# The 'Logo' and Its Meaning

Our logo, first symbolizes the letter 'M' in an angular perspective, wherein the letter itself increases in size from left to right indicating our desire to expand as time passes. Second, the shadowy part of the letter 'M' reveals the nature of the letter representing concrete pillars, which demonstrate our strong integrity and resistance toward risk exposure and undesired mayhem. As if, standing tall and firmly against all odds, in the tests of unstoppable time and eventually conquering all.



## LETTER OF TRANSMITTAL

April 01, 2014

All Shareholders

Midland Bank Limited

Bangladesh

Subject: Annual Report for the year ended on December 31, 2013.

Dear Sir/Madam,

We are pleased to enclose a copy of the Annual Report 2013 together with the Audited Financial Statements including Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes of Equity along with notes thereof for the year ended December 31, 2013.

Yours truly,

Md. Hasanul Haque

Deputy Company Secretary

# TABLE OF CONTENTS

Notice of the 1st Annual General Meeting	4
MDBL Profile	5
Vision, Mission and Core Values	6
MDBL Timeline & Milestones	7
List of Shareholders	8
List of Directors	10
Sub-Committee of Board of Directors	13
Directors' Profiles	15
Corporate Structure	26
From the Desk of the Chairman	27
Report of Board Audit Committee	32
Report on Internal Control & Compliance	35
Review from the Managing Director & CEO	36
Report on Economic Impact	38
Branch Network	40
Directors' Report	41
Disclosure on Risk Based Capital Adequacy	51
Report on Risk Management	61
Report on Corporate Governance	77
Report on Corporate Social Responsibility	83
Report on Green Banking	84
Report of Chief Risk Officer	86
Statement of Directors' Responsibilities in relation to Financial Statements	87
CEO and CFO's Responsibility Statement	88
Financials-2013	89
MDBL Photo Gallery	126



**Head Office:** N.B. Tower (Level 5 to Level 9) 40/7 North Avenue, Gulshan-2, Dhaka-1212, Bangladesh PABX: +8809666410999, +88 02 8834671, Fax: +88 02 8837735 Email: info.mdbl@midlandbankbd.net

Web: www.midlandbankbd.net

#### NOTICE OF THE 1st (First) ANNUAL GENERAL MEETING

Notice is hereby given that the 1<sup>st</sup> (First) Annual General Meeting of the honorable shareholders/Members of Midland Bank Limited will be held on April 26, 2014, Saturday at 11.00 a.m. at N. B. Tower (Level - 8), 40/7 North Avenue, Gulshan-2, Dhaka to transact the following businesses and adopt necessary resolutions:

- 1. To receive, consider and adopt the Directors' Report and Audited Financial Statements of the Bank for the year ended 31st December, 2013 together with Auditors' Report thereon.
- 2. To declare dividend for the year ended 31st December, 2013.
- 3. To retire and elect/re-elect Directors.
- 4. To appoint Auditor(s) of the Bank for the period until conclusion of Second Annual General Meeting and to fix their remuneration.
- 5. To transact any other business with permission of the Chair.

By order of the Board of Directors

Dated: April 01, 2014

Md. Hasanul Haque Deputy Company Secretary

#### Notes:

- a) The Board of Directors has recommended 'No Dividend' for the year ended 31st December, 2013.
- b) March 31, 2014 was scheduled as Record Date. The Shareholders whose name appeared in the Register of members of the Bank on the record date are eligible to attend the meeting.
- c) A member eligible to attend and vote at the General Meeting (AGM) may appoint a proxy to attend and vote on his/her behalf. The Proxy Form, duly stamped & signed by the member must be deposited at the Registered Office at least 72 hours before the time for holding the meeting.
- d) Existing External Auditor S. F. Ahmed & Co., Chartered Accountants will retire in the 1st Annual General Meeting and are eligible for re-appointment. The Shareholders may nominate the Audit Firm(s) enlisted with Bangladesh Bank and send the name(s) to Bank's Registered Office on or before April 10, 2014 for shareholders' consideration to appoint as External Auditors in the 1st AGM.
- e) Retirement/election/re-election of the Directors of the Bank will be conducted in compliance with the Bank Companies Act-1991, Companies Act-1994, the Articles of Association of the Bank and other prevailing relevant rules & regulations of the country.

## **MDBL Profile**

The Company was incorporated on March 20, 2013 under the Companies Act 1994 as a Public Limited Company for carrying out all types of banking activities with Paid-up Capital of Tk. 400,00,00,000 divided into 40,00,00,000 ordinary shares of Tk.10 each.

The Company was also issued Certificate for Commencement of Business on the same day and was granted license on April 9, 2013 by Bangladesh Bank under the Banking Companies Act 1991 and started its banking operation on June 20, 2013 at the Dilkusha Corporate Branch. The Principal Branch at Banani started its operations on July 5, 2013. The Company is entitled to carry out the following types of banking business:

- (1) All types of commercial banking activities including Money Market operations.
- (2) Investment in Merchant Banking activities.
- (3) Investment in Company activities.
- (4) Financiers, Promoters, Capitalists etc.
- (5) Financial Intermediary Services.
- (6) Any related Financial Services.

Midland Bank Limited is operating through its Head Office at Gulshan, Dhaka and 9 other branches. The Bank carries out international business through a Global Network of Foreign Correspondent Banks.

Registered Name of the Company : Midland Bank Limited

Company Registration No. : C-108070/13 on March 20, 2013

Bangladesh Bank Permission No. : BRPD (P-3)745(67)/2013-1665 on April 9, 2013

Registered Office : N.B. Tower (Level 5 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212

SWIFT Code : MDBLBDDH

Corporate Website : www.midlandbankbd.net

Strategy Makers : 1. Mr. A.K.M. Shahidul Haque, Managing Director & CEO

2. Mr. Khondoker Nayeemul Kabir, Deputy Managing Director

Auditors : S. F. Ahmed & Co., Chartered Accountants

## Vision

To be the palpable choice of all customers within the region and beyond, functioning as their financial services provider by pursuing an endless voyage towards excellence in every aspect.

## Mission

- To provide quality banking services with enhanced customer orientation and a wide variety of need based innovative products using state of the art technology.
- To maintain a healthy and diversified financial profile.
- To play a proactive role in flourishing the economy using its full potential.
- To be a responsible corporate social enterprise by effectively blending commercial pursuits and social banking.
- To be the benchmark for the regulators in terms of compliance.
- To maintain the highest standard of corporate governance and ethics.
- Continuous wealth maximization for the stakeholders as well as shareholders.

## **Corporate Values and Objectives**

- Integrity & Ethics
- Commitment towards Corporate Governance
- Exceed expectations on quality
- Leadership
- Mutual respect
- Internal Control and Compliance
- Family our employees, shareholders, customers and community people
- Achievement, rewards and fair return for all
- Sound financial strength and technology
- Building the future



# **Time Line and Milestones**

SL	Description	Date of Commencement	
01	Letter of Intent	April-17-2012	
02	Certificate of Incorporation	March-20-2013	
03	Certificate for Commencement of Business	March-20-2013	
04	Approval for setting Head Office	April-10-2013	
05	Gadget Publication	April-10-2013	
06	First Press Conference	April-27-2013	
07	Dilkusha Corporate Branch	June-20-2013	
08	Principal Branch, Banani	July-05-2013	
09	BACH Operations	July-30-2013	
10	BEFTN Operations	September-02-2013	
11	SWIFT Operations	September-08-2013	
12	Agrabad Branch	Octotober-08-2013	
13	Mirzapur Bazar Branch	November-10-2013	
14	Panchchar Branch	December-26-2013	



# **List of Sponsor Shareholders**

Sl.No.	Name	Description	Address	
01	Kazi Zafarullah	Sponsor Shareholder	House No. 4/A, Road No.73 Gulshan-2, Dhaka	
02	Mrs. Nilufer Zafarullah, MP	Sponsor Shareholder	House No. 4/A, Road No.73 Gulshan-2, Dhaka	
03	Kazi Omar Zafar	Sponsor Shareholder	House No. 4/A, Road No.73 Gulshan-2, Dhaka	
04	Ms. Anushka Mehreen Zafar	Sponsor Shareholder	House No. 4/A, Road No.73 Gulshan-2, Dhaka	
05	Kazi Raihan Zafar	Sponsor Shareholder	House No. 4/A, Road No.73 Gulshan-2, Dhaka	
06	Dr. Kazi Shahidullah	Sponsor Shareholder	House No. 403, Road No. 27 (old) Dhanmondi R/A, Dhaka	
07	Kazi Ekramullah	Sponsor Shareholder	House No. 403, Road No .27 (old) Dhanmondi R/A, Dhaka	
08	Mrs. Sabiha Mahboob	Sponsor Shareholder	House No. 403, Road No .27 (old) Dhanmondi R/A, Dhaka	
09	Ms. Scherezad Joya Monami Latif	Sponsor Shareholder	11, Eskaton Garden, Dhaka	
10	Mr. Abdullah Ahmed Yousuf	Sponsor Shareholder	House No. 403, Road No .27 (old) Dhanmondi R/A, Dhaka	
11	Mr. M. Moniruzzaman Khandaker	Sponsor Shareholder	20/3, Babar Road, Block-B Mohammadpur, Dhaka.	
12	Mr. Nazib Ahmed	Sponsor Shareholder	House No 14/A Road No : 68 Gulshan-2 Dhaka	
13	Mrs. Ishrat Ahmed	Sponsor Shareholder	House No 14/A Road No : 68 Gulshan-2 Dhaka	
14	Dr. Fahmida Haque	Sponsor Shareholder	House No. 82/2/E West Rajabazar Post: Tejgaon, Dhaka	
15	Mrs. Ela Haque	Sponsor Shareholder	House No. 02 Road # 07 Sector #9 Uttara Dhaka	
16	Mr. Niranjan Chandra Saha	Sponsor Shareholder	House No. 55/11,S.M. Malek Road Post:Narayangonj, Narayangonj Bangladeshi, Businessman	

# **List of Sponsor Shareholders**

Sl.No.	Name	Description	Address	
17	Mrs. Salina Maksuda	Sponsor Shareholder	Sheltech Monisha, House No. 125, Flat-E, Road No. 4, Block-A, Banani, Dhaka	
18	Mr. Basudav Saha	Sponsor Shareholder	House No # 62 Road # 62 Gurkha Doctor Lane, Chittagong	
19	Reedisha Knitex Ltd. Represented by Mr. Rezaul Karim	Sponsor Shareholder	36, Shahid Tajuddin Ahmed Sarani Tejgaon Industrial Area, Dhaka-1208	
20	Mondol Fabrics Ltd. Represented by Mr. Abdul Majid Mondol, MP	Sponsor Shareholder	Siam Tower (Level-9th +10th) Dhaka Mymensingh Road, Plot-15, Sector-3, Uttara Model Town, Dhaka	
21	Liberty Knitwear Ltd. Represented by Mr. Md. Shamsuzzaman	Sponsor Shareholder	T.K. Bhaban (10th Floor), 13, Kawranbazar, Dhaka- 1215	
22	That's It Sportswear Ltd. Represented by Mr. Md. Motaleb Hossain	Sponsor Shareholder	241, Tejgaon Industrial Area, Dhaka-1208	
23	Refat Garments Limited Represented by Mr. Md. Belal Hossain	Sponsor Shareholder	241, Tejgaon Industrial Area, Dhaka-1208	
24	HazratAmanat Shah Spinning Mills Ltd. Represented by Al-Haj Mohammed Helal Miah	Sponsor Shareholder	9, RAJUK Avenue(5th Floor) Motijheel C/A, Dhaka-1000	
25	Garments Export Village Ltd. Represented by Mr. A.K.M. BadiulAlam	Sponsor Shareholder	Maa Tower (7th Floor), KBM Road Tongi Industrial Area, Tongi-1710, Distt- Gazipur	
26	Beq Knit Ltd. Represented by Ms. Tajbin Nikita Sarker	Sponsor Shareholder	House - 10, Road - 12, Sector- 10, Uttara, Dhaka	
27	Badsha Textiles Ltd. Represented by Mr. Md. Badsha Mia	Sponsor Shareholder	28, Dilkusha C/A, Dhaka, Bangladesh	
28	Master Abul Kashem	Sponsor Shareholder	Master Bhaban, Agrabad Access Road, Plot# 02, Road# 02, Lane# 01 Block# L, Halishahar Housing Estate, Chittagong	
29	Mr. Mohammad Jamal Ullah	Sponsor Shareholder	263 Khatungonj Chittagong, Bangladesh	
30	Al-Haj Mohammed Issa Badsha	Sponsor Shareholder	Badsha Market 173 Khatungonj Chittagong	
31	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	House #228 Lake Road New DOHS Mohakhali, Dhaka.	
32	Mr. Md. Wahid Miah	Sponsor Shareholder	Chandrashila Suvastu Tower (4th floor) 69/1 Green Road, Panthapath, Dhaka.	

# **Board of Directors**



Mr. M. Moniruzzaman Khandaker Chairman



Mrs. Nilufer Zafarullah, MP Vice Chairman



**Dr. Kazi Shahidullah**Director



Ms. Scherezad Joya Monami Latif
Director



**Mr. Abdullah Ahmed Yousuf**Director



**Mr. Kazi Omar Zafar**Director



Master Abul Kashem
Director



Mr. Mohammad Jamal Ullah Director



**Al-Haj Mohammed Issa Badsha** Director



**Mr. Ahsan Khan Chowdhury**Director



Mr. Md. Wahid Miah Director



Mr. Rezaul Karim Nominee Director of Reedisha Knitex Ltd.



Mr. Abdul Majid Mondol, MP

Nominee Director of
Mondol Fabrics Ltd.



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



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



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



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



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



**Ms. Tajbin Nikita Sarker** Nominee Director of Beq Knit Ltd.



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



**Mr. A.K.M. Shahidul Haque**Managing Director & CEO

## The Executive Committee (EC):



Mr. Rezaul Karim Chairman



Mr. Kazi Omar Zafar Member



Master Abul Kashem Member



Mr. Ahsan Khan Chowdhury Member



Mr. Md. Motaleb Hossain Member



Al-Haj Mohammed Helal Miah Member



Mr. A.K.M. Badiul Alam Member



Mr. A.K.M. Shahidul Haque Managing Director & CEO (Ex-officio)

## **The Board Audit Committee**



**Dr. Kazi Shahidullah** Chairman



Ms. Scherezad Joya Monami Latif Member



Mr. Md. Shamsuzzaman Member



Al-Haj Mohammed Issa Badsha Member



Mr. Md. Badsha Mia Member

# **The Risk Management Committee**



Mr. Md. Shamsuzzaman Chairman



Mr. Ahsan Khan Chowdhury Member



Mr. Mohammad Jamal Ullah Member



Ms. Tajbin Nikita Sarker Member



### **Directors' Profile**

The Board consists of 20 (twenty) Directors. The members of the Board of Directors are from highly successful group of businesses and industries in Bangladesh. Each member of the Board plays a significant role in socio-economic domain of the country.



Mr. M. Moniruzzaman Khandaker
Chairman

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

Mr. M. Moniruzzaman has obtained numerous trophies and accolades, because of his outstanding contribution to the society and national development. Among others, he won Srijan Atish Dipankar Award in 1990, Sher-e-Bangla Smriti Purashkar

in 2009 and Poet Abu Zafar Obaidullah Khan Award in 2012.

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



Mrs. Nilufer Zafarullah, MP
Vice Chairman

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



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 renowned Professor of History Department, University of Dhaka. He is the former Vice Chancellor of National University, Bangladesh. He also has an M.A. from British Columbia and a Ph.D. from Western Australia. He is an active member of the community and a proponent of higher education. Dr. Shahidullah participated in many high profile seminars and workshops at home and abroad. He is associated with various social and cultural organizations. He is a life member of Begum Zebunnesa & Kazi Mahabubullah Jono Kallyan Trust



Ms. Scherezad Joya Monami Latif
Director

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



Mr. Abdullah Ahmed Yousuf
Director

Mr. Abdullah Ahmed Yusuf is a Sponsor Director of Midland Bank Ltd. He is a graduate from Dhaka University. He is proponent of higher education and currently teaching in Auckland, New Zealand. Mr. Ahmed has been 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 Executive Committee of Midland Bank Ltd. After completing B.F.A. Degree from Clark University in the USA, Mr. Kazi Omar Zafar started his career as the Managing Director of Refresh 360 Ltd. He is one of the Directors of Hong Kong Shanghai Manjala Textiles Limited. He is an energetic and promising entrepreneur who has numerous business interests in Bangladesh and abroad. Mr. Omar is compassionate about social responsibility and contributes to philanthropic services for the underprivileged women and children. This apart, he has affiliation with a number of social groups. He has visited a good number of countries across the globe on different occasions of businesses.



Master Abul Kashem
Director

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

Currently he is associated with the following organizations :

#### **Proprietor:**

- \* Mak Corporation
- \* Master Steel Re-rolling Mills
- \* Master Fishing and Dairy Ltd.
- \* Master Steel

#### **Managing Director:**

\* Mother Steel Ltd



Mr. Mohammad Jamal Ullah Director

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

Currently he is associated with the following organizations:

#### **Managing Director:**

- \* Silver Dal Mills Ltd.
- \* Ishfar Oil Mills Ltd.
- \* Rupali Soap and Chemical Industries Ltd.
- \* Annu Sany Trading Ltd.
- \* Silver bell Properties Ltd.

#### **Managing Partner:**

\* Gazi Commodity Marketing Company

#### **Proprietor:**

\* Bismillah Store, Chittagong



Al-Haj Mohammed Issa Badsha Director

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

Currently he is associated with the following organizations :

#### **Managing Director -**

- \* Badsha Group
- \* Azan Ltd.

#### Proprietor-

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





Mr. Ahsan Khan Chowdhury
Director

Mr. Ahsan Khan Chowdhury is a Sponsor Director and a member of the Executive Committee and Risk Management Committee of Midland Bank Limited. After completing his Bachelor Degree in USA, Mr. Ahsan Khan Chowdhury started his career as the Director of Pran-RFL group in 1992. He is currently the Chief of Operations and the Deputy Managing Director of Pran-RFL Group with interests in Light Engineering, PVC and plastic products as well as agroprocessed food stuff under the brand name of RFL, largest manufacturer of cast iron, PVC and plastic products & PRAN, largest agro processing company of Bangladesh. Pran-RFL Group comprises of 13 companies with more than 30,000 employees and has offices in UAE, Oman, India, Nepal, Qatar, Africa, Malaysia and Spain. Pran-RFL group won best exporter's trophy for nine years in a row. Mr. Ahsan, with his dynamic leadership, was instrumental behind the success of Pran-RFL Group.

Currently he is associated with the following organizations:

#### **Managing Director:**

\* Rangpur Foundry Ltd.

#### **Deputy Managing Director:**

- \* Agricultural Marketing Co Ltd.
- \* Pran Foods Ltd.
- \* Pran Agro Ltd
- \* PranDairyLtd.
- \* Pran Beverage Ltd.
- \* Maymenshing Agro Ltd.
- \* Pran Exports Ltd
- \* RFL Plastics Ltd.
- \* Durable Plastics Ltd.
- \* Banga Build. Mate. Ltd.
- \* Property Dev. Ltd.

- \* Banga Trading House Ltd.
- \* Banga Agro Processing Ltd.
- \* Pran Agro Business Ltd.
- \* Pran Confectionery Ltd.
- \* PacmatInd Ltd.
- \* Rangpur Metal Ind Ltd.
- \* Natore Agro Ltd.
- \* Banga Millers Ltd.
- \* Banga Bakers Ltd.
- \* Sylvan Agro Ltd.
- \* Habigonj Plastics Ltd.



Mr. Md. Wahid Miah
Director

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

Currently he is associated with the following organizations:

#### **Managing Director:**

- \* Al Haj Karim Textiles Ltd.
- \* Hypoid Composite Knit Ltd.
- \* Abdul Karim Ltd.
- \* Jobiada Karim Jute Mills Ltd.
- \* Karim Jute Spinners Ltd.

#### **Proprietor:**

- \* M/S Wahid Miah
- \* Jobiada Filling Station
- \* J.K. Filling Station
- \* Karim Trading Ltd.



Mr. Rezaul Karim Director

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

Currently he is associated with the following organizations:

#### **Managing Director:**

- \* Kohinoor Chemical Company (BD) Ltd.
- \* Reedisha Knitex Ltd.
- \* P.A. Knit Composite Ltd.
- \* Reedisha Spinning Ltd.
- \* Reedisha Texstripe Ltd.
- \* Reedisha Printing and Packaging Ltd.
- \* Reedisha Trading and Distribution Company



Mr. Abdul Majid Mondol, MP Director

Mr. Abdul Majid Mondol, MP is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Mondol Fabrics Ltd. He is an Honorable Member of 10th Parliament of the People's Republic of Bangladesh. Mr. Mondol has over 30 years of experience in 'Textiles and Garments' industry. He is the owner of Mondol Group of Industries which includes several 'Export Only' garments factories and large scale garments accessories factories. In addition, he owns Brokerage Houses and Cattle & Poultry farms. He has been a selected CIP by the Government of Bangladesh for many years. Mr. Mondol is a humanitarian and proponent of social awareness. He contributes a handsome amount every year to humanitarian causes such as better education for children, better health care and eradicating poverty. As a personal initiative, employees working for his group of companies, receives full life insurance, accident insurance, leave assistance, financial assistance and other benefits, for which he spends over 10% of his personal income. Mondol Group has been awarded numerous Gold, Bronze and Silver trophies by the Government of Bangladesh for business excellence. The Group also received several international awards for 'Quality' from Europe and America.

Currently he is associated with the following organizations:

#### Chairman:

- \* Montex Fabrics Ltd
- \* Mark Sweater Ltd.
- \* Mon Trims Ltd.
- \* Mondol Yearn Dyeing Ltd.
- \* Mondol Fabrics Ltd.
- \* Cotton Field (BD) Ltd.
- \* Mondol Fashions Ltd.
- \* Mondol Securities Ltd. \* Mondol Knit Wares Ltd.
- \* Titan Fabrics Ltd. \* Mondol Apparels Ltd.

- \* Alim Knit (BD) Ltd.
- \* Mondol Knit Tex Ltd.
- \* Al-Helal Cattle & Poultry Industry Pvt. Ltd.
- \* Cotton Club (BD) Ltd.
- \* Cotton Clout (BD) Ltd.
- \* Trims International Ltd.
- \* Appollo Fashions Ltd.
- \* Appollo Pacikaging (BD) Ltd.
- \* Appollo Knitwears (BD) Ltd.
- \* Cotton Clothing (BD) Ltd.
- \* Takwa Garments & Printing Ltd.





Mr. Md. Shamsuzzaman
Director

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

Currently he is associated with the following organizations:

#### **Managing Director:**

- \* Liberty Knitwear Ltd.
- \* Orient Chem-tex Ltd.
- \* Micro Fiber Ltd.
- \* Midland Knitwear Ltd.
- \* A-One Polar Ltd.
- \* Tangon Garments Ltd.
- \* Tubingen Chemicals (BD) Ltd.



Mr. Md. Motaleb Hossain
Director

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

Currently he is associated with the following organizations:

#### **Managing Director:**

- \* Modern Cargo Carrier Ltd.
- \* Banga Engineering Co. Ltd.
- \* M.H. Jute Mills Ltd.

#### Director:

- \* That's It Sportswear ltd.
- \* Artistic Design Ltd.
- \* Refat Garments Ltd.
- \* Ha-Meem Apparels Ltd.
- \* That's It Fashion Ltd.
- \* Ha-Meem Design Ltd.
- \* Nishat Packaging and Print Ltd.
- \* Sakib Poly Industry Ltd.
- \* That's It Packaging Ltd.
- \* Modern Washing and Dye Ltd.
- \* Ha-Meem Denim Ltd.



Mr. Md. Belal Hossain
Director

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

Currently he is associated with the following organizations :

#### **Managing Director:**

\* Next Collections Ltd

#### Director:

- \* Refat Garments Ltd.
- \* Banga Engineering Co. Ltd.



Al-Haj Mohammed Helal Miah Director

Al-Haj Mohammed Helal Miah is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Hazrat Amanat Shah Spinning Mills Ltd. Mr. Helal Miah is a member of the Executive Committee of the Bank. He is a successful industrialist and a renowned businessman with over 25 years of experience in the 'Garments' and the 'Finance' industry. He is a Life Member of Bangladesh Red Crescent Society Narsingdi, Bangladesh Diabetics Society Narshingdi, Narshingdi Club and Narshingdi Foundation. He is a Member of Board of Governor of South East University and Narshingdi Model School.

Currently he is associated with the following organizations:

#### **Managing Director:**

\* Hazrat Amanat Shah Spinning Mills Ltd.

#### **Chairman and Managing Director:**

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

#### **Chairman:**

\* Hazrat Amanat Shah Securities Ltd.

#### Director:

\* Fareast Islami Life Insurance Company.

#### **Proprietor:**

\* Helal & Brothers Garments



Mr. A.K.M. Badiul Alam
Director

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

Currently he is associated with the following organizations:

#### **Chairman:**

- \* Garments Export Village Ltd.
- \* Power Vantage Wear Ltd.
- \* Amtranet Ltd.

#### **Director:**

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



Ms. Tajbin Nikita Sarker
Director

Ms. Tajbin Nikita Sarker is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Beq Knit Ltd. She is a member of Risk Management Committee of the Bank. She is a young and promising entrepreneur and possesses excellent business background. She is a Director of BEQ Knit Ltd. and Shareholder of C.K. Sweaters Ltd.



Mr. Md. Badsha Mia
Director

Mr. Md. Badsha Mia is a Member of Board of Directors of Midland Bank Limited as a Nominee Director of Badsha Textiles Ltd. Mr. Badsha Mia is a member of Board Audit Committee of the Bank. He is a renowned businessman with over 32 years of experience in the 'Textiles and Garments' sector. He has been accredited the status of Commercially Important Person (CIP) by People's Republic of Bangladesh. His spinning mills, 'Badhsha Textiles Ltd' and 'Kamal Yarn Ltd' was awarded for excellence by the **BTMA** recognition to the outstanding performance in production and export for the year 2012. Mr. Md. Badsha Mia is also founder and patron of different socio-cultural organizations in the country.

Currently he is associated with the following organizations:

#### **Managing Director:**

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



Mr. A.K.M. Shahidul Haque Managing Director & CEO

Mr. A.K.M. Shahidul Haque is the Managing Director and Chief Executive Officer of Midland Bank Limited. He is an ex-officio Member of the Board of Directors and the Executive Committee of the Board. Mr. Haque has been serving in the banking industry for the last 35 years in several premier banks of the country. His long career path is studded with Branch Management, Corporate Banking, Investment Banking, Risk Management, International Trade, Human Resource Management, Capital Planning, Internal Control, Organizational Development & along Reforms with Team Building and Leadership. After completing his Masters of Arts Degree from Dhaka University, Mr. Haque started his career as a Probationary Officer with Rupali Bank Limited in 1977. His banking career saw continuous rise the years that followed. He joined National Bank Limited, one of the leading first generation private sector commercial banks of the country in 1986, serving in different responsible capacities in Inspection, Credit and Law Recovery Divisions.

He joined Prime Bank next in 1995, eventually taking the role as Head of a Branch. In 1999, he Joined Mercantile Bank at the early stage of its operation. From 1999 to 2012, his banking genius catapulted him to the position of Managing Director. He started out as SVP, then went on to serving as EVP, SEVP, DMD, AMD and eventually MD. In this position, he steered the bank to be a sustainable market player. The next switch he made was to Midland Bank Limited in April of 2013. With his unparalleled vision and dynamic leadership, Midland Bank Limited witnessed enormous growth in a short period of time by becoming the frontrunner among the fourth generation banks. His ultimate goal for Midland Bank is to reach the top spot among all the Financial Institutions Bangladesh. Mr. A.K.M. Shahidul Haque, a participant in the Liberation War of 1971, is a strong believer of honesty and fairness and conducts all operations with the highest of ethical standards. Mr. Haque is privileged to have taken part in many high profile training classes including Leadership Certification Course form the University of Cambridge U.K., various symposiums and numerous seminars. He is a regular speaker to electronic media, print media and delivers lectures to other banks on banking and management issues. addition, he has won a number of awards and accolades such as 'Rafiqul Islam Banking Award' and 'Shilpacharia Award' for his outstanding role for banking development in the country.

# Management Committee Asset Liability Risk Management Committee MDBL Corporate Structure Risk Management Committee Board of Directors Management Credit Committee **Board Audit** Committee Purchase Committee Committee Executive Management Committee





# From the Desk of the Chairman

Assalamu Alaikum,

I would like to take this opportunity to extend a very warm welcome to you from the core of my heart. I am pleased to present before you the Audited Financial Statements for the year ended on 31 December, 2013. On behalf of the Board of Directors, I would like to express my gratitude and thanks for your continuous support and co-operation which has helped us achieve success in all arenas of our business amid this highly competitive banking industry scenario as well as attain a base in the finance industries. Thanks to you, our customers and all other stakeholders that we have been able to establish ourselves as a bank of repute in a very short period of time. During the course of this letter and in the body of attached financial report, I hope to describe in full, our progress on important operational and financial objectives during 2013 and our outlook for the future.

The world economy has passed a challenging year in 2013. Global growth was in low gear at the beginning of the year, and the drivers of activities were changing. These dynamics raised new policy challenges. Global activity strengthened only during the second half of 2013. Advanced economies grew in the latter part of the year and continued their repair of the financial sector. Global growth in the second half of 2013 was somewhat stronger than anticipated. Final demand in advanced economies expanded broadly as expectedmuch of the upward surprise in growth was due to higher inventory demand. In emerging market economies, an export rebound was the main driver behind better activity, while domestic demand generally remained subdued, except in China. Overall, global output moderated to 3.0% over the year 2013, from 3.1% in 2012. Output of advanced economies was down to 1.3% in 2013 from 1.4% in 2012. Emerging markets and developing economies also had a downward turn - dropping to 4.7% in 2013 from 4.9% in 2012 while world trade volume remained the same at 2.7% for both 2012 and 2013.

Recent projections indicate that activity is expected to improve in 2014-15, largely on account of recovery in the advanced economies. But downward revisions to growth forecasts in some economies highlight continued fragilities and downside risks remain for 2014. Overall, growth in emerging markets and developing economies is expected to increase to 5.1% in 2014 and to 5.4% in 2015. Growth in China rebounded strongly in the second half of 2013, due largely to acceleration in investment. This surge is expected to be temporary in part because of policy measures aimed at slowing credit growth and raising the cost of capital. Growth for China is thus expected to moderate slightly, to around 7.5% in 2014-15. Growth in India picked up after a favorable monsoon season and higher export growth is expected to firm further on stronger structural policies supporting investment. Many other emerging market and developing economies have started to benefit from stronger external demand in advanced economies and China. In many, however, domestic demand has remained weaker than expected. This reflects to varying degrees, tighter financial conditions and policy stances since mid-2013, as well as policy or political uncertainty and bottlenecks, with the latter weighing on investment in particular. As a result, projected growth in 2014 reflects a downward trend for Brazil and Russia. Downward projections to growth in 2014 in the Middle East and North Africa region and upward projection for 2015, mainly reflect expectations that the rebound in oil output in Libya after outages in 2013, will proceed at a slower pace. In sum, global growth is projected to increase from 3.0% in 2013 to 3.7% in 2014 and 3.9 % in 2015.

2013 was a challenging year for Bangladesh along with other developing economies of the world. The economy gained some momentum during the second half of 2013 as output and investment activities in the economy picked up pace reasonably despite global economic downturn. The buoyancy in economic activity was aided by our growth of 6.01% in GDP and strong domestic demand. The macroeconomic front remained challenging for banks with Bangladesh Bank being more restrained from the beginning of 2013 repeatedly advising banks not to flow credits to unproductive sectors.



The operating profits of the country's Private Commercial Banks (PCB) showed a mixed trend in 2013, mainly due to declining weighted average spread between lending and deposit rates, sluggish trend in the country's capital market, lower import payments, cautious monitory policy and huge provisioning against non-performing loans. Only a handful of older generation PCBs have been able to record a modest growth of their operating profits in 2013 over those of previous calendar year. Despite all the challenges, we remain committed to our core vision for our Bank and working hard to build a financial platform that offers our clients an unmatched convenience and expertise, high quality of service and variety of financial products delivered as a single relationship.

In 2013, Midland Bank - a fourth generation bank, earned an Operating Profit of Tk. 36.40 million in a matter of a few months of its existence. Most of the profits came from core banking business of the bank. The total deposit rose to Tk. 2856.84 million by the end of 2013. Loans and advances were Tk. 1831.43 million.Amount of fee based income stood at BDT 2.39 million. The Authorized and Paid-up Capital of the Bank was Tk. 4000 million as on December 31, 2013. Unlike many of our peer competitors in the financial services industry, we were well-capitalized, deposit-funded and liquid. Our capital management framework was intended to ensure best composition capital in relation to business growth. In 2013, we opened 5 branches in different geographical locations and expanded our own ATM network. And as always, we were keen to maintain sufficient capital consistent with Bank's risk profile, Basel-II compliance and all regulatory requirements. Commercial lending in import and local trade finance to large and medium group dominated most of our lending activities with emphasis given to small and medium sized enterprises (SME).

We know Customers' needs are varied with the change of time and technology; hence, we emphasized on customer service excellence and provided technology based real service to attract potential customers and also retained the existing customers. Midland Bank placed paramount importance to customer service and built a lasting relationship of partnership with its customers. We provided full range of banking services to individuals, entrepreneurs, small and medium sized enterprises and corporate customers. Our employees were

committed to serve our customers by providing excellent, innovative and speedy solutions to all customer inquiries and requirements.

Backed with a strong and experienced Board, befitting its aspiration to become a leading bank of prominence, the Board of Directors remained committed to ensure the highest standards of corporate governance throughout the organization with the objectives of safeguarding the interests of all stakeholders and enhancing the shareholders' value and financial performance of the Bank. The Board of Midland Bank took strategic decisions emphasizing good corporate governance to protect the interests of the Shareholders and other stakeholders at large, increasing their confidence and establishing their trust. They guided the Bank towards the goal set by the Stakeholders, ensuring highest standards of integrity, accountability, transparency, ethics and professionalism of the management dealing with banking business. For smooth functioning of the Bank, two supporting committees of the Board, Executive Committee and Audit Committee relentlessly provided guidance and direction to the Management since the inception of the Bank in 2013. By the end of the year, sound control culture had been established within the Bank. External Auditors were appointed by the approval of the Board. They audited the accompanying Financial Statements of the Bank and provided opinion whether the Financial Statements reflected the true and fair views and had been prepared in accordance with applicable rules and regulations. For an effective control system, separate and independent Divisions, namely Internal Control & Compliance Division (ICCD) and Board Audit Division functioned within the Bank. Internal Audit team of the Bank conducted their regular audit functions based on different manuals, instructions, guidelines and procedures laid down by the regulatory bodies and the Board of the Bank. The Board undertook prompt actions to any issues in order to protect the Bank and shareholders wealth based on internal audit reports. Midland Bank Limited also established Risk Committee to manage and control different types of risks.

The Bank closely examined credit risks from both micro perspective which concerns credit risk of individual customer and macro perspective which considers loan portfolio risk.

This allowed the credit officers and relationship managers to provide a system of mutual checks and balances. Going forward, Midland Bank will continue implementing strengthened risk management procedures to help mitigate concentration of risks.

In order to achieve all our strategic objectives and future success, we assembled a team of excellent employees, having a balanced mix of young and experienced, properly equipped with expertise, necessary skills and knowledge. Everyone at Midland Bank diligently worked together toward a common goal: to be the best in the industry. The efficient work force of Midland Bank acted as the fundamental pillar to elevate the Bank at today's height of success. Midland Bank emphasized to satisfy both the customers and employees by offering better facilities than other commercial banks, such as viable remuneration package, training facilities and other fringe benefits. Midland Bank formulated its Human Resources Policy calibrating with recruitment procedures, pays, benefits, training and development programs, disciplinary rules and grievances etc. In-line with its expansion plans, Midland Bank plans to recruit more employees, fresh and experienced as well, to meet the customers' ever-increasing demand and to support the ever changing business scenario.

We, as a corporate citizen also have a vital role to play in the community and Midland Bank, since its inception, cared for all of its stakeholders along with the people of the community and will do so in the future. Midland Bank believes that Corporate Social Responsibility (CSR) is fundamental to attain long term sustainability and business growth and that CSR plays an important role in promoting the image of the Bank locally and internationally.

At Midland Bank Limited, we seek excellence - as an organization, of ourselves and for the communities we serve. We believe our success is tied directly to the successes of our communities. We regard our investments in society as investments in our own future. We actively participate in our neighborhoods by making positive contribution through community development, financial education, volunteerism, helping the underprivileged people and ensuring an environment friendly society. Midland Bank shares the misery of the distressed and continuously strives to assist victims of natural disaster by providing financial help in rehabilitation and rescue purposes.

The 2013 financial year has been a challenging one for the Bank and many of its customers. Many parts of the economy have been subject to headwinds due to fragile consumer and corporate confidence and political instability. Globally, without a doubt, 2014 will be a better year with projections of world trade volume increasing to 4.5% in 2014 from 2.7%, output of emerging markets and developing economies growing to 5.1% from 4.7% and consumer prices dropping to 5.6% from 6.1%. However, growth will bring change and despite these obvious advantages, we cannot afford to be complacent in the face of a rapidly changing domestic and global competitive environment. We will have to be innovative and nimble if we are to take advantage of new opportunities. Our challenge now is to ensure that as an organization we optimize our investments in technology, human capital and productivity initiatives for the benefit of our customers and our shareholders.In the coming years, Midland Bank will continue to operate in a disciplined and prudent manner with a focus on driving productivity initiatives which will deliver sustainable improvements in business performance. The Bank's priority is to maintain a stable financial and operating platform, which will enable us to support our customers and provide superior returns to all our stakeholders. We plan to focus our priorities on organic growth, our capacity to respond to change, loyalty to our values, and maintaining our solid expertise in risk management and operational efficiency.

In conclusion, I would like to convey my earnest thanks to our dynamic and generous Board of Directors, shareholders, patrons, business partners and customers. To the auditors, regulatory bodies, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Stock Exchanges and Register of Joint Stock Companies for providing guidelines, rules and regulations for the banks from which we have found proper direction - I sincerely pay my gratitude to everyone present & every well-wisher of Midland Bank Ltd.

I am confident that with our focus, Midland Bank will achieve sustainable growth and desired success in the years ahead. And, as always, I welcome your thoughts and suggestions.

Thank You



M. Moniruzzaman Khandaker Chairman

# **Report of the Board Audit Committee**



#### **Constitution of the Board Audit Committee**

In compliance with Bangladesh Bank guidelines and Bangladesh Securities And Exchange Commission (BSEC) Notification on Corporate Governance, the Audit Committee (AC) of the Board of Midland Bank Limited (MDBL) was formed by the Board of Directors to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control systems and compliance to governing rules and laws etc.

Following are the major objectives of the AC:

- To review the financial reporting process, the system of internal control and approach to manage risks, the audit process, findings of central bank comprehensive audit and the bank processes for monitoring compliance with laws and regulations and its own code of business conduct.
- To assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies and overall business plans set by the Board for effective functioning of the bank.

In compliance with the section 3.2 (i) of the new Corporate Governance Notification issued by BSEC on 07 August 2012, the Audit Committee of MDBL Board was last re-constituted in the 6<sup>th</sup> Board Meeting held on

28 July 2013 with the following Board Members:

SI No.	Name	Status with Bank	Status with Committee	Duration
01.	Dr. Kazi Shahidullah	Director	Chairman	
02.	Ms. Scherezad Joya Monami Latif	Director	Member	03 years with effect
03.	Mr. Md. Shamsuzzaman	Director	Member	from 28, July 2013
04.	Al-Haj Mohammed Issa Badsha	Director	Member	
05.	Mr. Md. Badsha Mia	Director	Member	

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

#### **Roles and Responsibilities of Audit Committee:**

The roles and responsibilities of Audit Committee of MDBL have been formed by considering the provisions of BRPD circular no 11 dated 27 October 2013, New Corporate Governance Notification issued by BSEC on 7 August 2012 and other best practice corporate governance guidelines and standards. Some important roles and responsibilities are highlighted below:

#### 1. Internal Control:

- a. Evaluate whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have understanding of their roles and responsibilities;
- b. Review the arrangements made by the management for building a suitable Management Information System (MIS) including computerization system and its applications;
- c. Consider whether internal control strategies recommended by internal and external auditors have been implemented by the management;
- d. Review the existing risk management procedures for ensuring an effective internal check and control system;
- e. Review the corrective measures taken by the management as regards the reports relating to fraudforgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and inform the board on a regular basis.

#### 2. Financial Reporting:

- a. Review the annual financial statements and determine whether they are complete and consistent with the accounting standards set by the regulatory authority;
- b. Meet with management and the external auditors to review the financial statements before their finalization.

#### 3. Internal Audit:

- a. Review internal auditor activities running independently from Bank Management;
- b. Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made;
- c. Review the efficiency and effectiveness of internal audit function;
- d. Review that findings and recommendations made by the internal auditors for removing the irregularities detected and also running the affairs of the bank are duly considered by the management.

#### 4. External Audit:

- a. Review the auditing performance of the external auditors and their audit reports;
- b. Review that findings and recommendations made by the external auditors for removing the irregularities detected and also running the affairs of the bank are duly considered by the management;
- c. Make recommendations to the board regarding the appointment of the external auditors.
- 5. Compliance with existing laws and Regulations: Review whether the laws and regulations framed by the regulatory authorities (central bank and other regulatory bodies) and internal regulations approved by the Board have been complied with.

#### 6. Other Responsibilities:

- a. Place compliance report before the board on quarterly basis regarding regularization of the errors and omissions, fraud and forgeries and other irregularities as detected by the internal and external auditors and inspectors of Bangladesh Bank and regulatory authorities;
- b. Committee will evaluate internal and external auditors performance and update Board (if required);
- c. Perform other oversight functions as requested by the Board and evaluate the committee's own performance on a regular basis.

#### **Meetings of the Audit Committee**

For the year ended on December 31, 2013, the Audit Committee of the Board of Directors conducted 1<sup>st</sup> meetings in which among other things, the following issues were discussed / evaluated/ reviewed and provided guidelines and necessary instructions:

- 1. Reviewed Bank's Statutory Report on Midland Bank Limited
- 2. Reviewed the Bank's Financial Statement- Balance Sheet, Profit & Loss Accounts, Cash Flow Statement and Management Report on conducting the External Auditor including inspection reports of Branches and Head Office.
- 3. Review of Pre-opening expenses of the Bank

During the period from January to March 2014, the Audit Committee of the Board of Directors conducted their 2<sup>nd</sup>meeting in which among other things, the following issues were discussed/ evaluated/ reviewed and provided guidelines and necessary instructions:

- 1. Reviewed the Bank's Financial Statement- Balance Sheet, Profit & Loss Accounts, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and related Explanatory notes as on December 31, 2013.
- 2. Reviewed and approved of Internal Audit and Inspection Plan for the year 2014.
- 3. Reviewed and approved Internal Control & Compliance Policies and Procedures of Midland Bank Ltd.
- 4. Recommended for appointment of External Auditors in Annual General Meeting (AGM) of the Bank
- 5. Reviewed Compliance on observations, recommendations and decisions of the Audit Committee Meetings

On behalf of the Audit Committee,

Dr. Kazi Shahidullah

Chairman of the Audit Committee of the Board

### **Report on Internal Control & Compliance**

#### **Internal Control & Compliance Division:**

The internal audit, compliance and risk functions of the Bank are responsible for overseeing and managing various aspects of internal controls. Well-devised internal control system helps to ensure that Bank is compliant with regulatory rules, procedures and laws of the land as well as internal policies, procedures and instructions to minimize risk of unexpected losses or damage to the bank's reputation and ensure adequate return for the shareholders and increase their equity on the one hand and protect the depositors' money from erosion on the other.

In compliance with Bangladesh Bank guidelines and latest amendments of Bank Company Act 1991 at Midland Bank, the Head of Internal Control & Compliance Division (ICCD) has a reporting line with the Bank's Board Audit Committee. The Chairman of Board Audit Committee is the 1st contact point for the Internal Control & Compliance Division. The Division has also a working relationship with the Managing Director and CEO and Management Committee of the Bank. The Head of ICCD is responsible for the both compliance and control related tasks which include compliance with laws and regulation, audit and inspection, monitoring activities and risk assessment. For better control and motoring process of the Bank, Head of ICCD also member of MANCOM, ALCO, PC, RMC & CCU committees.



Midland Bank have an detailed audit policy covering all risk areas with the objective of identifying and assessing risk through various audit processes and putting of suggestions on the risks identified and assessed to the top management of the Bank to take necessary measures to minimize /mitigate the associated risks. The audit team will perform periodic and special audit and also conduct investigation on specific issues. Cardinal Feature of the Inter Audit Policy:

- Core Risk Areas to be audited
- Process Audit
- Transaction based Audit
- Function Audit
- Risk Based Audit
- Audit of Internal Control System
- Surprise Visit to the Branches / Value Centers
- Audit on the Departmental Control Function Check List (DCFCL)
- Audit on the Loan Documentation Check List (LDCL)
- Audit on the Quarterly Operations Report (QOR)
- Purview of the Audit Work

As per approved Internal Audit Program Plan for the year 2014, the division already started their audit, inspection, reporting, monitoring and compliance activities.

AUDIT - IDENTIFICATION - REPORTING - GUIDANCE - MITIGATION - MONITORING



Assalamu Alaikum Warahmatullah

By the grace of almighty Allah, Midland Bank Bangladesh Ltd. has completed its first year of successful banking in 2013. Midland Bank is a 4th generation bank which started its journey on March 20, 2013. Since then, it has been running its activities successfully as a scheduled commercial bank, establishing itself as a modern technology based and compliant bank. For a period of almost a year, I have had the honor of leading Midland Bank Limited through a challenging economic environment. I am aware of the responsibility placed on me and the 'Team Midland Bank'. I am committed to taking Midland Bank's image and reputation to newer heights by becoming a model bank in the banking industry.

With a view to fostering an efficient and stable financial system, the regulatory bodies have started implementing a number of important policy measures which includes strives to compel the banks to undertake timely and effective risk management practices through issuance of revised Risk Management Guidelines. The regulatory bodies are instrumental to implement stress testing for bank resilience to different market scenario. We are conducting our business within the regulatory guidelines and policies to achieve the economic and regulatory targets set by Bangladesh Bank. Critical to this task is the

quality of our people. I am pleased to say that our employees have responded to challenges brought-forth with great commitment. I have no doubt that with continued hard work Midland Bank will be the best in the future and shall remain so. I have strong belief in our abilities to develop and set goals and achieving success with our team of experienced and dedicated bankers. I would like to point out that we take special care in improving financial soundness, professionalism, corporate values, integrity, and by creating continuous wealth for our customers. I would like to especially thank our dynamic and generous Board of Directors for their confidence in the bank management, who in turn ensured ethics and transparency at all levels.

In the last few months of 2013, the fundamentals of banking business were severely tested. In response, we adjusted our strategies to focus on the business priorities to meet the challenges, thus building a sound business environment within the bank. Despite the challenging environment at home and abroad, we responded positively and were able to achieve satisfactory financial results in 2013, to the benefit of the bank and its stakeholders. 2013 was a year of profound change: change in our economy and change in the financial services industry. Our Bank was not immune from these changes. From the financial perspective, in 2013

Midland Bank performed well in a tough economic environment and amid severe political instability. Midland Bank's capital was adequate, asset quality was good, earning was reasonable, and liquidity management was prudent. Although the economy made growth difficult, we still managed to capture market share. Within mere six months of operation we secured profit worth BDT 36.40 million against increasing economic headwinds. Our Deposit was at BDT 2,856.84 million. Loans and Advances were BDT 1,831.43 million. Capital adequacy ratio as per BASEL II was 97.60% (against required 10% of Risk Weighted Assets). Return on Investment (ROI) and Return on Assets (ROA) were 0.27% and 0.14% respectively as on December 31, 2013. Amount of fee based income stood at BDT 2.39 million. Even though rate of interest on deposit (Average Cost of Deposit) was high at 12.18%, we performed exceptionally well in our International Trade Financing.

By the end of 2013, Midland Bank expanded its network to 5 branches in strategic locations, both urban and rural, ensuring banking services to urban and rural economy to align Midland Bank towards Financial Inclusion. The first few months, credit exposure was focused on medium to large commercial lending, international and domestic trade finance, enhancing our expertise in those areas. We increased our SME exposures as we expanded, which performed well by the end of the year.

Our Human capital combines the managerial and operational proficiency and we are constantly invigorating the staff to deliver at an optimal level at all times.

I have been impressed by the desire of our staff to work together to ensure our success, optimizing discipline as well as their focus. Their commitment to our customers is commendable. We, as a team believe that customers are one of the major contributors of a banks success and growth. Our team is committed to meet its customers' needs and satisfying them with financial products and services of high quality and standard while maintaining a good relationship with them. So far we have recruited 147 Employees through a comprehensive and merit based transparent recruitment process. Despite being experienced, employees have undergone various training programs including in-house training to upgrade their knowledge and skills. To meet compliance level, the bank also conducted courses on anti-money laundering and terrorist finances.

The management of Midland Bank recognizes the importance of corporate governance as a major factor in enhancing the efficiency of the organization. The bank

therefore conducts its business in line with the principles of corporate governance, which forms a basis of sustainable growth. Since inception, the bank has been running as a compliant bank. Midland Bank developed its Asset Quality by performing its activities as per guidelines of the regulatory bodies. The bank is providing excellent service to its customers by using high technology and core banking software of international standard.

Even though Midland Bank is a new bank, we are always aware of our 'Corporate Social Responsibilities' with an aim to ensure the bank as a socially responsible corporate entity, contributing towards quality of life of the people at large without compromising on ecological conditions. We plan to play a responsive role in the development of sports, education and culture. Being responsive to the environment, we are already in the process of introducing 'Green Banking Policy' for the Bank.

Midland Bank is well positioned to improve competitive positioning across the banking industry. with our solid capital base, liquidity and funding positions, we have the balance and flexibility to meet upcoming challenges. In 2014, I am confident that by putting clients at the center of everything, we will support economic growth more broadly and generate the financial returns we have targeted.

My deepest gratitude awes to the Chairman and the Board Directors for their continuous and consistent support, encouragement, wisdom, input and guidance. Special thanks to our invaluable customers who continued to be with us despite intensified competition in the industry. The interest of all our shareholders is always on the forefront of everything we do and we're grateful for their continued support as we build upon our strengths. I also express my profund gratitude to our lenders, depositors, regulators and other stakeholders for their continued support. My sincere thanks to Management Team for their persistent perseverance and passion. We have many more great things to achieve together in the future, and I am confident that we would be the most preferred Bank of the country. I believe we have a great team in place and we plan to sustain our success in the long run. I am looking forward to a great and successful 2014 and beyond.

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

Thank you

A K M Shahidul Haque Managing Director and CEO

# REPORT ON ECONOMIC IMPACT

Any change in productive potential of an economy can be defined as Economic Impact. We can understand how a bank adds value to the society by analyzing the economic impact. These impacts can be summarized into two broad categories, i.e.

- i) Direct Impact
- ii) Indirect Impact

### **Direct Impacts**

Direct Impacts are the immediate economic effects resulted from the banks financial transaction. Bank's direct contribution to the economy is resulted from the creation of employment opportunities, payment of tax to the Government, increase value to shareholders etc.

# **Indirect Impact**

Indirect impacts are the spill over economic effects that occur through a bank's normal course of operation. Bank generates indirect impact by addressing the deficiency of capital in the economy by creating savings habit among the people, improvement of socio-economic and environmental performance in client's organizations through lending etc.

Through catering financial services, banks generate wealth. Therefore, it is bound to distribute the wealth among all the stakeholders of the bank in different forms. Shareholders will accrue wealth and receive a dividend in return for the risk of the equity investment, depositors and investors receive interest for risks undertaken on their investments, borrowers obtain credit facilities at prevailing competitive rates in the industry, employees receive compensation and other benefits for the

contribution made to its institution, the underprivileged portion of the society reap the benefit of the Corporate Social Responsibility maintained by the banking industry whilst the Government earns tax revenue.

In 2013, total value added by MIDLAND BANK LIMITED was BDT 117.35 million. Bank's direct contribution to the economy was BDT 7.98 million in the form of corporate income tax. The Bank contributed BDT 95.04 million for its total 150 officials in 2013. The Bank also added value for its shareholders worth BDT 8.63 million in 2013.

Particulars	BDT
Income from Banking Services	355,382,146
Less: Cost of Service	(220,399,028)
Total Value Added	134,983,118
Less: Provision-Loans & Advances	(17,636,578)
Net Value Added	117,346,540

Distribution of Value Added	BDT
To Employees	95,041,751
To Statutory Reserve	2,158,350
To Current Tax	7,976,510
To Depreciation	3,536,529
To Retained Earnings	8,633,399
Net Value Added	117,346,540

# **Distribution**

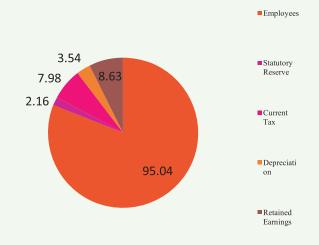


Figure 1 Distribution of Value Added

At the end of 2013, the Bank mobilized total deposits of BDT 2,856.84 million and aided the economy with a view to asset creation by deploying BDT 1,831.43 million as loans and advances to different sectors of the economy. Apart from these, the Bank mediated in import and export business, which have made international trade easier and secured.



# Midland Bank Limited Branch Network

# **Head Office**

N B Tower (Level 05-09) 40/7 North Avenue. Gulshan-2, Dhaka 1212 Tel: +88-02-9881607, 8837736

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

SWIFT: MDBLBDDH

# **Dikusha Corporate Branch**

Chini Shilpa Bhaban (1<sup>st</sup> & 2<sup>nd</sup> Floor) 3, Dilkusha C/A, Dhaka-1000 PABX: +(88)-09666410901 Phone: +88-02-9587697-98

Fax: 88-02-9587699, SWIFT: MDBLBDDH

# Principal Branch, Banani

Hong Kong Shanghai Tower (Ground & 1<sup>st</sup> Floor)
Plot-106, Road-11, Block-C
Banani, Dhaka-1213
Tel:+88-02-8836864, Fax:+88-02-8836865

PABX: +(88)-09666410902 SWIFT: MDBLBDDH

### **Agrabad Branch**

As-Salam Tower (1st Floor) 57, Agrabad C/A, Chittagong PABX:+(88)-09666-410903 Tel:.031-728178, Fax:031-728179 SWIFT:MDBLBDDH

### **Panchar Branch**

Dia- Moni Plaza (1st Floor) Panchar, Shibchar, Madaripur PABX:+(88) 096 66 410 905 SWIFT: MDBLBDDH

# **Mirzapur Bazar Branch**

Mannan Plaza (1st Floor) Mirzapur Bazar, Bhawal Gazipur Sadar, Gazipur PABX:+(88) 096 66 410 904 Tel: 88-02-9204589, Fax:88-02-9204587

SWIFT: MDBLBDDH

# **Uttara Branch**

Cosmo Shopping Complex (1st floor)
Plot:71, Sector-07, Azampur
Mymensingh Road, Uttara Model Town, Dhaka
PABX: +(88) 096 66 410 906
SWIFT: MDBLBDDH

# **Aganagar Branch**

Maksuda Garden City (2<sup>nd</sup> Floor) Aganagar, South Keraniganj, Dhaka PABX: +(88) 096 66 410 907

SWIFT : MDBLBDDH

# **Hemayetpur Branch**

Diamond Tower (1<sup>st</sup> Floor) Hemayetpur, Singair Road Savar, Dhaka.

PABX: +(88) 096 66 410 909 SWIFT : MDBLBDDH

#### Dhanmondi Branch

Taj Lily Green (1st Floor) House # 751 (Old), 51 (New) Satmasjid Road, Dhanmondi, Dhaka PABX: +(88) 096 66 410 908 SWIFT: MDBLBDDH





Report of the Board of Directors

#### **DEAR SHAREHOLDERS**

On behalf of the Board of Directors of MDBL, I have the great pleasure to present the 01<sup>st</sup>Annual Report of the Bank which consists of audited Balance Sheet, Profit and Loss Account, Cash Flow Statement, and Statement of Changes in Equity and Assets Liabilities Maturity Analysis as on December 31, 2013. In this auspicious occasion, I am also placing proudly a brief review of various business operations of the Bank during 2013 along with the current trend of World as well as Bangladesh Economy.

#### WORLD ECONOMY

Global activity strengthened during the second half of 2013, as anticipated in the October 2013. Activity is expected to improve further in 2014-15, largely on account of recovery in the advanced economies. Global growth is now projected to be slightly higher in 2014, at around 3.7 percent, rising to 3.9 percent in 2015. But downward revisions to growth forecasts in some economies highlight continued fragilities, and downside risks still remain. In advanced economies, output gaps generally remain large and given the risks, the monetary policy stance should stay accommodative while fiscal consolidation continues. In many emerging market and developing economies stronger external demand from advanced economies will lift growth, although domestic weaknesses remain a concern. Some economies may have room for monetary policy support. In many others, output is close to potential, suggesting that growth declines partly reflect structural factors or a cyclical cooling and that the main policy approach for raising growth must be to push ahead with structural reform. In some economies. there is a need to vulnerabilities associated with weakening credit quality and larger capital outflows. Global activity and world trade picked up in the second

half of 2013. Recent data even suggest that global growth during this period was somewhat stronger than anticipated earlier. Final demand in advanced economies expanded broadly as expected much of the upward surprise in growth is due to higher inventory demand. In emerging market economies, an export rebound was the main driver behind better activity, while domestic demand generally remained subdued, except in China. Financial conditions in advanced economies have eased with little change since the announcement by the U.S. Federal Reserve on December 2013, that it will begin tapering its quantitative measures this month. This includes further declines in risk premiums on government debt of crisis-hit euro area economies.

In emerging market and developing economies, recent developments highlight the need to manage the risks of potential capital flow reversals. Economies with domestic weaknesses and partly related external current account deficits appear particularly exposed. Exchange rates might be allowed to depreciate in response to deteriorating external funding conditions. When there are constraints on exchange rate adjustment because of balance mismatches and other financial fragilities, or pass-through to inflation because of monetary policy frameworks that lack transparency or consistency in their implementation policymakers might need to combination consider a of tightening macroeconomic policies and stronger regulatory and supervisory policy efforts. In China, the recent rebound highlights that investment remains the key driver in growth dynamics. More progress is required on rebalancing domestic demand from investment to consumption to effectively contain the risks to growth and financial stability from over-investment.

Equity prices have not fully recovered, many sovereign bond yields have edged up, and some currencies have been under pressure. Turning to projections, growth in the United Statesis expected to be 2.8 percent in 2014, up from 1.9 percent in 2013. Following upward surprises to inventories in the second half of 2013, the pickup in 2014 will be carried by final domestic demand, supported in part by a reduction in the fiscal drag as a result of the recent budget agreement. But the latter also implies a tighter projected fiscal stance in 2015 (as the recent budget agreement implies that most of the sequester cuts will remain in place in FY2015, instead of being reversed as assumed in the October 2013), and growth is now projected at 3 percent for 2015 (3.4 percent in October 2013). The euro area is turning the corner from recession to recovery. Growth is projected to strengthen to 1 percent in 2014 and 1.4 percent in 2015, but the recovery will be uneven. The pickup will generally be more modest in economies under stress, despite some upward revisions including Spain. High debt, both public and private, and financial fragmentation will hold back domestic demand, while exports should further contribute to growth. Elsewhere in Europe, activity in the United Kingdom has been buoyed by easier credit conditions and increased confidence. Growth is expected to average 2½ percent in 2014–15,but economic slack will remain high.

In Japan, growth is now expected to slow more gradually in comparison with that of October 2013 projections. Temporary fiscal stimulus should partly offset the drag from the consumption tax increase in early 2014. As a result, annual growth is expected to remain broadly unchanged at 1.7 percent in 2014, given carryover effects, before moderating to 1 percent in 2015. Overall, growth in emerging market and developing economies is expected to increase to 5.1 percent in 2014 and to 5.4 percent in 2015.

Growth in China rebounded strongly in the second half of 2013, due largely to acceleration in investment. This surge is expected to be temporary, in part because of policy measures aimed at slowing credit growth and raising the cost of capital. Growth is thus expected to moderate slightly towards  $7\frac{1}{2}$ percent approximately 2014–15. in Growth India picked up after a favorable monsoon season and higher export growth and is expected to firm further on stronger structural policies supporting investment. Many other emerging market and developing economies have started to benefit from stronger external demand in advanced economies and China. In many, however, domestic demand has remained weaker than expected. This reflects to varying degrees, tighter financial conditions and policy stances since mid-2013, as well as policy or political uncertainty and bottlenecks, with the latter weighing on investment in particular. As a result, growth in 2013 or 2014 has been revised downward, if compared to the October 2013 forecasts, including in Brazil and Russia.

#### **BANGLADESH ECONOMY**

In Bangladesh, the gross domestic product (GDP) in Fiscal Year 2013 (ended 30 June 2013) grew by 6.0%, higher than projected 5.7% in April 2013. Export growth accelerated briskly, but imports were flat, such that net exports markedly contributed to growth. Agriculture growth slowed to 2.2% because weather was unfavorable and rice prices fell. Industry grew by 9.0%, with strong expansion in construction and small-scale manufacturing. Services growth slowed slightly to 5.7%, reflecting stagnant imports and politically inspired strikes that disrupted trade.

Year-on-year inflation edged up from 7.2% in October 2012 to 8.0% in June 2013, as national strikes disrupted food supply and drove up

Imports rose by only 0.8% in FY2013. Exports grew by 10.7%, accelerating from 6.2% growth in FY2012, on higher garment exports. The balance of payments showed a large surplus of \$5.1 billion in FY2013, boosting gross international reserves to \$15.1 billion. Following the tragic garment factory collapse at Rana Plaza, Savar in April 2013, comprehensive protocols were signed to foster worker safety and welfare.

Money supply growth was below the central bank's program target, even as banks' net foreign assets rose sharply. The reason was growth in credit to the private sector languishing far below target as political uncertainty deterred investment. The Bangladesh taka has strengthened against the US dollar since early 2013, reflecting the large balance of payments surplus.

GDP growth in FY2014 is projected at 5.8%, lower than the ADO 2013 forecast, as exports and consumer and investment demand fall short of expectations. The current account will show a small deficit. The central bank is expected to adopt measures to contain inflation but also ensure adequate credit flows to maintain steady economic growth. The key challenges are to boost private investment and maintain macroeconomic stability in the run-up to elections.

#### **Midland Bank Limited**

#### **Overview**

Midland Bank Limited started operation on June 20, 2013 with corporate slogan "Bank for inclusive growth". Taken together with the whole nation we want to grow and prosper. The range of banking activities comprises deposit mobilization, extending credit to corporate, small & medium enterprise, retail businesses, foreign trade businesses, project financing, lease & hire purchase financing, issuance of credit card & so forth.

#### **DEPOSITS**

Deposits are the major source of fund for Commercial Banks. Despite introduction as one of the nine new banks commenced commercial operation in the year 2013, we have been able to a challenging task of Deposit conduct Mobilization satisfactorily. The Bank procured total deposits of BDT 2,856.84 (approx.) million at the end of the year 2013. Competitive interest deposit rates. attractive products? deposit mobilization efforts of the Bank, superiof customer services along with the confidence reposed by the customers on the Bank contributed to the notable growth in deposits The Bank offers a number of attractive deposit schemes to cater to the requirement of small and medium savers for improving not only thd quantum of deposits; but also focusing on qualitative changes in future to the deposit structure.

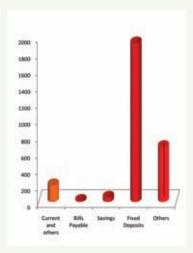


Figure 1 : Deposit Structure

### Scheme Deposits

With a view to include all inhabitants of the country into Banking network irrespective of their classes, clans, religions, regions, incomes, etc. along with bolster the propensity to Savings Midland Bank has already catered some attractive Scheme Deposits and also earned

notable popularity among the mass people of the country.

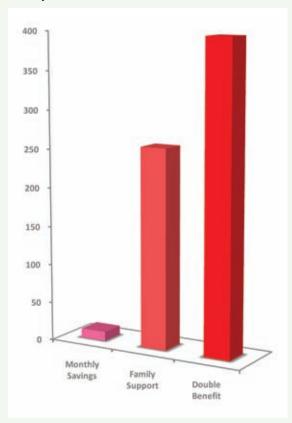


Figure 2 : Scheme Deposits

To be more precise, MDBL Monthly Savings Scheme, MDBL Double Benefit Scheme and MDBL Family Support Scheme mobilized BDT 12.15 million, BDT 257.80 million and BDT 398.15 million respectively as on December 31, 2013. The Bank contemplates to devise some new beneficial schemes with more attractive features in the coming year.

#### LOANS AND ADVANCES

The Loans and Advances stood at BDT 1,831.43 million at the end of the year 2013. As risks is inherent and inseparable in all sorts of lending the Bank endeavors to impose its level best effort while ascertaining the risks therein. The whole credit of the Bank is segregated into four

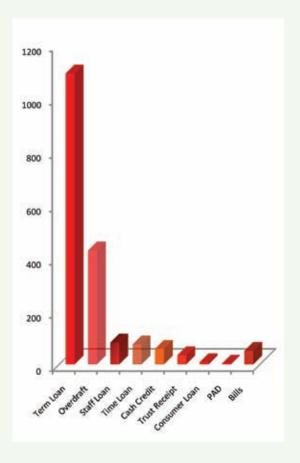


Figure 3: Types of Loans & Advances

(4) functional divisions as guided by Bangladesh Bank's Core Risk Management guideline in the Name and Style a) Corporate Banking Division b) Credit Risk Management Division c) Credit Administration Division d) Monitoring, Recovery and Compliance Division. Marketing, relationship building along with primary risks ascertaining is the prime tasks of the Corporate Banking Division. Credit Risk Management Division is entrusted with the responsibilities of sanction or approval of the Credit from the competent authority subject to analyzing and apprising all sorts of risks involve therein. Credit Administration Division commences its duties from the next phase, after sanction of the Credit, ensures all the terms of the sanction are duly complied in addition to proper loan documentation prior to disbursement of the Credit. Monitoring, Recovery and

Compliance Division is usually engaged in supervision and monitoring to ensure that all the Credit remain as performing assets. Legal actions and affairs are also dealt by them in order to recover the Non-Performing Loans (NPL), if any.

#### INCOME AND EXPENDITURE

Although Midland Bank was able to operate only more than six (6) months in calendar year 2013, the Bank surpassed the break-even point and earned BDT 36.40 million as operating profit. We deem it as an outstanding achievement despite sluggish economy backed by political unrest.

#### Income:

The Bank registered Total Income worth BDT 355.38 million at the end of the year 2013, brief description of which is enumerated below

Particulars	BDT
Interest, discount and similar	347,427,117
income	
Investment income	4,370,590
Fee, commission and brokerage	2,387,659
Other operating income	1,196,780

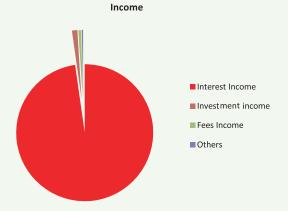


Figure 4 Income Segments

#### Expenditure:

The Total Expenditure of the Bank stood at BDT 318.98 million at the end of the year 2013 and summarized as follows

Particulars	BDT
Interest, fee and commission	146,121,263
Administrative expenses	95,041,751
Other operating expenses	74,277,765
Depreciation and amortization on banking assets	3,536,529

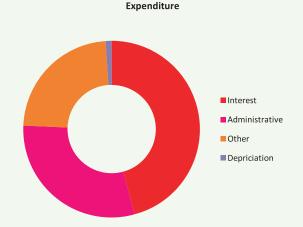


Figure 5 Total Expenditure

# **CAPITAL ADEQUACY**

In Midland Bank, we firmly believe that Capital base of the Bank is our greatest strength. This is the first time ever in Bangladesh;new banks commenced its commercial operation with huge paid-up capital (Minimum Capital Requirement) worth BDT 4,000.00 million. Apart from the paid-up capital we were able to augment the the capital fund of the Bank up to BDT 4,034.38 million. The following table depicts the Tier-1 (Core capital) and Tier – 2 (Supplementary

Capital)capital of the Bank as per BASEL-2 Capital Accord.

Particulars	Amount in BDT
Paid-up Capital	4,000,000,000
Statutory Reserve	2,158,350
Retained Earnings	8,633,399
Sub-Total (A)	4,010,791,749

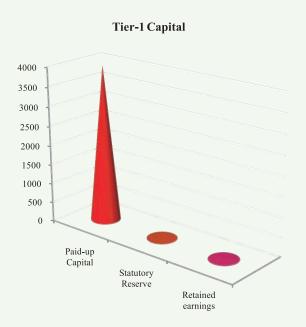


Figure 6: Tier - 1 Capital

Following is the Tier – 2 (Supplementary Capital) Capital Fund of the Bank as on December 31, 2013.

Particulars	Amount in BDT
General Provision	17,636,578
Securities Revaluation Reserve	5,956,542
Sub-Total (B)	23,593,120
Grand Total (A+B)	4,034,384,870

Tier - 2 Capital

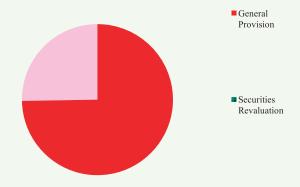


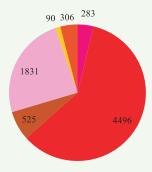
Figure 7: Tier-2 Capital

The Capital Adequacy Ratio (CAR) stands at 97.60% as on December 31, 2013 against minimum of 10% of Risk Weighted Assets computed strictly as per guidelines provided by Bangladesh Bank.

#### ASSET PORTFOLIO

The total Asset portfolio in the Balance Sheet as on 31 December 2013 is worth BDT 7,531.87 million. The asset portfolio comprised of BDT 283.48 million as Cash and Cash Equivalents, BDT 4,496.17 million as Balance with other Banks and NBFI, BDT 524.94 million as Investment, BDT 1,831.43 million as Loans and Advances, BDT 90.00 million as Fixed Assets and BDT 305.85 million as Other Assets.

#### **Asset Portfolio**



**Figure 8: Asset Portfolio** 

# INNOVATION AND MARKET DEVELOPMENT (R & P)

Excellence in banking operation depends largely on a well equipped and efficient Research and Development Division. In this highly competitive industry, a bank has to explore new or improved avenues of products and services, line of businesses in order to consolidate and make upswing in its growth cycle and this is where the role of research and development come into play and contribute for the greater interest of the Bank. Sensing the significance of Research and Development activities in banking, MDBL has established a core Research and Planning Division (R&P) furnished with skilled persons from the very inception of the Bank. R&P conducted number of surveys and studies on business related issues which helped the management to take decisions more appropriately and provide services to customers more efficiently. Some of the initiatives which have assisted the management are mentioned below:

- Product development studies and development of new products;
- Market monitoring, tracking of product performances and product re-engineering;
- Analyze the world and local economic situation and convey the scenario to the management of the Bank.
- Commodity market watch from national and global perspectives;
- Successful adoption of Basel II Capital Accord in the Bank.
- National monetary review;
- Market insight into business needs;
- Study on performance of branches;
- Success stories evaluation of peer banks;
- Arranging Focus Group Discussions or Mini Group Discussions for identifying new scopes and opportunities for business of the Bank.

#### CORRESPONDENT RELATIONSHIP

The Bank has established correspondent relationship across the world with a number of foreign banks. MDBL continues to follow needs and business opportunities of its clients. The bank maintains 7 (seven)NostroAccounts in 4 (four) major international currencies with reputed international banks in all the major financial centers around the world, for settlement of trade finance and all other customer driven transactions denominated in foreign currency. We continuously emphasizing and trying to develop and improve the relationship with correspondent banks.

### INFORMATION TECHNOLOGY

MDBL is continuously making investments to serve its customers and other associates through state of art technological system to cope with the ever changing behavior of the present world. The role and importance of Information Technology in the banking industry cannot be denied. Technological innovation is adding value continuously. Banking operations of the branches have been computerized to minimize costs and risks and to optimize benefits and increase overall efficiency for improved services. The Bank determines to launch SMS and INTERNET banking to reduce the service cost for the Bank as well as satisfy growing needs technology in banking industry. The Bank has already established its Core Banking System 'FLORA' and hooked live with all the branches with real time impact. Banks have started moving into "paperless banking" as part of "Green Banking" and MDBL cherishes the idea by accelerating the pace of automation empowered by IT Division, which will not only reduce transaction and hardware costs significantly, but also a greater extent of scalability will be introduced and the resources exploitation will be maximized to save energy.

#### FINANCIAL STATEMENTS

The Audited Financial Statements of the Bank for the year ended December 31, 2013 are also furnished at the last chapter of this Annual Report. International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRS) / International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been applied while preparing the Financial Statements. The same prepared by the Management of the Bank presents fairly and truly its state of affairs, result of its operations, cash flow and changes in equity.

# Accounting Policies

The Accounting Policies adopted in preparations of this Annual Report 2013 are stated at Notes 1 and 2 of the Audited Financial Statements. The accounting estimates are based on reasonable and prudent judgment. Proper books of accounts are maintained in the Bank.

# **Related Party Transactions**

The Directors and other Key Management personnel of the Bank are extremely cautious to avoid any conflicts of interest inconformity with the existing rules and regulations. Related Party Transactions, when undertaken, are carried out on an arm's length basis without facilitating or assigning any special benefit to the related party. The detail of the same is enumerated at the Notes 1.15 of the Audited Financial Statements of the Bank.

# Statement regarding Bank's Pool Car and maintenance thereof

In compliance with the BRPD Circular Letter # 02 dated 16 January 2014; we are pleased to furnish expenditures related to Bank's Pool Transport as described below

Entitlement	a. Chairman	01 No.
	b. Managing Director and CEO	01 No.
	c. Deputy Managing Director	01 No.
	d. Pool Car for Official use	01 No.
	a. Chairman	Tk.4,950,000
Acquisition Cost	b. Managing Director and CEO	Tk.4,950,000
	c. Deputy Managing Director	Tk.3,496,300
	d. Pool Car for Official use	Tk.3,370,363
T	OTAL	Tk.16,766,663

Maintenance Cost	Repair and Maintenance	Tk.482,427
	Fuel	Tk.231,018
	Insurance	Tk.512,561
T	OTAL	Tk.1,226,006

Table: Pool Transport – Cost and Maintenance

# Appointment/Re-appointment of Auditors

The external auditors are responsible for reviewing the system of internal controls to form an opinion on the financial statements. S. F. Ahmed & Co., Chartered Accountants have served as auditors of the bank for the year 2013. As per Bangladesh Bank guidelines they are eligible for re-appointment. Being eligible for re-appointment by the shareholders in the 1<sup>st</sup> AGM, they have expressed their willingness for the second term.

# Re-appointment of Independent Director

The Bank is yet to appoint any Independent Director(s) as on reporting date.

# Retirement and re-election of Directors

In the 1<sup>st</sup> Annual General Meeting, retirement/re-election of the Directors of the Bank will be as per the Companies Act, 1994 and Articles of Association and Election Rule of the Bank 2013.

# **Meetings**

The Board of Directors held 11 meetings; the Executive Committee held 15 meetings and the Audit Committee of the Board of Directors held 01 Meeting during the year 2013.

#### Dividend

The Board of Directors of the Bank has recommended dividend 'No Dividend' to the Shareholders for the year ended on 31<sup>st</sup> December, 2013 subject to approval of Shareholders in the 1<sup>st</sup> Annual General Meeting (AGM) of the Bank.

# 1st Annual General Meeting

1st Annual General Meeting of the Bank will be held on the 26 April, 2014; at 11:00 AM at Bank's Head Office, N.B. Tower, 40/7, North Avenue, Glushan-2, Dhaka-1212 The Financial Statements and Directors' Report were adopted in the 13th Board Meeting held on February 27, 2014 for presentation and approval of the Shareholders in the AGM.

#### **OUTLOOK 2014**

In 2014, the Bank will continue to strengthen its position by expanding the core business activities, particularly in Trade Finance, Commercial Lending to SME and Agriculture, Structured Finance, Import and Export business. In regards to liability management, the Bank will remain focused on growing its core customer deposits and also improve its deposit mix to have competitive funding cost. The Bank will continue to enhance its delivery standards, promote fee-based activities and pursue greater cost efficiency and staff productivity by promoting a proactive business process. In pursuit of its business growth, the Bank will invariably adhere to good corporate governance practice, sound risk management policies, prudent credit policies and practices in order to support sustainable long-term growth and profitability of the Bank for the benefit of all

stakeholders. The Bank confidently looks forward to continue sharing its success in delivering superior shareholders' value in 2014.

#### **ACKNOWLEDGEMENTS**

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

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

On behalf of the Board of Directors,



M. Moniruzzaman Khandaker Chairman Board of Directors



Market Discipline: Pillar-III Disclosure under Basel-II

# Market Discipline: Pillar-III Disclosure under Basel-II

### 1. Introduction

In accordance to Pillar III of the revised Framework for International Convergence of Capital Measurement and Capital Standards ('Basel II') and adopted under the Bangladesh Bank rules and regulations on risk based capital adequacy (issued through Revised RBCA Guidelines, dated December 29, 2010), we are now required to make a more in-depth and expanded public disclosure regarding our risk profile (capital structure, capital adequacy, risk management, and risk measurement).

# 2. Disclosure Policy

The Bank calculates Risk Weighted Assets (RWA) as per Bangladesh Bank's Basel-II guidelines (BRPD circular no.09, dated December 31, 2008) under:

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

# 3. Scope of Application:

The Risk Based Capital Adequacy framework applies to all banks on Solo and Consolidated basis, where 'Solo' basis refers to all positions of the bank, and its local and overseas branches/offices, and 'Consolidated' basis includes subsidiary companies. Midland Bank Limited applies for "Solo" basis as the bank has no subsidiaries.

#### 4. Disclosure framework:

The following components are the disclosure requirements:

- i. Regulatory capital
- ii. Capital adequacy
- iii. Credit risk in banking book
- iv. Specific provisions
- v. Equities: disclosures for banking book positions
- vi. Interest rate risk in the banking book
- vii. Market risk in trading book
- viii. Operational risk

# i. Regulatory Capital

# a. Qualitative Disclosures

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria (BRPD circular no. 35 dated 29<sup>th</sup> December 2010 and other instructions given by Bangladesh Bank).

Core Capital (Tier-1) of MDBL is comprised of paid up capital, statutory reserve and retained earnings.

Supplementary Capital (Tier-2) comprises of general provisions (unclassified loans and off-balance sheet exposure), revaluation reserves for securities up to 50%.

The Bank does not have any Tier-3 Capital.

# b. Quantitative Disclosures

Particulars	Solo
	(Figures in BDT Crore)
Total Eligible Capital	
The amount of Tier 1 capital, with separate disclosure of:	
Tire-1 Capital:	
Paid up capital	400.00
Statutory reserve	0.22
General reserve	00.00
Retained earnings	0.87
Total Tier-1 Capital	401.09
Tier-2 Capital:	00.00
General Provision	1.76
Revaluation Reserves for Securities up to 50%	0.60
Subordinated debt	00.00
Total Tier-2 Capital	2.36
Tier 3 Capital	00.00
Total eligible capital	403.45

# ii. Capital Adequacy

# a. Capital Calculation Approach

Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank and the three standardized and basic indicator approaches for risk (credit, market and operational risk).

# b. Capital of the Bank

	Figures in BDT Crore
Capital Adequacy Ratio (CAR)	Solo
Total	
MDBL	97.60%
Requirement as per BB	10%
The surplus will act as buffer to support future activities.	
Tier 1	
MDBL	97.03%
Requirement as per BB	5%
Our policy is to maintain a strong capital ratio with high rating.	
Risk Weighted Assets	413.35
We maintain capital levels sufficient to absorb all material risks.	
Capital	
MDBL	403.45
Requirement as per BB	400.00
Surplus	3.45

MDBL ensures compliance with the regulatory requirements, and satisfaction of external rating agencies, and other stakeholders including depositors.

### c. Capital Management

Initiatives to ensure adequate capital include the following:

- Consistently encouraging corporate clients to complete external credit rating to assess counterparty Credit Risk status, and to reduce capital requirements.
- Improving and enhancing eligible collateral, by way of collateral optimization.
- Assessment of risk profile and credit rating of new clients.

MDBL's CAR is periodically reviewed and assessed by the Risk Management Division (RMD), and reported to senior management.

Capital Adequacy	Solo
	(Figures in BDT Crore)
Capital requirement for Credit Risk	38.03
Capital requirement for Market Risk	0.17
Capital requirement for Operational Risk	3.14
Total and Tier-1 capital ratio:	00.00
- For the consolidated group (%)	00.00
- For standalone Tier 1 capital out of maintained CAR (%)	99.42

# iii. Credit Risk in Banking Book

# a. Qualitative Disclosure

MDBL manages credit risk through a robust process that enables the bank to proactively manage its loan portfolios in order to minimize losses, and earn an acceptable level of return for shareholders.

### b. Credit Risk Management at MDBL

MDBL's Credit Policy Manual (CPM), approved by the Board of Directors, defines organizational structure, roles and responsibilities and processes whereby credit risks can be identified, quantified, and managed. Credit instruction manuals address regulatory issues and establish control points. Product Policy Guidelines (PPG) establish a system of identifying and monitoring problem accounts, at the early stages delinquency, so that timely corrective measures can be taken (for Retail and SME clients as well).

MDBL manages credit risk through continuous measuring and monitoring of risks at obligor (borrower) levels and portfolio level. We follow Bangladesh Bank prescribed Credit Risk Grading Model (CRGM), and have developed a credit appraisal/approval process. The CRGM captures quantitative and qualitative issues related to management risk, business risk, industry risk, financial risk, project risk, and transaction-specific credit features, while assessing the overall grading of a borrower. External credit ratings of our clients, when available, are also taken under consideration. Delegations of credit approval authority are defined for ensuring good governance and better control in credit approval.

### c. Loan Classification Criteria

All the loans and advances are grouped into four categories for the purpose of classification: (i) Continuous Loan (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit.

### Continuous & Demand Loans are classified:

- > Sub-standard if past due for 3 months or more, but less than 6 months;
- **Doubtful** if past due for 6 months or more, but less than 9 months;
- **Bad/Loss** if past due for 9 months or more.

# Fixed Term Loans are classified:

- > **Sub-standard** if the defaulted installment is equal to or more than the amount of installment (s) due within 3(Three) months;
- **Doubtful** if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (Six) months:
- ➤ **Bad/Loss** if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (Nine) months.

### Short-term Agricultural and Micro Credit are classified:

- > Sub-standard if the irregular status continues after a period of 12 (twelve) months;
- ➤ **Doubtful** if the irregular status continues after a period of 36 (thirty six) months;
- ➤ Bad/Loss if the irregular status continues after a period of 60 (sixty) months.

A continuous credit, time loan or term loan which remains overdue for a period of 60 days or more is classified as a "Special Mention Account (SMA)".

Credit Risk	(Figures in BDT Crore)
a) Total gross credit risk exposures broken down by major types of credit exposure	178.05
Cash Credit	5.80
Overdraft	42.77
Loans to Stock, Share & Debenture	-
Loans to Brokerage House	-
Loans to Merchant Bank	-
EDF Loan	-
Payment Against Documents (PAD)	0.28
Loan Against Trust Receipt (LTR)	3.44
Packing Credit	-
House Building Loan	0.81
Consumer Loan	0.03
Loan General	-
Hire Purchase	-
Lease Finance	-
Term Loan	109.21

Time Loan	7.51
	7.31
Bridge Finance Agricultural Credit	-
Others	
Staff Loan	9.20
	8.20
Bills purchased and discounted	5.09
Payable in Bangladesh Payable outside Bangladesh	00.00
1 ayable builded bangladesn	5.09
b) Geographical distribution of exposures, broken down in	3.03
significant areas by major types of credit exposure.	
Dhaka Division	164.54
Chittagong Division	18.60
	183.14
c) Industry or counterparty type distribution of exposures,	
broken down by major types of credit exposure.	
Applipment	
Agriculture RMG	10.50
	18.59
Textile  Skin Poilting	-
Ship Building	
Ship Breaking Other Manufacturing Industry	20.42
Other Manufacturing Industry	20.42
SME Loan	21.12
Construction	0.26
Power, Gas	-
Transport, Storage and Communication	25.97
Trade Service	5.65
Commercial Real estate financing	- 0.01
Residential Real estate financing	0.81
Consumer Credit	-
Capital Market (loan provided for brokerage or merchant banking,	-
to stock dealer or any kind of capital market activities  Non- Banking financial institutions	73.93
Others	
Others	16.39 <b>183.14</b>
d) Desidual contractual metuwity breakdown of the whole	103.14
d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	
Up to 1(one) Month	0.28
Over 1(one) Month but not more than 3 (three) Months	16.32
Over 3 (three) Months but not more than 1 (one) Year	53.51
Over 1 (one) Year but not more than 5 (five) Years	87.53
Over 5 (five) Years	25.50
	183.14

# iv. Specific Provisions - Guidelines for Loan Loss Provisions

The Bank follows Bangladesh Bank guidelines regarding loan classifications, provisioning, and any other issues related to Non-performing Loan (NPL). Internal credit guidelines direct loan provisioning review procedure, debt write-off, facility grading, reporting requirement and interest recognition.

Particulars	Rate
General Provision	
Against all unclassified loans of Small and Medium Enterprise (SME)	0.25%
Against all unclassified loans and off-balance sheet exposures (other than loans under Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock dealers etc., Special Mention Account as well as SME Financing.)	1%
On the unclassified amount for (i) Housing Finance and (ii) Loans for Professionals to set up business under Consumer Financing Scheme, Brokerage House, Merchant Banks, Stock dealers, etc.	2%
On the unclassified amount for Consumer Financing other than Housing Finance, Loans for Professionals and Loans to share business	5%
On the outstanding amount of loans kept in the 'Special Mention Account'.	5%
Specific Provision	
Specific provision on Substandard Loans and advances:	20%
Specific provision on Doubtful Loans and advances:	50%
Specific provision on Bad & Loss Loans and advances:	100%

Throughout the year, we reviewed loans and advances to assess whether objective evidence of impairment had arisen.

	(Figures in BDT Crore)
a) Gross Non Performing Assets (NPAs)	
Non Performing Assets (NPAs) to Outstanding Loans & advances	0.00
Movement of Non Performing Assets (NPAs)	
Opening balance	0.00
Additions	0.00
Reductions	-
Closing Balance	0.00
Movement of specific provisions for NPAs	
Opening balance	0.00
Provisions made during the period	0.00
Write-off	0.00
Write-back of excess provisions	0.00
Closing Balance	0.00

# **Amount of Impaired Loans**

The amount of classified loans and advances/investments are given below as per Regulatory body's instruction:

Particulars	Figures in BDT Crore
Continuous Loans	0.00
Demand Loans	0.00
Term Loans	0.00
Short Term Agro Credit and Macro Credit	0.00
Total	0.00

# **Specific and General Provisions**

Specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, off-balance sheet exposures, and off-shore banking units of the Bank.

Particulars	Figures in BDT Crore
Provision on classified loans and advances/ investments	0.00
Provision on unclassified loans and advances/ investments	1.60
Provision on Off-balance sheet exposure	0.16
Provision for Off-shore Banking Unit	0.00
Total	1.76

# v. Interest Rate Risk In The Banking Book

Interest rate risk is occurs when changes in market interest rates might adversely affect a bank's financial condition, affecting both current earnings (earnings perspective) and net worth of the bank (economic value perspective).

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). Longer term, changes in interest rates impact asset cash flows, liabilities, and off-balance sheet items. This poses a risk to the net worth of the bank, arising out of all repricing mismatches, and other interest rate sensitive positions. MDBL assesses the economic value at risk due to interest rate shock on a quarterly basis.

Interest Rate Risk in the banking book:

interest Rate Risk in the banking book.				
			(Figures in	BDT Crore)
Total Risk Sensitive Assets	:			576.63
Total Risk Sensitive Liabilities	:			276.86
Cumulative Gap	:			
< 3months				95.51
3-6 months				215.21
6-12 months				299.77
CAR before Shock (%)	:			97.60
Assumed Change in Interest Rate	:	1.00%	2.00%	3.00%
Net Interest Income Impact				
Capital after Shock		406.45	409.45	412.44
CAR after shock (%)		98.26	98.91	99.56

# vi. Market Risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in different market variables, namely:

- i) Interest rate movements
- ii) Currency foreign exchange rate movements
- iii) Equity stock price movements
- iv) Commodity commodity price movements

MDBL's Market Risk Policy, approved by the Board, covers assessment, monitoring, and management of the above market risks. The Board sets limits and reviews compliance on a regular basis, in order to provide cost effective funding to finance asset growth, and trade related transactions.

### a. Methods Used to Measure Market Risk

Our standardized approach to measure market risk calculates the minimum capital requirement, for each risk sub-category, in terms of two separately calculated capital charges for "specific risk" and "general market risk".

# b. Market Risk Management System

The Treasury Division manages market risk covering liquidity, interest rate, and foreign exchange risks, with oversight from Asset Liability Management Committee (ALCO), comprising of senior executives of the bank. ALCO is chaired by the Managing Director and CEO. ALCO meetings are held at least once in a month.

### c. Policies and Process for Managing Market Risk

There are approved limits for credit deposit ratio, liquid asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The Treasury Division of the bank reviews the prevailing market conditions, exchange rates, foreign exchange position, and transaction to mitigate foreign exchange risks on a daily basis. Foreign exchange risk is computed on the sum of net short positions, or net long positions, whichever is higher of the foreign currency positions held by the bank. The bank adopts the maturity method in measuring interest rate risk in respect of securities in trading book.

Quantitative Disclosure of Market Risk	(Figures in BDT Crore)
The Capital Requirement for:	
Interest Rate related instruments	0.020
Equities	0.000
Foreign Exchange Position	0.144
Commodity Risk	0.000
Total	0.165

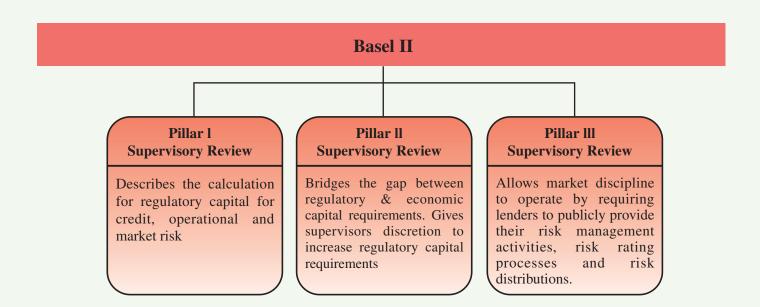
# vii. Operational Risk

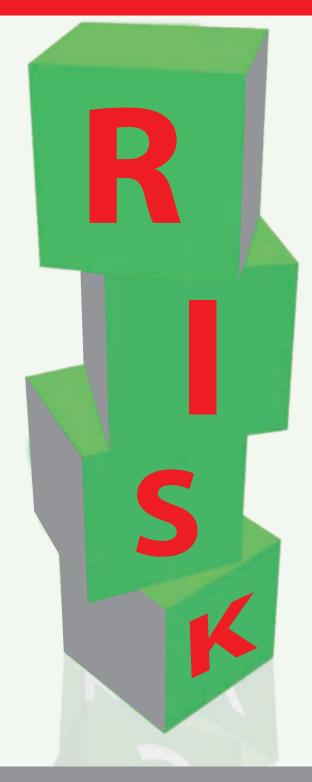
Operational risk is arises from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural - inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board, taking in to account relevant guidelines of Bangladesh Bank. The Audit Committee of the Board directly oversees the activities of the Internal Control and Compliance Division (ICCD) to protect against all operational risk.

# a. Policies and Processes for Managing Operational Risk

The preparation of policy guidelines on risk-based internal audit system is under process. According to the guideline, the activities of branches will be rated in terms of their risk status. It is the policy of the bank to conduct audit on all the branches at least once a year. ICCD directly reports to the Audit Committee of the Board. In addition there is a vigilance team (RMD) which was established in 2013 to identify, assess, monitor, control and managing operational risk, rectify risk events, and implement any additional procedures required for compliance. The Human Resource Division of MDBL has also introduced a vigorous Performance Management system (PMS) to evaluate human resources in terms of performance, and instill a performance-based culture within the organization.

<b>Quantitative Disclosure of Operational Risk</b>	(Figures in BDT Crore)
The Capital requirement for:	
Operational Risk	3.14





Risk Management

#### REPORT ON RISK MANAGEMENT

Risk management is a relatively new and emerging practice as far as Bangladeshi Banks are concerned and has been proved that it is a mirror of efficient corporate governance of a financial institution. Globalization and significant competition between foreign and domestic banks, survival and optimizing returns are very crucial for banks and financial institutions. However, selecting efficient customers and providing innovative and value added financial products and services are paramount factors. In a volatile and dynamic market place for achieving sustainable business growth and shareholder's value, it is essential to develop a link between risks and rewards of all products and services of the bank. Hence, the banks should have efficient risk management framework to mitigate all internal and external risks.

The presence of accurate measures of bank-wide risk management practice increase shareholder's returns and allow the risk-taking behavior of the bank to be more closely aligned with strategic objectives. Bank-wide risk management practice should aim to enhance the drivers of shareholder's value such as: -

- Growth;
- Risk adjusted performance measurement;
- Consistency of earnings; and
- Quality and transparency of management.

The important steps of the efficient framework of banking concern should ensure all risks are identified, prioritized, quantified, controlled and managed in order to achieve an optimal riskreward profile. This entails ideal and dedicated coordination of risk management across the bank's various business units. However, the approach to monitoring and enforcing the adherence of business units within the bank may vary. The factors that influence this decision are:

- The feasibility decisions of the business
- The regulatory requirements in respect of the business unit.
- The cost of effective monitoring and controlling process.

# BOARD AND SENIOR MANAGEMENT CONTROL

Our Board of Directors have the overall responsibility of ensuring that adequate structures, policies and procedures are in place for risk management and that they are properly implemented. Board approves our management policies and also set limits by assessing our risk appetite, skills available for managing risk and our risk bearing capacity. To ensure that risk taking remains within limits set by Senior Management/Board of Directors, any material deviation to the risk management policies and tolerances are reported to the senior Management / Board, in turn trigger appropriate corrective measures.

# MIDLAND BANK'S RISK MANAGEMENT STRATEGIES

MIDLAND BANK adopted strong and integrated Risk Management strategies for the long-term sustainability of the Bank's business. Managing material risks has been treated as a

normal job as other business functions, embedding strong and proactive risk culture within the Bank which adds high values to the effective Risk Management. Comprehensive risk management policies and sophisticated risk process are required for systematic identification, measurement, monitoring and control of all business risks. Risk Management Approach is emphasized by strongly believing that Bank's overall financial soundness can be ensured only Bank-wide risk management process, communicating concise risk management standards to all concerned officials through adequate policies, directives, operating procedures and training programs.

#### MANAGING CREDIT RISK

In a bank's portfolio, risk of loss arising from a borrower who does not make payments as promise is credit risk. For most banks, loans are the largest and most obvious source of Credit Risk; however, Credit Risk could stem from activities both on and off balance sheet.

MIDLAND BANK has prepared its Credit Policy in May, 2013 and circulated the same to the branches/concerned executives for compliance. In order to cope with the fast changing scenario of dynamic global economy, liberalization and globalization and in the light of the directives/suggestions of the Focus Group of Bangladesh Bank, the Credit Policy of MIDLAND BANK was revised from time to time. All Executives/Officers of the branches as well as Head Office especially, those that are entrusted with the responsibility of Credit marketing, approval processing, credit

monitoring, recovery and compliance, must keep themselves thoroughly conversant with the contents of the Credit Policy for meticulous compliance.

### **LENDING GUIDELINES**

MIDLAND BANK considers the following general principles for lending funds to customers on a basis consistent with the global operational objectives and business strategies of the Bank:

- a) The Bank shall provide suitable credit services and products for the markets in which it operates;
- b) Loans and advances shall normally be financed from customers deposit and not out of temporary funds or borrowing from other Banks;
- c) Credit facility will be allowed in a manner, which will in no way compromise with Banks standards of excellence;
- d) All Credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Banking Companies Act 1991 as amended from time to time / Bangladesh Bank's instructions and other applicable rules and regulations;
- e) A prudent banker should always adhere to the following principles of lending funds to his customer: e.g. (1) Background, character and capability of the borrowers, (2) Purpose of the facility, (3) Term of facility, (4) Safety,
  - (5) Security, (6) Profitability
  - (7) Source of repayment and (8) Diversity.



### ASSESSMENT OF CREDIT PROPOSAL

MIDLAND BANK conducts a thorough Credit and Risk assessment for all types of credit proposals. The result of the assessment is presented in the approved Credit Appraisal Form that originates from the Branches and then is forwarded to Corporate Banking Division (CBD) alongwith their recommendations. The Relationship Managers (RM) of the Corporate Banking Division conducts assessment with due diligence on new borrowers/Existing borrowers for enhancement of existing credit line/ sanction of new credit facility, principals, and guarantors. After proper analysis, CBD forwards it to Credit Risk Management (CRM), Division with their proper recommendation. CRM Division places the credit proposal as received from the branches as per standard format with their necessary observation/recommendation before management for consideration to approve and/or to place the same before the EC/Board for approval.

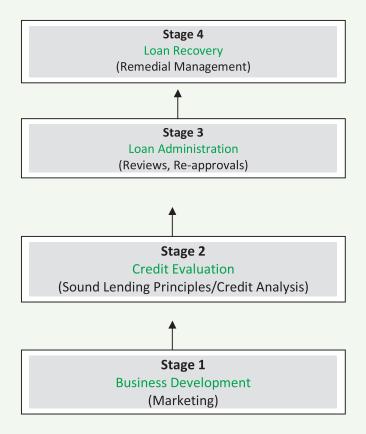
#### CREDIT RISK GRADING PROCESS

Credit Risk Grading (CRG) is conducted to assess the risk grade. The concerned Credit Officer / RM clearly indicate the risk grade (as per the finding) in the specific column of credit appraisal form so that the authority can take decision on the matter.

### **LENDING PROCESS**

Credit Officer first identifies market for potential business opportunities (Stage-1). Having identified the potential borrowers, then he/she has to evaluate the credit proposal (Stage-

2). Once the loan has been approved, monitoring and review is essential (Stage-3). If the borrower fails to fulfill his loan obligations, the Credit Officer has to study the possible remedial action needed for recovery (Stage-4).



Lending process

#### **EVALUATION OF CREDIT PROPOSAL**

MIDLAND BANK operates within a sound and well-defined criteria for new credits as well as the expansion of existing credits. Before allowing a credit facility, MIDLAND BANK makes an assessment of risk profile of the customer/transaction, which includes Credit assessment of the borrower's industry, and macro economic factors; The purpose of credit and source of repayment; The track record /

repayment history of borrower; Assess/evaluate the repayment capacity of the borrower; The Proposed terms and conditions and covenants; Adequacy and enforceability of collaterals; Approval from appropriate authority etc.

# CREDIT ADMINISTRATION AND DISBURSEMENT

Credit Administration Division has been segregated from Credit Risk Management Division (CRMD) in line with Central Bank's Guidelines. CRMD assess credit risks and suggest mitigations before recommendation of every credit proposal. MIDLAND BANK's Credit Administration Division performs following functions:

#### **DOCUMENTATION**

Credit Administration Division ensures completeness of documentation (loan agreements, guarantees, transfer of title of collaterals etc.) in accordance with approved terms and conditions. Outstanding documents are tracked and followed up to ensure execution and receipt.

#### **CREDIT DISBURSEMENT**

Credit Administration Division ensures that the loan application has proper approval before entering facility. Disbursement is being affected only after completion of covenants, and receipt of collateral holdings.

#### **CREDIT MONITORING**

The credit monitoring process in Bank is vested on Credit Administration Division. Head of Credit Administration Division will report the exceptional list of assets on daily basis on the following categories:

- Past due (which are not paid or renewed at maturity) principal or interest payments, past due trade bills, account excesses and breach of loan covenants;
- Loan terms and conditions are monitored, financial statements are received on a regular basis and any covenant breaches or exception are to be referred to the CRM and the RM team for timely follow-up.
- Timely corrective action is to be taken to address findings of any internal, external or regulatory inspection/audit.
- All borrower relationships/loan facilities are reviewed and approved through the submission of a Credit Application at least annually.

#### **EARLY ALERT PROCESS**

Early identification, prompt reporting and proactive management of Early Alert Accounts are prime credit responsibilities of all Credit Officers / RM and are undertaken on a continuous basis. An Early Alert report is completed by the Credit Officer / RM and is sent to the approving authority for any account that is showing signs of deterioration within seven days from the identification of weaknesses. The Risk Grade is updated as soon as possible and no delay to be made in referring problem accounts to the Monitoring, Recovery and Compliance Division for assistance in recovery.



# COLLATERAL AND SECURITY DOCUMENTS

MIDLAND BANK's Credit Administration Division ensures that all security documents are kept in a fireproof safe under dual control. Registers for documents are maintained to keep track of their movement. Procedures have been established to track and review relevant insurance coverage for certain facilities/collateral. Physical checks on security documents are conducted on a regular basis.

#### SETTING EXPOSURE LIMIT

MIDLAND BANK has developed its own limit structure while remaining within the exposure limits set by Bangladesh Bank. MIDLAND BANK sets the limit based on the credit strength of the obligor, genuine requirement of credit, economic conditions and the institution's risk tolerance. Credit limits are reviewed regularly at least annually or more frequently if obligor's credit quality deteriorates. BB's instructions are strictly followed in determining Single borrower/Large Loan limit. No credit facility is allowed simply considering the name and reputation of the key person of the borrowing company.

#### **CREDIT RECOVERY**

Each Branch of the Bank maintains a diary/card in prescribed format in which the due date of expiry of credit facility, a notice is sent to the borrower reminding him of the due date of repayment and making a formal demand for repayment/renewal as the case may be. Vigorous follow up action is thereafter taken by issuing

repeated reminders and putting pressures on the borrower by calling on him personally. In other words, all out efforts are taken to recover the advance on its expiry. The branches however, makes constant efforts to recover the advance if necessary, through legal process. Before filing of the suit, Head Office approval is obtained.

# MONITORING OF NON-PERFORMING LOANS

On a quarterly basis, a Classified Loan Review Report (CLR) to be prepared by the Recovery Unit Account Manager to update the status of the action / recovery plan, review and assess the adequacy of provisions and modify the bank's strategy as appropriate. The Head of Credit will approve CLR for NPLs upto 15% of the Bank's Capital; Managing Director & CEO will approve CLR for NPLs in excess of 15% of the Bank's capital. The CLRs for NPLs above 25% of capital shall be approved by Executive Committee of the Board of Directors with a copy to Board. At present all the rescheduling / write off proposals are being approved by the Executive Committee of Board of Directors / Board of Directors.

#### MANAGING MARKET RISK

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The four standard market risk factors are stock prices, interest rates, foreign exchange rates, and commodity prices. The associated market risks are:

- Equity risk, the risk that stock or stock indexes prices and/or their implied volatility will change.
- Interest rate risk, the risk that interest rates (e.g. Libor, Euribor, Inflation, etc.) and/or their implied volatility will change.
- Currency risk, the risk that foreign exchange rates (e.g. EUR/USD, EUR/GBP, etc.) and/or their implied volatility will change.
- Commodity risk, the risk that commodity prices (e.g. corn, copper, crude oil, etc.) and/or their implied volatility will change.

# ALCO'S RESPONSIBILITIES IN RISK MANAGEMENT

Asset Liability Committee (ALCO) of MIDLAND BANK is responsible for Balance Sheet Management or more specifically Balance Sheet Risk Management. ALCO ensures that risk management is not confined to collection of data, rather, it will ensure that detailed analysis of assets and liabilities is carried out so as to assess the overall balance sheet structure and risk profile of the Bank. ALCO covers the entire balance sheet/business of the bank while carrying out the periodic analysis. Major responsibilities of the ALCO include:

- ✓ To keep an eye on the structure /composition of bank's assets and liabilities and decide about product pricing for deposits and advances;
- ✓ Decide on required maturity profile and mix of incremental assets and liabilities;

- ✓ Articulate interest rate view of the bank and deciding on the future business strategy;
- ✓ Review and articulate funding policy;
- ✓ Decide the transfer pricing policy of the Bank;
- ✓ Evaluate market risk involved in launching of new products.

# A. MANAGING INTEREST RATE RISK

Interest Rate Risk is the risk (variability in value) borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. Bank's lending, funding and investment activities give rise to Interest Rate Risk. The immediate impact of variation in interest rate is on Bank's net interest income, while a long term impact is on Bank's net worth since the economic value of Bank's assets, liabilities and off-balance sheet exposures are affected.

Banks face many types of interest rate risk:

#### **Basis risk**

The risk presented when yields on assets and costs on liabilities are based on different bases, such as the London Interbank Offered Rate (LIBOR) versus the U.S. Prime Rate. In some circumstances different bases will move at different rates or in different directions, which can cause erratic changes in revenues and expenses.

#### Yield curve risk

The risk presented by differences between short-term and long-term interest rates. Short-term rates are normally lower than long-term rates, and banks earn profits by borrowing short-term money (at lower rates) and investing in long-term assets (at higher rates). But the relationship between short-term and long-term rates can shift quickly and dramatically, which can cause erratic changes in revenues and expenses.

### **Re-pricing risk**

The risk presented by assets and liabilities that re-price at different times and rates. For instance, a loan with a variable rate will generate more interest income when rates rise and less interest income when rates fall. If the loan is funded with fixed rated deposits, the bank's interest margin will fluctuate.

### **Option risk**

The risk presented by alternatives embedded in some assets and liabilities. For instance, mortgage loans present significant option risk due to prepayment speeds that change dramatically when interest rates rise and fall. Falling interest rates will cause many borrowers to refinance and repay their loans, leaving the bank with idle cash when interest rates have declined. Alternately, rising interest rates cause mortgage borrowers to repay slower, leaving the bank with more loans based on prior, lower interest rates. Option risk is difficult to measure and control.

#### **Model risk**

The risk presented by mathematical models used to price asset and liabilities not directly quoted on the market. Interest rate pricing models are based on reasonable assumptions about the behavior of interest rates that may fail in particular market conditions.

# MIDLAND BANK'S INTEREST RATE RISK MANAGEMENT STRATEGIES

#### **MARKET TREND ANALYSIS**

Treasury Division of the Bank regularly reviews trend of market movements. The type and level of mismatch Interest Rate Risk of the Bank is managed and monitored from two perspectives, being an economic value perspective and an earning perspective.

#### INTEREST RATE SENSITIVITY ANALYSIS

ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and takes decision of enhancing or reducing the GAP according to prevailing market situation in order to mitigate interest rate risk. ALCO has established guidelines for monitoring and minimizing Interest Rate Risk at an acceptable level. These guidelines and actions are taken in adherence to the policies issued by Bangladesh Bank from time to time.

# B. MANAGING FOREIGN EXCHANGE RISK

Foreign Exchange Risk or exchange rate risk is a form of financial risk that arises from the potential change in the exchange rate of one currency in relation to another. Investors or businesses face an exchange rate risk when they have assets or operations across national borders or if they have loans or borrowings in a foreign currency.

In the foreign exchange business, banks also face the risk of default of the counter parties or settlement risk. While such type of risk crystallization does not cause principal loss, banks may have to undertake fresh transactions in the cash/spot market for replacing the failed transactions. Thus, banks may incur replacement cost, which depends upon the currency rate movements. Banks also face another risk called time-zone risk, which arises out of time lags in settlement of one currency in one center and the settlement of another currency in another time zone. Foreign Exchange Transactions with counter parties situated outside Bangladesh also involve Sovereign or Country Risk.

# MIDLAND BANK'S FOREIGN EXCHANGE RISK MANAGEMENT STRATEGIES

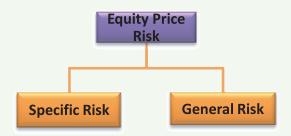
 MIDLAND BANK has formulated Policies and Manuals with a view to reducing the Foreign Exchange Risk. Treasury Division of the Bank manages and controls day-today trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.

- In MIDLAND BANK, FX Risk is minimal, as all the transactions are carried out on behalf of the customers, i.e. MIDLAND BANK's foreign exchange trading exposures are principally derived from customer driven transactions, and major risk arises from movement of price.
- All foreign exchange transactions are revalued at Mark-to-Market method according to Bangladesh Bank's guidelines.
   The position maintained by the Bank at the end of day within the stipulated limit prescribed by Bangladesh Bank.
- All Nostro accounts are reconciled on monthly basis. The management reviews outstanding entry beyond 30 days for settlement purpose. The Management sets limits for handling Nostro accounts transactions, including time limits for settlements of transactions and time and amount limits for items which are investigated after receipt of the account statements. Nostro accounts are verified by the external auditors and reports are submitted to Bangladesh Bank.

# C. MANAGING EQUITY PRICE RISK

Equity price risk is the risk that one's investments will depreciate because of stock market dynamics causing one to lose money. Equity Price Risk is systematic or unsystematic. The former refers to sensitivity of portfolio's value to changes in overall level of equity prices, while the later is associated with price volatility that is determined by organization specific characteristics.

One may get dividend—which are payable at the discretion of management and one may get capital appreciation in the form of a rising share price, but whether the payment of dividends is an option for management is directly dependent on the company's performance (profitability); and a rising share price depends on the market's assessment of the company's performance. So, the value of investment rides on the company's ability to be successful and profitable. This is Equity Risk.



# MIDLAND BANK'S EQUITY PRICE RISK MANAGEMENT STRATEGIES

#### INVESTMENT IN DIVERSIFIED PORTFOLIO

MIDLAND BANKhas formulated Investment Policy and minimizes the Equity Price Risk by Portfolio diversification as per Investment Policy.

#### INVESTMENT PORTFOLIO VALUATION

MIDLAND BANK follows Mark-to-Market valuations in valuing investment portfolio of the Bank. Mark-to-Market valuation is done against a predetermined cut loss limit. As at December 31, 2013, there was no Equity Price Risk on share investment, as the Bank did not invest in any listed shares.

#### MONITORING ACCOUNTS EFFICIENTLY

Where Margin loan is allowed, security of investment, liquidity of securities, reliability of earnings and risk factors are considered professionally.

#### MANAGING LIQUIDITY RISK

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity Risk is considered a major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation.

Liquidity Risk Management involves not only analyzing Banks' on and off-Balance Sheet positions to forecast future cash flows, but also how the funding requirement would be met. The later involves identifying the funding market the bank has access, understanding the nature of those markets, evaluating banks current and future use of the market and monitor signs of confidence erosion.

MIDLAND BANK's Board of Directors ensures that the Bank has necessary Liquidity Risk Management framework and Bank is capable of confronting uneven liquidity scenarios. Senior management of the Bank implements sound policies and procedures, keeping in view the strategic direction and risk appetite specified by Board of Directors. Usually, Liquidity

Risk Management is performed by the ALCO of the Bank. ALCO is comprised of senior management from each key area of the Bank that assumes and manages liquidity risk.

# MIDLAND BANK'S LIQUIDITY RISK MANAGEMENT STRATEGIES

MIDLAND BANK has set some strategies to manage the Liquidity Risk exposed to it:

#### ASSETS AND LIABILITIES MIX

MIDLAND BANK's strategy outlines the mix of assets and liabilities to maintain liquidity. Liquidity Risk Management and Asset/Liability Management have been integrated to avoid steep costs associated with having to rapidly reconfigure the asset liability profile from maximum profitability to increased liquidity.

# DIVERSIFICATION AND STABILITY OF LIABILITIES

MIDLAND BANK has specified guidance relating to funding sources and ensures that it has diversified sources of funding for day-to-day liquidity requirements. To comprehensively analyze the stability of funding sources, MIDLAND BANK has identified

- Fund that would stay with the Bank under any circumstances;
- Fund that run-off gradually if problems arise; and
  - ♣ That run-off immediately at the first sign of problems.

#### CASH FLOW PROJECTIONS

A cash flow projection estimates a bank's inflows and outflows and thus net deficit or surplus (GAP) over a time horizon. In the short term, Bank's flow of funds is estimated more accurately and also such estimates are of more importance as these provide an indication of actions to be taken immediately. MIDLAND BANK calculates daily GAP for next one or two weeks, monthly Gap for next six month or a year and quarterly thereafter. While making an estimate of cash flows, MIDLAND BANK gives attention on following aspects:

- ✓ The funding requirement arising out of off- Balance sheet commitments also need to be accounted for:
- ✓ Many cash flows associated with various products are influenced by interest rates or customer behavior. Banks need to take into account behavioral aspects instead of contractual maturity. In this respect past experiences could give important guidance to make any assumption;
- ✓ Some cash flows may be seasonal or cyclical;
- Management should also consider increases or decreases in liquidity that typically occur during various phases of an economic cycle.

### LIQUIDITY RATIOS AND LIMITS

MIDLAND BANK uses various ratios to maintain liquidity. These ratios are also used to create limits for liquidity management. Ratios are used in conjunction with more qualitative information about borrowing capacity, such as the likelihood of increased requests for early withdrawals, decreases in credit lines, decreases in transaction size, or shortening of term funds available to the Bank. MIDLAND BANK calculates Cash Flow Ratios and Limits, Liability Concentration Ratios and Limits and other Balance Sheet Ratios

#### MANAGING OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is a very broad concept which focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, legal risks, physical or environmental risks.

The following lists the official Basel II defined event types with some examples for each category:

- 1. Internal Fraud misappropriation of assets, tax evasion, intentional mismarking of positions, bribery
- 2. External Fraud- theft of information, hacking damage, third-party theft and forgery
- 3. Employment Practices and Workplace Safety
- discrimination, workers compensation, employee health and safety
- 4. Clients, Products, & Business Practice-market manipulation, antitrust, improper trade,

product defects, fiduciary breaches, account churning

- 5. Damage to Physical Assets natural disasters, terrorism, vandalism
- 6. Business Disruption & Systems Failures utility disruptions, software failures, hardware failures
- 7. Execution, Delivery, & Process Management data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets

MIDLAND BANK's Board of Directors and Senior Management have established an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls. Senior management transforms the strategic direction given by the Board through operational risk management policy.

# A. MANAGING INTERNAL CONTROL AND COMPLIANCE RISK

Effective Internal Control plays an important role in preventing and detecting fraud and protecting the assets of the shareholders. MIDLAND BANK ensures efficiency and effectiveness in operational activities; reliability, completeness and timelines of financial disclosures and compliance with applicable laws & regulations through its effective internal control system.

MIDLAND BANK's Board of Directors in its 13<sup>th</sup> meeting held on February 27, 2014 has approved Internal Control Manual of the Bank with detailed procedure and guideline for conducting audit and inspection and checklist

keeping inconformity with Bangladesh Bank guideline through Core Risk Management. The Manual has been prepared by the Bank with a view to keep the Bank, Human Resources, and customers of the Bank free from risks as far as possible.

# MIDLAND BANK'S INTERNAL CONTROL AND COMPLIANCE RISK MANAGEMENT STRATEGIES

MIDLAND BANK complies with all rules and regulations set by the regulatory bodies. All guidelines received from the regulatory authorities are properly circulated among the Divisions and Branches. MIDLAND BANK regularly monitors the implementation status of regulatory guidelines. Records are examined and reconciled regularly to ensure that transactions are properly processed and approved.

According to the Central Bank's guideline, the Bank has formed separate Internal Control and Compliance Division for an effective internal control system. Compliance Unit of ICCD ensures that Bank complies with all regulatory requirements of the legislative bodies in conducting its business. It also maintains liaison with the regulatory bodies and informs the other divisions/department of the Bank regarding regulatory changes. Monitoring Unit of ICCD monitors the operational performance of different branches of the Bank and reports to the Head of ICCD if any major deviation is found. Audit and Inspection Unit of ICCD recommends to the Head of ICCD for sending audit & inspection team to any Branch/Division in case of any major deviation is found in that particular Branch/ Division.

#### SEGREGATION OF DUTIES

Duties of the Board of Directors and Management have been segregated in such a way so that an individual person has not get the absolute control over key function of the Bank, which in due course propels the sound control culture within the Bank. The Board of Directors provides proper governance, guidance and oversight to the Management in performing their duties. The Managing Director & CEO with the Senior Management, supports, designs and implements the internal control framework within the Bank. He discharge his duties by providing leadership and direction to the Senior Management and the Senior Management, in turn, assigns responsibility for establishment of more specific internal control policies and procedures to the Officials responsible at the branch level.

#### INSPECTION BY BANGLADESH BANK

The Central Bank conducts inspection on the activities of the Bank on regular intervals. Inspection Report is placed before the Board for review and appropriate actions where necessary. The Board of Directors suggests the Management for improvement, if required

## TRAINED UP EMPLOYEES

MIDLAND BANK regularly arranges training programs to ensure effective control process is functioning properly. The employees become aware of the regulations that are necessary to accomplish their jobs.

# B. MANAGING MONEY LAUNDERING RISK

Bangladesh Bank through BRPD Circular No. 17 dated October 07, 2003 advised the scheduled commercial banks operating in the country to put in place effective risk management system which includes, among others, Money Laundering Risk Management, since money laundering, a criminal act recognized all over the world, has very severe consequences in the economy, security and the society.

# MIDLAND BANK'S ANTI-MONEY LAUNDERING POLICY

MIDLAND BANK has formulated Anti-Money Laundering Policy, which includes senior management commitment to the anti-money laundering program. The Management has evolved such a culture for the Bank so that all the employees strictly adhere to each and every provision of Money Laundering Prevention Act. All employees of the Bank irrespective of the positions they hold are accountable to the top management and regulatory body for their activities which might directly or indirectly relate to money laundering & terrorist financing.

# STATEMENT FROM THE MANAGING DIRECTOR & CEO

The Managing Director & CEO of the Bank, on annual basis, sends a statement of compliance policy in this regard to all employees of the Bank which, at minimum, contains the following:

- i. That each and every employee of the Bank is required to comply with applicable laws and regulations and maintain ethical standards;
- ii. That all activities being carried out by our Bank are in conformity with laws, regulations in force and instructions of Bangladesh Bank issued from time to time.
- iii. That complying with relevant laws, rules and regulations is the individual responsibility of each employee working in the Bank. It should be made clear that ignorance of any of the provisions of law, rules, regulations is no excuse for non-compliance.
- iv. That there is a well defined reporting procedure for compliance with Money Laundering Prevention Program of the Bank.
- v. That customer's identity is appropriately established by the officers rendering services to him either in liability or in asset viewpoint and also for other ancillary services. KYC procedures should be followed in this regard.

### **MANAGING IT RISK**

Information Technology (IT) risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. Risks surrounding Information Technology, such as network failure, lack of skills, hacking and viruses and poor system integration have the potential to have a negative impact on an organization.

# INFORMATION TECHNOLOGY RISK MANAGEMENT STRATEGIES

MIDLAND BANK has formulated clear policies and procedures, arranged training programs, defined roles and responsibilities of all relevant officials with a view to maintain IT risk effectively. MIDLAND BANK has formed an IT Audit Team as per the Central bank's guidelines, which conducts audit at branch and divisional levels following the prescribed guidelines. It also solves the unsettled issue and also suggests to the higher Management for needful action. MIDLAND BANK's IT Division has segregated iob descriptions responsibilities to minimize IT Risk by forming a number of teams such as: IT Systems, Operation & Administration, IT Maintenance & Support, IT Network & Administration, IT Compliance & Services etc.

MIDLAND BANK protects and secured its data in various ways. Data is kept in secured place prescribed by the Bank's policy. The Bank implemented a disaster recovery site that would be activated in case of disaster, which brought and restored data in authenticated way. IT Division takes necessary initiatives to conduct training courses for the Bank's employees. Trainings are being conducted time to time enabling the employees to handle the IT Risk in an efficient manner.

# C. MANAGING MARKETING RELATED RISK

Operational Risk may also arise from marketing activities of the Bank. Marketing encompasses all aspects of the promotion and branding of the Bank, including image management, product promotion and advertising.

There are significant risks associated with marketing activities that could damage the reputation of the Bank. For example, the Bank offers free travel thorough its marketing campaign to increase the sales volume of cards and the Bank has failed to meet the needs of such promotion, and then the damage of the reputation of the Bank will be enormous. Bank in operating its marketing activities ensures:

- ✓ proper promotional activities have been taken not affecting the image of the Bank;
- ✓ Appropriate but not excessive use of marketing entertainment;
- ✓ Proper procedures in awarding any external contract;
- ✓ Objective campaign and advertisement.

# D. MANAGING HUMAN CAPITAL RELATED RISK

Risk may be arise within the Bank from failure to recruit the right people in the right place, inappropriate means of recruitment, failure to provide feedback to the employees on performance, over-reliance on key personnel, inappropriate training and development, inappropriate payments made to the staff through fraud or error etc. To minimize the above-mentioned risks arising from human capital, the Bank has formulated and adopted a Human Resource Policy focusing on the following key areas:

- ✓ Recruitment procedures
- ✓ Pay and benefits for the employees
- ✓ Training and Development
- ✓ Disciplinary and grievance etc.



HR Policy of the Bank has been formulated having a strategic imperative for recruiting the best people from the society, as we have the intention to achieve comparative advantage by using our human asset efficiently. MIDLAND BANK brings people from different academic backgrounds which act as a source of creativity and efficiency. Fresh graduates are recruited through comprehensive written test and Viva voce. The Bank have signed an arrangement with the Institute of Business Administration (IBA), Dhaka University for conducting written and viva tests in recruiting fresh graduates.

MIDLAND BANK Training Institute has been established and renovated afterward to train the employees of the Bank. A well-resourced library has been equipped for the trainees in the MIDLAND BANK Training Institute. The Training Institute has fixed a target with 3 dimensions- firstly, to bring all the employees in the 'Training Net'; secondly, to make all the training 'Need-based'; thirdly, to create second line of defense in essential areas of Bank to counter damaging impact of indispensability. To fulfill the said target, the Training Institute starts (a) preparation of data base for all officials, (b) complete basic training for the officials (c) move the fresher through short orientation courses.

# MANAGING RISKS UNDER BASEL ACCORD

MIDLAND BANK places great importance to Basel II and III and views Basel II and III as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market, operational and liquidity risk management practices. By adopting Basel II and III, the Group will be able to enhance and embed sound risk management practices within the Group and be equipped with the right risk management discipline, practices, processes and systems.

For Basel II Pillar 1, the Bank is currently in compliant with the regulatory standards that took effect from 1 January 2008. The Bank is progressively employing advance risk measurement in the respective businesses.

For Basel II- Pillar 2, the Bank is preparing for the Internal Capital Adequacy Assessment Process ("ICAAP") which is the Bank's self assessment of the level of capital that it needs to hold.

For Basel II-Pillar 3 which is related to market discipline and disclosure requirements, the Bank has provided the disclosures under a separate Pillar 3 section.

For Basel III, the Bank has put in place plans to continuously strengthen its capital and liquidity positions well ahead of the Basel Committee's time schedule and in advanced anticipation of any local jurisdiction guidelines in all where the Bank operates in.

Under Pillar 1 of Basel-II (Minimum Capital Requirements), banks have to maintain capital for Credit Risk, Market Risk and Operational Risk. Under Pillar-2 of Basel-II (Supervisory Review Process), Banks are required to design their own Supervisory Review Process to ensure maintenance of sufficient capital to fully cover all risk exposures. As per Guidelines on Supervisory Review Evaluation Process, the level of Capital Adequacy will be determined after evaluation and dialogue between BB and the SRP Team of the Bank. The assessment of capital adequacy will be the outcome of a dialogue between the Bank's own SRP Team and Bangladesh Bank's (BB) Supervisory Review Evaluation Process (SREP) Team. Bank's own assessment and SREP Team's review will be linked up during this dialogue. Therefore, MIDLAND BANK has formed a welldesignated SRP Team which will aid to adopt Basel-II Capital Accord successfully.

BB's SREP Team will arrange dialogue to evaluate Minimum Capital Requirements (MCR) against Credit, Market and Operational risks; Risks not fully covered under MCR; Risks which to be covered under SRP (Credit Concentration Risk, Country Risk, Interest Rate Risk in the banking book, Liquidity Risk, Settlement Risk, Reputation Risk, Strategic Risk, Other material risks, etc.). SRP Team of the Bank will attend on the dialogue arranged by BB's SREP Team.



Corporate Governance

# **Corporate Governance:**

# Foundation of a Corporate Body

Corporate Governance is the framework of rules and practices, process and customs by which accountability, fairness and transparency in the Bank's relationship with its all stakeholders i.e. financiers, customers, management, employees, government and the community are ensured. The exact structure of the corporate governance determine what rights, responsibilities and privileges to be extended to each of the corporate participants and to what extent each participant may enjoy those rights.

Since inception, Midland Bank Limited has taken into cognigence of good corporate governance practice as a core ingredient in protecting the interests of all stakeholders. To ensure best practices of Corporate Governance in the Bank, there is a specific border line of authorities & responsibilities among the Board of Directors, its Chairman and Managing Director & CEO as per guidelines of Regulatory Bodies. In Midland Bank Limited, it is our foremost priority to recognize good Corporate Governance that enables the Bank to establish professionalism together with trust and confidence among the interested parties, building capacity to operate business efficiently and creating a congenial working environment inevitability to meet the challenges in the coming years.

Corporate Governance structure encompasses the following elements at Midland Bank Ltd.:

## **Position of the Shareholders**

The right of the shareholders include (i) the ability to transfer shares freely (ii) equitable treatment relating to the type of shares owned. (iii) the ability to effectively participate in shareholders' meetings (iv) appoint the Directors and Auditors (v) to have access to financial and other relevant information about the organization on regular and timely basis

- i. As per condition no. 04 and condition no. 12 of Banking Licence dated 09.04.2013 in favour of Midland Bank Limited issued by Bangladesh Bank, within the period of 03(three) years from starting operation, the Bank will have to go for floating shares for general public through Initial Public offering (IPO) subject to approval of Bangladesh Securities Exchange Commission (BSEC) and within this period no transfer of shares will be allowed without permission of Bangladesh Bank. However, the shares of the Bank can be freely traded/transferred through the Stock Exchanges after floating shares through IPO.
- ii. All shareholder are treated equally on the basis of one vote per share.
- iii. The Bank holds Shareholders' meeting with serving required notice in time as per regulations. As per regulation, Statutory Meeting of the Shareholders of the Bank was held within stipulated time. An audited Statutory Report incorporating all necessary and required information were sent to all shareholders to ensure their effective participation in the meeting, in person or by proxy.
- iv. The Bank makes necessary arrangement to hold Annual General Meeting (AGM). The Annual Report of the Bank covering all the notes for current financial year, Business performance, future plan and strategy

and other key corporate information and disclosures to be sent to all shareholders as per prevailing provision of the Act. In addition, all required information are also available in the website of the Bank.

v. All measures have been taken to disclose the material information in accordance with the requirements as set out in legislation and in the rules and regulations and other applicable laws.

## **Position of the Board**

The Board of Directors has the key responsibility for overall governance of Midland Bank Limited. The Board of Directors are held liable for making policies and execution therof, Risk Management, Internal Control, Internal Audit of the Bank and its compliance. The Board makes it sure that the Bank establishes high ethical standards at all level of operations and regularly reviews the Bank's compliance with regard to corporate governance set by the Regulatory Bodies. The Board also monitors the Management's handling of business affairs within an agreed framework.

The Board of Directors meets regularly and exercises control over strategic, financial, operational, internal control and compliance issues. The Board takes part in strategy formulation, setting objectives and policy guidelines. The Board of Directors conducted 11 (Eleven) meetings during the year 2013.

The Board is currently comprised of 20 (twenty) Non-Executive Directors lead by the Chairman. All the Directors meet certain 'fit and proper' criteria pursuant to rules and regulations of Bangladesh Bank. The Chairman steers the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibility. There is a specific line of control between the Chairman and the Managing Director exercised by different persons.

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

## The Responsibilities and Authorities of the Board of Directors:

# (01) Work-planning and strategic management:

- (i) The Board determine the objectives and goals and chalk out strategies and work-plans on annual basis. The Board analyze/monitor at quarterly rests the development of implementation of the work-plans.
- (ii) The Board have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and apprise the shareholders of its opinions/recommendations on future plans and strategies.

# (02) Lending and risk management:

(i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, rescheduling and write-off thereof are made with the Board's approval under the purview

of the existing laws, rules and regulations. The Board delegates the Executive Committee with the power of sanction of loan/investment with the recommendation of the Management. No director, however, interfere, directly or indirectly, into the process of loan approval.

(ii) The Board framed the policies for Risk Management and get them complied with and monitor at quarterly rests the compliance thereof.

# (03) Internal control management:

(i) The Board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.

# (04) Human resources management and development:

- (i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules have been approved by the Board. Recruitment and promotion to the immediate two tiers below the Managing Director & CEO has been under the discretion of the Board and such recruitment and promotion is carried out complying with the service rules i.e., policies for recruitment and promotion.
- (ii) The Board focuses its special attention to the development of skills of Bank's staff in different fields of its business activities.

# (05) Financial management:

- (i) The Annual Budget and the Statutory Financial Statements are prepared with the approval of the Board. The Board review/monitor the positions in respect of Bank's income, expenditure, liquidity, capital base and adequacy on quarterly basis.
- (ii) The policies and procedures for Bank's purchase and procurement activities have been formulated by the Board of Directors and power for making such expenditures has been distributed. The maximum possible delegation of such power has been under delegation of the Managing Director & CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business is adopted with the approval of the Board.

## (06) Appointment of Managing Director and CEO:

The Board has appointed a Managing Director and CEO of the Bank with necessary permission of Bangladesh Bank.

# (07) Responsibilities of the Chairman of the Board of Directors:

- a. The Chairman steers the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibility.
- b. The Chairman does not personally possess the jurisdiction to apply policy making or executive authority and never participates in or interferes in to the administrative or operational and routine affairs of the Bank.

# (08) Formation of supporting committees:

There is no committee or sub-committee of the Board other than (1) the Executive Committee (2) the Audit Committee (3) Risk Management Committee. The Committees are the helping hands of the Board of Directors to fulfill their responsibilities for effective functioning of the Bank.

# **Position of Excutive Committe (EC)**

An Executive Committee consisting of 07 (Seven) members of the Board has been authorized to approve specific credits and operational issues and dispose of important matters on urgent basis with recommendation of the Management. The EC also reviews budgets, plans and major organizational changes for final submission to Board for a complete review and approval.

## **Position of Board Audit Committe (BAC)**

A separate Board Audit Committee comprising 05 (five) members of Board is in place to oversee internal control with a view to reinforcing internal and external audit activities.

The committee reviews the financial reporting process, the system of internal control, Management Information System, Management of Risks, the Bangladesh Bank and Internal Audit Reports and Audit process and Compliance with laws and regulations and bank's own code of business conduct. The Committee also helps the Management to perform better to achieve the objectives set by the Board.

## Position of the Risk Management Committe (RMC)

The Board constituted a Risk Management Committee (RMC) comprising 04 (four) members to take effective measures to reduce the associated risks emanated from implanting the policies and procedures and work-planning approved by the Board. The Committee will justify the efficacy and effectiveness of the Bank's risk management functions. The Committee will take steps to frame a policies for Risk Management and get them complied with and monitor the overall risk management activities on regular basis.

# **Management Committes**

In a bid to ensure smooth operation, risk management and continuous monitoring, there are several committees comprising competent members from the Management of the Bank. The main committees are grouped into MANCOM, Credit Committee, Asset Liability Management Committee (ALCO), Risk Management Committee, Anti-Money Laundaring & CFT Committee etc. headed by the Managing Director and CEO. The day-to-day banking operations are handled by the top ranking professionals with modern banking expertise and experience in their respective fields. The Head Office Management Committee (MANCOM) scrutinizes all the cases thoroughly before referring to Executive Committee/Board for due approval or decision.

# Responsibilities and authorities of the Managing Director and CEO:

- (a) In terms of the financial, business and administrative authorities vested upon him by the Board, the Managing Director and CEO discharges his own responsibilities. He remains accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.
- (b) The Managing Director and CEO ensures compliance of the Bank Companies Act, 1991 (Amended upto 2013) and/or other relevant laws and regulations in discharge of routine functions of the bank.
- (c) The Managing Director and CEO includes information on violation of any law, rules, regulation including Bank Company Act, 1991 while presenting memos before the Board or the committee formed by the Board.
- (d) The Managing Director and CEO provides all sorts of information to Bangladesh Bank about the violation of Banking Companies Act, 1991 and/ or any violation of laws, rules and regulations (if any).
- (e) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on The Managing Director and CEO. Under the purview of the human resources policy as approved by the Board, The Managing Director and CEO nominates officers for training etc.

It is our firm belief that high standard Corporate Governance has an effective contribution on upgrading shareholders' value over the long term. It is under our sincere consideration to comply and adopt all instructions and guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) vide its Notification No. BSEC/CMRRCD/2006-158/134/Admin/44 dated 07.08.2012 phase by phase within shortest possible time.



# **Corporate Social Responsibility: Caring for the Society**

Corporate Social Responsibility is a part of vision and values of Midland Bank Limited. As a key partner of economic development, we are determined to promote public inclusion and bring the vulnerable & underprivileged groups into the vibrant social & economic interaction. We want to uplift the community where we live and work.

In discharging Corporate Social Responsibility, we want to work in close harmony with the Bangladesh Bank's guidelines. A policy has already been developed to elevate the quality of life by making effective contribution to national development. Income taxes, VAT, & excise duty are deducted at sources and deposited to Government Revenue Fund within stipulated time. We want to grow our business in a socially and environmentally responsible way.

The Bank is very much keen and conscious about its Corporate Social Commitment. We are committed to spend 10 (ten) percent of each year's net profit after tax of the Bank through donations and charity programs, primarily directed towards health care, social welfare, supporting educational institutions, research studies, sports development to ensure that the less privileged among us are put on the path to a more secure future.



# REPORT ON GREEN BANKING AND FINANCE

In keeping with national and international response to the environmental degradation, Midland Bank Limited, as a new entrant in the financial sector in Bangladesh would like to undertake sole and concerted efforts to promote environmental-friendly banking practices.

Reckoning with the concern of Bangladesh Bank and in line with their issued policy guidelines, we sincerely think about formulating and developing Green Banking Policy and Strategy covering through time-framework which will be segregated into 03 phases:

#### Phase-I

- Broad environmental and Green Banking policy and strategy has been formulated and approved by the Board of Directors.
- ii. A high powered Committee comprises of the members of Board of Directors has been formed to review the banks' environmental policies, strategies and programs.
- iii. A separate Green Banking Unit headed by a senior executive has been established with the responsibility of designing, evaluating and administering related green banking issues of the bank.
- iv. As part of In-house management, we are keeping away from as much paper- works as possible. In place of relying on printed documents, online communication has been extensively used for office management. All printers are defaulted to

- duplex for double-side printing to save papers.
- v. A set of general instructions have been circulated among the employees for efficient use of electricity, papers and reuse of equipments.
- vi. All banking transactions are made through Online.
- vii. Energy saving bulbs are used in branches/offices of the banks to save the energy as much as possible.
- viii. To create awareness among the staff and the clients seminar/workshops/ training and view-exchange meetings are arranged on regular basis.
- ix. Environmental and Climate Change Risk has been incorporated in overall credit risk methodology to assess a prospective borrower from both credit and environmental risk point of view.

## Phase-II

i. We sincerely thing about formulating specific policies for different environmental sensitive sectors such as Agriculture, Agri-business (Poultry and Dairy), Agro farming, Leather(Tannery), Fisheries. Textile and Apparels, Renewable Energy, Pulp and Paper, Sugar and distilleries, Construction and Housing, Engineering and Basic Metal, Chemicals (Fertilizers, Pesticides and Pharmaceuticals), Rubber and Plastic Hospital/Clinic, Industry, Chemical Trading, Brick Manufacturing, Ship breaking etc.

Trading, Brick Manufacturing, Ship breaking etc.

- Eco friendly business activities and ii. energy efficient industries will be given preference in financing by our bank. Environmental infrastructure such as renewable energy project, clean water supply project, wastewater treatment plant, solid & hazardous waste disposal plant, bio gas plant, bio-fertilizer plant shall be targeted area to finance by our bank in 2014.
- iii. Mobile E-Banking, Internet-banking, Banking are now under sincere consideration

The interior & exterior design of all iv. Branches are being made to ensure maximum use of natural light, use of energy saving bulbs to reduce electricity consumption.

## Phase-III

Addressing whole eco-system through environment friendly initiatives and introducing innovative products and standard environmental reporting with external verification should be the part of Phase -III.



# **Report of Chief Risk Officer**

In 2013, external and domestic risks looming over the economy put the banking & financial sectors in a tight spot. It is our belief that sucess depend not just on quantative profitibility but long-term sustainability and long lasting values for our stakeholders. To face the multifarious challenges and risks, we have undertaken a cautious approach in doing business.

For efficient and effective management of credit risks credit functions have been segregated into (i) Credit Risk Management (ii) Credit Administration and (iii) Credit Monitoring. All credit proposals are reviewed and approved by designated Credit Committee and disbursement against sanctioned credit facilities are allowed subject to clearance from Credit Administration division which is responsible to ensure that all loan documentations have been completed and covenants complied. In order to assess and address issues emanating from liquidity and other market related risks meeting of Bank's Asset Liability Committee (ALCO) are held regularly. The Internal Control and Compliance Division of the bank is entrusted with the responsibility to identify, measure, monitor and control operational risks in the bank. The Internal Control and Compliance Division works under direct supervision of bank's Board Audit Committee.

To strengthen the risk management process a separate unit/division headed by the Chief Risk Officer has been set up which is serving as secretariat of All Risk Committee. The unit prepares risk management papers identifying and measuring potential risks in bank's activities and portfolios, arrange meeting of All Risk Committee and apprise the Risk Management Committee of the identified risks and management's recommendations to address the risks. Stress testing, in keeping with guidelines issued by Bangladesh Bank, is also carried out on quarterly basis in order to assess the risks the bank is exposed to as well to ensure its soundness and sustainability.

(Khondoker Nayeemul Kabir)

Deputy Managing Director & Chief Risk Officer

Statement of Directors' Responsibilities in relation to Financial Statements

The Board of Directors has developed a system of internal financial controls and a system for monitoring its

effectiveness. The Directors are confident that proper accounting records have been preserved/kept and reasonable steps as far as practicable, have been taken to ensure the accuracy and reliability of accounting

reasonable steps as far as practicable, have been taken to ensure the accuracy and reliability of accounting records to prepare proper financial statements. These provide reasonable assurance of safeguarding of the

Bank's assets, maintenance of proper accounting records and the 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 are prepared on a going concern basis.

The Board has reviewed the External Auditors' Report and considered that, these financial statements have

been prepared using appropriate accounting policies, consistently applied, and supported by reasonable and

prudent judgment and estimates and in compliance with Bangladesh Financial Reporting Standards (BFRS),

Bank Companies Act 1991, The rules and regulations issued by the Bangladesh Bank, the Company Act

1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. Any change to

accounting policies and reasons for such change is disclosed in the "Notes to the Financial Statements".

The Board Audit Committee comprised of 05 Directors who possesses 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 prepared in compliance with relevant accounting principles

and regulatory requirements. The Committee also discussed and exchanged views with the representatives of

External Auditor and reviewed the Financial Statements and recommended for the consideration of the Board

of Directors.

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 the financial statements prepared for external use is in

accordance with relevant accounting principles and regulatory requirements.

On behalf of the Board of Directors

5

M. Moniruzzaman Khandaker

Chairman

Managing Director's and Chief Financial Officer's Responsibility Statement

The financial statements are prepared in compliance with the Bangladesh Financial Reporting Standards (BFRS), Bank Companies Act 1991, The rules and regulations issued by the Bangladesh Bank, the Company

Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. The accounting

policies used in preparation of the financial statements are appropriate and are consistently applied, except

unless otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and

objectivity of these financial statements. The estimates and judgments relating to the financial statements

were made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair

manner and reasonably present the Bank's state of affairs.

The Bank has taken proper and sufficient measures to develop a system of internal control and accounting

records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which

is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits

to provide reasonable assurance that the established policies and procedures of the Bank were consistently

followed.

The Audit Committee of the Bank meets regularly with the internal auditors and biannually with the External

Auditors to review the manner in which these auditors are performing their responsibilities, and to discuss

auditing, internal control and financial reporting issues.

Md. Abdul Alim Vice President (FAD)

A.K.M. Shahidul Haque Managing Director & CEO



Financials-2013

# Independent Auditors' 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 2013, profit and loss statement, statement of changes in equity, cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes and annexures thereto.

# Management's responsibility for the financial statements and internal controls

Management is responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in the relevant notes and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Companies Act 1991 and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

# **Auditors' responsibility**

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

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

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

# **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013 and of its financial performance and its cash flows for the period then ended in accordance with Bangladesh Financial Reporting Standards as explained in the relevant notes

# Report on other legal and regulatory requirements

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

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) to the extent noted during the course of our audit work performed on the basis stated under the auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
  - (i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate;
  - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
- (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
- (d) the balance sheet and profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
- (e) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
- (f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- (g) the records an statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (h) the information and explanations required by us have been received and found to be satisfactory; and
- (i) we have reviewed over 80% of risk-weighted assets of the Bank and we have spent approximately 2,000 man hours for the audit of the books and account of the Bank.

House # 51 (3rd Floor), Road # 9, Block F Banani, Dhaka 1213, Bangladesh Dated, 05 March 2014 S. F. AHMED & CO Chartered Accountants



# **Balance Sheet at 31 December 2013**

Balance Sheet at 31 December 2013		
	Notes	Amount (Taka)
PROPERTY AND ASSETS		
Cash	3	283,475,817
In hand (including foreign currencies)	3.1	65,876,812
Balance with Bangladesh Bank and its agent bank(s)	3.2	217,599,005
(including foreign currencies)		
Balance with other banks and financial institutions	4	4,496,170,028
In Bangladesh		4,495,371,590
Outside Bangladesh		798,438
Money at call on short notice	5	-
Investments	6	524,940,567
Government	6.1	421,208,973
Others	6.2	103,731,594
Loans, advances and lease /Investments	7	1,831,431,854
Loans, cash credits, overdrafts, etc/Investments		1,780,487,752
Bills purchased and discounted		50,944,102
Fixed assets including premises, furniture and fixtures	8	90,001,737
Other assets	9	305,849,627
Non-banking assets		
Total Assets		7,531,869,630
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents	10	580,000,000
Deposits and other accounts	11	2,856,842,666
Current accounts and other accounts		201,746,668
Bills payable		13,090,253
Savings bank deposits		52,323,946
Fixed deposits		1,921,581,987
Other deposits		668,099,812
Other liabilities	12	72,322,131
Total Liabilities		3,509,164,797
Capital/Shareholders' equity		
Total shareholders' equity		4,022,704,833
Paid-up capital	13	4,000,000,000
Statutory reserve	14	2,158,350
Other reserve	15	11,913,084
Retained earnings	16	8,633,399
Total liabilities and shareholders' equity		7,531,869,630

## Balance Sheet as at 31 December 2013

	<u>Notes</u>	_Amount (Taka)_
Off-Balance Sheet Items		
Contingent liabilities	17	157,881,326
Acceptances and endorsements		-
Letters of guarantee		112,834,989
Irrevocable letters of credit		45,046,337
Bills for collection		-
Other contingent liabilities		-
Other commitments		
Documentary credits and short term trade-related transactions		-
Forward assets purchased and forward deposits placed		-
Undrawn note issuance and revolving underwriting facilities		-
Undrawn formal standby facilities, credit lines and other commitme	ents	-

See annexed notes

for Midland Bank Limited

Managing Director & CEO

Director

Director



Signed in terms of Auditors' report of even date annexed

S. F. AHMED & CO Chartered Accountants Dated, 05 March 2014

# Profit and Loss Statement for the period ended 31 December 2013

	<u>1</u>	<u>Notes</u>	_Amount (Taka)_
OPERATING INCOME			
Interest income/profit on investments		19	347,427,117
Interest/profit paid on deposits and borrow	ings, etc	20	146,121,263
Net interest income			201,305,854
Investment income		21	4,370,590
Commission, exchange and brokerage		22	2,387,659
Other operating income		23	1,196,780
			7,955,029
Total operating income (A)			209,260,883
OPERATING EXPENSES			
Salary and allowances		24	86,210,084
Rent, taxes, insurance, electricity, etc		25	55,179,291
Legal expenses		26	1,255,701
Postage, stamps, telecommunication, etc		27	1,384,572
Stationery, printing, advertisement, etc		28	8,021,819
Managing Director's salary and fees			8,716,667
Directors' fees		29	218,367
Auditors' fees		30	115,000
Depreciation and repairs of Bank's assets		31	3,536,529
Other expenses		32	8,218,015
Total operating expenses (B)			172,856,045
Profit before provision $(C = A-B)$			36,404,838
Provision for loans and advances			
General provision		33	16,057,765
Specific provision			_
			16,057,765
Provision for off-balance sheet items		34	1,578,813
Total provision (D)			17,636,578
Profit before taxation (C-D)			18,768,260
Provision for taxation			
Current tax			7,976,510
Deferred tax			_
Net profit after taxation			10,791,749
Appropriations			
Statutory reserve			2,158,350
General reserve			_
Retained surplus			8,633,399
•		2.5	
Earnings Per Share (EPS)		35	0.054
See annexed notes			
	for Midland Bank Limited		
- Car -	2-4	1 166	
	کارو <u>س</u>	Kaller	5
Managing Director & CEO	Director	Director	Chairman

Signed in terms of Auditors' report of even date annexed

S. F. AHMED & CO

Chartered Accountants Dated, 05 March 2014

Cash Flow Statement for the period ended 31 December 2013		
-	Notes	Amount (Taka)
Cash flows from operating activities (A)		
Interest receipts		351,797,707
Interest payments		(146,121,263)
Fees, commission, exchange and brokerage		2,387,659
Payments to employees		(94,926,751)
Receipts from other operating activities	38	1,196,780
Payments for other operating activities	39	(74,517,387)
Operating profit before changes in operating assets and liabilities		39,816,745
Increase / Decrease in operating assets and liabilities		
Investment in securities		(524,940,566)
Other banks and NBFI		(4,496,170,028)
Loans and advances to customers		(1,831,431,854)
Other assets		(305,849,627)
Deposit from other banks		580,000,000
Deposit from customers		2,856,842,666
Other liabilities on account of customers		-
Other liabilities		58,507,126
		(3,663,042,283)
Net cash used in operating activities		(3,623,225,538)
Cash flows from investing activities (B)		
Purchase/ Sale of property, plant and equipment		-
Purchase/ Sale of shares Purchase of fixed assets		(93,298,645)
Net cash used in investment activities		(93,298,645)
Net Cash used in investment activities		(93,290,043)
Cash flows from financing activities (C)		_
Contribution as capital fund		4,000,000,000
Receipts from issue of loan capital and debt securities		-
Paid for repayment of loan and debt securities		-
Cash flows from financing activities		4,000,000,000
Net increase/(decrease) of cash and cash equivalent D= (A+B+C)		283,475,817
Effects of exchange rate changes on cash and cash equivalent		
Opening cash and cash equivalent (E)		-
Closing cash and cash equivalent $F = (D+E)$		283,475,817
Cash in hand		65,876,812
Balance with Bangladesh Bank and its agents		217,599,005
		283,475,817

See annexed notes

for Midland Bank Limited

Managing Director & CEO Director Director Chairman

Signed in terms of Auditors' report of even date annexed

S. F. AHMED & CO Chartered Accountants Dated, 05 March 2014



Midland Bank Limited

Statement of Changes in Equity for the period ended 31 December 2013

							Amount (Taka)
	Doid un	Chofutory		Other reserve		Detained	
Particulars	r aru-up capital	reserve	Dividend equalisation funds	Dividend Investment equalisation funds revaluation reserve	Revaluation surplus for fixed asset	earnings	Total
Balance as at commencement	4,000,000,000	ı	1	1	1	1	4,000,000,000
Changes in accounting policy		ı	1	1	-	1	1
Statutory reserve	1	2,158,350	1	•	-	1	2,158,350
Revaluation of approved securities (HTM)	1	1	1	11,762,119	-	1	11,762,119
Revaluation of approved securities (HFT)	1	ı	1	150,965	-	1	150,965
Surplus/Deficit on account of revaluation of properties	1	1	1	•	-	1	
Currency transaction difference	1	I	1	1	-	ı	1
Other transfer	1	ı	1	1	-	1	1
Net profit transferred to retained earnings	1	-		-	-	8,633,399	8,633,399
Balance as at 31 December 2013	4,000,000,000	2,158,350	•	11,913,084	1	8,633,399	4,022,704,833

Director

A Live

Chairman

Signed in terms of Auditors' report of even date annexed

Chartered Accountants Dated, 05 March 2014 S. F. AHMED & CO

Liquidity Statement (Analysis of Maturity of Assets and Liabilities) at 31 December 2013

					•	Amount (Taka)
			Maturity			
Particulars	Up to	1-3	3-12	1-5	Above	Total
	1 month	months	months	years	5 years	
Assets						
Cash in hand and with hanks	65 876 812	Í	I	Í	1	65 876 812
tsii iii iiaiid aiid witii daiiks	710,0/0,00	1	1	1	Ī	710,070,00
Balance with Bangladesh Bank	217,599,005	ı	İ	1	1	217,599,005
Balance with other banks and financial institutions	846170027	1.950.000.000	1.150.000.000	550,000,000	1	4.496.170.027
Money at call on short notice			•		1	•
oney at can on short nouse						
Investments	103,731,594		401,161,925	•	20,047,047	524,940,566
Loans and advances	2,848,770	163,152,896	535,122,694	875,281,238	255,026,256	1.831,431,854
of proof in all ding washing a framitime and fixtures	`			16 225 177	73 666 767	00 001 730
rixed assets including premises, infinitire and fixtures	ı	1	1	10,222,477	79,000,505	90,001,739
Other assets	ļ		1		305,849,627	305,849,627
Non-banking assets	1	ı	ı	ı	1	1
Total Assets (A)	1.236.226.208	2.113.152.896	2.086.284.619	1.441.616.715	654.589.192	7.531.869.630
Liabilities						
Borrowing from Bangladesh Bank, other banks,						
						,
financial institutions and agents	580,000,000		1	1	ı	580,000,000
Other accounts	8.500.000	4,600,000	1	1	1	13.100.000
Deposits	635 992 414	1 104 180 252	581 190 000	348 990 000	173 390 000	2 843 742 666
poster	0.00,000	1,101,101,1	000,071,100	000,000,000	000,070,071	2,013,112,000
Provision and other liabilities	10,940,000	13,227,774	14,040,000	5,740,000	28,374,357	72,322,131
Total Liabilities (B)	1,235,432,414	1,122,008,026	595,230,000	354,730,000	201,764,357	3,509,164,797
+ I immidite Deposed/Chamters / A D)	702 704	001 144 870	1 401 054 610	1 086 986 715	157 874 835	4 000 704 623
ivet Enquinty Excess/(Shortage) (A-D)	193,194	771,144,070	1,471,034,017	1,000,000,113	432,024,033	4,022,104,033
	for	for Midland Bank Limited	pen			
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			Q			



' Director

Chairman

Signed in terms of Auditors' report of even date annexed

## Notes to financial statements for the period ended 31 December 2013

#### General

#### 1.1 The Bank and its activities

Midland Bank Limited ("the Bank") was incorporated in Bangladesh as a public company, limited by shares under the Companies Act 1994 on 20 March 2013 and subsequently obtained banking operation license from Bangladesh Bank on 09 April 2013 as a scheduled bank under the Bank Companies Act 1991 and commenced commercial operations from 20 June 2013. The Bank has five (05) Branches, including three (03) urban branches located in Dhaka and Chittagong.

#### 1.2 Significant accounting policies and basis of preparation of financial statements

#### Presentation of the financial statements

The financial statements of the Bank comprise of balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, liquidity statement and relevant notes and disclosures.

Financial statements of the Bank were made as at 31 December 2013 and were prepared under the historical cost convention except investments categorised as held for trading and in accordance with Banking Companies Act 1991, BRPD circular no. 14 dated 25 June 2003, the Companies Act 1994, the Securities and Exchange Ordinance 1969, Securities and Exchange Rules 1987 and other laws and rules applicable for the Bank.

The financial statements of the Bank have been prepared in accordance with the measurement and recognition requirements of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS).

#### Use of estimates and judgments

The financial statements of the Bank required management to make judgments, estimates and assumptions that affected the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions have been reviewed considering business realities. Revisions of accounting estimates have been recognised in the period in which the estimates have been revised and in the future periods affected, if applicable.

#### Materiality, aggregation and offsetting

The Bank aggregates each material class of similar items and separately which are dissimilar in nature or function unless those are immaterial. The Bank did not offset assets and liabilities or income and expense, unless required or permitted by BAS/BFRS.

# Foreign currency transactions

#### Functional and presentational currency

Financial statements of the Bank have been presented in Taka, which is the Bank's functional and presentational currency.

## Foreign currency translation

Foreign currency transactions have been converted into equivalent Taka currency at the ruling exchange rates on the respective date of such transactions as per BAS 21 "The Effects of Changes in Foreign Exchange Rates".

Assets and liabilities in foreign currencies as at 31 December 2013 have been converted into Taka currency at the average of the prevailing buying and selling rates of the relevant foreign currencies at that date except "balances with other banks and financial institutions" which have been converted as per directives of Bangladesh Bank vide its circular no. BRPD (R) 717/2004-959 dated 21 November 2004.

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

## Notes to financial statements for the period ended 31 December 2013

#### Commitment

Commitments for outstanding foreign exchange contracts disclosed in the financial statements of Bank have been translated at contracted rates. Contingent liabilities/commitments for letter of credit, letter of guarantee and acceptance denominated in foreign currencies have been expressed in Taka terms at the rates of exchange ruling on the balance sheet date.

#### Translation gain and losses

Gains or losses arising out of translation of foreign exchange have been included in the profit and loss statement.

#### Cash flow statement

Cash flow statement is prepared principally in accordance with BAS 7 "Statement of Cash Flows" under direct method as per the guidelines of 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. Cash flows during the period have been classified as operating activities, investing activities and financing activities.

#### 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 25th June 2003.

#### Liquidity statement

The basis of the liquidity statement of assets and liabilities as on the reporting date is given below:

Particulars	Basis used
Balance with other banks and financial institutions	Maturity term
Investments	Respective maturity terms
Loans and advances	Repayment schedule basis
Fixed assets	Useful life
Other assets	Realization/ amortization basis
Borrowing from other banks, financial institutions and	Maturity/ repayments terms
agents	
Deposits and others accounts	Maturity term/ Previous trend
Other liabilities	Payments/ adjustments schedule basis

# 1.3 Assets and basis of their valuation

#### Cash and cash equivalents

Cash comprise cash in hand and demand deposits in the banks.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Loans and advances

- i. Loans and advances are stated at gross amounts at 31 December 2013.
- ii. Interest is calculated on a daily product basis but charged and accounted for on accrual basis. No Classified loans and advanches have been found as on 31 December 2013.
- iii. Commission and discounts on bills purchased and discounted are recognised at the time of realisation.
- iv. Provision for loans and advances is made on the basis of quarter-end review by the management and as per instructions contained in BRPD circular no. 14 dated 23 September 2012, BRPD circular no. 19 dated 27 December 2012, BRPD circular no. 14 dated 18 December 2013 and BRPD circular no.15 dated 23 December 2013. The rates for provisions are stated below:

Notes to financial statements for the period ended 31 December 2013

	Types of loans and advances	General			Specific	provision
	Types of loans and advances	UC	SMA	SS	DF	BL
Consumer	House building and professionals to setup business	2%	2%	20%	50%	100%
Consumer	Other than housing finance & professionals to setup business	5%	5%	20%	50%	100%
Provision for loan to brokerage house, merchant banks, stock dealers		2%	2%	20%	50%	100%
Short-term agri	-credit and micro credit	5%	-	5%	5%	100%
Small and med	ium enterprise finance	0.25%	0.25%	20%	50%	100%
Other advances	S	1%	1%	20%	50%	100%
Off Balance Sh	neet Items	1%	-	-	-	-

#### Investment

Investments have been initially recognised at cost, including acquisition charges associated with the investment. Premiums have been amortised and discount accredited, using the effective or historical yield method. Government Treasury Bills and Bonds (categorized as HFT or/and HTM) are accounted for as per Bangladesh Bank DOS circular letter no. 05 dated 26 May 2008 and DOS circular no. 05 dated 28 January 2009.

The valuation methods of investment used are:

#### **Government securities**

#### Held to maturity (HTM)

Investments which are intended to be held to maturity are classified as "Held to Maturity". These are measured at amortised cost at each yearend by taking into account any discount or premium in acquisition. Amortised amount of such premium are booked into profit and loss statement or discount is booked to reserve until maturity/disposal.

#### **Held for trading (HFT)**

Investment primarily held for selling or trading is classified in this category. After initial recognition, investments are valued as "mark to market" on weekly basis. Decrease in the book value is recognised in the profit and loss statement and any increase is transferred to revaluation reserve account.

Value of investments has been enumerated as follows:

Investment class	Initial recognition	Measurement after initial recognition	Recording of changes
Treasury Bill / Bond (HFT)	Cost	Mark to market	Loss to profit and loss statement, gain to revaluation reserve
Treasury Bill / Bond (HTM)	Cost	Amortised value	Increase in value to equity and decrease in value to profit and loss statement
Prize bond	Cost	Cost	

#### Notes to financial statements for the period ended 31 December 2013

## Property, plant and equipment

- i. All fixed assets are stated at cost less accumulated depreciation as per BAS 16 "Property, Plant and Equipment". The cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of the BFRS.
- ii. The cost of an item of property, plant and equipment is recognised as an asset ifit is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.
- iii. Depreciation is charged on fixed assets at the following rates from the date of acquisition, irrespective of categories. Straight-line method is used for computation of depreciation with no salvage value at the end of economic life. The rates of depreciation are as follows:

<u>Category of asset</u>	Rate of depreciation
Land	Nil
Building	2.5%
Furniture and fixtures	10%
Office equipment	15%
Motor vehicles	20%
Books	20%
Computers and peripherals	20%

- iv. Depreciation on fixed assets acquired during the year is charged from the month of their acquisition. Full month's depreciation is charged in the month of addition irrespective of the date of acquisition and no depreciation is charged in the month of their disposal.
- v. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the profit and loss statement.
- vi. Useful lives and method of depreciation of fixed assets are reviewed periodically. If useful lives of assets do not differ significantly as these were previously estimated, revaluation of assets does not consider to be done.

#### Other assets

Other assets include all balance sheet items not covered specifically in other areas.

#### Stock of stationery

Stock of stationery has been shown under other assets and is valued at cost.

#### 1.4 Capital, reserve, liabilities and provision and basis of their valuation

#### Share capital

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

#### **Statutory reserve**

As per Section 24 of Banking Companies Act 1991, 20% of current year's profit of the Bank is required to be transferred to statutory reserve until such reserve together with share premium account equals to its paid up capital.

#### Deposits and other accounts

Deposits are recognised when the Bank enters into contractual arrangements with the counterparties, which are generally on trade date and initially measured at the amount of consideration received.

#### **Borrowing**

Borrowed funds include call money, term borrowings and re-finance from different commercial banks, non-banking financial institutions and central bank.



#### Notes to financial statements for the period ended 31 December 2013

#### **Provision for taxation**

Income tax represents the sum of the current tax and deferred tax.

#### **Current Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Provision for current income tax has been made @ 42.5% on the accounting profit made by the Bank after considering taxable allowances and disallowances as per income tax laws applicable for the Bank.

#### **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 taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax has been ignored due to not elapsing any significant time period for affecting any temporal differences.

#### Retirement benefits to the employees

The retirement benefits accrued for the employees of the Bank as on the reporting date have been accounted for in accordance with the provision of BAS 19 "Employee Benefit". Bases of enumerating the retirement benefits schemes operated by the bank.

#### **Provident fund**

Provident fund benefits are given to the permanent employees' of the Bank in accordance with Bank's service rules. The Bank is yet to prepare any Trust Deed or appoint Board of Trustees. The Bank contemplates to execute all formalities within the year 2014.

# Staff gratuity

The Board of the Bank has approved Gratuity fund, which should be approved by the National Board of Revenue. The Bank contemplates to execute all formalities within the year 2014. However, no provision for gratuity has been made for the period ended 31 December 2013.

#### Welfare Fund

Midland Bank Limited Employees' welfare fund is subscribed by monthly contribution of the employees. The Bank shall also contribute to the Fund from time to time. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities, a portion of retirement benefit and stipend to the employees' children. Disbursement from the fund is done as per prescribed rules for employees' welfare fund.

#### **Incentive Bonus**

Midland Bank Limited is planning to implement a scheme in the name and style "Incentive Bonus" for imperative motivation to all the employees work under the Bank. The criterion of payment of incentive bonus would never exceed 10% of disclosed net profit of the bank as per section 30(j) of Income Tax Ordinance, 1984. This bonus amount shall be distributed amongst the employees on annual basis based on their individual job performance. However, no incentive bonus was declared as o 31 December 2013.

#### **Provision for liabilities**

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with BAS 37 "Provision, Contingent Liabilities and Contingent Assets".

No provision is recognised for any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or any present obligation that arises from past events and it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimates of the amount of obligation can not made.

However, certain provisions on assets and liabilities are maintained in accordance with relevant Bangladesh Bank Circulars issued from time to time.

#### Notes to financial statements for the period ended 31 December 2013

#### Provision for nostro accounts

Provision for nostro accounts is maintained as per circular letter no. FEPD(FEMO)/01/2005-677 dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank.

#### 1.5 Revenue recognition

#### **Interest income**

According to the BAS 18 "Revenue", the interest income is recognised on accrual basis. Interest on loans and advances ceases to be taken into income when such advances are classified or treated as SMA as per BRPD circular no. 05 dated 05 June 2006 and is kept in interest suspense account. Interest on classified advances is accounted for as income when realised.

#### **Investment income**

Interest income on investments is recognised on accrual basis.

#### Fees and commission income

Fees and commission income on services provided by the Bank are recognised as and when the services are rendered. Commission charged to customers on letters of credit and letters of guarantee are credited to income at the time of affecting the transactions.

## Interest paid on deposits and borrowings

Interest paid on deposits, borrowings, etc is accounted for on accrual basis according to the BAS 1 "Presentation of Financial Statements".

## Other operating expenses

All other operating expenses are provided for in the books of the account on accrual basis according to the BAS 1 "Presentation of Financial Statements".

#### 1.6 Reconciliation of books of account

Books of account with regard to inter-bank (in Bangladesh and outside Bangladesh) and inter-branch transactions are reconciled and no material difference was found which may affect the financial statements significantly. There exist no un-reconciled items in NOSTRO accounts as at 31 December 2013.

## 1.7 Earnings per share

#### Basic earnings per share

Basic earnings per share have been calculated in accordance with BAS 33 "Earnings per Share" which has been shown in the face of the profit and loss statement. This has been calculated by dividing the basic earnings by the weighted ordinary outstanding shares as on 31 December 2013.

#### 1.8 Off-balance sheet items

Off-Balance Sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank's guidelines.

In accordance with BRPD circular no.14 dated 23 September 2012, general provision @ 1% has been made on the outstanding balances of Off-Balance Sheet exposure of the Bank as at 31 December 2013. Provision is made on the total exposure and amount of cash margin or value of eligible collateral is not deducted while computing Off-Balance sheet exposure.

#### 1.9 Reporting period

These financial statements cover from 09 April 2013 to 31 December 2013.



Notes to financial statements for the period ended 31 December 2013

# 1.10 Compliance of Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standards (BFRS)

While preparing the financial statements, Bank applied most of the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh as applicable to the Bank.

G)	N. CD.G	N. CDAC	C
Sl no.	Name of BAS	No. of BAS	Status
1	Presentation of Financial Statements	1	Complied
2	Inventories	2	Complied
3	Statement of Cash Flows	7	Complied
4	Accounting Policies, Changes in Accounting Estimates and Errors	8	Complied
5	Events after the Reporting Period	10	Complied
6	Construction Contracts	11	N/A
7	Income Taxes	12	Complied
8	Property, Plant and Equipment	16	Complied
9	Leases	17	Complied
10	Revenue	18	Complied
11	Employee Benefits	19	Complied
12	Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
13	The Effects of Changes in Foreign Exchanges Rates	21	Complied
14	Borrowing Costs	23	Complied
15	Related Party Disclosures	24	Complied
16	Accounting and Reporting by Retirement Benefit Plans	26	Complied
17	Consolidated and Separate Financial Statements	27	N/A
18	Investments in Associates	28	N/A
19	Interests in Joint Ventures	31	N/A
20	Financial Instruments: Presentation	32	*
21	Earnings Per Share	33	Complied
22	Interim Financial Reporting	34	Complied
23	Impairment of Assets	36	N/A
24	Provisions, Contingent Liabilities and Contingent Assets	37	Complied
25	Intangible Assets	38	N/A
26	Financial Instruments: Recognition and Measurement	39	*
27	Investment Property	40	Complied
28	Agriculture	41	N/A

<sup>\*</sup> Relevant disclosures are made according to the requirement of Bangladesh Bank.

Notes to financial statements for the period ended 31 December 2013

Sl no.	Name of the BFRS	No. of BFRS	Status
1	First-time Adoption of International Financial Reporting Standards	1	N/A
2	Share Based Payment	2	N/A
3	Business Combinations	3	Complied
4	Insurance Contracts	4	N/A
5	Non-Current Assets Held for Sale and Discontinued Operations	5	N/A
6	Exploration for and Evaluation of Mineral Resources	6	N/A
7	Financial Instruments: Disclosures	7	*
8	Operating Segments	8	Complied

<sup>\*</sup> Relevant disclosures are made according to the requirement of Bangladesh Bank.

#### 1.11 Regulatory and legal compliance

The Bank complied with the requirement of the following regulatory and legal authorities:

- i. The Banking Companies Act 1991
- ii. The Companies Act 1994
- iii. Rules, regulations and circulars issued by the Bangladesh Bank from time to time
- iv. The Securities and Exchange Rules 1987
- v. The Securities and Exchange Ordinance 1969
- vi. The Securities and Exchange Commission Act 1993
- vii. The Securities and Exchange Commission (Public Issues) Rules 2006
- viii. The Income Tax Ordinance 1984
- ix. The Value Added Tax (VAT) 1991
- x. Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository Bangladesh Limited (CDBL) rules and regulations.

## 1.12 Risk management

Risk is defined as uncertainties resulting in adverse variation of profitability or in losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz, credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk. The objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguarding the Bank's capital, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

#### Credit risk

It arises mainly from lending, trade finance and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result form unwillingness of the counter party or decline in his/ her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers / executives involved in credit related activities. A separate Corporate Division has been formed at Head Office which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval, administration, monitoring and recovery functions have been segregated. For this purpose, two separate divisions have been formed within the Credit Division. These are (a) Credit Risk Management Division and (b) Credit Administration Division. Credit Risk Management Division is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation, etc. Adequate provision has been made on classified loans / investments.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Division. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager / Officer and ends at Credit Risk Management Division when it is approved / declined by the competent authority. Credit approval authority has been delegated to the credit committee.



#### Notes to financial statements for the period ended 31 December 2013

In determining single borrower / large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory polices. Loans are classified as per Bangladesh Bank's guidelines.

#### **Operational risk**

Operational risk address the risk associated with fraud, forgery, unauthorized activities, error, omission, system failure and external events among others. Bank is managing these risk through written procedures, regular training and awareness programs. Departmental Control Function Checklist (DCFCL), Quarterly Operations Report, Loan Documentation Checklist etc. are in place covering all probable risks associated with bank's business and operations. Surprise inspections are also made on a regular basis to make sure that all control tools are functioning properly.

#### Market risk

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

#### Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements.

Treasury Division independently conducted the foreign exchange transactions and the Mid office 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 Market rate as determined by Bangladesh Bank at the month end. All nostro accounts are reconciled on a monthly basis and outstanding entry 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.

#### Interest rate risk

Interest rate risk may arise from trading portfolio and non-trading portfolio. The trading portfolio of the bank consists of government treasury bills, bond, etc. The short term movement in interest rate is negligible or nil. Interest rate risk of non trading business arises from mistaches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

#### **Equity position risk**

Equity risk arises from movement in market value of equities held. The risks are monitored by the Investment Banking Division under a well designed policy framework. Adequate provision was maintained by the Bank for diminution of market value of Investment.

## Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Division under approved policy guidelines. Treasury front office is supported by a very structured Mid Office and Back Office. The liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis. A written contingency plan is in place to manage extreme situation.

#### Risk arising from money laundering

Midland Bank Limited considers prevention of money laundering risk not only as a compliance requirement imposed by the law of the country but also as one of its core business values. The board of directors and senior management are firmly committed to combat money laundering. Every year, a message from the President and Managing Director's office goes to all employees' of the Bank reiterating the importance of the issue. There is a high profile Central Compliance Unit (CCU) in place to oversee the any money laundering activities. The president and managing director himself supervise the function of CCU's. Operation has separate and dedicated headcount for surveillance of the anti money laundering functions across the bank. Training and awareness programs are regularly held to make all employees' aware of the issue. Bank has also undertaken campaign against money laundering in electronic media.

## Notes to financial statements for the period ended 31 December 2013

#### 1.13 Management Information System

Systems audit is a part of the overall audit process, which is one of the facilitators for good corporate governance. IT audit is basically "the process of collecting and evaluating evidence to determine whether a computer system (information system) safeguards assets, maintains data integrity, achieves organizational goals effectively and consumes resources efficiently."To comply the ICT Guideline of Bangladesh Bank and to ensure the smooth operation of business, an independent Internal Control and Compliance Division has been formed with reporting directly to the Board. The main aim of the Division is to identify the inherent risks and vulnerabilities associated with the use of Core Banking System (FLORA). Other duties are to implement controls to mitigate the risks and provide recommendations for improvement in controls for reducing risks. Internal IT Audit provides an objective means of reviewing the risks faced by the Bank in relation to use of Information Technology and assesses whether they are being controlled/mitigated in an effective and efficient manner; provides an assessment of the Bank's IT control against 'Guideline on ICT for Scheduled Banks by Bangladesh Bank.

#### 1.14 Events after Reporting Period

As per BAS -10 "Events after Reporting Period" events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (no adjusting events after the reporting period).

There was no material events which have occurred after the reporting period which could affect the values stated in the financial statements.

#### 1.15 Related party disclosures

A party is related to the company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company; has an interest in the company that gives it significant influence over the company; or has joint control over the company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.
  - a) Significant contracts where the Bank is a party and wherein Directors have interest:

Name of contract	1 1	Name of director and related by	Relationship
Lease agreement with Midland Bank Limited	Hong Kong	Mrs. Nilufer	Director
	Shanghai Tower	Zafarullah	

# b) Related party transactions:

Name of related party Relationship		Nature of transaction	Amount
Hong Kong Shanghai Tower	Common Director	Rent of house	1,954,543



Notes to financial statements for the period ended 31 December 2013

## 1.16 Audit Committee of the Board of Directors

#### i) Particulars of Audit Committee

The Audit Committee of the Board was duly constituted by the Board of Directors of the Bank in accordance with the BRPD Circular No. 11 dated 27 October 2013 issued by Bangladesh Bank. The Committee was formed comprising 5 (five) members of the Board.

Sl no		Status with Bank	Status with Committee	Duration	Educational/ Professional Qualification
1	Dr. Kazi Shahidullah	Director	Chairman	With effect from 28 July 2013	Ph.D.
2	Ms. Scherezad Joya Monami Latif	Director	Member	With effect from 28 July 2013	Ph.D.
3	Mr. Md. Shamsuzzaman	Director	Member	With effect from 28 July 2013	Post Graduate (Dip)
4	Al-haj Mohammed Issa Badsha	Director	Member	With effect from 28 July 2013	B.Com.
5	Mr. Md. Badsha Mia	Director	Member	With effect from 28 July 2013	Self-educated

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

## ii) Meeting held with Audit Committee

During the period 2013, the Audit Committee conducted one (01) meeting in which, among others, the following issues were reviewed and discussed:

- inspection reports of branches/Head Office conducted by Bank's internal inspection team;
- financial statements of the Bank;
- status of compliance of different rules and regulations.

# 2. General

- i. Figures in these notes and in the annexed financial statements have been rounded off to the nearest Taka.
- ii. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

## Notes to financial statements for the period ended 31 December 2013

Bal	ance Sheet	Amount (Taka)
3.	Cash	
	Cash in hand (note 3.1) Balance with Bangladesh Bank and its agent bank(s) (note 3.2)	65,876,812 217,599,005 <b>283,475,817</b>
3.1	Cash in hand	
	In local currency In foreign currency	65,108,812 768,000 <b>65,876,812</b>
3.2	Balance with Bangladesh Bank and its agent bank(s)	
	Balance with Bangladesh Bank	
	In local currency	205,356,447
	In foreign currency	12,242,558
	Sonali Bank Limited	217,599,005
	(as an agent bank of Bangladesh Bank) - local currency	217,599,005
3.3	Cash Reserve Ratio and Statutory Liquidity Ratio	
	Cash reserve ratio and statutory liquidity ratio have been calculated and maintained in accord of the Banking Companies Act 1991 and Bangladesh Bank MPD's subsequent circular nos. December 2010.	
	The statutory cash reserve ratio is required on the Bank's time and demand liabilities at the rate calculated and maintained with Bangladesh Bank in current account while statutory liquid required, including cash reserve ratio, on the same liabilities is also maintained in the form of and debentures including foreign currency balance with Bangladesh Bank. Both the reserves a Bank in excess of the statutory requirements, as shown below:	dity ratio of 19% is treasury bills, bonds
(a)	Cash Reserve Ratio (CRR)	

# (a) Cash Reserve Ratio (CRR)

As per Bangladesh Bank MPD Circular No. 04 dated 01 December 2010, Bank has to maintain CRR @ 6 % on fortnightly cumulative average basis and minimum CRR @ 5.5 % on daily basis.

## i. Daily Position as on the reporting date

	Required reserve	146,921,110
	Actual reserve maintained	205,356,447
	Surplus	58,435,337
(b)	Statutory Liquidity Ratio (SLR)	
	Required reserve (19% of total time & demand liabilities)	465,250,190
	Actual reserve maintained	704,684,791
	Total surplus	239,434,601
(c)	Components of Statutory Liquidity Ratio (SLR):	
	Cash in hand	65,876,812
	Balance with Bangladesh Bank	217,599,005
	Held to Maturity (HTM )Securities	401,161,925
	Held for Trading (HFT )Securities	20,047,049
		704,684,791

Notes to financial statements for th	e period ended 31 December 2013
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Notes	s to financial statements for the period ended 31 December 2013	A (T. 1.)
		Amount (Taka)
4.	Balance with other banks and financial institutions	
	In Bangladesh (note 4.1)	4,495,371,590
	Outside Bangladesh (note 4.2)	798,438
		4,496,170,028
4.1	In Bangladesh	
	Current deposits	
	Mutual Trust Bank Limited	9,112
	Trust Bank Limited	412,303
		421,415
	Special notice deposits	
	Prime Bank Limited	253,045,482
	Mercantile Bank Limited	591,904,693
		844,950,175
	Fixed deposits	
	Bank	400,000,000
	Janata Bank Limited	400,000,000
	The City Bank Limited National Bank Limited	300,000,000
	Pubali Bank Limited	150,000,000 300,000,000
	Agrani Bank Limited	300,000,000
	Sonali Bank Limited	300,000,000
	Rupali Bank Limited	300,000,000
	Bangladesh Commerce Bank Limited	150,000,000
		2,200,000,000
	Financial Institution	100 000 000
	Union Capital Limited Lanka Bangla Finance Limited	100,000,000 200,000,000
	Prime Finance and Investment Limited	150,000,000
	First Lease Finance and Investment Limited	150,000,000
	Farest Finance and Investment Limited	200,000,000
	People's Leasing and Financial services Limited	150,000,000
	National Finance Limited	100,000,000
	Uttara Finance and Investments Limited	200,000,000
	United Leasing Company Limited	200,000,000
12	Outside Bangladesh	1,450,000,000
7.2		756 177
	Mashreq Bank, New York AB Bank Limited, Mumbai	756,177 38,098
	United Bank of India, Kolkata	3,887
	Axis Bank, Mumbai	276
		798,438
4.3	Maturity grouping of balance with other banks and financial institution	
	Repayable – on demand	846,170,028
	- up to 3 months	1,950,000,000
	– over 3 months but below 1 year	1,150,000,000
	– over 1 year but below 5 years	550,000,000
	– over 5 years	
		4,496,170,028
5.	Money at call on short notice	

				Amount (Taka)
6.	Investments			
	Government securities (note 6.1)			421,208,973
	Other investments (note 6.2)			103,731,594
				524,940,567
	Nature wise:			
	Held for Trading (HFT)			109,111,208
	Held to Maturity (HTM)			312,038,265
	Others securities			103,791,094
				524,940,567
6.1	Government securities			
	Treasury bills			401,161,924
	Treasury bonds (note: 6.1.1)			19,987,549
	Prize bonds			59,500
	<i>m</i>			421,208,973
0.1.1	Treasury bonds	Data	Maturity Data	
	10 years treasury bonds	<u><b>Rate</b></u> 12.16%	<u>Maturity Date</u> 20/11/2023	9,987,549
	20 years treasury bonds	12.33%	26/12/2033	10,000,000
				19,987,549
( )	Other Comments			
6.2	Other investments			
	SWIFT			3,731,594
	Commercial paper of ACI			100,000,000 103,731,594
6.3	Maturity grouping			103,731,334
	Repayable – on demand			59,500
	- upto 1 months			109,111,210
	over 1 months but below 3 Months			99,655,591
	<ul> <li>over 3 months but below 1 Year</li> </ul>			192,395,124
	<ul> <li>over 1 year but below 5 years</li> </ul>			-
	– over 5 years			19,987,549
				421,208,974
6.4	(i) Statutory disclosure regarding outstanding	Repo		
	Counterparty name	Agreement date	Reversal date	Amount
				(1st leg cash
		/-		consideration)
	N/A	N/A	N/A	nil
	(ii) Disclosure regarding overall transaction of	Reno and Reverse Ren	0	
	(ii) Disclosure regarding overall transaction of	Minimum outstanding	Minimum	Daily average
	Counterparty name	during the year	outstanding	outstanding
	Counterparty name	during the year	Outstanding	oustanding
	(iii) Security sold under Repo			
	i) with Bangladesh Bank			
	ii) with other Banks & FIs	N/A	N/A	N/A
	(iv) Security purchased under Reverse Repo			
	i) From Bangladesh Bank			
	ii) From other Banks & FIs	N/A	N/A	N/A
	,	1.1/1.1	14/11	11/21



Notes	s to financial statements for the period ended 31 December 2013	
		Amount (Taka)
7.	Loans, advances and lease/investments	
	Loans, advances and lease/investments (note 7.3)	1,780,487,752
	Bills purchased and discounted	50,944,102
		1,831,431,854
7.1	Maturity grouping	
	Repayable – on demand	2,848,770
	– upto 3 months	163,152,896
	– over 3 months but upto 1 year	535,122,694
	<ul><li>over 1 year but upto 5 years</li></ul>	875,281,238
	– over 5 years	255,026,257
		1,831,431,854
7.2	Broad category-wise breakup	
	In Bangladesh	
	Loans	1,294,802,521
	Overdrafts	427,735,027
	Cash credits	57,950,204
	Bills purchased and discounted	50,944,102
		1,831,431,854_
7.3	Product wise loans and advances:	
	Term loan	1,092,118,055
	Overdraft	427,735,027
	Staff loan	81,950,276
	Time loan	75,120,439
	Cash credit	57,950,204
	Trust receipt	34,423,127
	Consumer loan	8,341,854
	Payment against documents (PAD)	2,848,770
	Bills under LC	
		1,780,487,752
7.4	Net loans, advances and lease/investments	
	Gross loans and advances	1,780,487,752
	<u>Less:</u>	
	Interest suspense	-
	Provision for loans and advances	
		1,780,487,752
7.5	Significant concentration	
	Advances to allied concerns of Directors	-
	Advances to Managing Director and Chief Executive	-
	Advances to customer groups	1,177,479,212
	Advances to industries	575,318,293
	Advance to staff	81,950,276
7.0	Commission of the Commission o	1,831,431,854
7.6	Geographical location-wise (division) distribution	
	In Bangladesh	
	Dhaka	1,645,445,176
	Chittagong	185,986,678
		1,831,431,854

		•	Amount (Taka)
7.7	Class	ification of loans, advances and lease/investments	
	Uncla	<u>assified</u>	
	Stand		1,831,431,854
	-	al mention account unclassified loans and advances	1 921 421 954
			1,831,431,854
	Class	<u>ified</u> andard	
	Doub		_
	Bad/I		-
	Total	classified loans and advances	1 921 421 954
			1,831,431,854
7.8	Parti	culars of Loans, advances and lease/investments	
	(i)	Loans considered good in respect of which the Bank is fully secured	1,047,118,824
	(ii)	Loans considered good against which the Bank holds no security other than the debtors' personal guarantee	784,313,030
	(iii)	Loans considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	
			1,831,431,854
	(v)	Loans due by directors or officers of the Bank or any of them either separately or jointly with any other persons (staff Loan)	81,950,276
	(vi)	Loans due from companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in case of private companies, as members	-
	(vii)	Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either separately or jointly with any other persons	-
	(viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	361,104,307
	(ix)	Due from other banking companies	-
	(x)	Amount of classified loans on which interest has not been charged	-
	a)	Increase/(decrease) of provision (specific)	-
	b)	Amount of loan written off	-
	c)	Amount realised against loan previously written off	-
	d)	Provision kept against loans classified as bad /loss on the date of preparing the balance sheet	-
	e)	Interest charged to interest suspense account	-



Notes to financial statements for the period ended 31 December 2013

Amount (Taka)

## 7.9 Details of large loans and advances

Name of Comital	Outst	Outstanding		
Name of Capital	Funded	Non-funded	Total	
Nitol Motors	254,660,978	1	254,660,978	
Abul Khair	111,024,474	8,570,000	119,594,474	

## 8. Fixed assets including premises, furniture and fixtures

C	_	_	4	
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Interior decoration	23,582,931
Computer an peripherals	26,269,950
Furniture and fixtures	8,824,431
Office equipment	17,850,170
Motor vehicles	16,766,662
Books	4,500
	93,298,644

Less: Depreciation during the period 3,296,907
Details are in Annex-A 90,001,737

#### 9. Other assets

Advance rent (note 9.1)	123,138,744
Interest Receivable from deposit other banks	85,426,701
Preliminary expenditure	63,957,333
Advance income tax (note 9.2)	20,343,017
Suspense account (note 9.3)	10,270,000
Advance subscription	945,962
Prepaid insurance	597,868
Stock of stationery	586,508
Sundry assets	330,000
Stamp in hand	99,930
Interest receivable on treasury bonds	153,564
MDBL general account (note 9.4)	-
	305,849,627

## 9.1 Advance rent

Head Office	26,269,606
Dilkusha Corporate Branch	32,324,292
Principal Branch	51,306,750
Agrabad Branch	12,335,142
Mirzapur Bazar Branch	902,954
	123.138.744

## 9.2 Advance corporate income tax

Opening Balance	-
Add: Tax withheld during the period	20,343,017
Balance as at 31 December 2013	20,343,017

## 9.3 Suspense àccount

Advance against interior decoration	8,800,000
Advance against furniture and fixtures	600,000
Advance against branches	400,000
Advance against TA/DA	150,000
Others	320,000
	10.270.000

114

#### Notes to financial statements for the period ended 31 December 2013

Amount (Taka)

#### 9.4 MDBL general account

MDBL general account represents outstanding inter-branch and Head Office transactions (net) originated but yet to be responded by the balance sheet date. However, there are no un-respondent entries on 31 December 2013:

Particulars	Numbers of		Un-respondent entries	
	un-respondent entries		(Amount - BDT)	
	Dr Cr		Dr	Cr
Up to 3 months	-	-	-	-
Over 3 months but within 6 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	_	-

### 10. Borrowings from other banks, financial institutions and agents

In Bangladesh (note 10.1)	580,000,000
Outside Bangladesh	-
	580,000,000

#### 10.1 In Bangladesh

## Call and term borrowing from

Uttara Bank Limited	300,000,000
Janata Bank Limited	180,000,000
Agrani Bank Limited	100,000,000
	580,000,000

#### 10.2 Analysis by security

Secured (assets pledge as security for liabilities)	580,000,000
Unsecured	-
	580 000 000

#### 10.3 Repayment pattern

Repayable on demand	580,000,000
Repayable on maturity	-
	580.000.000

#### 11. Deposit and other accounts

a) Demand deposits	127,684,988
Current accounts	82,253,842
Savings deposits (9%)	4,709,155
Bills Payable	13,090,253
Sundry deposit	27,631,738

#### b) Time deposits

Time deposits	2,729,157,678
Savings deposits (91%)	47,614,791
Short notice deposits	91,861,088
Fixed deposits	1,921,581,987
Other deposits	668,099,812

#### Total demand and time deposits

11.1	Current accounts and other accounts	
	Current deposits	82,253,842
	Short term deposits	91,861,088
	Sundry deposit	27,631,738
		201,746,668

#### 11.2 Savings bank deposits

As per BRPD Circular No. 03 of 07 July 1997, total saving bank deposits amount is distributed into:

9% of total savings bank deposits (demand deposits)	4,709,155
9% of total savings bank deposits (time deposits)	47,614,791
	52,323,946



2,856,842,666

Notes to f	inancial state	ments for th	e period er	nded 31 D	December 2013

Notes	to infancial statements for the period ended 31 December 2013		Amount (Taka)
11.3	Deposits under schemes		7 mount (1 aka)
11.0	MDBL super monthly savings		12,146,947
	MDBL double benefits		257,802,865
	MDBL family support		398,150,000
	MDBL corporate support		_
	MDBL special rural scheme		_
			668,099,812
11.4	Maturity grouping		,,
	Repayable – on demand		644,492,414
	– upto 3 months		1,108,780,252
	over 3 months but upto 1 year		581,190,000
	– over 1 year but upto 5 years		348,990,000
	– over 5 years		173,390,000
			2,856,842,666
11.5	Sundry Deposit		
	Marin on L/C		8,343,564
	Provident fund		5,725,622
	Margin on bank guarantee		5,108,207
	Income tax deducted at source		3,799,688
	Excise duty		1,388,710
	VAT payable		988,118
	Security deposit on others		895,133
	Other sundry deposit		534,870
	Employees welfare fund		452,800
	BEFTN adjusting account		180,000
	Inspection fees		70,487
	Q-Cash settlement account		45,403
	Online GL transaction		42,500
	Security deposit on locker		25,000
	BACH charges payable		22,693
	Excess cash		8,364
	Credit balance in loan account		349
	Revenue stamp		230
	1		27,631,738
12.	Other liabilities		
	Provision against loans and advances (note 12.1)		16,057,765
	Provision for current tax (note 12.2)		7,976,510
	Provision for outstanding debit entries in NOSTRO accounts		_
	Provision for off balance sheet items (note 12.3)		1,578,813
	Provision for interest payable (note 12.4)		45,760,142
	Provision for audit fees		115,000
	Accrued expense		833,900
	•		72,322,131
12.1	<b>Details of provision for Loans and Advances</b>		
	· · · · ·	Pr	ovision
		Required	Maintained
	General Provision:	16,057,765	16,057,765
	Standard	10,037,703	10,037,703
	Special mention account	_	-
	Specific Provision:		
	Substandard		
	Doubtful	_	_
	Bad/Loss	_	
	Excess provision maintained at 31 December 2013		-

12.2

12.3

12.3.1

12.4

13.

13.1

13.2

400,000,000 ordinary shares of Taka 10 each issued for cash

Notes to financial statements for the period ended 31 December 2013

Provision for loans and advances:				
Status of loans and advances	Outstanding amount (taka)	Base for Provision	Provision %	Provision amount (taka)
Unclassified loans and advances :				
Unclassified ( SMEF)	211,223,006	211,223,006	0.25%	528,058
Unclassified (other credit)	1,523,546,381	1,523,546,381	1.00%	15,235,464
Unclassified (HF)	14,712,191	14,712,191	2.00%	294,244
Agri Loan	-	-	5.00%	-
Unclassified ( staff loan))	81,950,276	81,950,276	0.00%	-
Special Mention Account	-	-	5.00%	-
Total unclassified loans and advances:	1,831,431,854	1,831,431,854		16,057,765
Classified loans and advances:				-
Substandard	_	_	20%	-
Doubtful	-	_	50%	_
Bad/loss	_	_	100%	-
Total classified loans and advances		-		
Total loans and advances	1,831,431,854	1,831,431,854		16,057,765
Opening Balance  Add: Provision made during the period Closing balance			[	7,976,510 7,976,510
Provision for off balance sheet items			г	
Opening Balance <u>Add</u> : Provision made during the period				1,578,813
Closing balance			L	1,578,813
Crossing burance			_	1,570,010
Particulars of required provision for O	ff-Balance Sheet I			
		Base for		
		provision	Rate (%)	2013 (Taka)
Acceptances and endorsements		-	10/	-
Letters of guarantee		112,834,989	1%	1,128,350
Irrevocable letters of credit		45,046,337	1%	450,463
Bills for collection	, ,	155 001 226		1 770 012
Total off-balance sheet items & require	a provision	157,881,326		1,578,813
Total provision maintained Excess/(short) provision at 31 Decembe	r 2013			1,578,813
· · · · · ·	1 2013		_	
Provision for interest payable Interest Provision on call deposit			Г	225,550
Interest Provision on core deposits				45,534,586
interest i rovision on core deposits			L	45,760,142
Share Capital			_	4,000,000,000
Authorised capital				
1,000,000,000 ordinary shares of Taka 10	each			10,000,000,000
			=	
Paid-up capital				



4,000,000,000

Notes to financial statements for the period ended 31 December 2013

Amount (Taka)

## 13.3 Names of the Directors and their shareholding as at 31 December 2013

Name of the Director	Status	No of Shareholding
Name of the Director	Status	as at 31 Dec 2013
Mr. M. Moniruzzaman Khandaker	Chairman	11,000,000
Mrs. Nilufer Zafarullah	Vice-Chairman	4,000,000
Dr. Kazi Shahidullah	Director	8,000,000
Ms. Scherezad Joya Monami Latif	Director	40,000,000
Mr. Abdullah Ahmed Yousuf	Director	23,000,000
Kazi Omar Zafar	Director	8,000,000
Master Abul Kashem	Director	20,000,000
Mr. Mohammad Jamal Ullah	Director	20,000,000
Al-haj Mohammed Issa Badsha	Director	20,000,000
Mr. Ahsan Khan Chowdhury	Director	20,000,000
Mr. Md. Wahid Miah	Director	20,000,000
Mr. Rezaul Karim	Nominee Director	20,000,000
Mr. Abdul Majid Mondol	Nominee Director	20,000,000
Mr. Md. Shamsuzzaman	Nominee Director	21,000,000
Mr. Md. Motaleb Hossain	Nominee Director	20,000,000
Mr. Md. Belal Hossain	Nominee Director	20,000,000
Mr. Al-haj Mohammed Helal Miah	Nominee Director	20,000,000
Mr. A.K.M. Badiul Alam	Nominee Director	20,000,000
Ms. Tajbin Nikita Sarker	Nominee Director	19,000,000
Mr. Md. Badsha Mia	Nominee Director	20,000,000

#### 13.4 Capital Adequacy Ratio - As per BASEL II

#### **Capital Adequacy Ratio**

In terms of section 13(2) of Banking Companies Act 1991 and Bangladesh Bank (BB) BRPD Circular no. 35 dated 29 December 2010, required capital of the Bank at the close of business on 31 December 2013. Details are shown below:

ociow.	
Core capital (Tier I)	<u> </u>
Fully paid-up capital/Capital deposited with BB	4,000,000,000
Statutory reserve	2,158,350
Non-repayable share premium account	-
General reserve	-
Retained earnings	8,633,399
Minority interest in subsidiaries	-
Non-cumulative irredeemable preferences shares	-
Dividend equalisation account	-
	4,010,791,749
Supplementary capital (Tier II)	
General provision (Unclassified loans + SMA + off-balance sheet exposure)	17,636,578
Assets revaluation reserves up to 50%	-
Revaluation reserves of securities (Up to 50%)	5,956,542
Revaluation reserve for equity instruments up to 10%	-
All other preference shares	-
Balance of exchange equalisation fund	-
Perpetual subordinated debt	-
Sub-total	23,593,120
Deductions, if any	
Total Eligible Tier-II Capital	23,593,120
Capital eligible for market risk (Tier-III)	
Short-term subordinated debt	
A. Total Eligible Capital	4,034,384,870
Total risk-weighted assets (RWA)	4,133,500,000
B. Minimum Capital Requirement (MCR)	4,000,000,000
Capital Surplus / (Shortfall) [A-B]	34,384,870
Capital adequacy ratio	97.60%

ioles to	financial statements for the period of	ended 31 December 2013	Amount (Taka)
14.	Statutory reserve		
	Opening balance  Add: Addition during the period  Closing balance		2,158,350 2,158,350
15.	Other reserve		
	Investment revaluation reserve (note	15.1)	11,913,084
15.1	Investment revaluation reserve (tre	easury bills & treasury bonds)	
	Revaluation reserve for:		
	Held to maturity (HTM) Held for trading (HFT)	(note 15.1.1) (note 15.1.2)	11,762,119 150,965 <b>11,913,084</b>
15.1.1	Revaluation reserve for held to ma	iturity (HTM)	
	Opening balance  Add: Addition during the period  Closing balance		- 11,762,119 <b>11,762,119</b>
15.1.2	Revaluation reserve for held for tr	ading (HFT)	
	Opening balance  Add: Addition during the period  Closing balance		150,965 150,965
		FT securities are transferred to revaluation reserve 1 26 May 2008 of which 50% of revaluation 1	
16.	Retained earnings		
	Opening balance  Add: Post-tax profit for the period  Less: Transfer to statutory reserve  Provision for current tax  Closing balance		18,768,260 2,158,350 7,976,510 <b>8,633,399</b>
17.	Contingent liabilities		157,881,326
17.1	Letters of guarantee		
	Money for which the Bank is in conti	ingently liable in respect of guarantees issued favour	ring:
	Directors Government Banks and other financial institu Others	itions	- - 112,834,989 <b>112,834,989</b>
17.2	Irrevocable letters of credit		45,046,337



	• • • • • • • • • • • • • • • • • • •	Amount (Taka)
Profi	t and Loss Statement	
18.	Profit and loss statement	
	Income:	
	Interest, discount and similar income	347,427,117
	Investment income	4,370,590
	Fee, commission and brokerage	2,387,659
	Other operating income	1,196,780
	Gains less losses arising from investment securities	1,150,700
	Gains less losses arising from dealing in foreign currencies	_
	Gains less losses arising from dealing securities	_
	Income from non-banking assets	-
	Profit less losses on interest rate changes	-
	·	355,382,146
	Expenses:	
	Interest, fee and commission	146,121,263
	Administrative expenses	95,041,751
	Other operating expenses	74,277,765
	Depreciation and amortisation on banking assets	3,536,529
	Losses on loans and advances/provision expenditure	-
		318,977,308
		36,404,838
19.	Interest income/profit on investments	
	Interest on loans and advances:	
	Loans and advances	60,028,414
	Bills purchased and discounted	-
	2 mo paronasca ana discounted	60,028,414
	Interest on:	
	Calls and placements	1,712,083
	Fixed deposit with banks and financial institutions	285,683,333
	F.C clearing accounts	3,287
		287,398,703
		347,427,117
20.	Interest/profit paid on deposits, borrowings, etc	
	Interest on deposits:	
	Fixed deposits	107,368,101
	Savings deposits	568,685
	Special notice deposits	4,212,718
	Other deposits/ secondary treasury bill purchased	33,444,814
		145,594,318
	Interest on borrowings:	
	Local banks, financial institutions including Bangladesh Bank	526,945
		146,121,263
21.	Investment income	
	Interest on treasury bills	153,564
	Interest on commercial paper	3,133,333
	Amortisation of securities	1,083,693
22	Commission, analysis and hydrogen	4,370,590
22.	Commission, exchange and brokerage	21.064
	Other fees, commission and service charges	31,064
	Commission on letters of credit	634,133
	Commission on letters of guarantee Exchange gains less losses arising from dealings in foreign currencies	1,031,980 690,482
	Exchange gams toss tosses arising from deatings in foreign currencies	2,387,659
		4,507,039

Notes to financial statements for the period ended 31 December 2013

1000		Amount (Taka)
23.	Other operating income	
	Incidental charge	844,127
	Services and other charges	165,401
	Recoveries on telex, telephone, fax, etc	66,950
	L/C charges	50,055
	Non-operating income (*)	31,487
	Locker rent, insurance claim and others	28,360
	Recoveries on courier, postage, stamp, etc	10,400
		1,196,780
	(*) Non-operating income includes loan processing fees, insurance certificate foreign corres	ponding, etc.
24.	Salary and allowances	
	Basic salary	30,090,511
	House rent allowances	15,468,459
	Bonus (festival and incentive)	9,850,100
	House maintenance and utility allowance	7,630,905
	Medical allowance	7,308,350
	Leave fare assistance	6,763,947
	Car maintenance allowance	4,286,750
	Employees provident fund	2,862,811
	Conveyance allowance	1,447,628
	Other allowances	500,623
25.	Rent, taxes, insurance, electricity, etc	86,210,084
		52 (24 (12
	Rent, rates and taxes	52,624,612
	Electricity, gas, water, etc Insurance	1,844,432
	insurance	710,247 <b>55,179,291</b>
26.	Legal expenses	33,177,271
		147.651
	Legal and professional fees  Parigraphics fees notes while and stamp	147,651
	Registration fees, notary public and stamp	1,108,050 1,255,701
27.	Postage, stamp, telecommunication, etc	1,233,701
27.		
	Telex, fax, internet, wireless link, SWIFT, etc	895,116
	Telephone	470,681
	Postage, stamp and shipping	18,775
•0		1,384,572
28.	Stationery, printing, advertisements, etc	
	Printing and stationery	3,562,542
	Publicity, advertisement, etc	4,236,072
	Computer expenses	223,205
		8,021,819
29.	Directors' fees	
	Directors' fees	120,000
	Meeting expenses	98,367
		218,367

It is resolved in the second meeting of Board of Directors held on 15 April 2013 that no remuneration will be allowed for attending all onward meetings of the Board or its committees until decided otherwise.



Notes	s to financial statements for the period ended 31 December 2013	Amount (Taka)
		7 mount (Taka)
30.	Auditors' fees	
	Statutory audit fee	115,000
31.	Depreciation and repairs of Bank's assets	
	Depreciation:	
	Computer phepherals	1,064,908
	Furniture and fixtures	262,054
	Interior decoration	706,164
	Office equipment	830,095
	Building	-
	Motor vehicles	431,186
	Books	2,500
		3,296,907
	Repairs and maintains	239,622
		3,536,529
32.	Other expenses	
	Car expenses	3,988,967
	Pre-opening expenditure	1,505,141
	Entertainment expenses	996,232
	Travelling expenses	534,528
	Miscellaneous expenses (note 32.1)	516,096 222,671
	Local conveyance, carriage and freight Newspapers and magazines	217,858
	Q-cash/ATM cards/VISA cards	81,213
	Medical expenses	64,832
	Training expenses	48,740
	Bank charges	31,016
	Loss on revaluation of securities	10,121
	Overtime charges	600
22.1	Marchan and an analysis of the state of the	8,218,015
32.1	Miscellaneous expenses	6.204
	Laundry and cleaning Photocopy	6,394 95,828
	Cash carring charge	51,175
	Nursery	21,000
	Excise duty	55,000
	Sundry expenses	286,699
		516,096
	(*) Sundry expenses include corporate expenses, business promotion, expenses on manage annual general meeting, loss on sale of assets, non-operating expenses and other expenses.	
33.	Provision for loans and advances	
	On un-classified loans	16,057,765
	On classified loans	-
		16,057,765
34.	Other provision	
	Provision for off balance sheet items	1,578,813
	Provision for Other assets	-
		1,578,813

			Amount (Taka)
35.	Earnings per share		
	Profit after taxation		10,791,749
	Number of ordinary shares outstanding		400,000,000
	Weighted average no of shares		200,000,000
	Earnings per share		0.054
36	Number of employees and support staffs		
	Employee		
	Regular employee		150
	Contractual employee		-
			150
	Support Staff		
	Security		39
	Messenger and cleaning Staff		31
			70 220
37	Conversion Rates		
	Assets and liabilities as at 31 December 2013 denom currency Bangladesh Taka (BDT) at the following ex		re been converted to local
	Currency	<b>Abbreviation</b>	<u>Unit</u>
	British Pound Sterling	GBP	1.00
	European Currency	EURO	1.00
	Indian Rupee	INR	1.00
	US Dollar	USD	1.00
38	Receipts from other operating activities		
	Income from overseas Branches, agents, etc		-
	Other operating income		1,196,780
•			1,196,780
39	Payment for other operating activities		
	Rent, taxes, insurances & electricity		55,179,291
	Legal expenses		1,255,701
			0.404.201
	Communication, stationery and others		9,406,391
	Repair and maintenance Directors' fees		239,622
	Repair and maintenance		



Notes to financial statements for the period ended 31 December 2013

## 40. Highlights of the overall activities of the Bank

SI	Particulars	2013
51	Farticulars	Taka
1	Paid-up capital	4,000,000,000
2	Total capital	4,022,704,833
3	Capital surplus	34,384,870
4	Total assets	7,531,869,630
5	Total deposits	2,856,842,666
6	Total loans and advances	1,831,431,854
7	Total contingent liabilities and commitments	157,881,326
9	Ratio of classified loans against total loans and advances	-
10	Profit after tax and provision	10,791,749
11	Loans classified during the period	-
12	Provision kept against classified loans	-
13	Provision surplus/ (deficit)	-
14	Cost of fund	12.18%
15	Interest earning assets	6,851,744,011
16	Non-interest earning assets	680,125,619
17	Return on investments (ROI)	0.27%
18	Return on assets (ROA)	0.14%
19	Income from investments	291,766,006
20	Earnings per share	0.05
21	Net Income per share	0.05
22	Price-earnings ratio (Times)	N/A

for Midland Bank Limited

Managing Director & CEO Director Director Chairman

Dhaka, Bangladesh Dated, 05 March 2014 Annex A

Midland Bank Limited

Schedule of fixed assets including premises, furniture and fixtures at 31 December 2103

Amounts in Taka	Written down	value as at 31 Dec 2013	22,876,767	25,205,042	8,562,377	17,020,076	16,335,476	2,000	90,001,737
Amounts		Balance as at 31 Dec 2013	706,164	1,064,908	262,054	830,095	431,186	2,500	3,296,907
	Depreciation	Disposal/adjustment   Balance as at during the period   31 Dec 2013	ı	1	1	1	1	1	-
	Q	Charge for the period	706,164	1,064,908	262,054	830,095	431,186	2,500	3,296,907
		Opening Balance	1	1	1	1	1	1	-
		Rate (%)	10	20	10	15	20	20	
		Balance as at 31 Dec 2013	23,582,931	26,269,950	8,824,431	17,850,171	16,766,662	4,500	93,298,644
	Cost	l/adjustment the period	ı	1	1	1	1	-	-
		Opening         Addition during         Disposa           balance         the period         during	23,582,931	26,269,950	8,824,431	17,850,171	16,766,662	4,500	93,298,644
		Opening balance		1	1	1	1	-	-
		Particulars	Interior decoration	Computer and peripherals	Furniture and fixtures	Office equipment	Motor vehicles	Books	Total

# MDBL Photo Gallery



1<sup>st</sup> Press Conference of the Bank at Westin Hotel, Dhaka April 27, 2013

Statutory Meeting of the Shareholders of the Bank
September 19, 2013





Signing of Agreement with IT Consultants Ltd. for joining Q-cash Network July 23, 2013



Inaguration of 1st ATM Booth at Banani, Dhaka

Inaguration of Agrabad Branch, Chittagong





Inaguration of Dilkusha Corporate Branch, Dhaka



Inaguration of Mirzapur Bazar Branch

Inaguration of SWIFT Operations





Training on Internet Banking operation & Administration



Inaguration of Principal Branch, Banani, Dhaka

Participants of a Traning program at Bank's Head Office January 22, 2014





Workshop on Anti-Money Laundering November 12, 2013





Notes



Notes	