	838,900,000	-	838,900,000	562,175,058
17	Florance Group	UC	138,800,000	134,104,774	272,904,774	343,715,489
18	ACI Group	UC	501,600,000	3,001,834	504,601,834	-
19	Star Ceramics Ltd.	UC	151,800,000	10,943,797	162,743,797	-
20	IDLC Finance Ltd.	UC	-	-	-	-
21	IDLC Securities Ltd.	UC	-	-	-	-
22	Intramex Group	UC	102,300,000	200,236,240	302,536,240	-
23	Baizid Group	UC	451,400,000	5,302,566	456,702,566	-
24	Mir Group	UC	511,200,000	133,000,000	644,200,000	-
25	Kabir Group	UC	560,000,000	-	560,000,000	-
26	Bay Leasing & Investment Ltd.	UC	558,200,000	-	558,200,000	-
27	MSA Group	UC	286,000,000	508,472,379	794,472,379	-
28	EXPO Group	UC	269,200,000	89,768,823	358,968,823	-
29	Saiham Group	UC	146,000,000	38,747,973	184,747,973	-
30	Spectra Engineers Ltd.	UC	177,400,000	-	177,400,000	-
31	Standard Asiatic Oil Company Ltd.	UC	112,100,000	-	112,100,000	-
32	Sajeeb Group	UC	390,100,000	86,926,098	477,026,098	-
<b>Total</b>			<b>11,256,100,000</b>	<b>2,880,173,280</b>	<b>14,136,273,280</b>	<b>8,162,060,478</b>

**7.08 Classification of Loans and Advances:**

**Unclassified (UC):**

Standard

Special Mention Account (SMA)

**Sub total**

**Classified:**

Substandard

Doubtful

Bad & Loss

**Sub total**

**Total**

26,697,626,256	20,558,041,991
140,398,528	343,347,781
<b>26,838,024,784</b>	<b>20,901,389,772</b>
41,488,215	2,191,751
47,589,318	4,357,849
368,502,390	136,953,595
<b>457,579,924</b>	<b>143,503,196</b>
<b>27,295,604,708</b>	<b>21,044,892,968</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

		2017 BDT	2016 BDT																																																		
<b>7.09 Details of Required Provision for Loans and Advances</b>																																																					
	<table> <tr> <th rowspan="2">Particulars</th><th rowspan="2">Provision Rate</th><th colspan="2">Provision</th></tr> <tr> <th>Required</th><th>Maintained</th></tr> <tr> <td><b>Unclassified (A):</b></td><td></td><td></td><td></td></tr> <tr> <td>Standard</td><td>0.25%, 1%, 2% &amp; 5%</td><td>252,679,505</td><td>253,679,505</td></tr> <tr> <td>Special Mention Account (SMA)</td><td>0.25%, 1%, 2% &amp; 5%</td><td>2,060,187</td><td>2,060,187</td></tr> <tr> <td><b>Sub total</b></td><td></td><td><b>254,739,692</b></td><td><b>255,739,692</b></td></tr> <tr> <td><b>Classified (B):</b></td><td></td><td></td><td></td></tr> <tr> <td>Sub standard</td><td>5% &amp; 20%</td><td>6,861,112</td><td>6,861,112</td></tr> <tr> <td>Doubtful</td><td>5% &amp; 50%</td><td>14,978,865</td><td>14,978,865</td></tr> <tr> <td>Bad loan</td><td>100%</td><td>162,384,582</td><td>162,384,582</td></tr> <tr> <td><b>Sub total</b></td><td></td><td><b>184,224,559</b></td><td><b>184,224,559</b></td></tr> <tr> <td><b>Grand Total (A+B)</b></td><td></td><td><b>438,964,251</b></td><td><b>439,964,251</b></td></tr> <tr> <td colspan="2">Excess/(short) Provision as at December 31, 2017</td><td></td><td>1,000,000</td></tr> </table>	Particulars	Provision Rate	Provision		Required	Maintained	<b>Unclassified (A):</b>				Standard	0.25%, 1%, 2% & 5%	252,679,505	253,679,505	Special Mention Account (SMA)	0.25%, 1%, 2% & 5%	2,060,187	2,060,187	<b>Sub total</b>		<b>254,739,692</b>	<b>255,739,692</b>	<b>Classified (B):</b>				Sub standard	5% & 20%	6,861,112	6,861,112	Doubtful	5% & 50%	14,978,865	14,978,865	Bad loan	100%	162,384,582	162,384,582	<b>Sub total</b>		<b>184,224,559</b>	<b>184,224,559</b>	<b>Grand Total (A+B)</b>		<b>438,964,251</b>	<b>439,964,251</b>	Excess/(short) Provision as at December 31, 2017			1,000,000		
Particulars	Provision Rate			Provision																																																	
		Required	Maintained																																																		
<b>Unclassified (A):</b>																																																					
Standard	0.25%, 1%, 2% & 5%	252,679,505	253,679,505																																																		
Special Mention Account (SMA)	0.25%, 1%, 2% & 5%	2,060,187	2,060,187																																																		
<b>Sub total</b>		<b>254,739,692</b>	<b>255,739,692</b>																																																		
<b>Classified (B):</b>																																																					
Sub standard	5% & 20%	6,861,112	6,861,112																																																		
Doubtful	5% & 50%	14,978,865	14,978,865																																																		
Bad loan	100%	162,384,582	162,384,582																																																		
<b>Sub total</b>		<b>184,224,559</b>	<b>184,224,559</b>																																																		
<b>Grand Total (A+B)</b>		<b>438,964,251</b>	<b>439,964,251</b>																																																		
Excess/(short) Provision as at December 31, 2017			1,000,000																																																		
<b>7.10 Details of Required Provision for Off Balance Sheet Items</b>																																																					
Required Provision for Off- Balance Sheet Exposures		50,670,135	36,046,241																																																		
Total Provision maintained		50,670,135	36,046,241																																																		
<b>Excess/(Short) Provision</b>		-	-																																																		
<b>7.11 Suit filed by the Bank</b>																																																					
No of Suits file		10	5																																																		
Suit Amount		326,871,804	155,843,415																																																		
<b>7.12 Geographical location wise loans and advances</b>																																																					
<b>Inside Bangladesh</b>																																																					
<b>Urban</b>																																																					
Dhaka Division		22,270,313,419	17,135,927,698																																																		
Chittagong Division		4,059,982,401	3,276,644,397																																																		
Khulna Division		-	-																																																		
Rajshahi Division		72,849,910	66,403,894																																																		
Mymensingh		-	-																																																		
Barisal Division		-	-																																																		
Sylhet Division		-	-																																																		
Rangpur Division		-	-																																																		
		<b>26,403,145,730</b>	<b>20,478,975,989</b>																																																		
<b>Rural</b>																																																					
Dhaka Division		686,048,480	447,142,636																																																		
Chittagong Division		33,886,259	13,637,152																																																		
Khulna Division		-	-																																																		
Rajshahi Division		113,464,475	83,034,004																																																		
Mymensingh		59,059,765	22,103,186																																																		
Barisal Division		-	-																																																		
Sylhet Division		-	-																																																		
Rangpur Division		-	-																																																		
		<b>892,458,978</b>	<b>565,916,979</b>																																																		
<b>Outside Bangladesh</b>		-	-																																																		
		<b>27,295,604,708</b>	<b>21,044,892,968</b>																																																		
<b>7.13 Particulars of loans and advances</b>																																																					
(i) Loans & Advances considered good in respect of which the bank is fully secured		13,716,511,116	10,865,113,075																																																		
(ii) Loans & Advances considered good against which the bank holds no security other than the debtors' personal guarantee		13,579,093,592	10,179,779,892																																																		
(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		-	-																																																		
(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)		336,193,169	170,072,537																																																		
(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		-	-																																																		

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
(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,	112,174,280	16,148,551
ii) amount of loan written off	-	-
iii) amount realised against loan previously written off;	-	-
b. Amount of provision kept against loan classified as 'bad/ loss'	-	-
c. Interest creditable to the interest suspense A/c;	26,176,658	15,561,542
(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	-	-
<b>8.00 Fixed Asset including Premises, Furniture &amp; Fixture</b>		
Property, Plant & equipment	85,360,785	76,792,098
Computer and Peripherals	137,155,515	131,391,261
Furniture & Fixture	100,823,963	95,777,454
Office Equipment	29,266,445	24,266,445
Motor Vehicles	20,260	20,260
Books	19,104,540	17,286,990
Intangible Assets	-	-
Land, Building & Construction	-	-
<b>Total Cost</b>	<b>371,731,508</b>	<b>345,534,508</b>
Less: Accumulated Depreciation	172,389,358	109,627,195
<b>Book value at the end of the year</b>	<b>199,342,151</b>	<b>235,907,314</b>
<b>Details are shown in Annexure-C</b>		
<b>9.00 Other Asset</b>		
<b>Classification of Other Asset</b>		
<b>A) Income generating Other Asset</b>	-	-
<b>B) Non-Income generating Other Asset :</b>		
Advance Rent	91,995,070	103,377,042
Interest Accrued on Investment but not collected & other income receivable	184,729,248	261,409,421
Dividend Receivable	7,985,417	12,687,222
Preliminary Expenditure	-	-
Advance Income Tax (note 9.01)	697,422,216	371,172,676
Suspense Account (note 9.02)	28,538,709	3,409,554
Advance Subscription	1,719,656	2,897,580
Prepaid Insurance	9,185,308	6,717,473
Stationery, Stamps, Printing materials in stock etc.	3,778,343	3,520,850
Sundry Assets (note 9.03)	103,526,468	2,878,533
Stamp in Hand	1,877,400	1,495,656
Branch Adjustment (note 9.04)	-	-
Deferred Tax Assets (note 9.05)	35,275,124	7,127,943
Exchange House	2,055,297	1,000,775
Clearing House and BFTN Adjustment	-	-
	<b>1,168,088,256</b>	<b>777,694,725</b>
<b>Total Other Asset</b>	<b>1,168,088,256</b>	<b>777,694,725</b>
<b>9.01 Advance Income Tax</b>		
Opening Balance	371,172,676	170,396,603
Less: Adjustment made during the year	-	-
Add: Payment during the year	326,249,540	200,776,073
<b>Closing Balance</b>	<b>697,422,216</b>	<b>371,172,676</b>
<b>9.02</b> Suspense account represents advance paid for opening of new branch, equipment for head office etc, awaiting for adjustment.		



**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

		2017 BDT	2016 BDT
<b>9.03 Sundry Assets</b>			
Security Deposit		1,522,078	266,678
Stock of Assets		88,300,067	-
Receivable from Brokerage House		10,578,142	-
Sundry Debtors		30,000	-
Prepaid Furniture Allowance		3,096,181	2,611,855
		<b>103,526,468</b>	<b>2,878,533</b>
<b>9.04 Branch Adjustment (net)</b>			
<b>Entries</b>	<b>No. of Entries Outstanding as on 31-12-2017</b>	<b>BDT</b>	<b>BDT</b>
Debit entries	-	-	-
Credit entries	-	-	-
	-	-	-
<b>9.05 Deferred tax asset/ (Liability)</b>			
Opening Balance		7,127,943	984,058
Add: Deferred tax Income		28,147,180	6,143,886
Less: Deferred tax Expenses		-	-
<b>Closing Balance</b>		<b>35,275,123</b>	<b>7,127,943</b>
<b>9.05.01 Computation of deferred tax</b>			
Accounting written down value- Fixed Assets		199,342,151	235,907,314
Less: Tax base written down value- Fixed Assets		212,269,959	184,967,172
<b>Taxable/(deductible) temporary difference</b>		<b>(12,927,808)</b>	<b>50,940,142</b>
Book value - Gratuity provision		75,260,000	68,760,000
Less: Tax base - Gratuity provision		-	-
<b>Deductable temporary difference</b>		<b>75,260,000</b>	<b>68,760,000</b>
Net deductible temporary difference		88,187,808	17,819,858
Effective tax rate		40%	40%
<b>Deferred Tax Assets</b>		<b>35,275,123</b>	<b>7,127,943</b>
Deferred Tax (Expenses)/Income			
Closing Deferred Tax Assets		35,275,123	7,127,943
Opening Deferred Tax Assets/(Liability)		7,127,943	984,058
<b>Deferred Tax (Expenses)/Income</b>		<b>28,147,180</b>	<b>6,143,885</b>
<b>9.06 Classification of Other Asset</b>			
Unclassified		1,167,955,912	777,694,725
Substandard		-	-
Doubtful		-	-
Bad/Loss		132,344	-
		<b>1,168,088,256</b>	<b>777,694,725</b>
<b>10.00 Borrowing From Other Banks, Financial Institutions &amp; Agents</b>			
In Bangladesh		312,581,754	2,271,378,214
Outside Bangladesh		-	-
		<b>312,581,754</b>	<b>2,271,378,214</b>
<b>10.01 In Bangladesh:</b>			
<b>Borrowing from Bank/Other Institutions:</b>		<b>150,000,000</b>	<b>2,150,000,000</b>
Bank Asia Ltd.		-	250,000,000
Sonali Bank Ltd.		-	250,000,000
Janata Bank Ltd.	100,000,000	-	400,000,000
Rupali Bank Ltd.		-	450,000,000
Meghna Bank Ltd.	50,000,000	-	-
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

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>Repo of Treasury Bill/Bond</b>		
Bangladesh Bank (LS)	-	-
Refinance from Bangladesh Bank	65,642,640	55,419,094
Borrowing From Bangladesh Bank (EDF)	96,939,113	65,959,121
	<b>312,581,754</b>	<b>2,271,378,214</b>
<b>10.02 Security against Borrowing From Other Banks, Financial Institutions and Agents</b>		
Secured	-	-
Unsecured	312,581,754	2,271,378,214
	<b>312,581,754</b>	<b>2,271,378,214</b>
<b>10.03 Maturity Grouping of Borrowing From other Banks, Financial Institutions &amp; Agents</b>		
On Demand	150,000,000	2,150,000,000
Repayable within one month	36,000,000	65,959,121
More than one month but within six months	25,400,000	-
More than six months but within one year	75,300,000	-
More than one year but within five years	25,881,754	55,419,094
More than five year but within ten years	-	-
	<b>312,581,754</b>	<b>2,271,378,214</b>
<b>11.00 Deposit and Other Accounts</b>		
From Banks	4,101,097,417	1,900,019,744
From Customers (note 11.02.02)	30,139,137,426	24,775,907,811
	<b>34,240,234,843</b>	<b>26,675,927,555</b>
<b>11.01 Customer Deposit and Other Accounts:</b>		
<b>Current Deposit &amp; Other Accounts :</b>		
Current Deposit	2,038,818,758	3,633,340,871
Foreign Currency Deposit	1,090,363,447	4,922,062
Sundry Deposit	522,448,806	467,703,622
	<b>3,651,631,011</b>	<b>4,105,966,554</b>
<b>Bills Payable :</b>		
Payment Order Issued	166,777,070	144,958,753
Pay Slip Issued	-	-
Demand Draft Payable	-	-
	<b>166,777,070</b>	<b>144,958,753</b>
<b>Short Notice Deposit</b>	<b>2,407,269,499</b>	<b>1,895,252,148</b>
<b>Savings Deposit</b>	<b>2,051,850,811</b>	<b>1,441,176,318</b>
<b>Fixed Deposit</b>	<b>23,220,175,452</b>	<b>16,260,923,050</b>
<b>Deposit Schemes:</b>		
MDB Super Monthly Savings	713,781,659	400,450,126
MDB Double Benefit	1,160,827,870	1,035,379,897
MDB Family Support	866,458,184	1,390,814,898
MDB Corporate Support	1,005,810	1,005,810
MDB Shiksha Sanchay Scheme	457,478	-
	<b>2,742,531,001</b>	<b>2,827,650,732</b>
<b>Total</b>	<b>34,240,234,843</b>	<b>26,675,927,555</b>
<b>11.02 Maturity grouping of Deposit and Other Accounts:</b>		
On Demand	205,200,000	583,600,000
Repayable within one month	7,498,200,000	5,387,800,000
More than one month but within three months	12,759,400,000	9,186,500,000
More than three months but within one year	7,038,300,000	5,757,600,000
More than one year but within five years	5,477,300,000	3,241,600,000
More than five year but within ten years	1,261,834,843	2,518,827,555
	<b>34,240,234,843</b>	<b>26,675,927,555</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>11.02.01 Maturity grouping of Deposit from bank:</b>		
On Demand	-	19,744
Repayable within one month	-	-
More than one month but within three months	4,101,097,417	1,900,000,000
More than three months but within one year	-	-
More than one year but within five years	-	-
More than five year but within ten years	-	-
	<b>4,101,097,417</b>	<b>1,900,019,744</b>
<b>11.02.02 Maturity grouping of Deposit from customers:</b>		
On Demand	205,200,000	583,580,256
Repayable within one month	7,498,200,000	5,387,800,000
More than one month but within three months	8,658,302,583	7,286,500,000
More than three months but within one year	7,038,300,000	5,757,600,000
More than one year but within five years	5,477,300,000	3,241,600,000
More than five year but within ten years	1,261,834,843	2,518,827,555
	<b>30,139,137,426</b>	<b>24,775,907,811</b>
<b>11.03 Demand &amp; Time Deposit</b>		
<b>a) Demand Deposit</b>	<b>4,003,074,654</b>	<b>4,380,631,176</b>
Current Deposit	2,038,818,758	3,633,340,871
Savings Deposit (9%)	184,666,573	129,705,869
Foreign Currency Deposit (non interest bearing)	1,090,363,447	4,922,062
Sundry Deposit	522,448,806	467,703,622
Bills Payable	166,777,070	144,958,753
<b>b) Time Deposits</b>	<b>30,237,160,189</b>	<b>22,295,296,380</b>
Saving Deposit (91%)	1,867,184,238	1,311,470,449
Fixed Deposit	23,220,175,452	16,260,923,050
Short Notice Deposit	2,407,269,499	1,895,252,148
Deposit Under Scheme	2,742,531,001	2,827,650,732
<b>Total Demand &amp; Time Deposits</b>	<b>34,240,234,843</b>	<b>26,675,927,555</b>
<b>11.04 Sectorwise Deposit</b>		
Government	1,933,985,301	2,105,995,819
Deposit Money Banks	4,101,097,417	1,923,465,126
Other Public	5,681,934,726	3,059,376,494
Foreign Currency	1,090,363,447	4,922,062
Private	21,432,853,952	19,582,168,055
	<b>34,240,234,843</b>	<b>26,675,927,555</b>
<b>12.00 Other Liabilities</b>		
Provision for Loans and Advances (note 12.01)	439,964,251	294,225,818
Provision for Outstanding debit entries in NOSTRO Account	-	-
Provision for Off Balance Sheet Items (note 12.02)	50,670,135	36,046,241
Provision for Other Assets	132,344	-
Provision for Income Tax (note 12.03)	945,950,826	574,349,851
Interest Payable on Borrowing	2,312,086	1,807,861
Audit fee Payable	356,500	300,000
Bonus Payable	-	40,742,679
Accrued Expenses	67,410,020	29,166,066
Corporate Social Responsibility (CSR) Payable	6,166,729	11,576,826
Interest Suspense (note 12.04)	26,176,658	15,561,542
Others	4,789,196	1,870,545
	<b>1,543,928,746</b>	<b>1,005,647,430</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

		2017	2016
		BDT	BDT
12.01	<b>Provision for Loans and Advances</b>		
	<b>For Unclassified</b>		
	Opening Balance	221,757,692	141,053,358
	Add: Provision made during the year	33,564,153	80,704,333
	Less: Provision transferred to Classified Loans and Advances	-	-
	<b>Closing Balance</b>	<b>255,321,845</b>	<b>221,757,692</b>
	<b>For Classified</b>		
	Opening Balance	72,468,126	56,319,575
	Add: Provision made during the year	112,174,280	16,148,551
	Less: Adjustment during the year	-	-
	Less: Loan written off during the year	-	-
	<b>Closing Balance</b>	<b>184,642,406</b>	<b>72,468,126</b>
		<b>439,964,251</b>	<b>294,225,818</b>
12.02	<b>Provision for Off Balance Sheet Items</b>		
	Opening Balance	36,046,241	22,887,233
	Add: Provision made during the year	14,623,894	13,159,008
	Less: Provision transferred to Loans and Advances	-	-
	<b>Closing Balance</b>	<b>50,670,135</b>	<b>36,046,241</b>
12.03	<b>Provision for Income Tax*</b>		
	Opening Balance	574,349,851	266,985,521
	Less: Adjustment made during the year	-	-
	Add: Provision made during the year	371,600,975	307,364,330
		<b>945,950,826</b>	<b>574,349,851</b>
	*Income tax provision has been made as per Income Tax Ordinance 1984 and as amended for the time being .		
12.04	<b>Interest Suspense Account</b>		
	Opening Balance	15,561,542	10,290,303
	Add: Addition during the year	19,507,486	7,781,500
	Less: Written off during the year	-	-
	Less: Recovery during the year	8,892,370	2,510,261
	<b>Closing Balance</b>	<b>26,176,658</b>	<b>15,561,542</b>
13.00	<b>Shareholders' Equity</b>		
	Paid up Capital (note 14.02)	4,795,200,000	4,320,000,000
	Statutory Reserve (note 15.00)	559,840,988	352,783,354
	Revaluation Reserve on Investment in Securities (note 16.00)	15,956,791	249,877,044
	Retained Earnings (note 17.00)	480,988,247	476,411,507
		<b>5,851,986,027</b>	<b>5,399,071,904</b>
14.00	<b>Capital</b>		
14.01	<b>Authorized Capital:</b>		
	1,000,000,000 ordinary shares of Tk. 10 each	<b>10,000,000,000</b>	<b>10,000,000,000</b>
14.02	<b>Issued, subscribed and Paid-up Capital:</b>		
	47,95,20,000 Ordinary shares of Taka 10 each issued for cash.	4,795,200,000	4,320,000,000
		<b>4,795,200,000</b>	<b>4,320,000,000</b>
14.03	<b>The break up of Issued, Subscribed and Paid-up Capital is as follows:</b>	<b>December 31, 2017</b>	
	<b>No. of shares</b>	<b>Value of shares (BDT)</b>	<b>% of holding</b>
	Sponsors	479,520,000	100.00%
	Financial Institutions	-	0.00%
	General	-	0.00%
	<b>479,520,000</b>	<b>4,795,200,000</b>	<b>100%</b>

**Midland Bank Limited**  
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	2017 BDT	2016 BDT
<b>14.04 Capital to Risk Weighted Asset Ratio (CRAR)</b>		
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, 2017 was BDT 2,921,307,746 or BDT 4,000,000,000 whichever is higher as against available core capital BDT 5,836,029,236 and supplementary capital of BDT 306,671,980 making a total capital of BDT 6,142,701,216 thereby showing a surplus capital of BDT 2,142,701,216 Details are given below:		
	2017 BDT	2016 BDT
Total Risk Weighted Assets	29,213,077,460	23,210,265,976
Required Capital : 10% of total risk weighted asset or BDT 400 cr, whichever is higher	4,000,000,000	4,000,000,000
<b>Actual capital maintained</b>		
<b>Core Capital (Tier-I) :</b>		
Paid up Capital	4,795,200,000	4,320,000,000
Statutory Reserve	559,840,988	352,783,354
Retained Earnings	480,988,248	476,411,506
	<b>5,836,029,236</b>	<b>5,149,194,861</b>
<b>Deduction from Tier - I (Core Capital)</b>		
Short fall provision required against investment is share	-	-
	<b>5,836,029,236</b>	<b>5,149,194,861</b>
<b>Supplementary Capital (Tier-II) :</b>		
General Provision including Off Balance Sheet items	305,991,980	257,803,93
Revaluation Reserve on Investment in Securities	680,000	1,020,000
	<b>306,671,980</b>	<b>258,823,933</b>
<b>Total Capital (Tier-I+Tier-II)</b>	<b>6,142,701,216</b>	<b>5,408,018,793</b>
<b>Surplus</b>	<b>2,142,701,216</b>	<b>1,408,018,793</b>
<b>Capital to Risk Weighted Asset Ratio (CRAR)</b>	<b>21.03%</b>	<b>23.30%</b>

14.04.01	Capital Requirement	Required	2017 Held	2016 Held
	Particulars			
	Tier-I	7.25%	19.98%	22.18%
	Tier-II	4.00%	1.05%	1.12%
	<b>Total</b>	<b>11.25%</b>	<b>21.03%</b>	<b>23.30%</b>

<b>15.00 Statutory Reserve</b>		
Opening Balance	352,783,354	150,057,099
Add: Transferred during the year (20% of pre-tax profit)	207,057,634	202,726,255
<b>Closing Balance</b>	<b>559,840,988</b>	<b>352,783,354</b>

<b>16.00 Revaluation Reserve on Investment in Securities</b>		
Opening Balance	249,877,044	582,359,114
Add: Addition during the year	134,053,796	547,771,133
Less: Adjustment of Revaluation Reserve	367,974,048	880,253,203
<b>Closing Balance</b>	<b>15,956,791</b>	<b>249,877,044</b>

<b>17.00 Retained Earnings</b>		
Opening Balance	476,411,507	334,226,930
Add: Profit made during the year	691,834,375	668,410,832
Less: Transferred to Statutory Reserve	207,057,634	202,726,255
Less: Transferred to CSR	5,000,000	3,500,000
Less: Dividen paid	475,200,000	320,000,000
<b>Closing Balance</b>	<b>480,988,247</b>	<b>476,411,507</b>

<b>17.01 Retained Surplus Brought Forwarded</b>		
Opening Balance	476,411,507	334,226,930
Less: Dividend paid	475,200,000	320,000,000
	<b>1,211,507</b>	<b>14,226,930</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>18.00 Contingent Liabilities</b>		
<b>18.01 Acceptance and endorsements</b>		
Foreign	153,652,450	96,156,167
Local	1,329,925,653	573,584,075
EPZ	55,546,134	41,411,197
	<b>1,539,124,236</b>	<b>711,151,439</b>
<b>18.02 Letter of Guarantee</b>		
Foreign	148,728,193	4,200,000
Local	1,728,531,833	1,168,442,462
	<b>1,877,260,025</b>	<b>1,172,642,462</b>
<b>18.02.01 Letter of Guarantee</b>		
Money for which the Bank is contingently liable in respect of guarantees given favoring :		
Directors	-	-
Government	-	-
Bank and other Financial Institutions	-	-
Others	1,877,260,025	1,172,642,462
	<b>1,877,260,025</b>	<b>1,172,642,462</b>
<b>18.03 Irrevocable Letter of Credit</b>		
Letter of Credit (Sight)	5,360,222	29,736,424
Letter of Credit (Back to Back/Deferred)	504,843,725	794,052,012
Letter of Credit (Cash & Others)	631,153,084	684,264,431
	<b>1,141,357,031</b>	<b>1,508,052,867</b>
<b>18.04 Bills for Collection</b>		
Foreign Bill Collection	188,592,439	110,503,674
Local/Inland Bill Collection	320,679,722	102,273,643
	<b>509,272,161</b>	<b>212,777,317</b>
	<b>5,067,013,454</b>	<b>3,604,624,085</b>
<b>19.00 Income Statement</b>		
<b>Income:</b>		
Interest, Discount and Similar Income	3,765,300,813	3,323,015,499
Dividend income	15,356,143	22,677,317
Fee, Commission and Brokerage	54,703,929	38,223,475
Gain less losses arising from dealing securities	-	-
Gain less losses arising from investment securities	-	-
Gain less losses arising from dealing in Foreign Currencies	187,837,086	95,080,430
Income from non Banking Asset	50,231,311	31,771,230
Other Operating Income	-	-
Profit less losses on Interest Rate Changes	-	-
	<b>4,073,429,282</b>	<b>3,510,767,950</b>
<b>Expenses</b>		
Interest, Fee and Commission	2,042,076,672	1,600,584,191
Losses on Loans and advances	-	-
Administrative expenses	423,035,964	452,093,585
Other operating expenses	349,771,641	327,845,543
Depreciation on Banking Assets	62,762,163	50,601,463
	<b>2,877,646,441</b>	<b>2,431,124,782</b>
<b>Operating profit</b>	<b>1,195,782,841</b>	<b>1,079,643,169</b>
<b>20.00 Interest Income</b>		
Loans and Advances (note 20.01)	2,345,374,671	1,870,869,439
Money at Call and Short Notice	5,622,395	1,928,442
Balance with Other Banks and Financial Institutions (note 20.02)	465,212,383	305,901,378
Bangladesh Bank Foreign Currency Clearing Account	780,159	208,437
	<b>2,816,989,608</b>	<b>2,178,907,697</b>



**Midland Bank Limited**  
**Notes to the Financial Statements**  
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	<b>2017</b>	<b>2016</b>
	<b>BDT</b>	<b>BDT</b>
<b>20.01 Interest on Loans and Advances</b>		
Term Loan	813,495,209	551,203,796
Overdraft	499,031,781	422,091,747
Time Loan	546,941,592	545,415,384
Cash Credit	125,684,433	101,669,240
Trust Receipt	181,387,856	158,242,951
Consumer Loan	56,055,700	30,361,678
Payment Against Documents(PAD)	28,219	618,300
Agricultural Credit	95,841,105	40,766,091
Bridge Finance	-	-
EDF Loan	3,435,982	662,083
Lease Finance	-	-
Loan General	-	-
Loan Against Capital Market	-	-
Packing Credit	5,471,965	4,002,815
Staff Loan	7,686,550	8,573,001
Other Loans and Advances	4,982,900	1,811,131
Bill Purchased and Discounted	5,331,379	5,451,222
	<b>2,345,374,671</b>	<b>1,870,869,439</b>
<b>20.02 Interest on Balance with other Bank and Financial Institution</b>		
Interest on Balance with other Bank in Bangladesh	463,967,063	305,469,272
Interest on Balance held with outside Bangladesh	1,245,320	432,106
	<b>465,212,383</b>	<b>305,901,378</b>
<b>21.00 Interest Paid on Deposit &amp; Borrowing, etc.</b>		
Interest on Deposit and Other Accounts (note-20.01 )	1,748,469,849	1,318,707,155
Interest on Borrowing from other Banks and Financial Institutions	293,606,823	281,877,036
	<b>2,042,076,672</b>	<b>1,600,584,191</b>
<b>21.01 Interest on Deposits and Other Accounts</b>		
Current Deposit	221,426,815	102,244,557
Special Notice Deposit	50,674,191	36,410,818
Savings Deposits	55,089,824	34,200,532
Fixed Deposits	1,145,246,890	867,458,072
Deposit Scheme	276,032,129	278,393,175
	<b>1,748,469,849</b>	<b>1,318,707,155</b>
<b>21.02 Interest on Borrowing from other Banks and Financial Institutions</b>		
Call Deposits	62,465,351	62,589,686
Local Bank Account	195,421,422	146,302,639
Repurchase agreement (REPO)	32,178,293	70,632,598
Refinance	3,541,758	2,352,114
Foreign Bank Account	-	-
Bangladesh Bank	-	-
	<b>293,606,823</b>	<b>281,877,036</b>
<b>22.00 Income From Investments</b>		
Interest on Treasury Bill, Bond, Reverse Repo	496,893,978	583,542,701
Amortisation of Securities	(32,511,104)	(8,313,107)
Interest on Commercial Paper	96,272,066	217,419,720
Gain/(Loss) on Investment in shares of quoted companies	50,442,565	39,758,705
Gain on Govt. Security Trading (note 22.01)	337,213,700	311,699,784
Dividend on Investment in Shares	15,356,143	22,677,317
	<b>963,667,348</b>	<b>1,166,785,119</b>
<b>22.01 Gain on Govt. Security Trading</b>		
Gain on Govt. Security Trading	507,255,586	925,970,378
Loss on Govt. Security Trading	(170,041,886)	(614,270,594)
	<b>337,213,700</b>	<b>311,699,784</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>23.00 Commission, Exchange and Brokerage</b>		
Commission (note 23.01 )	54,703,929	38,223,475
Exchange(note 23.02 )	187,837,086	95,080,430
Brokerage	-	-
	<b>242,541,015</b>	<b>133,303,904</b>
<b>23.01 Commission</b>		
Letter of Guarantee	13,014,924	7,515,432
Letter of Credit	21,589,270	20,645,334
Acceptance of Bills	16,057,369	6,660,338
Export Bills	2,363,339	2,001,621
PO, DD & TT	496,389	351,661
OBC/IBC	285,294	238,508
Underwriting Comm. on Treasury Bill/Bond	399,205	329,180
POS/Easy Pay Commission	498,138	481,400
	<b>54,703,929</b>	<b>38,223,475</b>
<b>23.02 Exchange</b>		
Exchange Gain	232,255,050	97,851,225
Less: Exchange Loss	44,417,965	2,770,796
	<b>187,837,086</b>	<b>95,080,430</b>
<b>24.00 Other Operating Income</b>		
Postage Charge Recoveries	1,230,270	1,643,736
Telephone & Telegram Charge Recoveries	200	4
VISA Charge	6,167,092	3,349,213
Service and other Charges	20,358,873	10,354,875
SWIFT Charge Recoveries	4,501,739	3,789,710
Charges against cards	1,302,406	598,412
Locker Rent	233,400	196,600
Miscellaneous Earnings	14,015,951	10,974,540
LC Charges	2,421,381	864,139
	<b>50,231,311</b>	<b>31,771,230</b>
<b>25.00 Salary &amp; Allowances</b>		
Basic Salary	169,880,524	149,366,154
Allowances	174,338,900	148,804,032
Bonus	13,908,755	61,032,302
Gratuity	6,500,000	42,620,000
Leave Fare Assistance	29,113,902	24,640,907
Provident Fund	15,217,323	13,120,190
	<b>408,959,405</b>	<b>439,583,585</b>
<b>25.01 Managing Director's Remuneration</b>		
Basic	7,754,839	6,600,000
Allowances	2,400,000	2,400,000
Festival Bonus	1,300,000	1,100,000
Incentive Bonus	1,000,000	1,000,000
Leave Fare Assistance	846,237	750,000
Provident Fund	775,484	660,000
	<b>14,076,559</b>	<b>12,510,000</b>
<b>26.00 Rent, Tax, Insurance, Electricity, etc.</b>		
Rent	137,602,439	133,647,137
Rates & taxes	20,106,783	14,498,183
Insurance	24,378,426	17,141,224
Power, electricity etc	17,044,698	16,873,936
	<b>199,132,346</b>	<b>182,160,480</b>
<b>27.00 Legal Expense</b>		
Legal Expense	1,119,598	1,410,342
	<b>1,119,598</b>	<b>1,410,342</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>28.00 Postage, Stamps &amp; Telephone, etc</b>		
Postage, Stamp & Courier Service	1,918,108	2,050,329
Fax & internet	6,650	19,500
On-line and connectivity charges	8,310,360	10,731,942
Telephone	2,870,427	2,944,991
	<b>13,105,546</b>	<b>15,746,761</b>
<b>29.00 Printing, Stationery, Advertisement etc.</b>		
Printing & Stationery	10,840,349	15,368,809
Computer Stationery	3,284,557	1,896,485
Publicity & Advertisement	11,726,395	8,034,087
	<b>25,851,300</b>	<b>25,299,380</b>
<b>30.00 Directors' Fees</b>		
Meeting fee	2,640,400	2,596,700
	<b>2,640,400</b>	<b>2,596,700</b>
Each Director is paid BDT 8,000/-(excluding VAT) per meeting per attendance.		
<b>31.00 Audit Fee</b>		
Audit Fee	356,500	334,500
	<b>356,500</b>	<b>334,500</b>
<b>32.00 Depreciation on &amp; Repairs to Bank's property</b>		
<b>Depreciation :</b>		
Computer and Peripherals	18,398,652	14,275,154
Furniture & Fixture	14,429,608	10,418,968
Office Equipment	20,766,264	17,827,971
Motor Vehicles	5,524,519	4,853,292
Books	3,967	4,235
Intangible Assets	3,639,153	3,221,843
	<b>62,762,163</b>	<b>50,601,463</b>
<b>Repairs on Bank's property</b>	<b>15,960,528</b>	<b>11,522,437</b>
	<b>78,722,691</b>	<b>62,123,900</b>
<b>33.00 Other Expenditure</b>		
Security & Auxiliary Service	42,939,476	41,749,892
Office Cleaning & Maintenance	106,631	101,360
Car Expense	4,778,464	3,514,819
Entertainment	8,314,505	7,446,358
Travelling	2,783,594	1,979,969
Conveyance	3,054,325	2,409,573
Newspaper & Magazines	159,374	369,832
Q-Cash, ATM Cards, VISA Cards	5,862,043	6,397,775
Medical Expenses	617,995	258,794
Training Expenses	1,244,534	1,593,973
Bank Charges	3,924,199	2,236,504
AGM Expenses	249,439	245,904
Business Development Expense	4,676,897	6,388,345
Subscription & Donation	1,680,223	814,387
Miscellaneous Expense	11,213,724	13,267,458
	<b>91,605,424</b>	<b>88,774,942</b>
<b>34.00 Provision Against Loans and Advances</b>		
Provision for Unclassified Loans and Advances	33,564,153	80,704,333
Provision for Classified Loans & Advances	112,174,280	16,148,551
Provision for Off Balance Sheet Items	14,623,894	13,159,008
Provision for Other Assets	132,344	-
Total amount of provision made during the year	<b>160,494,671</b>	<b>110,011,892</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

	2017 BDT	2016 BDT
<b>35.00 Provision for Tax</b>		
Current tax	371,600,975	307,364,330
Deferred tax* (note 9.05.01)	(28,147,180)	(6,143,886)
<b>Total</b>	<b>343,453,795</b>	<b>301,220,445</b>
* 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.		
<b>36.00 Statutory Reserve</b>		
Transferred during the year	207,057,634	193,926,255
Add: Adjustment of previous year	-	8,800,000
	<b>207,057,634</b>	<b>202,726,255</b>
<b>37.00 Provision for CSR</b>		
Corporate Social Responsibility (CSR) activities	5,000,000	3,500,000
	<b>5,000,000</b>	<b>3,500,000</b>
<b>38.00 Earning Per Share (EPS):</b>		
Net Profit After Tax	691,834,375	668,410,832
Number of Ordinary Shares outstanding	<b>479,520,000</b>	<b>479,520,000</b>
<b>Earning Per Share (EPS)*</b>	<b>1.44</b>	<b>1.39</b>
*Earnings per share has been calculated in accordance with BAS-33: Earnings Per Share (EPS). EPS of 2016 has been adjusted (net profit after tax of 2016 divided by number of outstanding shares as on 31 December 2017).		
<b>39.00 Received from Other Operational Income</b>		
Postage Charge Recoveries	1,230,270	1,643,736
Telephone & Telegram Charge Recoveries	200	4
VISA Charge	6,167,092	3,349,213
Service and other Charges	20,358,873	10,354,875
SWIFT Charge Recoveries	4,501,739	3,789,710
Charges against cards	1,302,406	598,412
Locker Rent	233,400	196,600
Miscellaneous Earnings	14,015,951	10,974,540
LC Charges	2,421,381	864,139
	<b>50,231,311</b>	<b>31,771,230</b>
<b>40.00 Payment for Other Operational Expenses</b>		
Rent, Tax, Insurance, Electricity	199,132,346	182,160,480
Legal Expense	1,119,598	1,410,342
Postage, Stamps, Telegram & Telephone	13,105,546	15,746,761
Audit fee	356,500	334,500
Printing, Stationery, Advertisement	25,851,300	25,299,380
Directors' Fee	2,640,400	2,596,700
Repair & Maintenance	15,960,528	11,522,437
Other Expenditure	91,605,424	89,232,764
	<b>349,771,641</b>	<b>328,303,365</b>
<b>41.00 Related Party transaction Disclosures of the Bank</b>		

i) Name of the Directors together with a list of entities in which they have interest Annexure-D

ii) Significant contracts where Bank is a party and wherein Directors have interest during the year 2017:

Name of the party	Relationship	Nature of transaction	Amount
Rangpur Metal Industries Ltd. UNIT-3	Ahsan Khan Chowdhury, Director	Procurement	100,000

iii) Share issued to Directors and Executives without consideration or exercisable at a discount Nil

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

			2017 BDT	2016 BDT
iv) Related Party Transaction:				
Name	Relationship	Nature of Transaction	Limit	Amount Outstanding Loan
Kazi Shayan Ekramullah	Family Member of Mr.Kazi Ekramullah, Sponsor Shareholder	Credit Card	500,000	1,700
A.K.M Badiul Alam	Director	Credit Card	500,000	100,837
Md. Wahid Miah	Director	Credit Card	500,000	37,070
Md Jahangir Miah	Family Member of Mr. Wahid Miah, Director	Credit Card	500,000	33,910
Abdul Momin Mondol	Director	Credit Card	500,000	79,885
Md Rokonzaman Sarkar	Director	Credit Card	500,000	511,156
Nilufer Zafarullah	Vice-Chairman	Credit Card	500,000	121,225
Anushka Mehreen Zafar	Sponsor Shareholder	Credit Card	500,000	371,644
Kazi Omar Zafar	Director	Credit Card	500,000	499,169
Zobaida Mahaboob Latif	Family Member of Dr.Kazi Shahidullah, Director	Credit Card	500,000	41,095
Kazi Shahidullah	Director	Credit Card	500,000	-
Luna Sarker	Director	Credit Card	500,000	174,299
Salma Badsha	Family Member of Al-Haj Mohammed Issa Badsha	Credit Card	500,000	246,786
Ahsan Khan Chowdhury	Director	Credit Card	500,000	-
Mohammed Issa Badsha	Director	Credit Card	500,000	-
Master Abul Kashem	Director	Credit Card	500,000	-
Mohammed Jamal Ullah	Director	Credit Card	500,000	54,164
Abdul Mojid Mondol	Family Member Of Mr. Abdul Momin Mondol, Director	Credit Card	500,000	-
Md Rezaul Karim	Director	Credit Card	500,000	-
Md. Kamal Hossain	Director	Credit Card	500,000	-
Susmita Sompia	Family Member of Mrs.Shahnaj Parveen, Director	Credit Card	500,000	-
Shahnaj Parveen	Director	Credit Card	500,000	-
Scherezad Joya Monami Latif	Director	Credit Card	500,000	-
Sabiha Mahboob	Sponsor Shareholder	Credit Card	500,000	47,122.27
Abdullah Ahmed Yousuf	Director	Credit Card	500,000	402,425
Kazi Raihan Zafar	Sponsor Shareholder	Credit Card	500,000	463,476
Kazi Zafar Ullah	Sponsor Shareholder	Credit Card	500,000	12,527
Mumtahina Issa	Family Member of Al-Haj Mohammed Issa Badsha, Director	Credit Card	500,000	-
Mutaffin Issa	Family Member of Al-Haj Mohammed Issa Badsha, Director	Credit Card	500,000	-
Tazkia Labeeba Karim	Family Member of Md. Rezaul Karim, Director	Credit Card	500,000	430,774
Najmun Nahar	Family Member of Md. Kamal Hossain, Director	Credit Card	500,000	-
Md.Zahid Miah	Family Member of Mr.Wahid Miah, Director	Credit Card	500,000	-
Mr.Jamal Ullah	Director	Overdraft	28,400,000	22,281,432

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.

vi) Loans and advances to concern related to directors:

Name	Relationship	Nature of Transaction	Limit	Outstanding Loan Amount
CAPM Venture Capital and Finance Ltd.	Director	Overdraft	50,000,000	37,124,933
		Term Loan	150,000,000	132,585,934
Southeast University	Director	Overdraft	108,000,000	1,016

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

2017 BDT	2016 BDT
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vii) Business other than banking business with any related concern of the Directors as per section 18(2) of the Bank Company Act 1991:

Lease agreement made with the Director

Name	Nature of Transaction	Name of Party	Amount
Mrs. Nilufer Zafarullah	Office Rent	Hong Kong Shaghai Tower	24,300,036
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, Director	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	Nil
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**42.00 Number of employees and support staffs**

**Employees**

Regular employee

411	336
-----	-----

Contractual employee

92	39
----	----

**503**

**375**

**Support staff**

Security

235	203
-----	-----

Messenger and cleaning staff

107	103
-----	-----

**342**

**306**

**845**

**681**

**43.00 Others**

**43.01** The expenses, irrespective of capital or revenue nature, accrued or due but not paid have been provided for in the books of the Bank.


Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.

**43.02**

These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

**43.03**

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

  
Managing Director & CEO  
Dhaka, February 28, 2018

  
Director

  
Director

  
Chairman



## 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, 2017

Name of the Bank	Account Type	Currency	2017			2016		
			Foreign Currency Amount	Exchange Rate	BDT	Foreign Currency Amount	Exchange Rate	BDT
AB Bank, Mumbai Branch	CD	US\$	634,809	82.70	52,498,672	108,360	78.70	8,528,148
United Bank of India	CD	US\$	27,791	82.70	2,298,293	18,588	78.70	1,462,894
Axix Bank Limited	CD	US\$	213,199	82.70	17,631,566	27,146	78.70	2,136,470
National Bank of Pakistan, Tokyo Japan	CD	JPY	458,378	0.73	334,524	143,673	0.67	96,203
Mashreq Bank Psc, NY	CD	US\$	2,484,508	82.70	205,468,815	1,300,057	78.70	102,317,329
Mashreq Bank Psc, United Kingdom	CD	GBP	2,805	110.80	310,811	6,430	96.23	618,726
National Australian Bank, Melbourne	CD	AUD	-	-	-	-	-	-
Mashreq Bank Psc, United Kingdom	CD	EURO	127,369	98.40	12,533,710	15,030	81.72	1,228,310
Commerz Bank-Frankfurt	CD	EURO	-	98.40	-	2,599	81.72	212,367
Kookmin Bank, South Korea	CD	US\$	118,367	82.70	9,788,987	9,259	78.70	728,690
Habib American Bank, NY	CD	US\$	225,716	82.70	18,666,705	249,375	78.70	19,626,376
NIB Bank, Pakistan	CD	US\$	156,435	82.70	12,937,175	236,398	78.70	18,605,043
Aktif Yatirim Bank	CD	EURO	1,780	98.40	175,160	-	-	-
					<b>332,644,418</b>			<b>155,560,558</b>

**Midland Bank Limited**  
Investment in Quoted Share of the Bank  
As at December 31, 2017

Annexure- B

Sl#	Name of the Company	Face Value Per Share	No. of Shares	Cost Holding	Average Cost	Quoted rate per Share as on December 31, 2017	Total Market Value of Share as at December 31, 2017
<b>Quoted:</b>							
1	ACI	10	20,500	10,067,595	491.10	459.80	9,425,900
2	ACMELAB	10	25,000	2,916,000	116.64	114.00	2,850,000
3	BARKAPOWER	10	3,750	136,565	36.42	34.40	129,000
4	BATASHOE	10	711	818,985	1,151.88	1,171.80	833,150
5	BBSABLES	10	5,310	46,180	8.70	105.70	561,267
6	BRACBANK	10	86,775	7,561,081	87.13	108.40	9,406,410
7	BXPHARMA	10	35,000	3,915,050	111.86	103.80	3,633,000
8	CITY BANK	10	96,000	4,027,843	41.96	53.20	5,107,200
9	CONFIDCEM	10	53,191	7,062,686	132.78	152.50	8,111,628
10	DBH	10	15,000	1,697,876	113.19	136.00	2,040,000
11	EXIMBANK	10	200,000	3,220,000	16.10	17.20	3,440,000
12	FAREASTLIF	10	12,680	810,371	63.91	71.50	906,620
13	GP	10	42,130	18,362,997	435.87	470.80	19,834,804
14	Green Delta MF	10	225,102	2,003,398	8.90	9.20	2,070,938
15	GREENDELT	10	45,009	2,752,519	61.15	61.40	2,763,553
16	IDLC	10	110,000	9,356,810	85.06	85.30	9,383,000
17	IFADAUTOS	10	25,000	3,364,006	134.56	126.00	3,150,000
18	LRGLOBMFI	10	100,000	810,000	8.10	8.30	830,000
19	MERCANBANK	10	100,000	2,770,000	27.70	26.40	2,640,000
20	MJLBD	10	18,652	2,168,395	116.26	109.10	2,034,933
21	MPETROLEUM	10	25,000	4,975,086	199.00	188.90	4,722,500
22	NLI FIRST MF	10	116,000	1,764,400	15.21	15.10	1,751,600
23	PRIMEBANK	10	150,000	4,245,000	28.30	27.40	4,110,000
24	RENATA	10	4,500	4,925,457	1,094.55	1,124.20	5,058,900
25	SEBL1STMF	10	826,913	11,519,056	13.93	14.20	11,742,165
26	SINGERBD	10	15,000	2,827,629	188.51	195.50	2,932,500
27	SOUTHEASTB	10	136,995	2,831,237	20.67	22.20	3,041,289
28	SQURPHARMA	10	81,743	22,211,229	271.72	301.80	24,670,037
29	SUMITPOWER	10	75,000	2,711,000	36.15	35.90	2,692,500
30	UNIONCAP	10	190,467	4,164,116	21.86	20.10	3,828,387
31	UCBL	10	75,000	1,845,235	24.60	23.60	1,770,000
<b>Total</b>				<b>147,887,799</b>			<b>155,471,280</b>

**Midland Bank Limited**  
**Fixed Asset Schedule**  
**As at December 31, 2017**

Asset Category	Cost			Depreciation				Written down	
	Balance as at 01.01.2017	Addition during the year	Adjustment/ Disposal	Balance as at 31.12.2017	Rate	Balance as at 01.01.2017	Charged for the year	Adjustment / Disposal	Balance as at 31.12.2017
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT
Computer & Peripherals	76,792,098	8,568,687	-	85,360,785	20%	30,551,024	18,398,652	-	48,949,676
Furniture & Fixture	131,391,261	5,764,254	-	137,155,515	10%	23,767,065	14,429,608	-	38,196,673
Office Equipment	95,777,454	5,046,509	-	100,823,963	20%	34,539,149	20,766,264	-	55,305,413
Motor Vehicles	24,266,445	5,000,000	-	29,266,445	20%	13,741,103	5,524,519	-	19,265,622
Books	20,260	-	-	20,260	20%	9,952	3,967	-	13,919
Intangible Assets	17,286,990	1,817,550	-	19,104,540	20%	7,018,902	3,639,153	-	10,658,055
<b>Total 2017</b>	<b>345,534,508</b>	<b>26,197,000</b>	<b>-</b>	<b>371,731,508</b>		<b>109,627,195</b>	<b>62,762,163</b>	<b>-</b>	<b>172,389,358</b>
<b>Total 2016</b>	<b>270,249,240</b>	<b>78,969,216</b>	<b>3,683,948</b>	<b>345,534,508</b>		<b>59,482,502</b>	<b>50,601,463</b>	<b>456,770</b>	<b>109,627,195</b>
									<b>235,907,314</b>

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**As on December 31, 2017**

**Annexure- D**

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
			Hong Kong Shanghai Manjala Power Ltd.	CEO
7	Master Abul Kashem	Director	MAK Corporation	Proprietor
			Master Steel Re-Rolling Mills	Proprietor
			Mother Steel Limited	Managing Director
			AIBL 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
			Shezad Food Products Limited	Managing Director
			Silverbell Properties Limited	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
			Azan Dairy & Food Products	Managing Director
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, 2017**

			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
			Reedisha Trading & Distribution Co.	Proprietor
			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
			Amranet Ltd.	Chairman
			Bravo Apparel Manufacturer Ltd.	Chairman
			Shahjibazar Power Co. Ltd.	Director
			Eden Multicare Hospital Ltd.	Director
			Zenith Islami Life Insurance Ltd.	Director

**Midland Bank Limited**  
**Notes to the Financial Statements**  
**As on December 31, 2017**

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
			Mondol Auto Solution	Proprietor
15	Mrs. Ferdous Ara	Director	A-One Polar Limited	Director
			Micro Fibre Ltd.	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
16	Mr. Md. Kamal Hossain	Director	Micro Trims Limited	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
17	Mrs. Shahnaj Parveen	Director	M H Design Limited	Shareholder
			Refat Garments Ltd.	Executive Director
			Next Collection Ltd.	Shareholder
18	Mrs. Lutfa Begum	Director	Next Garments Ltd.	Shareholder
			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
19	Mr. Md. Rokonuzzaman Sarker	Director	M/S Faysal Enterprise	Proprietor
			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 Position as on 31 December 2017

#### Annexure- E

SL	Name of the director	Status with MDB	No of shareholding	(%)
1	Mr. M. Moniruzzaman Khandaker	Chairman	13,186,800	2.75%
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	4,795,200	1.00%
3	Dr. Kazi Shahidullah	Director	1,198,800	0.25%
4	Ms. Scherezad Joya Monami Latif	Director	47,952,000	10.00%
5	Mr. Abdullah Ahmed Yousuf	Director	27,572,400	5.75%
6	Mr. Kazi Omar Zafar	Director	9,590,400	2.00%
7	Master Abul Kashem	Director	22,200,000	4.63%
8	Mr. Mohammed Jamal Ullah	Director	23,976,000	5.00%
9	Al-haj Mohammed Issa Badsha	Director	20,200,000	4.21%
10	Mr. Ahsan Khan Chowdhury	Director	23,976,000	5.00%
11	Mr. Md. Wahid Miah	Director	23,976,000	5.00%
12	Mr. Rezaul Karim	Director	23,976,000	5.00%
13	Mr. A.K.M. Badiul Alam	Director	23,976,000	5.00%
14	Mr. Abdul Momin Mondol	Director	23,976,000	5.00%
15	Mrs. Ferdous Ara	Director	25,174,800	5.25%
16	Mr. Md. Kamal Hossain	Director	23,976,000	5.00%
17	Mrs. Shahnaj Parveen	Director	23,976,000	5.00%
18	Mrs. Lutfu Begum	Director	23,976,000	5.00%
19	Mr. Md. Rokonzaman Sarker	Director	22,777,200	4.75%
20	Mr. Kamal uddin Ahmed	Director	23,976,000	5.00%

**Midland Bank Limited**  
**Financial Highlights**  
**For the Period ended December 31, 2017**

**Annexure- F**

SL	Items	2017	2016
1	Paid up Capital	4,795,200,000	4,320,000,000
2	Total Capital	6,142,701,216	5,408,018,793
3	Surplus in Capital Fund	2,142,701,216	1,408,018,793
4	Total Asset	41,948,731,369	35,352,025,104
5	Total Deposit	34,240,234,843	26,675,927,555
6	Total Loans and Advances	27,295,604,708	21,044,892,968
7	Total Contingent Liabilities	5,067,013,454	3,604,624,085
8	Lending-Deposit Ratio	79.72%	78.89%
9	Classified Loans as % of Total Loans and Advances	1.68%	0.68%
10	Profit After Provision and Tax	691,834,375	668,410,832
11	Total Classified loans and advances	457,579,924	143,503,196
12	Total Provision Maintained against Classified Loans	184,224,559	72,468,126
13	Surplus/(deficit) in Provision against Classified Loans	-	-
14	Cost of Fund	7.64%	8.52%
15	Earning Asset	37,859,357,608	32,208,366,910
16	Non-Interest Earning Asset	4,089,373,761	3,143,658,194
17	Return on Investments (ROI)	11.82%	12.35%
18	Return on Asset (ROA)	1.65%	2.26%
19	Income from Investment	963,667,348	1,166,785,119
20	Earnings per Share (BDT)	1.44	1.39
21	Net Income per Share (BDT)	1.44	1.39
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 2017 in addition of existing products, 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 Krishiijat

MDB Krishiijat 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 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 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 Family Support**

Depositor will get BDT amount as per deposit rate (before TAX) each month proportion to his/her deposit during the entire.

### **MDB Double Benefit**

The deposit amount will be doubled as per deposit rate. Any citizen of Bangladesh aged 18-55 years can open this account.

### **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.

### **RMG Star Savings Account**

It is a deposit product for the garments workers where the minimum balance to open account is only BDT 100/-. Special feature of the product is that it is designed to reach the unbanked population (Garment Workers) not requiring maintenance of minimum balance and charging no account maintenance fees to them. Other features of the product is similar to the regular Savings account.

### **MDB Interest First**

It is a unique term deposit product where customer will be earning interest in advance on the day of opening the fixed deposit account. The interest will be transferred to the customer's current/savings account (linked with the fixed deposit) after deduction of necessary government taxes.

### **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.

## **MDB Amar Bari**

It is a specially designed Home Loan product targeting mainly the semi-urban and rural customers for Home Construction, Renovation or Extension & Completion, Home Loan Take Over for own or rental purpose (for Residential Use only). The income requirements are low and the tenor has been restricted to 10 years with the flexibility of early settlement without any additional fees.

## **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 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, midland online, comes with variety of features which adds 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 midland online are supported by two factor authentication (2FA). Our midland 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, Titas Gas, 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 adds 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: 01985700356, 01714359203 Email: faisal.ahmed@midlandbankbd.net PABX: 09666-410901 Ext.901-356
2	Principal Branch	Hong Kong Shanghai Tower (Ground & 1st 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, +8801713436180 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: 01985700330, 01558623861 Email: kader.chowdhury@midlandbankbd.net PABX: 09666-410903 Ext.903-330
4	Mirzapur Bazar Branch	Mannan Plaza (1st floor), Mirzapur Bazar, Bhawal, Mirzapur Sadar, Gazipur Email: hob.mirzapur@midlandbankbd.net PABX: 09666-410904	Mr. Md. Shakhawat Hossain, AVP Phone: +8801985700047, 01717667203 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, JAVP 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, SAVP Phone: 01985700357, 01841939394 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. Lutfor Rahman, FAVP Phone: 01985700443, 01612031128 Email: l.rahman@midlandbankbd.net PABX: 09666-410907 Ext. 907-443
8	Dhanmondi Branch	TajLili 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: 01985700210, 01714075356 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, AVP Phone: 01985700359, 01976688440 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, FAVP Phone: 01985700308, 01712752405 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, 01914064738 Email: mostofa.maynul@midlandbankbd.net PABX: 09666-410911 Ext. 911-057
12	Panchrukhi Branch	Panchrukhi Bazar, Araiuhajar, Narayan-ganj Email: hob.panchrukhi@midland-bankbd.net PABX: 09666-410912	Mr. Md. Rozdar Ali, AVP Phone: 01985700241, 01724953076 Email: rozdar.ali@midlandbankbd.net PABX: 09666-410912 Ext.912-241

# MDB Service Network

## Branches

Sl.	Branch Name	Address	Branch Manager
13	Kamarpara Branch	JomJom Tower, Kamarpara School Road, Dhaka Email: hob.kamarpara@midlandbankbd.net PABX: 09666-410913	Md. Shakhawat Hossain, FAVP Phone: 01985700252, 01711129952 Email: md.shakhawat@midlandbankbd.net PABX: 09666-410913 Ext.913-252
14	Narsingdi Branch	Helal Tower, First & Second floor, 211 Shahid Shorwadi Park Road, Narshingdi Email: hob.narsingdi@midlandbankbd.net PABX: 09666-410914	Sudipto Roy Chowdhury, AVP Phone: 01985700235, 01713385170 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	Mohammad Kamrujjaman, SAVP Phone: 01985700278, 01925993310 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	Mohammad Faruq Ur Rahman, FAVP Phone: 01985700307, 01715186240 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	Md. Shaiful Alam Chowdhury, SVP Phone: 01973423777, 01713423777 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	Md. Rezaul Huq, FAVP Phone: 01985700269, 01718527925 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	Syed Mohammed Omar, AVP Phone: 01985700355, 01819863857 Email: syedmohammed.omar@midlandbankbd.net PABX: 09666-410919 Ext.919-355
20	Bogra Branch	Amicus Plaza, Shahid Abdul Jabbar Sarak, Jolshwaritola, Bogra Email: hob.bogra@midlandbankbd.net PABX: 09666-410920	Kudrat-E-Khoda Md. Samiul Karim, AVP Phone: 01711951247, Email: samiul.karim@midlandbankbd.net PABX: 09666-410920 Ext.920-312
21	Dalal Bazar Branch	Montaz Patwary Mansion (1st floor), Lakshmipur Sadar, Lakshmipur hob.dalalbazar@midlandbankbd.net PABX: 09666-410921	Asaduzzaman Khan, JAVP Phone: 01985700461, 01777797807 Email: asaduzzaman.khan@midlandbankbd.net PBX: 09666-410921 Ext.921-461
22	Sylhet Branch	M.S Tower (1st Floor), Mirboxtola, Chowhatta, Sylhet	Ahbab Ahmed Jaigirder, AVP Phone: 01985700647, 01717130877 Email: ahbab.jaigirder@midlandbankbd.net PBX: 09666-410922 Ext.922-647
23	Khulna Branch	Tayamun Centre (1st Floor), 181/1 Jessore Road, Khulna	Md. Monowar Hossain, FAVP Phone: 01985700672, 01717456443 Email: monowar.hossain@midlandbankbd.net PBX: 09666-410923 Ext.923-672
24	Sompara Bazar Branch	Islam Plaza (1st & 2nd Floor), School Road, Sompara Bazar, Chatkhil, Noakhali	Md. Syful Alam, FAVP Phone: 01985700671, 01912225850 Email: syful.alam@midlandbankbd.net PBX: 09666-410924 Ext.924-671

## Agent Banking Centers:

Sl.	Branch Name	Address	Branch Manager
1	United Social Human Advancement (USHA) Foundation	Dighi Borabo, P.O: Jatramura, Rupgonj, Narayangonj	Mr. Tajul Islam Executive Director, USHA Foundation Phone: 01932299501 Email: ushafoundation047@gmail.com
2	Sachatan Shahajjo Sangstha (SSS)	Narayanpur Bus Stand, Narayanpur, Belabo, Narshingdi.	Ms. Jesmin Rashid Executive Director, Sachatan Shahajjo Sangstha Phone: 01711612752 Email: sssngo98@gmail.com
3	Gramin Seba Songstha (GSS)	Village, Palda, Post-Betila	Sharif Uddin Ahmed Executive Director, Gramin Seba Songstha Phone: 01715186715 Email: gssmanikgonj@gmail.com
4	Society for Family Happiness and Prosperity (FHP)	Dori Kandi, Bajitpur	Krishna Chandra Das Executive Director, Society For Family Happiness and Prosperity, Phone: 01733063300 Email: fhp_society@yahoo.com
5	M/S. Robin Traders	Joka, Majhira, Shahjahanpur	Mohammad Ahsan Robin Proprietor, M/S. Robin Traders Phone: 01716509522 Email: mostailbazarmdbagent@gmail.com
6	M/S. Mozaddediya Enterprise	Village: Moshipur, Upo Zilla: Shahjadpur	Md. Iqbal Hossain Proprietor, M/S. Mozaddediya Enterprise Phone: 01725487885 Email: iqbalmipmdb@gmail.com
7	M/S. Prapti Dairy Farm	Dhunat Officer Para, Dhunat, Bogra.	Md. Shaha Ali Proprietor, M/S. Prapti Dairy Farm Phone: 01755574168 Email: mdbdhunotbazar@gmail.com
8	Coastal Association for Social Transformation Trust (COAST)	Torabgonj Bazar, Torabgonj, Kamalnagar, Lakshmipur	Rezaul Karim Chowdhury Executive Director, COAST Trust Phone: 01716509522 Email: reza.coast@gmail.com

## 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

SL	Name of ATM	Address
9	Panchrukhi	Panchrukhi Bazar, Araihaajar, 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
24	Sylhet Branch	M.S Tower (1st Floor), Mirboxtola, Chowhatta, Sylhet
25	Khulna Branch	Tayamun Centre (1st Floor), 181/1 Jessore Road, Khulna
26	Sompara Bazar Branch	Islam Plaza (1st & 2nd Floor), School Road, Sompara Bazar, Chatkhil, Noakhali

### Collection Booths

Sl.	Name of collection booth	Address	Contact person of the booth
1	BRTA Collection Booth	DC Office, Bogra.	Kudrat-E-Khoda Md. Samiul Karim, AVP Phone: 01711951247, Email: samiul.karim@midlandbankbd.net PABX: 09666-410920 Ext.920-312
2	Southeast University Fees Collection Booth-1	251/A & 252, Tejgaon I/A, Dhaka-1215.	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167, +8801713436180 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167
3	Fees Collection Booth	Narsingdi Powrashava, Narsingdi.	Sudipto Roy Chowdhury, FAVP Phone: 01985700235,01713385170 Email: sudipto.roy@midlandbankbd.net PABX: 09666-410914 Ext.914-235
4	Southeast University Fees Collection Booth-2	House # 64, Road # 18, Block-3, Banani, Dhaka-1213.	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167, +8801713436180 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167

**Contact Centers: 16596 (Short Code), +88 09617016596, +88 09611016596**

Head Office: N.B. Tower (Level 6 to 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 : 16596 (Short Code), (+88) 069 17016596, (+88) 096 11016596  
Website: [www.midlandbankbd.net](http://www.midlandbankbd.net)

