



midlandbank^{ltd}
bank for inclusive growth

ANNUAL REPORT

2015

MDB is thriving ...

In the third year of our moving ahead, with all our strength and excellence, we sailed across the financial frontlines to return smile to our sponsors and stakeholders. One obvious goal we knew for sure - to translate their trust and capital into a lucrative gain - sound and sustainable. MDB is presenting its 2015 financial results as a fast growing fourth generation Bank in Bangladesh with the pride of a solid capital-base, quality assets and strong profitability.

Going together with the investors who backed its beginning in 2013 amid both prospects and turmoil, the year 2015 has seen us rise from 15,091 to 25,344 customer accounts, profits grew by 1,166% to a staggering BDT439 million and balance sheet soared to BDT 24 billion in less than three years. Total deposits hit near BDT 18 billion in the reporting year, up from BDT 8.5 billion a year earlier and the loan book more than doubled BDT 6.5 billion to BDT 14 billion at the year-end. By and large, this was most successful on our part to post returns on equity (ROE) which are as high as 8.63% and Earnings per Share (EPS) as best as BDT 1.10. We're getting growth rates above the market benchmark which give us confidence for the future.

Today's commercial Banks are operating in a new banking environment. The current regulatory world has made it more challenging for Banks to increase revenues and maintain profitability. In our response, we quickly and decisively adopted new approaches towards risk as prescribed by the regulators. We prize regulation as a friendly force for change. We engineered compliance and control functions that meet new regulatory demands while still allowing MDB to support their customers and flourish. Business with impaired assets at the minimum and increasing customers' loyalty with new and innovative products and services were among the best achievements of 2015.

MDB adopted a customer-first culture throughout the Bank. Excellent Customer Service as you experience at MDB is the foundation of its strong bond. Thus we let open a flood of information on banking products online or through regular channels to meet customers' need, expectation and demand. Your Midland Bank has become an example of proving the idea of an integrated model, delivering through branches, online, mobile and telephone. Here lies our dream and success for a **'bank for inclusive growth'**.

We envision our new bank as a portal into a dynamic new digital world. So we developed a technology strategy and roadmap that integrate the core banking platform with emerging digital and mobile channels. To stay competitive, MDB is embracing technology and incorporating social media into its marketing impulse. In the age of disruption, uncertainty and change are the new norms. This presents opportunities for those who are prepared. Demographic change is a critical factor. Young, digital-native customers already have to be catered alongside an ageing population. Then the majority of those who just started school will, by the time they graduate, be doing jobs that currently don't exist. What banking needs will they have? – **we pay a part of our thought to shaping this new world in the making.**

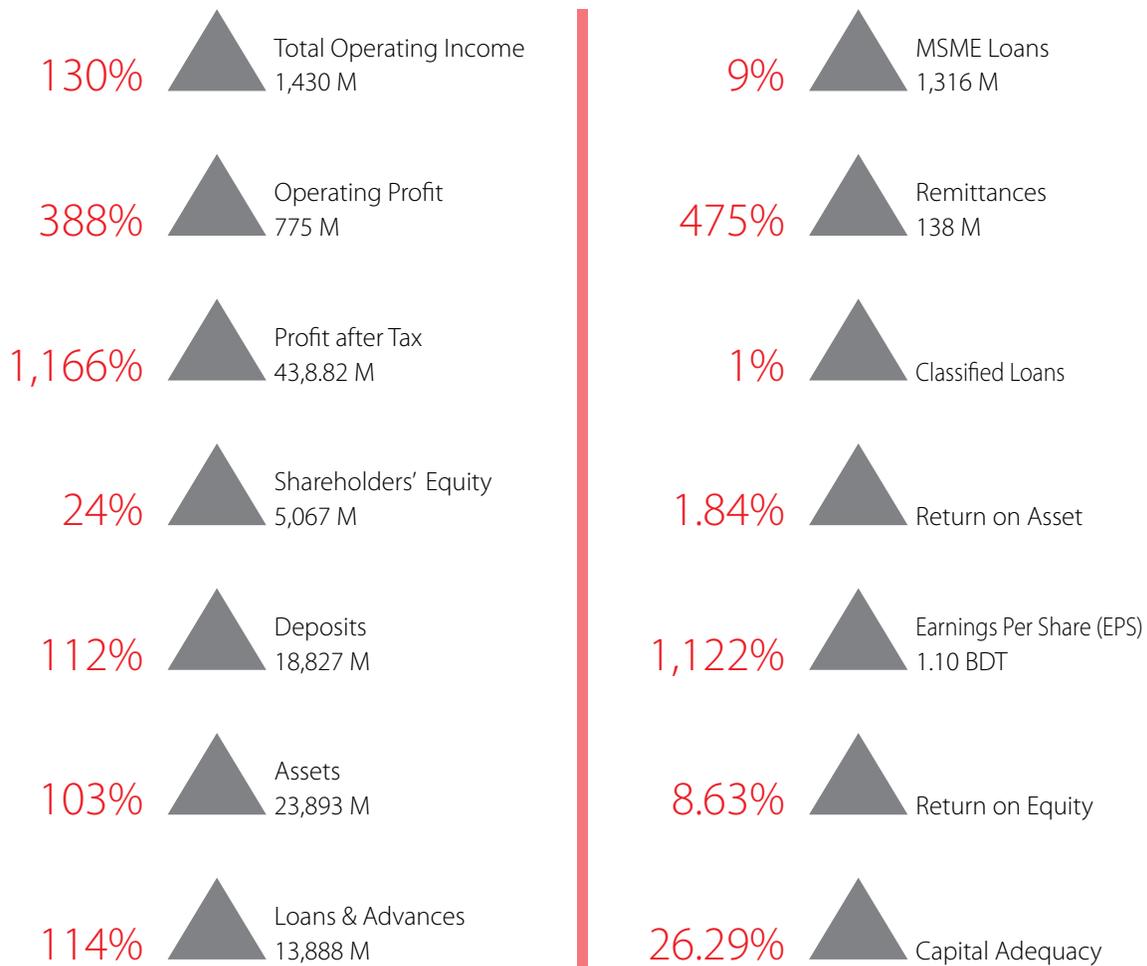
In the order of the financial world, the cycle of positivity has come to reign. There is one certainty. The ruthless, growth-at-all-costs ambition of the stereotypical pre-crisis bank won't be back. This is a new environment, defined by the ethical commitment of industry's new leaders, the scrutiny of society, the attentions of regulators, competition from new sources and transformative technology. The road that lies ahead will be challenging. But there is a growing sense of self-belief returning to us and this is welcome.

We face the future unafraid and with the steadfast determination to be of better service to our friends and customers in the years. MDB is growing, progressing and continuously including all stakeholders from rural frontiers to urban chateaus to portray an enduring image of the country's economic shines.

Year 2015: MDB Performance Highlights

MDB Growth Across Business Areas:

While the pace of change in the banking industry continued to impact in 2015, MDB responded with a complete set of solutions to build an even better bank. Boosted on high growths in all core areas, our strategic agenda is on the track and will position the Bank to continue to adapt and thrive in an increasingly competitive and evolving industry.



Credit Rating

Long Term BBB+	Indicating Moderate degree of safety for timely repayment of financial obligation
Short Term ST-3	Indicating Sound liquidity factors and company fundamentals and good certainty of timely payment
Date of declaration of Rating	29 th June, 2015
Credit Rating Agency	Credit Rating Information & Services Limited (CRISL)

Value Creation for Stakeholders during 2015

Customers	Total Deposit & Advance Accounts 2015 - 25,344 2014 - 15,091	Interest paid to Customers 2015 - BDT 1,359 mn 2014 - BDT 624 mn	Loan Disbursed 2015 - BDT 13,888 mn 2014 - BDT 6,500 mn	Service Points 2015 - 01 2014 - 01	SMS Banking A/c 2015 - 2818 2014 - 2224
Shareholders	Profit after Tax 2015 - BDT 439 mn 2014 - BDT 35 mn	Total Assets 2015 - BDT 23,893 mn 2014 - BDT 15,107 mn	Shareholders' Fund 2015 - BDT 5,067 mn 2014 - BDT 4,049 mn	Dividend Payout 2015 - 8% Stock (proposed) 2014 - Nil	Earnings Per Share 2015 - BDT 1.10 2014 - BDT 0.09
Employees	Total Headcounts 2015 - 335 2014 - 198	Total Staff Cost 2015 - BDT 333 mn 2014 - BDT 209 mn	Talent Development: Training hours 2015 - 1868 hrs (approx.) 2014 - 949 hrs (approx.)	Attrition Rate 2015 - 05% 2014 - 11%	
Government Institutions	Tax paid to Government 2015 - BDT 269 mn 2014 - BDT 133 mn	Investment in Govt. Securities 2015 - BDT 3,679 mn 2014 - BDT 1,986 mn	Tax Collected on behalf of Govt. 2015 - BDT 157 mn 2014 - BDT 79 mn	Excise Duty Collected on behalf of Govt. 2015 - 12 mn 2014 - 5 mn	
Business Partners	Fees & Commissions 2015 - BDT 126 mn 2014 - BDT 59 mn	Payment to Service Providers 2015 - BDT 241 mn 2014 - BDT 228 mn	No. of Correspondent Banks 2015 - 56 2014 - 40	Business Partnership Signed 2015 - 5 deals 2014 - 1 deals	
Community	CSR Donation 2015 - BDT 3.47 mn 2014 - BDT 1.08 mn	No. Frill Accounts 2015 - 525 2014 - 0	Refinance to SME, Agri, Women 2015 - BDT 12.5 mn 2014 - BDT 2.5 mn	E-statement Customers 2015 - 150 2014 - 0	

We have deep understanding of our role as custodians of wealth, impacting many lives directly or indirectly. We play a key role in the socio-economic progress of Bangladesh with great responsibility. We work on a Business Model which simply explains how we translate our capitals into value for our key stakeholders.

MDB Profile: The Bank you bank with

At the crossroads of your want and innovative solution

MDB stands at the crossroads of the demanding customers and an evolving banking world. As we experience today, technological shift across the globe are incessantly creating hundreds of avenues in translating our dreams. The visionary leaders envision a world of shared growth and prosperity by leveraging these gifts of modern age. With this winning vision, Midland Bank came to the financial frontier of Bangladesh in 2013 as a fourth generation new bank to include and serve people from all walks of life. Since the beginning, the Bank has been focusing on convenience and mobility as the strongest tools to create superior customer experience. To do that the Bank is making fundamental shift towards digital - weaving networks, building alliances and finding new ways of customer solutions. In whatever form you appear to us - a branch-lover to interact face-to-face, a self-driven customer to use ATMs, an internet users to log in to the Bank, a mobile customer to order transaction, a distant people to ensure payment online or a visitor to social media to hunt for new offers, we are ever ready to serve with passion and commitment.

Commencement of Business on a strong capital base

Midland Bank Limited was incorporated on March 20, 2013 under the Companies Act 1994 as a Public Limited Company by shares for conducting all types of banking activities with Paid-up Capital of Tk. 400 crore. The Company was also issued Certificate for Commencement of Business on the same day and embarked on regular banking operation on June 20, 2013 through opening the first branch named Dilkusha Corporate Branch. The Bank is entitled to carry out all types of commercial banking activities including money market operations along with other operational excellence in banking. The Bank has rooted its pace with a strong capital base, appreciably high enough to weather any economic storms and to win the trust of the customers. At the year-end 2015, Bank's total capital has widened to a total of BDT 4,650 million indicating a remarkable growth of 13%. Bank's capital adequacy stood at remarkable 26.29% at the year-end which stayed much above required ceiling of 10% as per Basel III compliance.

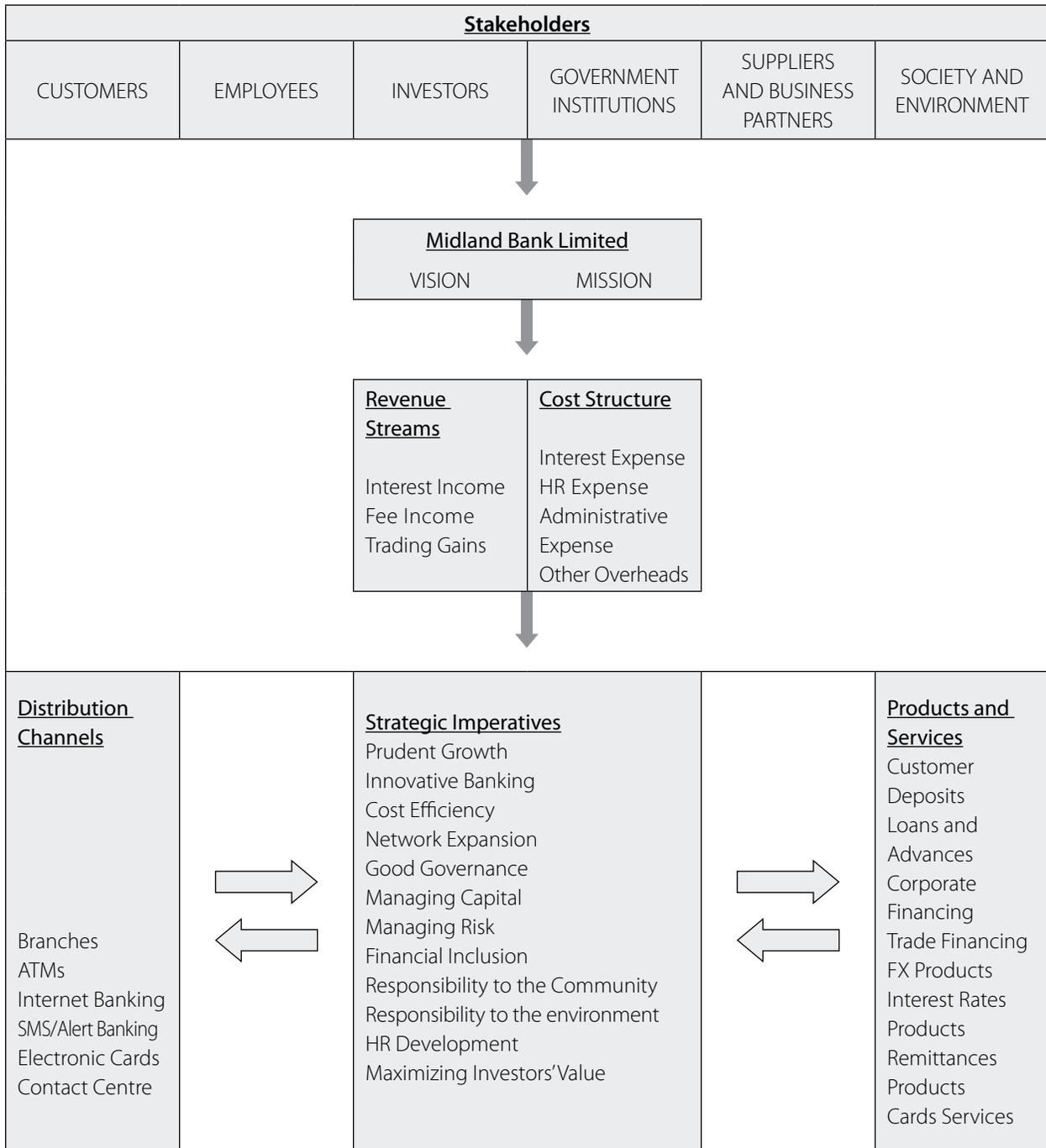
The Board and its governance practices

The success of the Bank rests assured on its proven track record of upholding high standards of corporate governance and the Board is committed to ensuring that the governance structures, policies and processes are sufficiently robust and consistent in a fast changing operating world. The Bank is led by a Board of Directors who are well experienced and expert at their respective field of business. The Chairman of the Board of Directors Mr. M. Moniruzzaman Khandaker is a highly reputed personality having wide experience as a bureaucrat, Legal Adviser and Law business. The Board as a supreme authority supervises the overall activities of the Bank in full compliance with regulation of the land. Three Board Committees are headed by competent and experienced Directors who look after respective segment of businesses and banking activities as allocated by the Board of Directors.

The Board while running its day-to-day business and decision-making ensures that all of its exercises are in extreme harmony with their code of conduct and no longer fuel conflict of interest under any circumstances. The Bank Management has freedom to execute their duties and decision as per delegation invested by the Board.

A highly competent and expert team of bankers steers the Bank's everyday operations to the path of progress as envisioned by its Shareholders. The Managing Director and CEO, Mr. Md. Ahsan-uz Zaman leads the bank management across Head Office, Branches and other service network with a proven track record of working in leading local and foreign banks and the capacity to meet organizational goal. The Bank pursues a strong HR policy in selecting and recruiting candidates for the Bank under a rigorous talent search. The Team Management is full of spirit and sparks to lead our journey to inclusive growth and a banking brand well loved by the community.

Our Business Model



Our Business Model and Strategy in action

The Bank is in the business of financial intermediation – between depositors and borrowers, between importers and exporters, between remittances and beneficiaries and also between government and the underserved population. Our major source of income in our retail and commercial banking businesses is net interest income. This is the difference between the income we earn from the loans and advances we have made to our retail, corporate and institutional customers and on our surplus funds and the interest we pay on deposits placed with us by our customers. We also earn fees from financial services, trading and investment portfolio and from assets we lease to our customers.

The Bank's business model has been evolving over time in response to significant changes in the operating environment – notably a steadily tightening of regulatory oversight, the rapid development of new information and communication technologies and the more worth noticing, constantly changing customer behavior. Therefore, we have been reshaping our operations to be more customer-centric, developing a deeper insight of individual customer's financial goals and needs.

We have segmented the market accordingly and refined our value proposition to meet the expectations of retail, MSME, agri farms and corporate customers that we understand better than ever before. The diverse products and services MDB offers today and the range of channels by which we deliver them, reflect this drive to create a more integrated, relevant and valued customer experience. We market and book customers through an attractive package of products and services (total 146 as at Dec 31, 2015) that are designed in good match with the need of individual customers. Constantly, we search for opportunity to add a new product to our business line by conducting wide research and development to comply with varying and changing requirement of the customers.

At the same time, our business model remains simple and clearly aligned with the Bank's strategic objectives. Consciously avoiding complex, structured products, we have achieved consistently growing financial results as we advance against our own record. In relation to our peers, in competitive banking industry, MDB's continuous growth and success demonstrate the suitability of our underlying business model.

Delivery channels and footprints

MDB understands that each customer has one or more preferred channels to interact with Bank. So the Bank has deployed multiple channels to connect with the customers. We have established physical presence through 20 Branches conveniently located at different location of the country. We have enhanced our footprints almost everywhere in the country through alternative delivery channels (ADC) that increasingly leverage ICT - including 18 own ATMs, 7,500 shared ATMs, Contact Centre services, Internet Banking and SMS/Alert Banking.

Table: Status of segment-wise channel mix

Customer Segment	Branches	Internet Banking	ATMs	Call Centre	Mobile Banking	Relationship Banking
Corporate	Yes	Yes	No	Yes	No	Yes
Retail	Yes	Yes	Yes	Yes	Yes	No
SMEs	Yes	Yes	No	Yes	No	No
Mass	Yes	Yes	Yes	Yes	Yes	NO
High Net-worth	Yes	Yes	Yes	Yes	Yes	Yes

To support the delivery of target services cost-effectively, we have been moving increasingly towards a shared-services model for the Bank's central functions. This enables us to take advantage of synergies across the partnering enterprises, as various cross-functional working groups share ideas, refine processes and collaborate on joint-initiatives. This enables the Bank to avoid large cost of owning a project that can be supplemented by specialized third parties on discount.

Secured banking on a digital pace

The Bank drives its operations on a robust core banking system. Our Information Technology is helping the Bank fully embrace emerging technologies that will advance both quality of service and operational efficiency. Our online banking customer base has increased significantly attracted by an array of capabilities and benefits. We have successfully introduced many innovative online payment solutions. As the millennial generations are bent upon convenience, our banking embraces all digital and mobile technologies continuing to invest in these channels. Our business has become increasingly tech-intensive over the past few years, requiring us to work closely with number of leading-edge IT vendors. Implementing future-proof security is MDB's priority.

To protect the Bank from the stalking cyber thieves and fraudsters, we are breaking away from traditional security awareness models to employ creative and immersive techniques and deploy technologies that can influence user behaviors. MDB at all times provide trusted connections and authenticate transactions where appropriate.

Credit Rating

Credit Rating Information and Services Limited (CRISL) has assigned “BBB+” rating in the Long Term “ST-3” Rating in the Short Term to Midland Bank Limited based on the financials up to December 2014 and other operational performance up to the date of rating i.e. June 29, 2016.

Long Term	BBB+
Short Term	ST-3
Date of Declaration of Rating	29 June 2015

Business Continuity

We have Business Continuity Plan formulated and approved by the Board as per regulatory prescription. The plan helps the Bank remain stay ahead in the industry and reinforces our presence in the country. It addresses operational risks and strives to minimize any threats posed by shortcomings or failures of internal processes and systems as well as external events, including natural disasters. As the Bank rely heavily on Information Technology, we plan to put in place disaster recovery site at remote location and periodic role-swap exercises will be carried out to test the Bank’s ability to withstand any disaster solution. These exercises are aimed at identifying issues in switching machines and minimizing the down time and losses of data.

Inclusive banking for sustainability

Being committed to the clients, community and economy, the Bank is on way to binding the nation together by including people from all across the frontiers - urban and rural, SME and agriculture, local and global. Concern for environment, energy-saving and green business is also deeply embedded in the heart of MDB. Total customer-base of Midland Bank grew to a great total of 25,344 from 15,091 in 2014 with a considerable growth in the rural customer-base. In our strategic action, we are giving priority to developing MSMEs placing special attention to extending finance to manufacturing and served business on flexible terms. A total of SME entrepreneurs with BDT 1,316 million loan portfolio now we nourish to grow with us. The Bank provides strong support to agriculture, women entrepreneurs as well as micro and cottage industries extending special services to these customers to give pace to the Bank’s mission.

Concern for environment prevails in all our business decisions and banking operations. All we are involved with, must conform to safety of environment, we emphasize. We evaluate credit proposals against the criteria as specified in country laws and Bangladesh Bank guidelines. We have continued to carry out process developments to reduce use of paper and carbon footprint. We ensure improved procurement practices for reduction of energies and minimize waste. Down the line to humanity, community building and social obligation, we are equally concerned. Our CSR contribution, to measure in money terms, amounted to BDT 3.20 million while our total CSR since our entry in the industry totaled BDT 4.69 million.

Midland Bank fosters innovation, leads change and transforms your dreams into the way you want. We are forging ahead with a soaring ambition. It’s not too long – we will be at top of banking business to write the next chapter of your growth, as we become your financial ally.

Letter of Transmittal

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

Dear Sir/Madam,

Annual Report of Midland Bank Limited for the year ended 31st December, 2015

We are pleased to enclose a copy of the Bank's Annual Report 2015, together with the Audited Financial Statements for the year ended 31st December, 2015 for your kind information and record.

Thank you.

Sincerely,



Md. Hasanul Haque
Deputy Company Secretary

Statement Regarding Forward Looking Approach

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

- Higher rate in Corporate Tax on Bank's profit (40%).
- Increase rate of withholding tax and VAT on banking services.
- Changes in the overall economic condition resulting from natural calamities and political instabilities.
- Changes in government policy issues.
- Over burden of SLR as a PD Bank.
- Impact of high CRR and SLR of the Banks.
- Withdrawal / Decrease of incentive given to some thrust sectors which may make the projects slow moving.
- Directives to reduce the lending rates to finance essential items.
- Upsurge in provisioning requirement may reduce the ROA and ROE.
- Dropping the margin ratio for investment accounts.
- Impulsiveness in interest rate.
- Sluggish capital market arising from rumors.
- Compliance issues raised by the international forums which are likely to affect the export growth.
- Rise in international prices of essentials goods which may result to volatility in Foreign Exchange Market.
- Risk management of lending portfolio often requires stress testing which is based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication.

Towards nation building,
our commitment continues...



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Mission & Vision

Vision

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

Mission

We always strive –

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

Strategic Goals

- Balance Sheet Focus** : Our top priority is a resilient and fortress like Balance Sheet based on solid provisioning and sustainable profitability.
- Capital Strength** : We ensure that our Bank is adequately capitalized to weather any financial downturn and look forward to meeting new norms as they phase in.
- Cost Control** : We emphasize efficient and competitive cost management without compromising our quality and maximize profitability through planned reduction in cost of funds, increased yield on advances and investments besides downsizing the cost of operation through technological leverage.
- Risk Mitigation** : We manage financial as well as non-financial risks to optimize profitability through effective risk management and internal control system.
- Innovative Banking** : We inspire innovation in product, process and market as the root for growth as much as technology as the prime agent for change.
- Business Diversification** : We continue to diversify our portfolio into leading corporate, large businesses, MSMEs, agriculture and retail customers to come together in a more sensible way.
- A Better Human Force** : We adore our employees and foster their growth as the future force with constant training and development.
- For a Green Living Habitat** : We are careful about the community and the environment and exert effort to make our homeland a green living habitat for all.



Customer Charter

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

Ethical Preferences

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

Corporate Information

Name of the Company Midland Bank Limited	Authorized Capital BDT 10,000 million	Chairman Mr. M. Moniruzzaman Khandaker
Legal Form Public Limited Company	Paid-up Capital BDT 4,000 million	Vice Chairman Mrs. Nilufer Zafarullah, MP
Registered Office N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212	Total Capital (Tier-i& ii) BDT 4,650 million	Managing Director & CEO Mr. Md. Ahsan-uz Zaman
Date of Incorporation March 20, 2013	Total Asset BDT 23,893 million	Deputy Managing Director Mr. Khondoker Nayeemul Kabir
Formal Inauguration June 20, 2013	Statutory Reserves BDT 150 million	Chief Risk Officer Mr. Khondoker Nayeemul Kabir
Company Registration No. C-108070/13	Capital Adequacy 26.29%	Chief Financial Officer Mr. Md. Zahirul Islam, FCA
Bangladesh Bank Permission No. BRPD (P-3)745(67)/2013-1665 April 09, 2013	Earnings Per Share BDT 10.10	Deputy Company Secretary Mr. Md. Hasanul Haque
Core Banking Activities: All Types of Commercial Banking Activities Money Market Operations Financial Intermediary Services Any Related Financial Services	Net Asset Value Per Share BDT 12.67	Head of Internal Control & Compliance Mr. Mohammad Syejuddin Ahmmed
Delivery Channels Branches 20 ATMs 18 Real-time Online Banking Internet Banking SMS/Alert Banking Debit/ Credit Card with Global Access Shared Network across the Country	Accounting Year-end December 31	Auditors S.F. Ahmed & Co, Chartered Accountants
Credit Rating Short Term : ST-3 Long Term : BBB+	Credit Rating Agency Credit Rating Information & Services Limited (CRISL)	SWIFT Code MDBLBDDH
Total Manpower Employee : 335	Website www.midlandbankbd.net	Contact Centre: (+88) 096 66 410 888, (+88) 11 410 888

Milestones

SL	Description	Date
1	Letter of Intent	17-Apr-2012
2	Certificate of Incorporation	20-Mar-2013
3	Commencement of Business	20-Mar-2013
4	Head Office Approval	09-Apr-2013
5	Gazette Published	10-Apr-2013
6	First Press Conference	27-Apr-2013
7	First Branch Operation (Dilkusha Corporate Branch)	20-Jun-2013
8	BACH Operation	30-Jul-2013
9	BEFTN Operation	02-Sep-2013
10	SWIFT Operation	08-Sep-2013
11	ATM Live Operation	18-Sep-2013
12	Q-Cash Operation	18-Sep-2013
13	Statutory Meeting of Shareholders	19-Sep-2013
14	ATM Inauguration	07-Nov-2013
15	First Annual General Meeting (AGM)	26-Apr-2014
16	MDB Contact Centre	11-Sep-2014
17	midland online (Internet Banking)	11-Sep-2014
18	NPSB Operation	01-Oct-2014
19	VISA Operation	19-Nov-2014
20	Second Annual General Meeting (AGM)	26-Jul-2015
21	Launch of Customer Feedback form	03-Sep-2015
22	Completion of Centralized Banking Model (CBM)	01-Oct-2015
23	RTGS Operation	29-Oct-2015

MDB Financial Performance and Ratios

Three Years Overview

Financial Highlights	In BDT Million			
	2015	2014	2013	% Changes in 2015 Over 2014
Income Statement				
Interest income	1,689.53	970.82	347.43	74%
Interest expenses	1,359.46	623.73	146.02	118%
Net interest income	330.07	347.09	201.40	-5%
Investment income	974.47	217.07	4.27	349%
Commission, exchange and brokerage	102.92	40.37	2.39	155%
Other operating income	22.97	18.71	1.19	23%
Total Operating income	1,430.43	623.24	209.25	130%
Operating expenses	655.03	464.50	172.85	41%
Profit before provision and tax	775.40	158.74	36.40	376%
Provision for loans and off-balance sheet exposure	145.07	57.55	17.64	152%
Profit after provision before tax	630.33	101.19	18.76	523%
Provision for tax	191.51	66.52	7.97	188%
Profit after tax	438.82	34.67	10.79	1166%
Balance Sheet				
Authorized capital	10,000	10,000	10,000	0%
Paid-up capital	4,000	4,000	4,000	0%
Total shareholders' equity	5,067	4,049	4,023	25%
Deposits	17,956	8,479	2,902	112%
Loans and advances	13,888	6,500	1,831	114%
Investments	5,429	2,986	521	82%
Fixed assets	211	166	90	27%
Earning assets	21,937	13,750	6,848	60%
Total assets	23,893	15,107	7,532	58%
Total liabilities	18,827	11,058	3,509	70%
Total Off-balance sheet exposure	2,289	1,263	158	81%
Foreign Exchange Business				
Import	5,590	2,759	144.44	103%
Export	1,480	465	76.99	219%
Inward foreign remittance	138	24	-	475%
Capital Measure				
Risk Weighted Assets (RWA)	17,689	9,380	4,134	89%
Core Capital (Tier-i)	4,484	4,045	4,010	11%

MDB Financial Performance and Ratios

Three Years Overview

Financial Highlights	In BDT Million			
	2015	2014	2013	% Changes in 2015 Over 2014
Supplementary Capital (Tier-ii)	165	77	24	114%
Total Capital held (T-i + T-ii)	4,650	4,122	4,034	13%
Required Capital (10% of RWA, Or 4,000 million which is higher)	4,000	4,000	4,000	-
Capital Surplus/(Deficit), (A-B)	650	122	34	433%
Tier I Capital Ratio	25.36%	43.13%	97.03%	-17.77%
Tier II Capital Ratio	0.93%	0.82%	0.57%	0.11%
Capital to Risk Weighted Asset Ratio (CRAR)	26.29%	43.95%	97.60%	-17.66%
Credit Quality				
Non-performing loans (NPLs)	140	-	-	100%
NPL to total loans and advances (%)	1.01%	-	-	100%
Provision for unclassified loans	141	63	16	124%
Provision for classified loans	56	-	-	100%
Provision for Off-Balance Sheet exposure	23	13	2	77%
Share Information				
No. of Shares outstanding	400 million	400 million	400 million	
No. of Shareholders	32	32	32	0%
Earnings per share (EPS), (BDT)	1.10	0.09	0.05	1,122%
Net Assets Value Per Share (BDT)	12.67	10.12	10.06	25%
Profitability & Performance Ratio				
Net Interest Margin (NIM)	1.50%	2.52%	11%	-1.02%
Advance to Deposit Ratio	77.35%	76.66%	63.10%	
Cost to income Ratio	45.22%	74%	82%	28.78%
Cost of fund on average deposits	9.73%	10%	12.18%	0.27%
Return on average assets (ROA)	1.84%	0.23%	0.14%	1.61%
Return on shareholders' equity (ROE)	8.63%	0.86%	0.27%	7.77%
Cash Reserve Ratio	6.61%	6.80%	8%	-0.19%
Statutory Liquidity Ratio	35.38%	45.67%	29%	-10.29%
Other information				
No. of Branches	20	11	5	82%
No. of ATM	18	5	2	260%
No. of employees	335	198	150	
No. of foreign correspondents	56	40	25	
No. of NOSTRO Accounts (Major currency is 5)	11	9	6	22%

The Sponsor Shareholders

Sl no.	Name	Designation	Percentage of Shareholding
1	Mr. Kazi Zafarullah	Sponsor Shareholder	2.00%
2	Mrs. Nilufer Zafarullah, MP	Sponsor Shareholder	1.00%
3	Mr. Kazi Omar Zafar	Sponsor Shareholder	2.00%
4	Ms. Anushka Mehreen Zafar	Sponsor Shareholder	2.00%
5	Mr. Kazi Raihan Zafar	Sponsor Shareholder	0.25%
6	Dr. Kazi Shahidullah	Sponsor Shareholder	2.00%
7	Mr. Kazi Ekramullah	Sponsor Shareholder	0.25%
8	Mrs. Sabiha Mahboob	Sponsor Shareholder	0.25%
9	Ms. Scherezad Joya Monami Latif	Sponsor Shareholder	10.00%
10	Mr. Abdullah Ahmed Yousuf	Sponsor Shareholder	5.75%
11	Mr. M. Moniruzzaman Khandaker	Sponsor Shareholder	2.75%
12	Mr. Nazib Ahmed	Sponsor Shareholder	0.25%
13	Mrs. Ishrat Ahmed	Sponsor Shareholder	0.25%
14	Dr. Fahmida Haque	Sponsor Shareholder	0.25%
15	Mrs. Ela Haque	Sponsor Shareholder	0.25%
16	Mr. Niranjana Chandra Saha	Sponsor Shareholder	0.25%
17	Mrs. Salina Maksuda	Sponsor Shareholder	0.25%
18	Mr. Basudev Saha	Sponsor Shareholder	0.25%
19	Reedisha Knitex Ltd., Represented by Mr. Rezaul Karim	Sponsor Shareholder	5.00%
20	Mondol Fabrics Ltd. Represented by Mr. Abdul Momin Mondol	Sponsor Shareholder	5.00%
21	Liberty Knitwear Ltd. Represented by Mrs. Ferdous Ara	Sponsor Shareholder	5.25%
22	That's It Sportswear Ltd. Represented by Mr. Md. Kamal Hossain	Sponsor Shareholder	5.00%
23	Refat Garments Limited, Represented by Mrs. Shahnaj Parveen	Sponsor Shareholder	5.00%
24	Hazrat Amanat Shah Spinning Mills Ltd. Represented by Mrs. Lutfa Begum	Sponsor Shareholder	5.00%
25	Garments Export Village Ltd. Represented by Mr. A. K. M. Badiul Alam	Sponsor Shareholder	5.00%
26	Beq Knit Ltd. Represented by Mr. Md. Rokonzaman Sarker	Sponsor Shareholder	4.75%
27	Badsha Textiles Ltd. Represented by Mr. Kamal uddin Ahmed	Sponsor Shareholder	5.00%
28	Master Abul Kashem	Sponsor Shareholder	5.00%
29	Mr. Mohammed Jamal Ullah	Sponsor Shareholder	5.00%
30	Al-haj Mohammed Issa Badsha	Sponsor Shareholder	5.00%
31	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	5.00%
32	Mr. Md. Wahid Miah	Sponsor Shareholder	5.00%

The Board of Directors





Mr. M. Moniruzzaman Khandaker

Chairman

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

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

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



Mrs. Nilufer Zafarullah, MP

Vice Chairman

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

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



Dr. Kazi Shahidullah

Director

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



Ms. Scherezad Joya Monami Latif

Director

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



Mr. Abdullah Ahmed Yousuf

Director

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



Mr. Kazi Omar Zafar

Director

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

Currently he is associated with the following organizations:

Chairman:

* Kalypso Ltd.

Director:

* Hon Kong Shanghai Manjala Textiles Limited



Master Abul Kashem

Director

Master Abul Kashem is a Sponsor Director and a member of the 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:

Managing Director:

* Mother Steel Limited.

Proprietor:

* MAK Corporation

* Master Steel Re-Rolling Mills

Shareholder:

* AIBL Capital Market Services Ltd.



Mr. Mohammed Jamal Ullah

Director

Mr. Mohammed Jamal Ullah is a Sponsor Director and a member of the Risk Management Committee of Midland Bank Ltd. His main business interests include manufacturing and trading of commodities. He earned notable fame in the business community for his integrity, devotion and sincerity for a span of 35 years. Mr. Mohammed Jamal Ullah has deep affinity and attachment with various socio-cultural organizations. He is a life member of Chittagong Maa-O-Shishu Hospital, Chittagong Diabetic General Hospital, Bhatiary Golf & Country Club and Chittagong Boat Club.

Currently he is associated with the following organizations:

Managing Director:

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

Director:

- * Asia Insurance Ltd.

Proprietor :

- * Bismillah Store



Al-Haj Mohammed Issa Badsha

Director

Al-Haj Mohammed Issa Badsha is a Sponsor Director and a member of Board Audit Committee of Midland Bank Limited. He is 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. He is also a member of The Chittagong Co-operative Housing Society Ltd, Chattagram Jela Krira Sangstha and The Chittagong Chamber of Commerce & Industry.

Currently he is associated with the following Organizations:

Managing Director:

- * Badsha Group

Proprietor:

- * Zuma Enterprise
- * M.M Enterprise
- * Musa & Issa Bros
- * Azan Dairy & Food Products



Mr. Ahsan Khan Chowdhury

Director

Mr. Ahsan Khan Chowdhury is one of the Sponsor Directors and a member of the Executive Committee of the Midland Bank Limited. He is also the Chairman of Risk Management Committee of the Bank. Mr. Ahsan Khan Chowdhury studied at Wartburg College, USA and joined in PRAN-RFL Group in the year 1992 as Director. He is the Head of Business Operation of all enterprises having strong supervising ability. After sad demise of his father Maj Gen Amjad Khan Chowdhury (Retd), the renowned entrepreneur and leading spirit of PRAN-RFL Group, Mr. Ahsan Khan Chowdhury is driving the company with his dynamic leadership. PRAN and RFL is now two major brands for Food & Allied business and Light Engineering sector in Bangladesh. The company grabbed Best Exporter's Trophy for several years under different categories. Following his good governance in the company, AMCL-PRAN achieved Silver Award of "2nd ICSB National Award -2014" for Corporate Governance Excellence. The Group Comprises 47 Companies with more than 80,000 employees.

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

- * Rangpur Foundry Ltd.
- * Property Development Ltd.
- * RFL Plastics Ltd.
- * PRAN Dairy Ltd.
- * Banga Building Materials Ltd.
- * PRAN Agro Ltd.
- * PRAN Confectionery Ltd.
- * PRAN Exports Ltd.
- * Agricultural Marketing Co. Ltd.
- * Banga Agro Processing Ltd.
- * Mymensing Agro Ltd.
- * Banga Plastic International Ltd.
- * PRAN Beverage Ltd.
- * Allplast Bangladesh Ltd.
- * Durable Plastics Ltd.
- * Rangpur Metal Ind Ltd.
- * PRAN Food Ltd.
- * Banga Millers Ltd.
- * Packmat Industries Ltd.
- * Banga Bakers Ltd.
- * Habiganj Agro Ltd.
- * Bangladesh Lift Industries Ltd.
- * Natore Agro Ltd.
- * Sylvan Agriculture Ltd.
- * Chorka Textile Ltd.
- * Banga Trading House Ltd.
- * Sylvan Technologies Ltd.
- * Habiganj Textiles Ltd.
- * Accessories World Ltd.
- * AKC (Pvt.) Ltd.
- * Habiganj Metal Industries Ltd.
- * Multiline Industries Ltd.
- * Natore Dairy Ltd.
- * RFL Construction Ltd.
- * RFL Exports Ltd.
- * Trade Environment Ltd.
- * Chorka Fashions Ltd.
- * Sun Basic Chemicals Ltd.
- * AKC Management Ltd.
- * Gonga Foundry Ltd.
- * Habiganj Glassware Ltd.
- * Habiganj Ceramic Ltd.
- * Logi-Care Overseas Ltd.
- * RFL Electronics Ltd.
- * Career Builders Ltd.
- * Get Well Ltd.
- * PRAN Agro Business Ltd.



Mr. Md. Wahid Miah

Director

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

Currently he is associated with the following Organizations:

Managing Director:

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

Director:

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

Proprietor:

- * Jobaida Filling Station
- * Karim Filling Station
- * J.K. Filling Station
- * Karim Trading
- * Golden Line
- * Azmiri Enterprise.

Secretary:

- * South Bengal Patrol Pump Owners Association

Secretary General:

- * Bangladesh Container Ship Owners Association (BCSOA)

Joint Secretary:

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

Honorable Member:

- * India Bangladesh Chamber of Commerce.
- * Bangladesh Jute Spinners Association.
- * Dhaka Club, Dhaka.

Executive Member:

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

Member:

- * Bangladesh Textiles Mills Association
- * Standing Committee on
 1. Labour & Law
 2. Logistic & Infrastructure
- * Sub-Committee on Arbitration to Mediate Dispute among the member mills.

Sponsor & Life Member:

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



Mr. Rezaul Karim

Director

Mr. Rezaul Karim is a member of the Board of Directors of Midland Bank Limited as the Nominee Director of Reedisha Knitex Limited. He is also the Chairman of the Executive Committee of the Bank. He is a well-known and respected personality in the business community of Bangladesh for more than 36 years.

Presently he is holding the following portfolios in different organizations:

Chairman:

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

Vice Chairman:

- * Islami Commercial Insurance Company Limited

Managing Director:

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

Proprietor:

- * Reedisha Trading and Distribution Company.

President:

- * Bangladesh Cosmetics and Toiletries Manufacturers Association

Director:

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

Adviser:

- * Banani Society and Gulshan Joggers Society

Member:

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



Mr. A.K.M. Badiul Alam

Director

Mr. A.K.M. Badiul Alam is a Member of the Board of Directors of Midland Bank Limited as a Nominee Director of Garments Export Village Ltd. He is also a Member of the Executive Committee of the Bank. After completing his Master in Management in 1979 under Dhaka University, he engages himself in Textile & Garments, Power, Bank, Insurance, Hospital business and became a successful business man within very short time with his sincerity, honesty, diversified analytical power, clear conception in planning, producing & marketing etc. Mr. Alam has been associated with and patrons of many schools, colleges and different social welfare organizations by his active participation & generous donations. He keeps himself well acquainted with ever changing International business scenario of the globe by his habitual study of relevant papers & magazines on line. He has traveled U.S.A., U.K., France, German, Italy, China, Japan, Korea, Malaysia, Singapore, Thailand & India to enrich his business in International Market.

Currently he is associated with the following Organizations:

Chairman:

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

Director:

- * Zenith Islami Life Insurance Ltd.
- * Petromax Refinery Ltd.
- * Bravo Apparel Manufacturer Ltd.
- * Shahjibazar Power Co. Ltd.
- * Eden Multicare Hospital Ltd

Founder:

- * Badiul Alam Science and Technology Institute



Mrs. Shahnaj Parveen

Director

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

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

Executive Director:

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

Shareholder:

- * Next Collections Ltd.
- * Next Garments Ltd.



Mr. Abdul Momin Mondol

Director

Mr. Abdul Momin Mondol is a member of the Board of Directors of Midland Bank Ltd. as the Nominee Director of Mondol Fabrics Ltd. which is "100% Export oriented readymade garments industries" and large scale garments accessories factories. He was a Director of Bangladesh Garments Manufacturers & Exporters Association (BGMEA) during the session 2011-2012. Mr. Abdul Momin Mondol has over 13 years of experience in Textiles and Garments' industry. He has been a selected CIP by the Government of Bangladesh on the year of 2012. He is renowned for his humanitarian and proponent of social awareness. He contributes a handsome amount every year on humanitarian causes such as better education for children, better health care and eradicating poverty. Recently, he has joined with the beginning of a Foundation namely 'Haji-Abdul Majid Mondol Foundation' to harmonize the philanthropy activities. As a personal initiative, employees working in his group of companies, receives full life insurance, accident insurance, leave assistance, financial assistance and other benefits, for which he spends over 10% of his personal income. Mondol Group has been awarded 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 Mr. Abdul Momin Mondol is associated as Managing Director with the following organizations:

- * Mondol Fabrics Ltd.
- * Alim Knit (BD) Ltd.
- * Cotton Club (BD) Ltd.
- * Mark Sweater Ltd.
- * Mondol Knitwears Ltd.
- * Montrims Ltd.
- * Tropical Knitex Ltd.
- * Mondol Intimates Ltd.
- * Cotton Field (BD) Ltd.
- * Mondol Fashions Ltd.
- * Mondol Apparels Ltd.
- * Appollo Fashions Ltd.
- * Cotton Clothing (BD) Ltd.
- * Mondol Securities Ltd.
- * Mondol Auto Solution



Mrs. Ferdous Ara

Director

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

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

Director:

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



Mr. Md. Kamal Hossain

Director

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

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

Executive Director:

- * That's It Sportswear Ltd.

Shareholder:

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



Mrs. Lutfa Begum

Director

Mrs. Lutfa Begum is a member of Board of Directors of Midland Bank Limited as the Nominee Director of Hazrat Amanat Shah Spinning Mills Ltd. She is also a Member of the Board Audit Committee of the Bank.

Currently Mrs. Lutfa Begum is associated with the following organizations:

Director:

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



Mr. Md. Rokonuzzaman Sarker

Director

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

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

Executive Director:

- * Beq Knit Ltd.



Mr. Kamal uddin Ahmed

Director

Mr. Kamal uddin Ahmed is a member of Board of Directors of Midland Bank Limited as a Nominee Director of Badsha Textiles Ltd. He is also a member of the Executive Committee of the Bank. Mr. Kamal is a promising entrepreneur and possesses excellent business background.

Currently Mr. Kamal uddin Ahmed is associated with the following organizations:

Director:

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



Mr. Md. Ahsan-uz Zaman

Managing Director & CEO

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

Committees of the Board of Directors

The Executive Committee

Sl.	Name	Position in the Committee
01	Mr. Rezaul Karim	Chairman
02	Mr. Kazi Omar Zafar	Member
03	Master Abul Kashem	Member
04	Mr. Ahsan Khan Chowdhury	Member
05	Mr. Md. Wahid Miah	Member
06	Mr. A K M Badiul Alam	Member
07	Mr. Kamal uddin Ahmed	Member

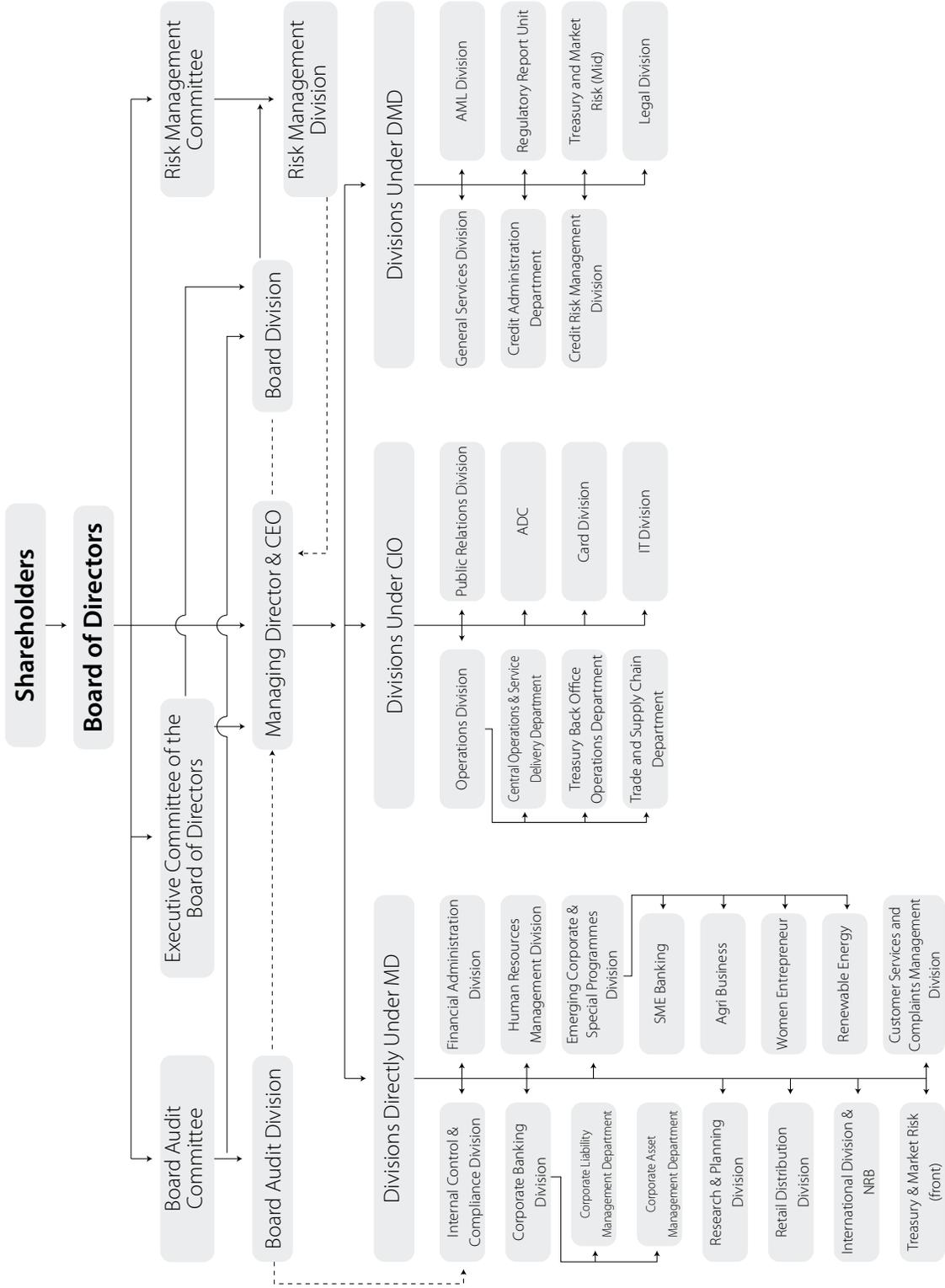
The Audit Committee

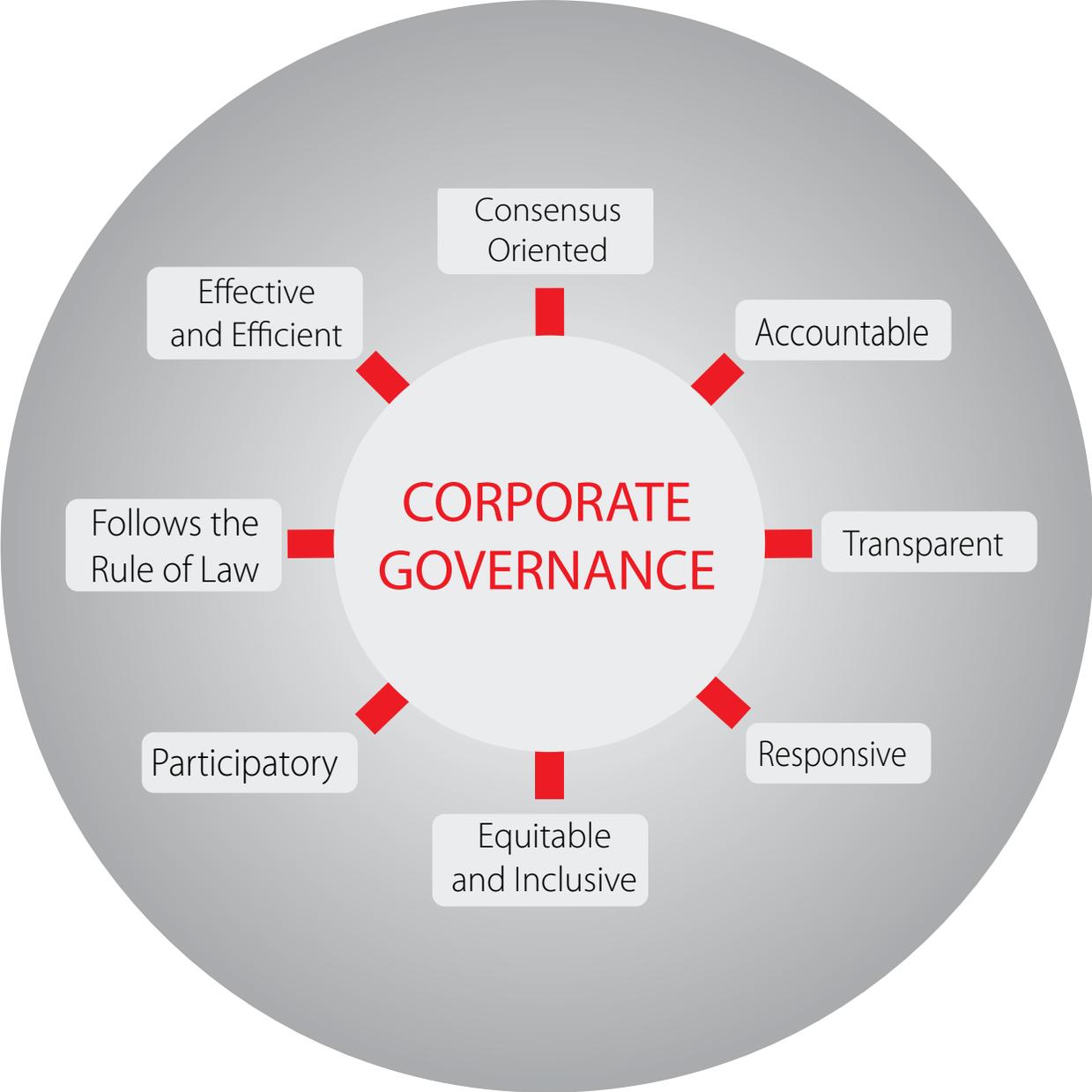
Sl.	Name	Position in the Committee
01	Dr. Kazi Shahidullah	Chairman
02	Al-haj Mohammed Issa Badsha	Member
03	Mrs. Ferdous Ara	Member
04	Mr. Md. Kamal Hossain	Member
05	Mrs. Lutfa Begum	Member

The Risk Management Committee

Sl.	Name	Position in the Committee
01	Mr. Ahsan Khan Chowdhury	Chairman
02	Mr. Mohammed Jamal Ullah	Member
03	Mrs. Ferdous Ara	Member
04	Mrs. Shahnaj Parveen	Member
05	Mr. Md. Rokonzaman Sarker	Member

MDB Corporate Organogram





Corporate Governance

Compliance Certificate On Corporate Governance Guidelines Of Midland Bank Limited

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

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

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



K. M. Hasan, FCA
Managing Partner

Corporate Governance (CG)

Introduction

Good corporate governance is a basic need for the long-term success of a company with an aim to create trust and engagement between the company and its stakeholders. Good governance requires robust process supported by the right culture, values and behaviours throughout the company. These culture, values and behaviours need to be adopted by the board and actively promoted by the Chief Executive Officer and all levels of management. Midland Bank is always committed to the best corporate governance practices, in the sense of responsible and transparent management and control aimed at sustainable value creation. The guiding principles of our governance practice are basically derived from various regulatory requirements of Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities & Exchange Commission (BSEC). MDB, since the very beginning of its operation, has manifested its commitment to adhering to the principles of sound corporate governance. The Bank is also committed to complying with the Bangladesh Bank Circulars (BRPD Circular NO. 11 dated October 27, 2013) in line with Bank Companies Act, 1991 (Amended upto 2013). Besides the regulatory and legal bindings, our best CG choices and practices are inspired by various internal rules, policies, procedures, applications and experience based on preferred governance systems enacted by local and global banking institutions.

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

Our Governance Standard

- Full compliance of corporate governance guidelines of the regulators.

- Election of Directors through voting by the shareholders.
- Independent guidelines in respect of composition of Board Committees.
- Review of performance of all Committees by the Board.
- Independent discussion in the meetings of Board Committees.
- Systematic learning and development process for all directors with respect to best CG practices.
- Acknowledgement of adherence to Bank's guidelines to business conduct by all Directors/ Executives/Employees.
- Compliance of Central Bank directives in the process of appointing new directors.

Gender Balance

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

Composition of Board of Directors

The Board of Directors comprises 21 Directors as on December 31, 2015 including the Managing Director as ex officio member. The Chairman and 19 other Directors are Non-Executive Directors and only the CEO (Managing Director) is an Executive Director. All the Directors have been elected by the shareholders of the company. As regards aptitude and competence, the Directors are educated, experienced professionals and add utmost value to the overall management capability. Almost all of them are successful businessmen in their own right holding responsible positions in public life. Directors have declared their respective interests and directorships at the time of joining the Board and also their dealings in Bank's securities are on full disclosure and arms length basis. The Board meets at least once every Month. For smooth running of the Bank as well as for effective day-to-day management, they have delegated certain powers to the Managing Director. All essential management issues are discussed in the meetings of the Board and decisions are made on the basis of management opinion and exchange of views.

Independent Directors

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

Meeting of the Board

The Board of Directors meets on regular basis: usually once in a month but emergency meetings are called when deemed necessary. Management provides information, references and detailed working papers for each agenda to all Directors well ahead of the date scheduled for meeting. Chairman of the Board of Directors allocates sufficient time for the Directors to consider each agenda item in a prudent way and allow them to freely discuss, inquire, and express opinions on the items of interest so that they can fulfill their duties to the best of their abilities. In 2015, a total 17 Board Meetings were held.

Responsibilities of Chairman and Chief Executive Officer

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

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

Benefits provided to the Directors and the Managing Director

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

- The Chairman of the Board of Directors may be provided car, telephone, office chamber and private secretary.
- Directors are entitled to fees and other benefits for attending the Board/ Executive Committee/ Audit Committee/ Risk Management Committee meetings (Notes to the Financial Statements, note # 31)
- Managing Director is paid salaries and allowances as per approval of the Board and Bangladesh Bank (Notes to the Financial Statements note # 30)

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

Remuneration and Compensation of the Management

In order to discuss and decide issues related to remuneration and compensation of employees, the Board meets as and when required but at least once in every two years.

Appointment of External Auditors and the purview of their activities

As per recommendation of the Board of Directors, the shareholders of the Bank in the 2nd AGM held on July 26, 2015 approved the appointment of M/s. S. F. Ahmed & Co., Chartered Accountants as the statutory auditors of the Bank for the year 2015.

In compliance with the provision 4 of BSEC guidelines, the External Auditors were not engaged in any of the following services during the year 2015:

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

Functions of the Board

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

Board Committees

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

Executive Committee (EC)

In accordance with Bangladesh Bank instruction, the Board of Directors of Midland Bank has formed Executive Committee with 7 members. The Executive Committee is responsible for the review of the policies and guidelines issued by Bangladesh Bank in terms of credit and other operations of the banking industry. The Committee supervises the degree of execution of the policies and guidelines entrusted with the management. In the normal course of business, the EC of the Board approves the credit proposals in line with approved policy of the Board. Management is advised to exercise due diligence of the credit policy and risk management at the time

of assessing credit proposals. The EC in its continuous efforts guides the Management to develop uniform and minimum acceptable credit standards for the Bank. Highlights of the Executive Committee activity during the year 2015 are appended in the Report of Executive Committee at page # 63-65.

Board Audit Committee (BAC)

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

The Board Audit Committee of MDB consists of 5 Directors and is constituted with the members not included in the Executive Committee of the Board. Company Secretary is the member secretary to the committee.

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

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

MDB Board Audit Committee held 06 (six) meetings in 2015 and had thorough discussions and review session with the CEO, Head of Internal Control & Compliance External Auditors etc. Highlights of the Audit Committee activity during the year 2015 are appended in the Report of the Audit Committee at page no 66 - 71.

Risk Management Committee (RMC)

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

Risk Management Committee has the following responsibilities:

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

MDB Risk Management Committee (RMC) held 04 (four) meetings in 2015 and had thorough discussions and review session with the CEO and CRO on various

risk related issues. Highlights of the Risk Management Committee activity during the year 2015 are appended in the Report of the Risk Management Committee at page no 72 - 76.

Internal Control & Compliance

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

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

The controls as outlined above are rooted within the operations of the Board and reviewed by Bank's Internal Audit. The review focuses the areas of greater risk as identified by risk analyst. The Directors confirm that the Board, by properly engaging the Committees, has reviewed the effectiveness of internal control for the year ended 31 December 2015. This process ensured an internal control system to the tune of best financial reporting practice throughout the financial year and up

to the date of the signing of these financial statements. There was an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various committees and Bank's risk management actions and the extent to which various significant challenges are understood and addressed.

Management Committees of the Bank

MDB has various management teams which have been established by the Board and have delegated the authority to manage the Bank's day-to-day affairs of business. A model Corporate Governance structure endows the Management with a collective mandate under the leadership of Managing Director & CEO to run day-to-day operation in the best interest of the stakeholders. As required by compliance as well as in pursuance of strategic goal, the Bank has constituted designated committees with specific objectives, apart from various functional departments. The composition of all these Committees are presented in the page no. 55-58.

Professional Development

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

Election / Re-election of Directors

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

Communications with the Shareholders

MDB makes sincere efforts to disseminate integrated operational and financial output and initiatives to

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

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

Commitment to other Stakeholders

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

The Community

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

The Government

MDB is always tax compliant as a responsible corporate business house. The Bank makes payment of corporate tax on time and sometimes even before the time it takes effect. The Bank deducts excise duty, withheld tax and VAT on time from employee's salary, as well as customers and vendors, and deposits to Government Treasury on time. During 2015, MDB paid advance corporate tax of BDT 100.45 million while deposited withheld tax of BDT 124.83 million, VAT of BDT 32.14 million and Excise Duty of BDT 11.74 million.

Bank's contribution to government exchequer during the last 3 years are given below:

(BDT in million)

	2015	2014	2013
Advance Corporate Tax	100.45	49.60	20.34
Withheld VAT, Tax & Excise Duty	168.71	83.57	30.32
Total	269.16	133.17	50.66

Conflicts of Interest

The Board and the Management effectively refrain from pursuing other interest at the cost of the organisation. Given the context, MDB remains watchful about the extent of agency cost and moral hazard both with relation to the Board and the Management along with real or potential conflicts of interest. In this process,

connected transactions or related party transactions are brought to focus.

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

Related Party Transactions

The Bank in its normal course of business, conducted financial transactions with some entities or persons that fall within the purview of 'Related Party' as contained in BAS 24 (Related Party Disclosures) and as defined in Bangladesh Bank BRPD circular 04, dated 23.02.2014 (Notes to the Financial Statement, note # 41).



Compliance Status on Corporate Governance Guidelines

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

Annexure 01

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

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.00	Board of Directors			
1.1	Board's Size: Board members should be not less than 5 (five) and more than 20 (twenty).	√		
1.2	Independent Directors:	-	-	-
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.		√	<ul style="list-style-type: none"> Independent Director has yet to be appointed The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013)
1.2 (i) (a)	Independent director do not hold any share or hold less than one percent (1%) shares.		√	
1.2 (i) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares.		√	
1.2 (i) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.		√	
1.2 (i) (d)	Who is not a member, director or officer of any stock exchange.		√	
1.2 (i) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.		√	
1.2 (i) (f)	Who is not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm.		√	
1.2 (i) (g)	Who shall not be an independent director in more than 3 (three) listed companies.		√	

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.2 (i) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI).		✓	
1.2 (i) (i)	Who has not been convicted for a criminal offence involving moral turpitude.		✓	
1.2 (i) (ii)	The Independent Director(s) shall be appointed by the board of Directors and approved by the shareholders in the Annual General Meeting (AGM).		✓	
1.2 (i) (iii)	The post of Independent Director(s) can not remain vacant for more than 90 (ninety) days.		✓	
1.2 (i) (iv)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.		✓	
1.2 (i) (v)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.		✓	
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.		✓	
1.3 (ii)	The Independent Director must have at least 12 (twelve) years of corporate management / professional experiences.		✓	
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.		✓	
1.4	Chairman of the Board and Chief Executive Officer: The positions of the Chairman of the Board and the Chief Executive Officer of the Bank shall be filled by different individuals.	✓		
1.5	Directors' Report to Shareholders:			
1.5 (i)	Industry outlook and possible future developments in the industry.	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns.	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments.	N/A		
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	N/A		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance on their Annual Report.	N/A		
1.5 (x)	Remuneration to Directors including Independent Directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not Complied	
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		Key operating and financial data from the inception has been summarized.
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	√		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-	-	-	-
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) c)	Executive.			
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5 (xxii)	In case of the appointment/re-appointment of a Director the company shall disclose the following information to the shareholders:-	-	-	-
1.5 (xxii) a)	A brief resume of the director;	√		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	√		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board.	√		Detailed furnished in Annexure c of the financial statement
2.00	Chief Financial Officer (CFO), Head Of Internal Audit and Company Secretary (CS)			
2.1	Appointment: The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition	
		Complied	Not Complied		
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors.	√			
3.00	Audit Committee				
3 (i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	√			
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√			
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√			
3.1	Constitution of the Audit Committee				
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√			
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be Directors of the company and shall include at least 1 (one) independent director.	√		The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013)	
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√			
3.1 (iv)	No vacancy for more than one month.	√		No such case	
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√			
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director.		√	The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013)	
3.2	Chairman of Audit Committee				
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an Independent Director.		√	The Appointment of Independent Directors will be ensured within 03 years from July 22, 2013 in conformity with the section 15(9) of the Bank Companies Act, 1991 (amended upto 2013)	
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√			
3.3	Role of Audit Committee:				
3.3 (i)	Oversee the financial reporting process.	√			
3.3 (ii)	Monitor choice of accounting policies and principles.	√			

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition	
		Complied	Not Complied		
3.3 (iii)	Monitor Internal Control Risk Management process.	√			
3.3 (iv)	Oversee hiring and performance of external auditors.	√			
3.3 (v)	Review along with the management, the annual financial statements before submission to the Board for approval.	√			
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.		√	-----	
3.3 (vii)	Review the adequacy of internal audit function.	√			
3.3 (viii)	Review statement of significant related party transactions submitted by the management.		√	-----	
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√			
3.3 (x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee.			N/A	
3.4.1	Reporting of the Audit Committee:	-	-		-
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√			
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:	-	-		-
3.4.1 (ii) a)	Report on conflicts of interests;			No such matter to report	
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter to report	
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter to report	
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such matter to report	
3.4.2	Reporting to the Authorities			No such matter to report	
3.5	Reporting to the Shareholders and General Investors	√			
4.00	External/Statutory Auditors				
4 (i)	Appraisal or valuation services or fairness opinions.	√			
4 (ii)	Financial information systems design and implementation.	√			
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√			
4 (iv)	Broker-dealer services.	√			

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition	
		Complied	Not Complied		
4 (v)	Actuarial services.	√			
4 (vi)	Internal audit services.	√			
4 (vii)	Any other service that the Audit Committee determines.	√			
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√			
5.00	Subsidiary Company N/A				
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.				N/A
5 (ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a Director on the Board of Directors of the subsidiary company.				N/A
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.				N/A
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.				N/A
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.				N/A
6.00	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)				
6.(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	-	-		-
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√			
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√			
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√			

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Explanation for non-compliance with the condition	
		Complied	Not Complied		
7.00	Reporting and Compliance of Corporate Governance				
7 (i)	The company shall obtain a certificate from a practicing Professional Accountant / Secretary / Chartered Accountant / Cost and Management Accountant / Chartered Secretary regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√			
7 (ii)	The Directors of the company shall state, in accordance with the Annexure attached, in the Directors' report whether the company has complied with these conditions.	√			

Meeting of the Director's of Midland Bank Limited

Board of Directors:

Sl.	Directors	Designation	No. of Meeting	No. of Attendance	% of Attendance
1.	Mr. M. Moniruzzaman Khandaker	Chairman	17	17	100%
2.	Mrs. Nilufer Zafarullah, MP	Vice Chairman	17	13	76.47%
3.	Dr. Kazi Shahidullah	Director	17	13	76.47%
4.	Ms. Scherezad Joya Monami Latif	Director	17	3	17.64%
5.	Mr. Abdullah Ahmed Yousuf	Director	17	2	11.76%
6.	Mr. Kazi Omar Zafar	Director	17	8	47.05%
7.	Master Abul Kashem	Director	17	12	70.58%
8.	Mr. Mohammed Jamal Ullah	Director	17	6	35.29%
9.	Al-haj Mohammed Issa Badsha	Director	17	9	52.94%
10.	Mr. Ahsan Khan Chowdhury	Director	17	10	58.82%
11.	Mr. Md. Wahid Miah	Director	17	6	35.29%
12.	Mr. Rezaul Karim	Director	17	11	64.70%
13.	Mr. A.K.M. Badiul Alam	Director	17	14	82.35%
14.	Mr. Abdul Momin Mondol	Director	7 (During his tenure)	3	42.85%
15.	Mrs. Ferdous Ara	Director	7	0	0%
16.	Mr. Md. Kamal Hossain	Director	7	4	57.14%
17.	Mrs. Shahnaj Parveen	Director	7	4	57.14%
18.	Mrs. Lutfa Begum	Director	7	2	28.57%
19.	Mr. Md. Rokonzaman Sarker	Director	7	6	85.71%
20.	Mr. Kamal uddin Ahmed	Director	7	3	42.85%

Pattern of Shareholding

The pattern of shareholding of Midland Bank Limited as on 31 December 2015 as per BSEC's Notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012:

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

Status as of 31st December, 2015:

Shares held by Directors and their Spouses

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

ii) Shares held by:

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

c) Shareholding by other Executives and Spouse : Nil Spouses of above Executives : Nil

d) Shareholders holding ten percent (10%) or more voting interest in the company : Mrs. Scherezad Joya Monami Latif (10%)

Management Committee (MANCOM)



Standing from left

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

Management Committees

Asset Liability Committee (ALCO)

Sl.	Name	Designation	Position
1	Mr. Md. Ahsan-uz Zaman	Managing Director & CEO	Chairman
2	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Member
3	Mr. Muhammad H. Kafi	Chief Information Officer	Member
4	Mr. Md. Zahid Hossain	Head of Corporate Banking Division	Member
5	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
6	Mr. Mohammad Iqbal	Head of Emerging Corporate and Special Programmes	Member
7	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
8	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
9	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
10	Mr. Nazmul Ahsan	Head of Treasury & Market Risk Division (Front)	Member Secretary

Risk Management Committee (RMC)

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director & CRO	Chairman
2	Mr. Muhammad H. Kafi	Chief Information Officer	Member
3	Mr. Md. Zahid Hossain	Head of Corporate Banking Division	Member
4	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
5	Mr. Mohammad Iqbal	Head of Emerging Corporate and Special Programmes	Member
6	Mr. Khondkar Towfique Hossain	Head of International Division & NRB	Member
7	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
8	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
9	Mr. Md. Zaidul Haq	Head of Anti Money Laundering Division	Member
10	Mr. A. K. M. Ahasan Kabir	Head of Information & Technology Division	Member
11	Mr. Md. Mahabubur Rahman	Head of CO & Service Delivery	Member
12	Mr. Nazmul Ahsan	Head of Treasury & Market Risk Division (Front)	Member
13	Mr. Mohammad Syejuddin Ahmmed	Head of Internal Control & Compliance Division	Member

Credit Committee

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

Anti-Money Laundering Compliance Committee (AMLCC)

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director & CAMLCO	Chairman
2	Mr. Muhammad H. Kafi	Chief Information Officer	Member
3	Mr. Khondkar Towfique Hossain	Head of International Division	Member
4	Mr. Md. Zaidul Haq	Head of Anti Money Laundering Division & DCAMLCO	Member secretary
5	Mr. Md. Mahabubur Rahman	Head of CO & Service Delivery	Member
6	Mr. A K M Ahsan Kabir	Head of Information & Technology Division	Member
7	Mr. Imteez Ahmed	Deputy Head of Human Resources Management Division	Member

Green Banking Committee

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

Purchase Committee

Sl.	Name	Designation	Position
1	Mr. Khondoker Nayeemul Kabir	Deputy Managing Director	Chairman
2	Mr. Muhammad H. Kafi	Chief Information Officer	Member
3	Mr. Md. Manirul Islam	Head of Credit Risk Management Division	Member
4	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
5	Mr. Md. Emarat Hossain Khan	Head of General Services Division	Member Secretary

Branch Expansion & Interior Decoration Committee

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

Quality Control Committee (QC)

Sl.	Name	Designation	Position
1	Mr. Muhammad H. Kafi	Chief Information Officer	Chairman
2	Mr. Md. Mahabubur Rahman	Head of CO & Service Delivery	Member Secretary
3	Mr. Md. Zahirul Islam, FCA	Head of Financial Administration Division & CFO	Member
4	Mr. Khondkar Towfique Hossain	Head of International Division	Member
5	Mr. Md. Emarat Hossain Khan	Head of General Services Division	Member

Social Media and Administration Review Committee (SMAR)

Sl.	Name	Designation	Position
1	Mr. Muhammad H. Kafi	Chief Information Officer	Chairman
2	Mr. Md. Ridwanul Hoque	Head of Retail Distribution Division	Member
3	Mr. A K M Ahsan Kabir	Head of Information & Technology Division	Member
4	Mr. Mohammed Rashadul Anwar	Head of Public Relation Division	Member Secretary

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- Message from the Chairman of the Board of Directors
 - Report of the Executive Committee of the Board of Directors
 - Report of the Audit Committee of the Board of Directors
 - Report of the Risk Management Committee of the Board of Directors
 - Letter from the Managing Director & CEO

Message from the Chairman of the Board of Directors



Dear friends and partners,

While presenting a statement to the honourable stakeholders of Midland Bank Limited on this grand occasion of Bank's 3rd AGM, I am overjoyed to see our MDB grows as a powerful fourth generation banking brand having a buzzing presence in Bangladesh. If measured by major performance indicators, the year 2015 has been an exceptional year, despite a challenging environment in the country. With determined and concerted efforts from all fronts of staff and management, MDB made it possible to reap a good harvest off its financial engagement in the economy, which is perched on a strong growth engine and countless potentiality. The Bank pursued its goal in 2015 by a demonstrating workforce guided more by dedication and commitment than a mere greed for growth. It is indeed an honor to head a dynamic Board which rolled out viable strategic prudence, foresight and oversight to realize our vision for a *'bank for inclusive growth'*.

The prevailing condition we went through

The fallout of world economic turbulence continued to impact incessantly in 2015. No less intense than the preceding years, challenges were dominant on both domestic and international fronts. While the deepest form of recession has long past, its lingering effects are still being felt in the countries that were hit hard. Further, we continue to see dramatic changes unfolding across all economies. Under these circumstances, the global economy continued to post moderate growth. A pick-up in the U.S. and other developed economies could not help the uneven global economic growth. European Union had still to find its way to growth momentum to the level of its thriving past. While economies like China and India posted relatively solid growth, China has slowed in part from the implementation of structural and

... thanks to the hard efforts of its banking team, Midland Bank's lending portfolio grew appreciably in the later part of the year, recording a growth rate considerably much higher than the industry average. Setting aside sharply declining interest margin, this healthy expansion of credit volume together with higher flow of fee based income raised the Bank's overall profit by a significant growth of 1,166% - a welcome achievement, appreciated by all shareholders.

institutional reforms. A number of countries such as Russia and Brazil are in recession. On our context in Bangladesh, the country though achieved a commendable growth in GDP; the prevailing low demand for credit almost the year round had a negative impact on bank business. The high level of excess liquidity in the banking system lay idle with banks finding little match for investment opportunities. Accommodative monetary policy targeted credit allocation to inclusive finance, productive sectors, and aimed at keeping inflation at a tolerable limit. Deteriorated asset quality acted badly on banks' revenue. Moreover, the industry while bearing the brunt of earlier financial scams, received another shock from a number of card frauds and cyber-crimes.

However, thanks to the hard efforts of its banking team, Midland Bank's lending portfolio grew appreciably in the later part of the year, recording a growth rate considerably much higher than the industry average. Setting aside sharply declining interest margin, this healthy expansion of credit volume together with higher flow of fee based income raised the Bank's overall profit by a significant growth of 1,166% - a welcome achievement, appreciated by all shareholders.

Our strategy in action

Faced with the prevailing market atmosphere in which our Bank's conventional business approach would be hard to sustain, we developed a strategy to diversify our activities, with a particular focus on fee-based income. In this regard, I would highlight the positive outlook arising from initiatives taken by our investment banking team, under the prudent guidance of senior management. I am convinced; we will realize the full potential of this strategic choice for medium to long term. In addition, the Bank launched a number of new products during 2015, aimed at enriching product mix, as we cater to customer needs and preferences in areas such as credit cards, debit cards, loans and advances and savings products – focusing on students, the young generation, small entrepreneurs, senior citizens and women. 'MDB IT Uddog' designed by our product development team was an excellent financing solution for rising IT entrepreneurs in the country.

Our focus on optimizing fee-based income also yielded a new scope for more partnership in cash management, corporate tie-up and discount sharing, targeted promotion and booking of mass accounts. All these strategic actions totaling 60 sign-ups with leading brands, corporate business and government departments. In other areas of business development, our support for Micro, Small & Medium Enterprises (MSME) during 2015 saw 24 specialized SME products, entrepreneurial skill-development programme as well as campaign to promote SME, agriculture and women enterprise finance.

Touching people with expanded network and service

Anchored with a long term growth strategy, we have undertaken new expansion efforts countrywide and encouraged in particular by the success of rural expansion. We have also taken steps to consolidate our position in the fast growing remittance market whose highly diversified origin extend across flourishing overseas region globally. Both customer services and key operation saw significant improvement over the past year as the Bank has adopted and continued to integrate state-of-the-art technology. Many IT based initiatives were launched. A few to mention are successful introduction of Real-Time-Gross-Settlement (RTGS), inclusion of RTGS and Bangladesh Electronic Fund Transfer (BEFTN) services under 'midland online', launching of 24/7 Contact Centre and web-based customers' feedback/complaints. At the same time processing capacity was further enhanced by migrating customers to alternative delivery channels, increasing the number of ATMs and managing faster turnaround times for teller cash. As pressure increases to expand business volumes and manage tight interest spreads, we will bring even greater focus to channel migration, process automation and concentration – all with the goal of improving cost structure of the Bank.

With higher profitability of Bank's business and appropriation of bigger net profit, we have ensured significant returns to our shareholders under a challenging and demanding environment. Our objective is to deliver strong earnings and dividends over the long term. We have maximized Earning per Share (EPS) to BDT 1.10 in 2015 from BDT 0.09 of 2014 by retaining more profit after tax. Our excellent dividend payout reflects our commitment to our shareholders.

The future of the banking industry is going to be shaped by the speed with which customers are embracing mobile technologies. It does not imply that branches will lose its importance as the major component in the service delivery system. Therefore, we will further augment the Bank's branch network to meet customers' personal need alongside improved self-service options.

IT to its full potential

MDB possesses an advanced Core Banking System (CBS) and with our IT collaboration with the vendor, the CBS witnessed tremendous process improvement. When our journey took off in 2013, the Board of Directors envisioned an operating platform that would be ahead of its time and be a right choice of the Bank's plans for advancement. Today, our computer system is positioned on a tested credential to simplify the complex needs of modern age. We are continuously putting importance on strengthening our IT platform and providing IT based solution for our customers. For all of our banking activities we have implemented Centralized Banking Model (CBM) that went live in February 2015.

The recent card fraud and cyber-attack on the banking system is a wakeup call for the banking community. In the face of growing cyber-crimes, our Midland Bank was immune due to a rigid firewall and strong IT infrastructure that are set to go on. To this end, our IT system is continuously updated with information security policies, systems, infrastructures and kept up with best practices in securing customers' data.

The Board and its commitment to governance

I recognize the core competence and commitment of the Chairmen of all Committees of the Board in setting the pace of the Bank in the right direction. The Board greatly benefitted from their diligence and guidance at times of competitive pressure and compliance. I would like to take this opportunity to express my appreciation to my fellow Directors for their continued commitment and contribution to the Bank.

Since the inception of the Bank in 2013, Board's focus was adhered to its supervisory duties and also its role as an advisory body. To fulfill our responsibilities, we not only met formally a total of 17 (seventeen) times in 2015, but we also organized ourselves more effectively. The Executive Committee met a total of 22 (twenty two) times to continue the urgent and/or routine works between the intervals of Board meetings. The Audit Committee met a total of 06 (six) times and analyzed the financials intensively on each occasion. It examined individual balance-sheet items and looked at how the Bank had dealt with specific inquiries from regulators. One focal point was how the bank addressed the issues raised by the Bank's Internal Audit team. The appointment of External Auditors also received particular scrutiny in light of the contesting law suits. The restructuring of the Group Audit function and an assessment of the Bank's risk systems featured prominently on the Audit Committee's full agenda. Besides, the Risk Management Committee sat 04 (four) times and analyzed all core risks of the Bank with special focus on operational risks. The Board scrutinized with utmost diligence the fees and remuneration of the Directors and perquisites of the Chairman and remained satisfied that no allocation exceeded the regulatory limits. We have tried our level best to create a best practice example for addressing environmental, social and governance issues in the industry.

Social and philanthropic engagement

In the domain of Corporate Social Responsibilities broadly termed as CSR, 2015 brought a new level of activity in the Bank's focus on social equality as we came forward to empower Hijras in their transition to the status of third gender. In another instance, we signed agreement with Palli Karma Unnayan Sangstha (PKUS) towards financing the underprivileged people, donating an ambulance to 'Anjuman Mofidul Islam', a notable activity on our CSR endeavor. The Bank made sizable contribution to 'enhancing knowledge' initiative at the Daily Star Centre. The Bank invested a total of BDT 3.2 million in different CSR programmes in 2015.

The recent card fraud and cyber-attack on the banking system is a wakeup call for the banking community. In the face of growing cyber-crimes, our Midland Bank was immune due to a rigid firewall and strong IT infrastructure that are set to go on. To this end, our IT system is continuously updated with information security policies, systems, infrastructures and kept up with best practices in securing customers' data.

In the fight against money laundering and terrorism

Mutual evaluation draft paper on AML compliance status of Bangladesh has cast much urgency ahead of us. A lower rating of the country under Mutual Evaluation by APG will push up the cost of international trade and correspondent relationship and impact Bank revenue streams negatively. Under prevailing circumstances, Bank perceives money laundering and terrorist financing activities as a dire threat to its reputation and a barrier to business success. There will be zero tolerance for non-compliance of money laundering issues and Central Bank guidelines. The Bank ensured that it has built and implemented all necessary policy, procedure and practice to combat money laundering. The Bank's management has set forth a declaration towards all employees of the Bank to reinforce Bank's commitment to fight ML and TF, and stay compliant as required by Bangladesh Bank. Good governance and ethical standard in every sphere of business shall be ensured.

Creating value for our stakeholders

For our clients, we focus on top performance, operational efficiency excellence, cost consciousness, a stronger capital base and fundamental cultural betterment. In 2015, MDB made solid progress on its objectives – in the interests of shareholders, clients, staff and society.

With higher profitability of Bank's business and appropriation of bigger net profit, we have ensured significant returns to our shareholders under a challenging and demanding environment. Our objective is to deliver strong earnings and dividends over the long term. We have maximized Earning per Share (EPS) to BDT 1.10 in 2015 from BDT 0.09 in 2014 by retaining more profit after tax. Our excellent dividend payout reflects our commitment to our shareholders. We have a burning passion for higher dividend payout (proposed 8% stock Dividend) that we have maintained.

Our nearly 350 employees across the country ensure our business success. We are confident our teams are among the most highly educated, productive and dedicated to their service. We seek to strengthen our position as an employer of choice. We are aware that in the rise of recent financial scams, frauds and cyber-crimes, the public has taken a critical view of Banks' competence and integrity. In the context of cultural change, we examined and adapted our ethical environment and professional aptitude. We understand cultural change as to mean that each employee has a duty to act with absolute integrity towards clients, colleagues, shareholders and society.

Greater transparency concerning our business activities is important not only to the society but also to all our stakeholders. Transparency helps the public in forming a considered opinion and helps the shareholders in their investment decisions. In line with our stakeholders' expectations and Bank's values and beliefs, we intensified our efforts to make the Banks' business more sustainable, while integrating environmental and social due diligence into the approval process for all transactions and products. The Bank's corporate citizenship activities address social challenges in the country, with a special focus on community building.

Outlook and optimism

We hope, this overview, which is complemented by the more detailed description in the report, demonstrates how seriously we take our responsibilities. We have a clear understanding, we have an obligation and we have responsibility to you in return for the trust you placed in us. We are convinced that Midland Bank will succeed in realizing its full potential to become the leading client-centric Bangladeshi Bank. One of the main reasons for this optimism lies in the quality of our employees. We thank them for their tireless work over what has been a very challenging year. We still have a long way to go to achieve the social and competitive position expected; too wear the crown of banking leadership and to add many more feathers to our recognition. But, as the saying goes, even the longest journey begins with a single step. Over the past years, we already taken many steps forward and our destination is clear – banking inclusiveness for growth and prosperity.

Gratitude

Before I conclude, I would like to thank my colleagues in the Board for their invaluable guidance and worthy contribution to the Bank. Let me express my appreciation to the Bank CEO's for his unwavering leadership and commitment, and also to the entire management team and employees, for their passion and competence in bringing MDB's vision and strategies to fruition. The fruits of their unified endeavor are evident throughout this report and in the scores of success stories of the aspiring entrepreneurs of the economy. As we journey together around in good and bad times, we find new ways to deliver on our enduring values and attachment.

To all the shareholders, dynamic Board of Directors, patrons, partners and customers, I offer my deep respect and salutation for your constant support, loyalty and belief in this Institution. I humbly pay my gratitude to Bangladesh Bank (BB), Bangladesh Securities and Exchange Commission (BSEC) and the External Auditors for their invaluable guidance from which we have found proper direction, inspiration, confidence and the passion to excel.

Thank you all for your continued support and for being with our Bank.

On behalf of the Board of Directors



M. Moniruzzaman Khandaker

Chairman

Report of the Executive Committee of the Board of Directors



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

Appointment and Composition

In Compliance with Section 15B (2) of the Bank Company Act 1991 (amended up to 2013) and BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of MDB has re-constituted the Executive Committee (EC) of the Board in 2015 with members, not belonging to Audit Committee of the Board. The Company Secretary acts as the secretary of the Committee. The EC is comprised of 7 (Seven) Non-Executive Directors excluding Managing Director & CEO of the Bank. The Board appoints the members of the Committee annually, and as may be needed from time to time; and one Committee member is designated by the Board as Chairman of the Committee.

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

SI No.	Name	Designation	SI No.	Name	Designation
1.	Mr. Rezaul Karim	Chairman	5.	Mr. Md. Wahid Miah	Member
2.	Mr. Kazi Omar Zafar	Member	6.	Mr. A. K. M. Badiul Alam	Member
3.	Master Abul Kashem	Member	7.	Mr. Kamal uddin Ahmed	Member
4.	Mr. Ahsan Khan Chowdhury	Member			

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

Terms of Reference of Board Executive Committee of Midland Bank

Purpose	The Executive Committee of the Bank shall have the power to direct the business of the Bank vested by law in the Board of Directors including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.
Membership	<ul style="list-style-type: none"> • Have maximum 7 (seven) regular members of the Board appointed by the Board excluding the Manager Director and CEO for a term of one (1) year or as decided by the Board. • No Alternate Directors (if any) to be included in the EC. • The Board to reconstitute the Executive Committee at the immediate next Board Meeting after each Annual General Meeting. • The Committee cannot co-opt any Member.
Chairman	<ul style="list-style-type: none"> • The Board to select and appoint one of the Members of the Committee as Chairman of the Committee ensuring that he/she is competent to hold the position. • The Chairman of EC to preside over all Meetings of the Committee. In absence of Chairman, EC Members to choose any other Member to preside over the Meeting.
Meeting	<ul style="list-style-type: none"> • The Committee to fix the time and place of its meetings. The Chairman may call a meeting of the Committee at any time. • In calling a meeting the Chairman has to transmit reasonable notice thereof (generally 3 days notice) to all members of the Committee • A meeting may to be held provided a quorum can be assembled. Any four members of the Committee constitute a quorum for the transaction of business.
Resolution	<ul style="list-style-type: none"> • Acts of the Committee to be determined upon the vote of a majority of those present. In the event that the number of affirmative votes and negative votes on a certain proposal are equal, the proposal to be submitted to a vote of the Board. • Minutes of all meetings of the Executive Committee to be kept by the Company Secretary. Such minutes to be submitted to the Board of Directors at the next succeeding meeting of the Board for information or approval if required and shall be read to the meeting if requested by any members of the Board.
Responsibilities	<ul style="list-style-type: none"> • Approve and/or implement any or all corporate acts within the competence of the Board except those acts expressly reserved by the Code for the Board of Directors. • Deal all operational matters (beyond the delegation the Managing Director and conforming to BB rules and regulations) in all expenses. • Supervise of the degree of execution of the policies and guidelines entrusted with the management. But policy formulation/amendment thereof is not under the jurisdiction of the EC. • Review and approve bank-wide credit strategy, profile and performance. • Approve the credit risk taking-activities of the bank based on the regulations of established approving authorities and reviews and endorses credit-granting activities.

EC Meetings

The EC of a larger sized Board as we have usually acts as a proxy for full BoD, attend a meeting with short notice and take decisions to ensure smooth flow of banking businesses. However, any decision taken by the committee has to be subsequently ratified by the full Board. The Executive Committee held 22 (twelve) meetings during the financial year ended December 31, 2015. The proceedings of these Meetings, with adequate details of matters discussed, were regularly reported to the Board of Directors. The Managing Director, as special invitee attended all the meetings held in 2015. Deputy Managing Director of the Bank also participated in Meetings where relevant or called for.

Activities in 2015

During the year 2015, the Executive Committee made every effort to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and annual budget as well policies and business directions that have been approved.

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

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

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

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

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

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

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

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



Rezaul Karim

Chairman

Executive Committee of the Board of Directors

Report of the Audit Committee of the Board of Directors



Formation

The Audit Committee (AC) of the Board of Midland Bank Limited was formed by the Board of Directors in its 15th Meeting held on April 26, 2014 to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control system and compliance of governing rules and regulations as per Bangladesh Bank's BRPD circular No.11, Dated: October 27, 2013 regarding formation and responsibilities of Board of Directors of a Bank Company and in line with Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/134/Admin/44, Dated: August 07, 2012 and No. SEC/CMRRCD/2006-158/147/Admin/48, Dated: July 21, 2013 on Corporate Governance.

Organizational Structure of AC

In terms of Bangladesh Bank BRPD Circular No.11, dated 27 October 2013 regarding formation of audit committee in a 5 (Five) member Audit Committee (AC) was last reconstituted in the 34th Board Meeting dated 26.07.2015 with the following Board Members:

Sl. No.	Name	Status with the Bank	Status with the Committee
01.	Dr. Kazi Shahidullah	Director	Chairman
02.	Al-Haj Mohammed Issa Badsha	Director	Member
03.	Mrs. Ferdous Ara	Director	Member
04.	Mrs. Lutfa Begum	Director	Member
05.	Mr. Md. Kamal Hossain	Director	Member

The Company Secretary acts as the Secretary of the Audit Committee of the Board. Detailed profile of the Members are provided on pages 23 to 34.

Roles and Responsibilities of AC

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

1. Internal Control	<ul style="list-style-type: none"> - Evaluate whether management is adhering to the appropriate compliance culture by communicating the importance of internal control and risk management to all employees. - Review the initiatives taken by the management for developing and maintaining a suitable Management Information System (MIS). - Consider whether internal control strategies recommended by internal and external auditors have been implemented timely by the management. - Review the existing risk management policy and procedures for ensuring an effective internal check and control system. - Review the corrective measures taken by the management as regards to the reports relating to fraud-forgery, deficiency in internal control or other similar issues detected by internal and external auditors and inspectors of the regulators and inform the Board on a regular basis.
2. Financial Reporting	<ul style="list-style-type: none"> - Check whether the Annual Financial Statements reflect the concrete and complete information and determine whether they are in consistent with applicable accounting and reporting standards set by respective governing bodies and regulatory authorities. - Meet with Management and External/Statutory Auditors to review annual financial statements before their finalization. - Review along with management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval.
3. Internal Audit	<ul style="list-style-type: none"> - Monitor/ evaluate whether internal audit functions are conducted independently from the management. - Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made on the internal audit process. - Review and assess the annual internal audit plan and appraise the same to the Board to get approved. - Review the efficiency and effectiveness of internal audit function. - Review that findings and recommendations made by the Internal Auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank. - Meet the Head of ICC and the Head of internal audit/monitoring as and when necessary without management being present to discuss about any issues arising from the internal audits carried out.
4. External Audit	<ul style="list-style-type: none"> - Review the performance of the external auditors and their audit reports. - Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the bank's external auditor. - Oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required. - Oversee the relationship with the external auditors including: <ul style="list-style-type: none"> ▪ Approval of their remuneration, i.e. fees for audit or non-audit services.

	<ul style="list-style-type: none"> ▪ Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services. ▪ Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the bank (other than in the ordinary course of business). <ul style="list-style-type: none"> - Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. - Review the findings and recommendations made by the external auditors for removing the irregularities detected and are duly acted upon by the management in running the affairs of the bank.
5. Compliance with existing laws and regulations	<ul style="list-style-type: none"> - Review whether the laws and regulations framed by the regulatory authorities (Central Bank, BSEC and other bodies) and internal circular/instructions/policy/regulations approved by the Board and Management have been complied with.
6. Miscellaneous	<ul style="list-style-type: none"> - Submit a compliance report to the Board of Directors on quarterly basis on regularization of the omission, fraud and forgeries (if any), and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities. - Submit the evaluation report relating to Internal and External Auditor of the Bank to the Board. - Supervise other assignments delegated by the Board and evaluate its own performance regularly.

Meetings of the Audit Committee

Bangladesh Bank advised Banks to hold at least 4 meetings in a year. In the year 2015, the AC of MDB held 06 (Six) meetings and had detailed discussions and review session with the Head of Internal Control & Compliance, External Auditors etc. and Bangladesh Bank Auditors regarding their findings, observations and remedial suggestions on issues of bank affairs that need improvement. The Committee also invited Members of the Senior Management of the Bank to participate in the Meetings from time to time based on necessity. The AC instructed management to follow those remedial suggestions and monitored accordingly.

Participation of non-members:

Mr. Abdullah Ahmed Yousuf, Director attended and participated in the meetings as a special invitee. In addition to that the Managing Director and CEO, Deputy Managing Director, Chief Financial Officer, Chief Information Officer, Head of ICCD attended some of the meetings on need basis.

Meeting dates:

Sl. No.	Meeting	Date of meeting
01.	6th Meeting of the Audit Committee	January 29, 2015
02.	7th Meeting of the Audit Committee	March 12, 2015
03.	8th Meeting of the Audit Committee	April 23, 2015
04.	9th Meeting of the Audit Committee	July 8, 2015
05.	10th Meeting of the Audit Committee	October 8, 2015
06.	11th Meeting of the Audit Committee	December 29, 2015

Total View of the 2015 Meeting Agenda

<p>6th Meeting of the Audit Committee Dated: January 29, 2015:</p>	<ul style="list-style-type: none"> ➤ Review of Performance of ICCD in 2014. ➤ Evaluation of major audit findings pointed out by ICCD. ➤ Review of compliance status of Bangladesh Bank and External Auditor's report in 2014. ➤ Approval of ICCD's activity plan for 2015.
<p>7th Meeting of the Audit Committee Dated: March 12, 2015</p>	<ul style="list-style-type: none"> ➤ Review of Annual Financial Statements – 2014 submitted by the External Auditor of the Bank. ➤ Exchanging views with the Management and the External Auditors before finalization of Financial Statements – 2014. ➤ Recommendation of appointment / re-appointment of External Auditor of the Bank for the period upto 3rd annual general meeting. ➤ Review the compliance status of Audit Reports – 2014 of MDB Branches and Head Office's Divisions. ➤ Review of legal opinion on Mortgage formalities. ➤ Review of MANCOM's certificate regarding effectiveness of Internal Control Policy, Practice and Procedure.
<p>8th Meeting of the Audit Committee Dated: April 23, 2015:</p>	<ul style="list-style-type: none"> ➤ Review of Quarterly un-audited Financial Statement of the Bank as on March 2015. ➤ Approval of revised Code of Conduct/ Code of Ethics for Internal Auditors in the Internal Control and Compliance Policies and Procedures – February 2014
<p>9th Meeting of the Audit Committee, Dated: July 8, 2015</p>	<ul style="list-style-type: none"> ➤ Review the status of Bangladesh Bank Comprehensive Inspection Report and the compliance thereof. ➤ Review the status of Bangladesh Bank Comprehensive Inspection Report on Principal Branch-2014 and the compliance thereof. ➤ Review of findings of Integrated Supervision System (ISS) Inspection Report on Principal Branch by Bangladesh Bank based on 22/04/2015. ➤ Review of Management report on the external audit of accounts as on 31.12.2014 by S. F. Ahmed & Co. ➤ Finalizing the schedule of submission of compliance report of BB's comprehensive inspection on Head Office and fixing special Board Meeting date to discuss about the compliance report before final submission to Bangladesh Bank. ➤ Review of overdue loan accounts of MDB Branches based on 30.06.2015. ➤ Review of quarterly compliance status of Audit Reports conducted by Internal, External Auditors and regulatory bodies. ➤ Review the status of ICCD Activity Plan–2015. ➤ Review of Internal Audit & Inspection reports conducted in 2015. ➤ Review of half yearly un-audited Financial Statements of the Bank as on June 30, 2015.

<p>10th Meeting of the Audit Committee Dated: October 8, 2015</p>	<ul style="list-style-type: none"> ➤ Review of unaudited Financial Statements for 3rd Quarter ended on September 30, 2015. ➤ Review of overdue loan accounts of MDB Branches based on 30.06.2015. ➤ Review of quarterly compliance status of Audit Reports conducted by Internal, External Auditors and regulatory bodies. ➤ Review of Bangladesh Bank Audit Reports on MDB Agrabad Branch-General Banking and Foreign Exchange & Foreign Currency Transaction.
<p>11th Meeting of the Audit Committee Dated: December 29, 2015</p>	<ul style="list-style-type: none"> ➤ Approval of ICCD Activity Plan – 2016. ➤ Review of non-complied items of Quarterly Statement of Self-Assessment of Anti-Fund internal Control. ➤ Review of performance of ICCD in 2015. ➤ Review of Bangladesh Bank Inspection report received within the period of last BAC.

2015 Activity Highlights

Oversight on Regulatory Compliance: The Committee clearly scrutinized compliance with statutory requirement and the systems and procedures are in place to ensure compliance with such requirements. The Bank's inspection function has been mandated to conduct independent test checks covering all regulatory requirements, as a further monitoring measure.

Financial Position: The prevailing Internal Controls, Systems and Procedures were assessed by the Committee and it expressed the view that adequate controls and procedures are in place to provide reasonable assurance that the Bank's assets are safeguarded and that the financial position of the Bank is well monitored and accurately reported.

Risk Based Audit Approach: The Bank has adopted a risk based audit approach. A risk grading matrix has been adopted in assessing and measuring risks identified during inspections. The Committee sought and obtained the required assurance from the Business Units on the remedial action in respect of the identified risks in a bid to maintain the effectiveness of internal control procedure in place.

Internal Audit and Inspection: The Committee ensured that the Internal Audit function is independent of the activity it audits and that it is performed with impartiality, proficiency and due professional care. Inspection Reports on Branches and other Business Units and Departments received the attention of the Committee and the operational deficiency, lapses highlighted and the recommendations were given due attention.

External Audit: The Committee monitored and assessed the independence of the External Auditor. It discussed with Auditor their audit plan, scope and the methodology proposed to be adopted in conducting the audit prior to commencement of the Annual Audit. The Committee reviewed External Auditors Management Report and the Management's response thereto.

Ethics and Good Governance: The Committee continuously emphasized upholding ethical values of the staff members. Highest standard of corporate governance and adherence to the Bank's Code of Ethics are ensured. Appropriate measures are in place to conduct independent investigations into incidents reported through whistle-blowing or identified through other means. The HR Policy guarantees the maintenance of strict confidentiality of the identity of the whistle-blower.

Accounting Standard: The Committee continued to monitor the progress of the Mandatory implementation of Accounting Standards (BFRS/BSA) which converged with International Financial Reporting Standards(IFRS). The Committee reviewed the revised policy decisions relating to adoption of new and revised Bangladesh Accounting Standards applicable to the Bank and made recommendation to the Board of Directors. The Committee will continue to monitor the compliance with relevant accounting standards and keep the Board informed at regular intervals.

Exceptional Items: In addition, the Committee regularly monitored all exceptional items charged to the Income Statement, long outstanding items in the Bank's Chart of Accounts, Credit Quality, Risk Management procedures and adherence to classification on non-performing loans and provisioning requirement specified by the Central Bank.

Conclusion

In reviewing the Company's policies and practices with respect to assessment of the various Internal Audit reports, it is evident that MDB has continued to be efficient in internal control over financial reporting for the year ended December 31, 2015. Since most of the computation is system based, the possibility of manipulation is almost absent. The committee has selected Bangladesh Standards of Auditing (BSA) and Bangladesh Financial Reporting Standards (BFRS) as the accounting standard and accordingly the financial statement clearly states the compliance of GAAP, BSEC and Bangladesh Bank guidelines.

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

On behalf of the Audit Committee,



Dr. Kazi Shahidullah

Chairman

Audit Committee of the Board of Directors

Report of the Risk Management Committee of the Board of Directors



Risk Perception

An effective risk management system is a prerequisite for continuity of business and chasing company goal in the long run. Risks in banking business have grown diverse and complex over time and require a top-down approach from the Board for overall effective control. Relevant committees in the Bank are at work to promote and actively cultivate a corporate culture and environment that understands and implements enterprise-wide risk management. Both to ensure regulatory compliance and to sustain growth, the Board of Midland Bank has formed Risk Management Committee under its supervision with the following objectives:

- adequately identify the material risks that the company faces.
- implement appropriate risk management strategies that are responsive to the company's risk profile, business strategies, specific material risk exposures and risk tolerance thresholds.
- integrate consideration of risk and risk management into strategy development and business decision-making throughout the company and adequately transmit necessary information with respect to material risks from higher to lower management hierarchy.

Of course, running a company is an exercise in managing risk in exchange for potential returns and there can be danger in excessive risk aversion, just as much as in excessive risk-taking. How much good or bad a risk is can only be known through proper assessment of risk, the accurate measure of risk versus reward and the prudent mitigation of risk. The proactive Board of Midland Bank has thus incorporated maintenance of risk balance into all business decision-making.

Composition of BRMC

In terms of Bangladesh Bank BRPD Circular No. 11, dated October 27, 2013, a 5 (Five) member Board Risk Management Committee (BRMC) was last reconstituted by Board of Directors in its 21st Meeting held on September 11, 2014 Board Meeting with the following Board Members:

SI No.	Name	Designation
1	Mr. Ahsan Khan Chowdhury	Chairman
2	Mr. Mohammad Jamal Ullah	Member
3	Mrs. Ferdous Ara	Member
4	Mrs. Shahnaj Parveen	Member
5	Mr. Md. Rokonuzzaman Sarker	Member

The Company Secretary acts as the Secretary of the Risk Management Committee of the Board. The composition and scope of work of Risk Management Committee of the Board is done in conformity with Bank Company Act, 1991 (Amended up to 2013).

The Managing Director and CEO, Chief Financial Officer and Head of CRMD may attend and participate in the meeting as a special invitee in view of their significance, expertise and leadership.

Roles and Responsibilities

1. Risk identification & control policy	<ul style="list-style-type: none"> - formulate and execute appropriate strategies for risk assessment and its control - monitor risk management policies & methods and amend it, if necessary - review the risk management process to ensure effective prevention and control measures
2. Construction of organizational structure	<ul style="list-style-type: none"> - ensure an adequate organizational structure for managing risk within the Bank - supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk and other risk related to guidelines
3. Analysis and approval of Risk Management policy	<ul style="list-style-type: none"> - review risk management policies & guidelines of the Bank annually - propose amendments if necessary and send it to the Board of Directors for their approval. - Review risk appetite and others at least once annually and make amendment, if necessary
4. Recording of data & Reporting system	<ul style="list-style-type: none"> - develop and maintain adequate record keeping & reporting system - ensure proper use of the system - minute its proposals, suggestions & summarize in a specific format & inform the Board of Directors
5. Monitoring implementation of overall Risk Management Policy	<ul style="list-style-type: none"> - monitor proper implementation of overall risk management policies - oversee whether proper steps have been taken to mitigate all risks including lending risk, market risk, and operational risk
6. Meetings	<ul style="list-style-type: none"> - hold at least 4 meetings in a year and committee can sit any time as may deems fit - submit Committee's decision and suggestions to the Board of Directors quarterly in short form - comply instructions issued time to time by the controlling body - obtain evaluation report from internal & external auditors.

Terms of Reference (ToR) as set out by the Board

The Board of Directors has set out Terms of Reference of BRMC in the light of Central Bank's aforementioned circular and respective section of Bank Company Act, 1991 (Amended upto 2013) as follows:

1. Collect all relevant data from different models and information systems for analyzing risks.
2. Assess the quality, completeness and correctness of all relevant data/information needed to analyze risks.
3. Highlight risky portfolios and deficiencies of the Bank in timely manner with recommendations and suggestions.
4. Analyze data/information through preparation of paper named Risk Management Paper
5. Identify, evaluate/measure, control and monitor major risks in line with standard set in the policy guideline to avoid unnecessary loss and ensure the banks in pricing all risks correctly.
6. Oversee the capital management function of the Bank in consistency with the Risk Based Capital Adequacy Accord (Basel-III)
7. Identify, assess and quantify risks inherent in a given transaction to ensure that the quality of the assumption are tested against due diligence carried out by the different operational business units.
8. Review market conditions and take precautionary measures towards facing abnormal market situation and vulnerability of investments in the market.
9. Analyze the Bank's own resilience capacity towards facing financial difficulties.
10. Ensure through independent oversight that different risks are identified, evaluated, monitored and reported within the established risk management framework.
11. Take necessary steps to bring the position within the limit and also assess and measure volatility of the market and vulnerability of investments from time to time.
12. Conduct periodic stress tests so that any errors/mistake/lapses are eliminated gradually during daily operations of the Bank.
13. Exercise governance and oversight over the Bank's risk rating systems to ensure that they are fit for purpose and adequately utilized to control risk in the bank.
14. Apply action plan to keep out the bank from indulging in excessive risky business.
15. Identify the officers concerned who are unable to duly discharge their responsibilities in implementing risk management in the bank and ensure action taken against them.

Compliance Culture

- Senior management provides the BRMC with appropriate review of the company's compliance culture and how they are designed to address the company's risk profile and detect and prevent wrong doing.
- There is a strong "tone at the top" from the Board and senior management emphasizing that non-compliance will not be tolerated.
- The compliance program should be designed by persons with relevant expertise and will typically include interactive training as well as written materials.
- Compliance policies are being reviewed periodically in order to assess their effectiveness and to make any necessary changes. There should be constancy in enforcing stated policies through appropriate disciplinary measures.

Anticipating Future Risks

- Bank's risk management structure include an ongoing effort to assess and analyze the most likely areas of future risk for the company, including how the contours and interrelationships of existing risks may change and how the company's processes for anticipating future risks are developed. Anticipating future risks is a key element of avoiding or mitigating those risks before they escalate into crises.
- In reviewing risk management the BRMC and relevant committees ask the company's executives to discuss the most likely sources of material future risks and how the company is addressing any significant potential vulnerability.

Meetings of the BRMC

Bangladesh Bank advised banks to hold at least 4 meetings in a year. The BRMC of MDB managed to hold meetings as per and had detailed discussions and review session with the Head of RMD regarding their findings, observations and remedial suggestions on issue of Bank affairs that need improvement. The Committee assessed all key risks such as Credit, Operational, Market, Liquidity, IT risks, etc. on regular intervals through a set of risk indicators. The BRMC instructed management to follow those remedial suggestions and monitored accordingly. The following meetings held on 2015:

SI No.	Meeting
01.	5th Meeting of the Board Risk Management Committee
02.	6th Meeting of the Board Risk Management Committee
03.	7th Meeting of the Board Risk Management Committee
04.	8th Meeting of the Board Risk Management Committee

Major activities 2015

5th Meeting of the Board Risk Management Committee

- Review Job Description (JD) and Organogram of RMD
- Review of Internal Capital Adequacy Assessment Process (ICAAP)
- Review of MCR, Stress testing, RMP for the quarter ended March 31, 2015

6th Meeting of the Board Risk Management Committee

- Review of Bangladesh Bank's Circular letter No. 13, dated 09.09.2015 on strengthening and updating risk management system in Bank
- Review of MCR, Stress testing, RMP for the quarter ended June and September 2015

7th Meeting of the Board Risk Management Committee

- Review Revised Organogram of RMD
- Review of Risk Management Policy of RMD

8th Meeting of the Board Risk Management Committee

- Review of Risk Management Paper for the month ended November 2015

In addition to the foregoing measures, the BRMC also focused the following issues:

- Review management's implementation of its risk policies and procedures, to assess whether they are being followed and are effective
- Review internal systems of formal and informal communication across divisions and functions to encourage prompt and coherent flow of risk-related information within and across business units and as needed the prompt escalation of information to management; and
- Review reports from management, independent auditors, internal auditors, legal counsel, regulators, stock analysis as considered appropriate regarding risks the company faces and the company's risk management function

Major Focus in 2016

- Review with management the company's risk appetite and risk tolerance, the way in which risk is measured on an aggregate company-wise basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), the policies and procedures in place to hedge against or mitigate risks and the actions to be taken if risk limits are exceeded.
- Review with management the primary elements comprising the company's risk culture, including establishing **"a tone from the top"** that reflects the company's core values and expectation that employees act with integrity; accountability mechanisms designed to ensure that employees at all levels understand the company's approach to risk as well as its risk-related affairs, an environment that fosters open communication and that encourages towards decision-making; and an incentive system that encourages, rewards and reinforces the company's desired risk management behavior.
- Proper Asset-Liability Management to ensure liquidity coverage;
- Ensure proper corporate governance through 'Board Risk Committee' and/or by the Board of Directors

Conclusion

The Risk Management Committee cannot and should not be involved in actual day-to-day risk management. BRMC instead, through their risk oversight role, satisfy themselves that the risk management policies and procedures designed and implemented by the company's senior executives and risk managers are consistent with the company's strategy and risk appetite, that these policies and procedures are functioning as directed, and that necessary steps are taken to foster an enterprise-wide culture that supports appropriate risk awareness, behaviors and judgments about risk and that ensure that risk-taking are not beyond the company's risk appetite and the CEO and the senior executives are fully engaged in risk management and should also be aware of the type and magnitude of the company's principal risks that underline its risk oversight.

Through its oversight role, the BRMC can send a message to management and employees that comprehensive risk management is neither an impediment to the conduct of business nor a mere supplement to a firm's overall compliance program, but is instead an integral component of strategy, culture and business operations. In addition, the roles and responsibilities of different Board Committees in overseeing specific categories of risk should be reviewed to ensure that, taken as a whole, the Board's oversight function is coordinated and comprehensive.

The Committee has been working very closely with the key management personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for Risk Management.

On behalf of the Risk Management Committee



Ahsan Khan Chowdhury

Chairman

Risk Management Committee of the Board of Directors

Letter from the Managing Director & CEO



Moving ahead

'MDB is thriving', our report theme this year draws a deeper strength from the Bank's continued strong performance and its dream for inclusive growth. We can say with conviction, the Bank is set to be a market leader in the industry at a faster pace. The Bank has been able to stand the pace of changing needs aligning itself with the best market practices, prudent strategy and innovative products and services. The Brand MDB is built and grounded on customers' trust and loyalty supported by Bank's commitment to deliver and that in turn has made us a fast growing fourth generation bank in the banking industry. In our ultimate goal as a going concern, we, besides making profit for our shareholders, aim to be a change-maker of Bangladesh by contributing to its economic growth, improving quality of life and reducing inequality in the social strata.

MDB has developed a unique culture of its own to play the part of a proactive Bank which reflects our keen interest to abide by the obligation we are empowered by the shareholders. As a new Bank in a competitive industry, our

focus remains on building relationship not by merely counting the size of the banking population but by winning loyalty of customers who like our rewarding engagement. Within a short but decisive period of growth, our story is evolving by engaging with customers and creating value for all partners. This is an approach that has permeated through our consciousness about what we stand for and whom we serve. We have fostered an open, accountable culture which reflects our commitment to clear understanding and communication. We have made concerted effort to respond to emerging needs and the results are evident in our financial performance of 2015.

The environment we came across

2015 was another very challenging year for the entire financial sector and the market environment remained difficult. The challenges included persistently low interest rates, tightening monetary policy and lackluster credit growth and frequent demands from regulators, placing significant financial and staff challenges. The relationship between banks and customer is also changing. Customers' expectation of their banks and their advisory needs are becoming increasingly complex. They are focused much more heavily than in previous years on their individual requirement and circumstances which required banks to be more flexible.

Unyielding investment climate exerted increasing pressure to both income and costs. Country's self-financing of Padma Bridge sat at the centre of public spending and overall investment took a hit from it. The movement of delinquent loans

As a new Bank in a competitive industry, our focus remains on building relationship not by merely counting the size of the banking population but by winning loyalty of customers who like our rewarding engagement. Within a short but decisive period of growth our story is evolving by engaging with customers and creating values for all partners. This is an approach that has permeated through our consciousness...

in the banking industry did not show any sign to calm down. Fraudsters were rampant to hack the banking system. This is the situation we had to deal with. Amidst all these changes, many upsides were also gathering pace. Bangladesh achieved sustainable economic growth of more than 6.0%. Remittance inflow broke record every other month placing the country on a comfortable position in balance of payment and international business. In addition, the country was credited with entering lower middle income group as enhanced per capita income met world bodies' standard.

However, through the challenges described above, we saw opportunities we were keen to seize and were going about this in a focused manner through strategic actions. All our drives and hard work paid off and to our pride, MDB's operating business performed admirably well in 2015. In fact, we have delivered encouraging results in the last three years of banking endeavour which we hope to continue to deliver in the future. Our financial results reflected strong underlying performance across our business segments.

Customers at the heart of all banking strides

The vital relationship-building culture is at the heart of MDB and reflects our abiding commitment to our embedded principles. Our Customers appreciate the Bank's unique culture as they feel the culture welcomes and includes them. A passion for inclusiveness makes us interact with customers and that makes them feel they are part of MDB family - especially at the branch premises. Even though we are making banking a comfortable journey through cutting-edge tools and alternative delivery channels, we are equally pleased to welcome our customers at branch premises which many customers still prefer. The transactions we conduct are invariably designed to provide customers with the right solutions to their financial needs. We tailor the best possible solution to each customer's unique requirement in a banking experience that makes them feel understood and valued. The hallmark of MDB services is the Bank's commitment to clarity and candour. We uphold the highest standards of transparency with regard to our own policies and actions, regulatory oversight and customer expectation. Being consistently close to the marketplace, we are able to identify emerging trends, technologies and new consumer priorities ahead of our competitors and get a head start on crafting appropriate responses. We are eager to generate value for our clients by providing them with excellent products and the best possible service. We believe providing suitable instruments for the enormous variety of different needs of clients is at the heart of the banking business. In addition to quality, speed and close cooperation between our service centres, innovation also plays a central role. In 2015, we expanded our offering for small and mid-sized businesses and other potential but unbanked segment in Bangladesh. We bear in mind all the way, Bangladesh's inclusive economic growth policy has to find its way through our banking channel where a Bank can make a difference.

The Bank provides a full spectrum of products and services delivered through an expanding network with 20 Branches, 18 ATMs and 2 service points. To further accentuate our commitment to customer convenience, we opened 9 new Branches and 13 new ATMs, around 50 partnerships for discounts and interest-free EMI facility for MDB Credit Cards with different organizations. To increase customer convenience, we have focused on bills collections, and have partnered with 6 National Utility Service Providers. During the year we have designed and marketed 24 new products to cater to myriad needs of consumers, SMEs, Corporates, agri farms, students and senior citizens. Targeting a larger penetration to card based transaction, we have issued 432 new credit cards in 2015 and 3,538 debit cards. Purchase made using debit and credit cards during the year recorded appreciating growth. At the same time, we kept pace with customers' changing preferences by offering easier accesses to products and services via internet and mobile banking. Promoting this channel migration, we significantly reduced transaction costs.

These customer-centric efforts inspire deeper loyalty that translated into higher value for shareholders. Our customers felt the confidence that comes from dealing with a responsible corporate citizen and a strong Bank while the shareholders experienced such confidence for the same reasons.

MDB success is worth exploring

Despite the adversities in the operating environment characterized by soft credit growth and tightening margins, MDB ended its third year with exceptional performance. With a viable business model and ability to maintain a clean balance sheet, we gave many prospective customers the confidence to switch their business to Midland Bank Limited. This ensured a continuous growth of our balance sheet size and profitability soared to a record high, mostly facilitated by a sound balance sheet. This success helped us to further consolidate our position in the market. The past year brought a host of other economic challenges from the decline of oil prices and subsequent falling commodity prices in international market. Our trade based income suffered a jolt from low quoted export-import business. We stayed the course by sticking to our core values and serving our customers better than ever, leveraging that strength to yield encouraging results. Working as an integrated team, we devised innovative and differentiating ways to delight customers, drew new business while retaining the existing bonds. As per Board advice, Branch Managers remain effectively dynamic in providing new levels of high quality personalized services.

How better we performed in 2015

The Bank steered its growth momentum although the hurdles suppressed the progress of the banking sector. While MDB is well managed by experienced bankers, we were safely home after a year-long journey keeping away from any sort of volatility. We want to build a history of consistent and sustainable growth for the Bank, free of sudden swings and capable of reasonable returns. Profit gains have been exceptionally solid and the rate of growth in asset base either matched or exceeded industry average. Operating Profit grossing BDT 775.40 million for the year 2015 is a remarkable feat on our part and a reflection of our strategic focus on lower non-performing assets and cost control. As a result, Profit after Tax (PAT) for the year rose by 1166% to BDT 438.82 million. Total assets grew by 58% to BDT 23,893 million with deposits and total loans and advances growing by 112% and 114% to BDT 17,956 million and BDT 13,888 million respectively. On the brighter side we bettered many performance indicators. Cost to income ratio improved to 45.22% from 74.00% in 2014, while NPL ratio increased to 1.01% from 0% in the preceding year mainly due to one corporate relationship becoming bad.

The forecast demand for credit in 2015 failed to take off in 2015. On the other hand industry's asset quality was worse, the level not seen in recent times. Lower credit growth and the shadows of big financial scams mostly helped increase the NPL volume. Bank's quality credit assessment, constant monitoring and focused recovery drives let a passage to MDB to close the year 2015 with an NPL ratio of 1.01% against an industry average of more than 9.5%. Margin came under pressure in the wake of declining interest rate which witnessed assets being repriced faster than liabilities. Accordingly, while the Bank's interest income grew by 74%, a higher 118% in interest expense led the net interest margin to decrease from 72% to -5%. We expect interest rate to be stable in 2016 and this with a bit expansionary monetary policy will provide impetus for higher credit growth. Indeed we had already experienced some upward momentum in lending portfolio during the fourth quarter of 2015.

Enhancing security and risk management

In the tooth of growing security concerns in banking worldwide, we came up with a renewed focus on managing operational risks. All Debit Cards and Credit Cards issued by the Bank will start incorporating chip technology, which provides the best protection against card fraud. We plan to implement new data encryption and other security solutions aimed at protecting customers' transactional and personal information. The Bank's integrated Risk Management Department continuously monitors IT systems security and assist all our banking units in reducing the risks inherent in day-to-day banking operations. The Bank has planned to obtain ISO certification to ensure global standard for information security.

With implementation of Basel III, the new norms for quality capital and stable liquidity, the Bank progressed well during the year under review in full compliance of the guidelines issued by the regulator. The Bank completed its Internal Capital Adequacy Assessment Process (ICAAP) framework in the year. It covers all material risks, corporate governance, internal control framework, capital planning and risk Management to ensure sufficient risk management process and practices in the Bank. We have ensured that adequate capital is available to support all prevailing and potential risks. ICAAP framework is useful for Bank's strategic planning process by means of objective capital allocation, understanding

risk profiles of different business lines and assessing the impact of stress scenarios on capital adequacy. Besides, we have revised Risk Management Guidelines and implemented stress testing for bank resilience. Our conservative risk management approach, better asset quality and strong capital base are a step forward to our ability to comply with Basel regulation and ascertain our growth is well protected.

CSR for social well being and community building

Our strength and obligation allow us to create benefits for society by helping economies and communities around the country grow and prosper. We are able to do our part in supporting communities and economies around us because we are accountable citizen - strong, stable and permanent. The most important thing we can do is keep our company healthy and vibrant so that we can serve the needs of customers and thousands of people who need support in various ways. In addition, we strongly believe in being a good corporate citizen. We want to be one of the most philanthropic companies in the country and to that end we donated more than BDT 3.2 million in the year 2015. We donated winter clothes and blankets, several times, for cold stricken people at different location. Our contribution for the benefits of the society is also reflected in our credit programmes that extend financing to the clients for environmentally sound and sustainable purpose.

In our way forward we want to do much more than provide money. We keep building the skills, resources and knowledge of our entire firm to support the economic growth and progress of communities across the country.

Commitment to stability and good governance

At MDB, we constantly infuse the principles and practices of good governance in every sphere of our operations, both within the organization and outside. At the same time, MDB has developed strong risk management system, which is carefully designed to support prudent, informed decision-making across the Bank from day-to-day interactions with account holders to disbursement of major credit facilities. This Annual Report unfolds chapters explaining our approach to Governance and Risk in detail.

There is a formal capital management policy in place with clearly defined objectives for maintaining an appropriate level of capital adequacy. This ensures adequate flexibility for future business expansion while maintaining the required cushion to absorb any potential losses. As of December 31, 2015, Bank's Tier I & II Capital Adequacy Ratios stood at 25.36% and 0.93% respectively against the minimum stipulated requirements of 5.00% and 5.00%.

The Board makes informed decision in accordance with its code and maintains sensible distance from bank management to avoid conflict of interest. The practice of principle and agent is fully in play with the Bank. MDB takes special care in improving financial soundness, professionalism, corporate values, integrity and create values for our stakeholders. The Management of the Bank ensures higher ethics and transparency at all levels of operation. In short, good governance standard and risk management capacity has made us a highly stable institution dedicated to financial sustainability and we intend to remain so.

In an age that is throbbing with rapid adoption of innovative digital and mobile technologies and as the service area is highly concentrated by physical branches, the trend is increasingly towards automating more business processes and offering customers alternative channels for doing transactions and managing their finances. We are expecting to lead in the field as the trend continues in a highly competitive market place.

Towards inclusive banking

In order to facilitate agricultural and farming activities and intensely promote small and medium enterprises, we have created 'Emerging Corporate and Special Programmes Division'. We have developed products for booking businesses to enhance Bank's exposure for inclusive financing. The purpose of designing such products is strategic focus on underserved economic frontiers for inclusive growth, structuring and segregation of Bank's lending basket for risk control, access to low cost refinance from Bangladesh Bank as well as provision privilege from Bangladesh Bank. We are continuously expanding our network across the country for attaining and dispensing geographical and demographic dividend. A total of 168 SME enterprises were served with a loan portfolio of BDT 948.94 million as on 31.12.2015. In 2015, we disbursed BDT 374.45 million to 27 Agri farms having 9876 beneficiaries and BDT 92.80 million in 06 green

projects. Students and youngsters got our continued focus. The most significant financial support extended in 2015 was our contribution to disadvantage entrepreneurs (disabled, third gender, ethnic group etc.) of BDT 10.00 million as part of our Bank's initiative for financial inclusion.

Outlook for 2016 and beyond

With a solid foundation, loyal and growing customer base and a sound Balance Sheet, our talented staff have the capabilities and the determination to adapt quickly to changing scenario in an environment we work in. We are well positioned for continued growth and ready to take advantage of promises and prospects that emerge in our competitive industry.

We are evolving quickly along the path to prosperity leaving behind our footprints across the nation. Our branch expansion model is one of our business strength. In an age that is throbbing with rapid adoption of innovative digital and mobile technologies and as the service area is highly concentrated by physical branches, the trend is increasingly towards automating more business processes and offering customers alternative channels for doing transactions and managing their finances. We are expecting to lead in the field as the trend continues in a competitive market environment.

We take cognizance of the policy changes and other challenges and prospects. We expect the political calm regained in 2015 shall prevail in years ahead. Credit relief in monetary policy for first half of 2015 that revised the rate of repo and reverse repo by 50 basis points downward will rid the bankers of excess liquidity. Completion of Padma Bridge will enable us to expand our network across south-west region to meet growing demands. Adjustment of oil prices underway will lower cost of business and increase profitability. Emerging sectors are opening up around the world to boost imports and exports of Bangladesh. But the great challenge that looms large includes cybercrime, hacking and fraudulent practices in the industry. Banks need to build a strong firewall to guard against the cyber threat and monsters of fraud.

In view of the changes we are undertaking or are about to, MDB, with resolve and vigour, motivated by a flying start, looks to capture more market share and get in a reasonable timeframe. We expect the Bank's Balance Sheet to grow with ever more banking population. Spurred by 2015 results and the continued momentum they reverberate, we are confident about the future.

With a debt of gratitude

In closing, we owe a debt of gratitude to the honourable Board of Directors of the Bank for their exemplary leadership and valuable guidance. Their energy, acumen and strategic thinking contributed significantly to a year of amazing growth of the Bank. In particular, I would like to express my gratitude to our honourable Chairman for his responsible stewardship and wise counsel. All of us at the Bank acknowledge their invaluable support.

I would like to convey my sincere thanks to Bangladesh Bank and its Officials for guiding us in the right direction and the Bank's External Auditors M/s. S. F. Ahmed & Co, Chartered Accountants for their professional aptitude and completion of audit function within our expected timeframe.

The Great Team of Midland Bank embolden by 335 competent workforce deserves commendation for taking our climb towards a promising horizon. These soldiers, the champions of our strategies in all conditions, command deep appreciation from the Bank. You have made banking a rewarding experience both for MDB and its customers by paying your diligence, insight and unwavering loyalty. In marching ahead through both challenges and opportunities, we have the pleasure of knowing that the age and the enterprise we fervently serve are going to confront the future with confidence. The enterprising generation that we help build today is also defining what that future would turn up before us.

Sincerely,



Md. Ahsan-uz Zaman
Managing Director & CEO

Enhancing Cyber Security to Uphold Your Trust & Growth

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

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

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

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

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

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

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

DIRECTORS' REPORT



Dear stakeholders, the Board of Directors welcome you all in the 3rd Annual General Meeting of the Bank. Its a pleasure to have this opportunity placing the Annual Report for the year ended December 2015. This section of the Annual Report contains an overview of the global and local economy we have embraced last year and prospects foreseen in the New Year.

Global Economy in 2015

2015 was another slow year for the global economy. Forecasted growth was steadily whittled down. Last April, IMF projected the world economy would grow by 3.5 percent but it has reached down to 2.4 percent estimated for the year 2015 from 2.6 percent in 2014. The disappointing performance mainly reflected dismal performance of developing and emerging economies, lows in commodity prices, weaker capital flows and subdued international trade.

Estimated growth of Developing countries in 2015 was 4.3 percent compared to 4.9 percent in 2014 and such deceleration was persistent. Most of the largest emerging and developing economies have been slowing simultaneously over the last three years, which is unprecedented since 1980's. However, South Asia as well as some commodity-importing countries in East Asia was exception to the trend.

Commodity prices are continuously declining and reached lowest by the end of 2015 from their 2011 peaks. The price of Brent Crude Oil slides back to 11 years low near to US\$ 35 in December 2015. Prices have been driven lower by high stock in OECD economies, ample global supplies, and slower global demand. The slump in metal prices reached their lowest levels in more than six years. Abundant supply, weaker growth in emerging economies, and new mining capacity in several countries have pushed down the price of metal. Agricultural price index went down by 33 percent from 2011 peak in response to sustained supplies.

Capital flows decelerated to their weakest level since the global financial crisis. Foreign Direct Investment has shown grater resilience, while short-term debt and portfolio inflows have slowed significantly. Global investors pulled about US\$ 52 billion from emerging markets equity and bond funds in the third quarter of 2015. This was mostly driven by deteriorating confidence of institutional investors about long term prospects. Net short term debt and bank outflows from

China, combined with broad-based retrenchment in the Russian Federation accounted for the bulk of outflows from emerging countries. International bond issuance by emerging market corporates slowed significantly, particularly by the oil and gas sector. However, this effect has partially reversed by corporates of developed countries, particularly in commodity sector, as they significantly increased issuance of bonds in the post crisis era. In consequence, some commodity firms have become highly leveraged and are now vulnerable to a combination of rising borrowing cost and declining commodity prices.

Global merchandise trade has contracted in 2015 largely driven by drop of import demand from developing economies driven by factors like: rebalancing of China, lower GDP growth in Brazil and Russian Federation, currency depreciation, and stabilization of value chains.

Global economy in 2015 was eventful and momentous. Some of key events are worth to mention which was also critically important for global and local economy:

Brent crude fell to below US\$ 35 at some point recently, the weakest level in six years. Over the last 18 months alone, oil prices have fallen over 50 per cent. The outlook remains murky for the commodity, also known as black gold, with Goldman Sachs predicting that it could hit US\$ 20 a barrel. A big factor in the current weakness in oil prices has been the decision by the oil cartel, the Organization of the Petroleum Exporting Countries (OPEC), to continue pumping well above the usual consumption levels. Exploration of shell oil in US and expectation of increased production from Iran also shall affect oil price in 2016.

Global policy makers concluded some major trade pacts this year. At the top of the list is the ambitious Trans-Pacific Partnership, a free trade deal inked in October after years of negotiations. Led by the United States, the deal will link 12 countries across three continents in a pact that covers goods, services and investments. The deal needs to be endorsed by the government of each participating country but analysts are already predicting positive impacts. Developing countries like Chile, Malaysia, Peru or Vietnam will gain access to a large pool of innovation via open markets, promoting technology transfer. Developed countries like the US and Japan will be able to market each innovative product to more customers. China also made big moves on the trade front, pitching a new development bank

to rival the International Monetary Fund and the Asian Development Bank. The Asian Infrastructure Investment Bank (AIIB) aims to invest in and facilitate infrastructure projects in this part of the world. The US\$ 100 billion AIIB has garnered the commitment of 57 countries as potential founding members, including Singapore, India, Britain, France, South Korea, Australia, Iran and Bangladesh.

United States Federal Reserve finally raised interest rates, the first time in nearly a decade. Rates will be raised by just 0.25 of a percentage point. It marked the end of a seven-year period of near-zero interest rates and a period when hundreds of billions of dollars were poured into the economic system by central banks. These extraordinary moves were made to avert another Great Depression, following the financial crisis in 2008. Since then the US has made progress, albeit slow steps, on getting its economy back in shape.

The Chinese Yuan took a great leap forward in its quest to become a key international currency. It was accepted as part of the basket of currencies, along side the United States dollar, the euro, the British pound and the Japanese yen, in the International Monetary Fund's Special Drawing Rights (IMF's SDR). The Yuan will be introduced to the SDR on Oct 1 next year, a move aimed at accelerating greater liberalization of the world's second-biggest economy. The SDR plays an influential role in global finance, helping governments protect their financial reserves against global currency fluctuations. It is also used as the basis of loans from the IMF's crisis-lending facilities.

Bangladesh Economy in 2015

Lots of positive developments happened in 2015. The country celebrated the glory of becoming a lower middle income country after being branded as a poor nation for last forty years. Other important achievements includes: construction of Padma Bridge; retention of record foreign exchange reserve over USD 27 billion; opening doors of Saudi Arabia for Bangladeshi migrant workers after a seven year embargo; new agreement with Bhutan, Nepal, and India to enhance cross border trade and people to people contact; pledge form the Bangladesh Development Forum to help the country for economic growth and poverty alleviation; bilateral shipping services with India; agreement for construction of Ruppur Nuclear Plant; and successful completion of MDGs.

In spite of political agitation early in 2015 that adversely affected transport services, exports, and private investment, growth was held up well because of strong domestic demand, boosted by higher worker remittances, private sector wages, and public investment. Showing resilience, the economy grew 6.51 percent in fiscal year 2014-15. The service sector contributed the most, 3 percent, followed by industrial and agricultural sector with 2.7 percent and 0.5 percent respectively. Annual average inflation decreased to 6.2 percent at the end of 2015, lowest since February 2013.

Import and Export (FOB value) in 2014-15 was USD 37.04 and 30.77 billion respectively. Export grew 3.33% over previous year and import grew 1.30%. Remittance has made up trade deficit, and the current account posted a surplus of US\$ 1.06 billion until May 2015. More than five hundred thousand Bangladeshi workers were able to find overseas jobs in 2015, reflecting 30% growth over the previous year.

Foreign exchange reserve climbed up to a record US\$ 27.45 billion at the end of 2015, marking an 18.7 percent year on year increase. US dollar gained sharply against Taka since October after long period of stability. Exchange rate jumped from 77.80 to 78.95 by the end of November. Sluggish export and remittance in preceding months and large infrastructure related payments with routine loan repayment seems primary drivers of the change. Depreciation of currency of trade competitors also warranted the adjustment.

The benchmark index of Dhaka Stock Exchange dipped below 4000 in April 2015 amid low investor confidence under heavy pressure on the back of nationwide strikes and blockades during the first quarter. The market picked up in the middle and DSEX closed at 4629 compared to 4900 of the beginning of 2015.

Some policy reforms to ramp up local and foreign investment and export has been taken in the concluding year. Withdrawal of mandatory guarantee provision against foreign loan taken by local firms, approval of Public Private Partnership Bill 2015, decision for setting up new economic zones, central bank's permission for allowing home loan to non-resident Bangladeshis, and approval of Financial Reporting Act 2015 are noteworthy.

All these achievements and relatively stable macroeconomic fundamentals were not enough to hit the growth target. Investment was sluggish round

the year. Private investment did not pick up as required despite a comparatively peaceful political environment, low level of inflation, and stable international market. Private investment to GDP ratio remains static around 22.1 percent in last fiscal year. Private sector credit growth was 13.2 percent against target of 15.5 percent. Revenue mobilization failed to meet the target in 2014-15 and registered an insignificant growth of 4.0 percent. Benefits of the drastic drop in oil price were not transferred to the people. Some estimates, 10 percent cut in oil price would increase GDP and Private Investment by 0.3 percent and decrease of inflation by 0.2 percent. Overall, country's economy was stable, but did not gain strong ground to thrust for reaching the goal of attaining near eight percent growth in next two years.

Bangladesh Banking Industry in 2015

Bank is engaged in financial intermediation: borrowing and lending represent our core business. Therefore lower credit growth was the major impediment of business in 2015. Extensive issuance of commercial papers and foreign borrowing by local corporates and high level of excess liquidity pushed down both the lending rate and inter-bank call money rate. Average lending rate declines to 11.05% in January 2016 compared to 12.32% of January 2015. Weighted average call money rate plunged to 3.69 percent by the end of last calendar year, which was 8.57 percent in January 2015. With falling call money rate and low domestic credit demand, Banks have perked their excess fund in government securities, which dragged down its yield across all tenor. In this process, Banks made some good money investing government bonds in earlier months. The opportunity is unlikely to continue in 2016 since yield on such bonds are very low now. On the other hand, Bangladesh Bank has changed its mode of absorbing excess liquidity by steeping up 30 days treasury bills bid acceptance at a rate lower than Reverse Repo rate of 5.25%. The phenomena signals cut in Bank Rate to push interest rate further below.

However, Banks managed to log in profits for 2015 despite tough start by way of political turmoil during first three months of the year. Non-performing Loans remains high even after providing various flexibility to large defaulters that tolled on profitability. The NPL ratio has been managed temporarily through various restructuring and business friendly measures by Bangladesh Bank, which remains major concern for Banks.

2016 - Looking forward

In the past few years, the global economy has lacked a positive dynamic, reflecting uneasy combination of slower investment growth, weak productivity, and a range of lingering policy and business challenges. This puts the global economy in a holding pattern in which positive and negative forces offset each other, at least for the immediate future. This characterization of the global economy is unlikely to change in the next 12 to 24 months.

The World Bank projected, "Going forward, global growth should pick up, albeit at an appreciably slower pace than previously projected, reaching 2.9 percent in 2016 and 3.1 percent in 2017-18. Global inflation is expected to increase moderately in 2016 as commodity prices level off, but will remain low by historical standards. A modest upturn in global activity in 2016 and beyond is predicated on a continued recovery in major high-income countries, a gradual slowdown and rebalancing in China, a stabilization of commodity prices, and an increase in global interest rates that is gradual and stays well contained. All of these projections, however, are subject to substantial downside risks."

United States may emerge as bright spot in weak global economy supported by solid domestic demand, low unemployment, and rising Federal Reserve rate. GDP growth in 2016 is projected at 2.7 percent; higher than 2015 estimation of 2.5 percent. Recovery is likely to get better in Euro area riding on strong domestic demand and export. In terms of GDP, 1.7 percent growth is projected over last year's 1.5 percent. Growth in Asia-Pacific region is unlikely to improve in 2016. Chinese growth is expected at 6.5 percent due to rebalancing sought by policymakers. Latin America will be negatively impacted by low commodity price and ongoing troubles in the biggest economy in the region. Africa grew only 3.4 percent, lowest since 2009 due to low commodity prices and infrastructure constraints. A rebound is expected in 2016-18 as these headwinds expected to be wane. Except Asia Pacific, all other regions are expected to shine in 2016. However, downside risks are substantial and increasingly centred on emerging and developing countries. A slowdown in China and weakness in other BRICS nations could have substantial spillovers on other economies. Borrowing cost may spike after tightening of US monetary policy could significantly impact capital outflow from some emerging countries and intensify balance sheet vulnerabilities. Escalation

of terrorism related events and recent row between Saudi Arabia and Iran may heighten geopolitical risk.

Bangladesh is expected to keep its growth high at 6.8 percent in 2016 fueled by increased infrastructure spending and public sector wage hike. Public sector wage hike and easing political uncertainty shall reinforce private consumption, which should trigger private investment. On the flip side, fiscal discipline shall remain a challenge. Recapitalization of government owned banks will increase fiscal burden and commoners' woe. Export and Remittance is expected to be buoyant. Amendment in labor laws to strengthen workers right and workplace safety shall assist export performance of the country. Opening doors in Saudi Arabia for overseas job will help to maintain healthy remittance inflows. Real exchange rate was steady and appreciated, which may be depreciated in 2016. Rigorous reform of public institutions, value added tax system, adjustment of oil price, and other policy reforms are important catalysts to shape country's economy in 2016.

Performance of banking sector in 2016 will largely dominated by demand for domestic credit. Raising Fed rate may increase cost of foreign borrowing, in turn, demand for Taka lending may bolster. Export and import business is also expected to grow. On the downside, too much pressure for lowering the spread, fees and charges, and financial inclusion may hurt banking sector. Besides, non-performing loans shall remain major concern for the banking sector.

Potential risk factors that can impact MDB business in 2016:

It is evident that certain risk factors external in nature may affect the business of the Bank. The factors discussed below can significantly have an effect on the business of MDB:

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

- **Adverse impact of macroeconomic indicators:** Failure to achieve GDP growth for ongoing FY 2015, slow growth in imports, weak internal and external demand, restrained investment climate, inflationary pressure, slowing inflow of remittance, delinquent credit culture, volatility in exchange rates, excess liquidity, etc. weigh heavily on the success of business.
- **Changes in credit quality of borrowers** Chances of deterioration of credit quality of borrowers are inherent in banking business. This could stem from global economic crisis, political unrest, supply side distortion, economic slowdown and others. Abrupt changes in the import pricing may affect the commodity sectors. Banks are required to maintaining provision against incurred and potential loan loss.
- **Price shift in international commodity market**
The fluctuation of commodity prices has a direct impact on domestic business. A downward shift in the prices of baseline commodities like Petroleum Oil in the world market might engender huge competitive pressure to Bangladeshi exporters such as garments industry. Under such event, trade opportunities can face a reversal as well as banks' exposure.
- **Changes in policies and practices of regulatory bodies:** The Bank is subject to regulations and compliance thereof. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect Bank's earnings. Changes in provisioning requirement can also impact the performance of the Bank.
- **Disrupted supply of energy and weak infrastructure:** Low performance of manufacturing sector, real estate business, disrupted supply of energy and rising cost of doing business can offer apathy to investment environment.
- **Rising capital requirement under Basel-III:** Alongside Basel-II, Basel III has taken effect from 2015 in Bangladesh requiring banks to maintain more capital and follow more stringent rules.

Besides, the Bank while maintaining relationship with international correspondent banks will have to follow more strict compliance. Effective control also calls for higher investment in technology and increased operating expenses.

- **Directed lending:** Regulators or Government have put emphasis on disbursing more credit to agricultural, renewable energy, eco-friendly projects or some other under-served sectors at defined rates which may fail to produce reasonable risk-adjusted return.
- **Increasing fraud, forgery & financial crime:** Industry confidence is shaken on the backdrop of increasing frauds and financial crimes in the banking industry. The incidence is a direct outcome of weak corporate governance, control loopholes and IT inefficiencies. In spite of competence, efficient management and control, the Bank cannot rule out any such surprise as the industry closely tied with sophisticated financial relationships.

- **Operational failure:** Banking run on modern tools and techniques on the platform of state-of-the-art technology bears inherent risks. MDB has adopted core banking solution (CBS) in the heart of Bank's operation. Although adequate control measures have been ascertained, systematic operating failure cannot be ruled out at any point of time. Some failures arising from error or fraud do exist in other forms.
- **Climate change and natural calamities:** Bangladesh is highly vulnerable to climate change effects and natural disaster lying on an alarming geographical location and risks considerable loss in agricultural sector accounting for a significant portion of GDP.
- **Success of strategies:** MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.



Midland Bank received the crest of Award of Excellence in the Banking Fair Bangladesh 2015 considering the Bank's overall Performance.

Review of Business: MDB

Brief history of MDB

Midland Bank Limited was incorporated on March 20, 2013 under the Companies Act 1994 as a Public Limited Company with a Paid-up Capital of Tk. 400 crore. The Bank started its commercial operation on June 20, 2013 with a corporate slogan “Bank for inclusive growth”. Entitled to carry out all types of commercial banking activities, MDB stepped in the industry through Dilkusha Corporate Branch in Dhaka. Since then, the Bank has been constantly expanding far and wide in both network and business. Now it has a total of 20 Branches including 10 Rural Branches and 18 ATMs across the country. Over a short span of time, the Bank has emerged as a dignified banking partner in the market having ensured an easy banking access to customers through internet, alternative delivery channels, mobile, IT backed products and globally accessible debit and credit VISA cards. The Bank maintained a satisfactory level of growth of its assets and liabilities in spite of all challenges during the year 2015.

To achieve its vision, mission and strategic priorities, the Bank is committed to maintaining the highest level of ethical standard and customer charter. With steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the community, MDB is well positioned to become one of the country’s leading new generation Banks soon. Taken together with the whole nation, we want to grow and prosper.

Principal Activities of MDB

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

Strategic Plan

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

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

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

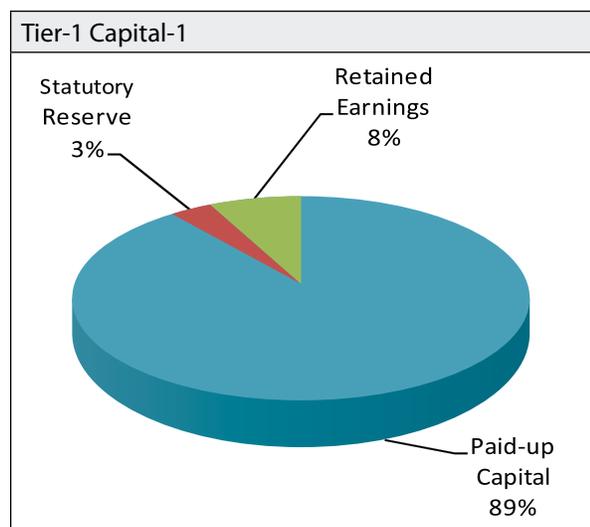
Branch Network

The Bank commenced its business on June 20, 2013. The first branch was opened at Dilkusha Commercial Area in the name and style "Dilkusha Corporate Branch" on the inauguration day of the Bank. At the end of 2015, the number of branches stood at 20 (Twenty) including 10 (Ten) rural branches covering commercially important locations of the country. The Management contemplates to open 4 (Four) more branches in the forth coming year 2016 subject to due approval from Bangladesh Bank. MDB with the added network is about to bring the whole country under its banking network.

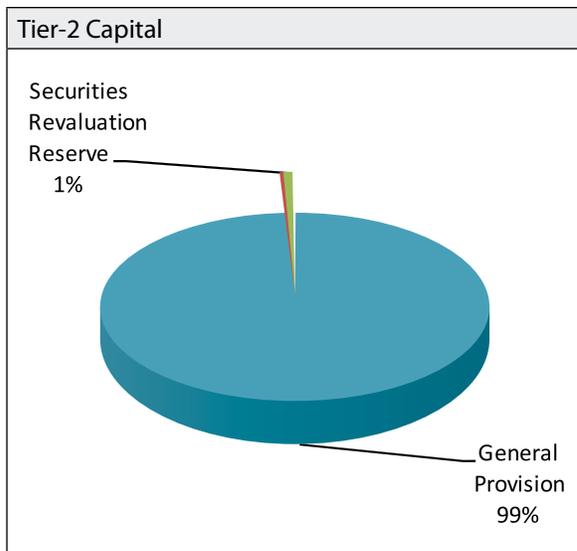
Capital strength (Capital Adequacy)

We firmly believe that Capital base of the Bank is our utmost strength. This is the first time ever in Bangladesh all the 4th Generation Banks commenced its commercial operation with huge paid-up capital of BDT 4,000 million. Apart from the paid-up capital, we were able to enlarge the capital fund of the Bank to BDT 5,067 million at the year ended 31 December 2015.

The following table depicts the Tier-1 (Core capital) and Tier-2 (Supplementary capital) capital of the Bank as per BASEL III capital accord.



Tier-1 Capital:	
Particulars	In BDT Million
Paid-up Capital	4,000.00
Statutory Reserve	150.06
Retained Earnings	334.23
Sub-Total (A)	4,484.29



Tier-2 Capital:	
Particulars	In BDT Million
General Provision	163.94
Securities Revaluation Reserve	1.36
Sub-Total (B)	165.30
Grand Total (A+B)	4,649.59

The Capital to Risk Weighted Asset Ratio (CRAR) stood at 26.29% as on 31 December 2015 as against the minimum CRAR of 10%.

Human Resources

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

Our policy on Human Resource Management is proactive. Our HR mission is to be the preferred employer of the choice. MDB believes that investment in Human Resource Development is the key to continued growth of the Bank. The Bank recruits people from all sections of the society, as it believes that competent human resources are vital to growth and success of the Bank. The Bank is offering congenial working environment and competitive compensation package. The management

team of the Bank with their talent & skill has now been working for business excellence of the Bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance. The new economies with increased global, regional and local competition coupled with socio-economic sensitivity have created enormous challenges in organization like private commercial Banks. To cope with challenges and changes, our strategic objective is to consolidate and strengthen our HR system and process including organizational development. In line with our objective, MDB organizational focus is to introduce developing the talent pool in leading the competitive business synergy, consolidate KPI based performance management, re-design reward and recognition system linked to performance, install enterprise culture based on values, enhance capability of employees in technology Banking through bringing structural changes i.e. centralized Banking.

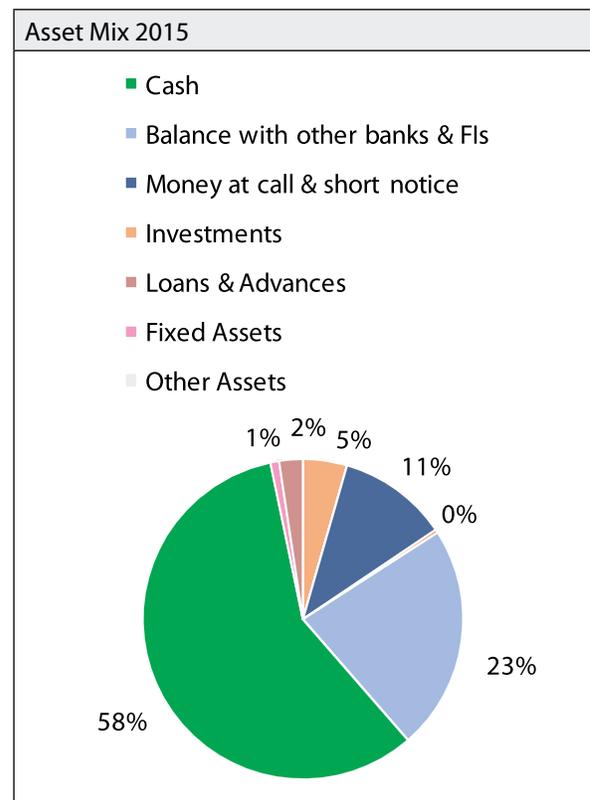
Innovation and market development (Research & Planning)

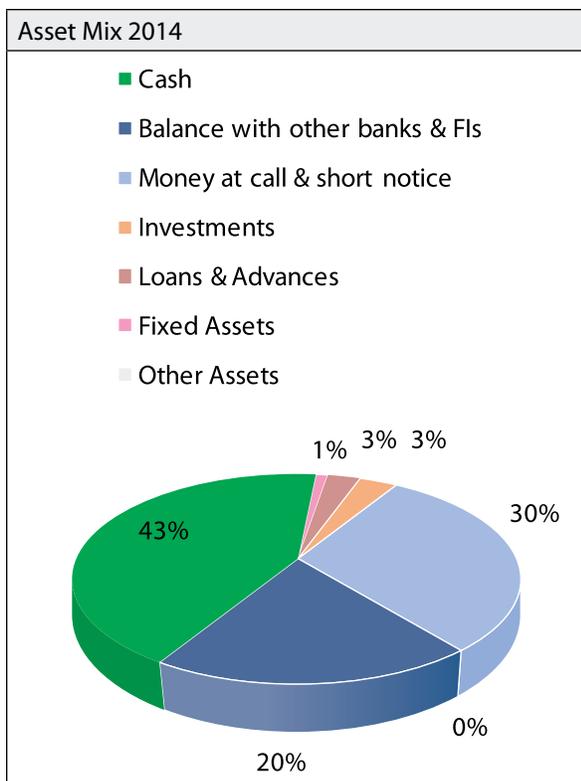
The goal of Research and Planning (R&P) Division at MDB is to carry out systematic search for information and market opportunities in the economy and the banking industry in particular to guide management decisions to maximize business performance of the Bank. Amidst a difficult market, at the conclusion of 2015, Midland Bank achieved significant growth by utilizing sensible decisions, successfully completing two and a half years of banking operations with its network of 20 (twenty) branches. The short term strategic plan is to establish the training institute with latest training equipment, materials and adequate functional spaces for class rooms. In the long run, the Bank will establish an ideal Research and Planning department, as well as a permanent training institute as a centre of excellence with separate academic building, playground, gymnasium and dormitory. In 2016, the Bank must aim even higher and face upcoming challenges with more speed and enthusiasm. A well-structured 'Research and Planning' wing should be available in the near future to add stimulant to the Bank and infuse dynamism to its operation by providing insight into how to achieve the Bank's goal to be a model bank in the industry.

Information Technology

MDB emphasizes on Online banking as well as branchless banking from the commencement of the

Bank. As a part of the Digital banking initiatives, the Bank introduces a robust Internet Banking, named midland online, with features like Balance of all accounts at a glance, Bank Statement, Cheque Book requisition, Intra and Inter-bank fund transfer through EFT and RTGS - a new and faster payment system in Bangladesh. So far MDB is the first bank to have launched inter-bank fund transfer under RTGS through Internet Banking. MDB customers can also make RTGS transaction from any MDB branch. Besides, to ensure prompt and best services MDB launched 24X7 Contact Centre. To get customer satisfaction on our services and to make us more accountable to delivering services, we are receiving Customer Feedback through our website. Moreover, to provide more flexibility to customers as well as prospects, MDB has partnered with most of Government Utility Service providers, to collect bills in their favor like BRTA, WASA, DESCO, DPDC and REB. As a part of Green banking, Bank is managing activities of Central Operations and Credit Administration Division, centrally, and related correspondences, approval processes with branches electronically, through an in-house developed software application. MDB believes the automation and centralization of the processes should help to achieve optimum customer experience.





Financial Performance of MDB

Particulars	2015	2014	% of growth over 2014
	In BDT million		
Cash	1,060	506	109%
Balance with other banks & Fls	2,655	4,532	-41%
Money at call & short notice	80	-	100%
Investments	5,429	2,986	82%
Loans & Advances	13,888	6,500	114%
Fixed Assets	211	166	27%
Other Assets	570	417	36%
Total Assets	23,893	15,107	58%

Balance sheet

Assets

Total Assets of the Bank stood at BDT 23,893 million in 2015 as against BDT 15,107 million of 2014, registering a positive growth of 58%. On the other hand, the growth of deposit was at 112% and growth of equity at 25%. The surge in assets was evident in the increase of loans

and advances, investments, fixed assets and liquid assets as maintained by the Bank. The growth of deposits was used for funding credit growth and holding of securities for SLR purpose. During the year 2015, the economy observed a low credit demand against excess liquidity in the market.

Growth of Balance Sheet items:

Particulars	2015	2014	% of growth over 2014
	In BDT million		
Total Assets	23,893	15,107	58%
Advances	13,888	6,500	114%
Deposits and Borrowings	18,237	10,884	68%
Equity	5,067	4,049	25%

Cash and Balance with Bangladesh Bank and Its Agents

The balance stood at BDT 1,060 million in 2015 compared to BDT 506 million of 2014. The balance increased by BDT 554 million in 2015, showing a growth of 109%. The growth mainly increased for Cash Reserve Requirement (CRR) of the Bank which is maintained with Bangladesh Bank and its agent Banks.

Balance with other Banks and Financial Institutions

The aggregate position of the Bank was BDT 2,655 million in 2015, compared to BDT 4,532 million in 2014. The balance decreased by BDT 1,877 million in 2015 (-41%).

Investments

The Investment grew by 82% to BDT 5,429 million in 2015 compared to BDT 2,986 million in 2014. The balance increased by BDT 2,443 million in 2015. The Bank's investment comprised Government Securities of BDT 3,679 million and others (investment in debenture, corporate bond, etc.) of BDT 1,750 million. The 85% growth achieved in investment was driven by government treasury bills / bonds purchased to cover the required SLR, in line with increased deposit liabilities.

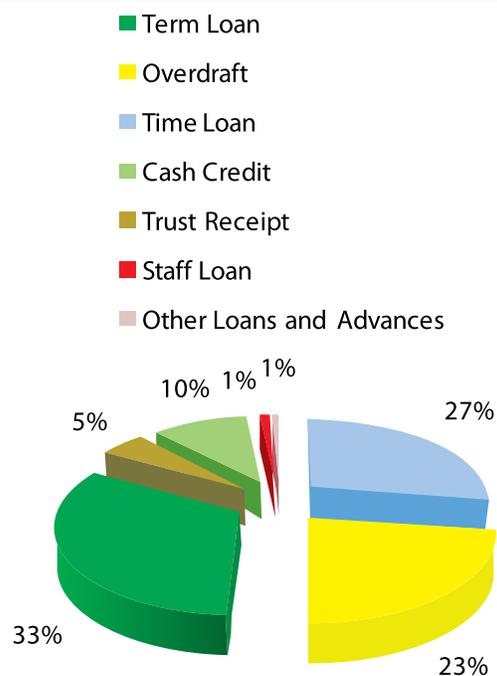
Loans and Advances

Loans and advances outstanding of the Bank amounted BDT 13,888 million in 2015 representing a growth of 114%, compared to BDT 6,500 million in 2014. Yield on loans and advances decreased to 13.55% from 14.69% due to reduce the lending rate in 2015. Approval and disbursement of loans and advances was well managed. As a result, MDB has a nominal Non-performing Loan (NPL) of BDT 139.69 million (1.01%) during the FY 2015.

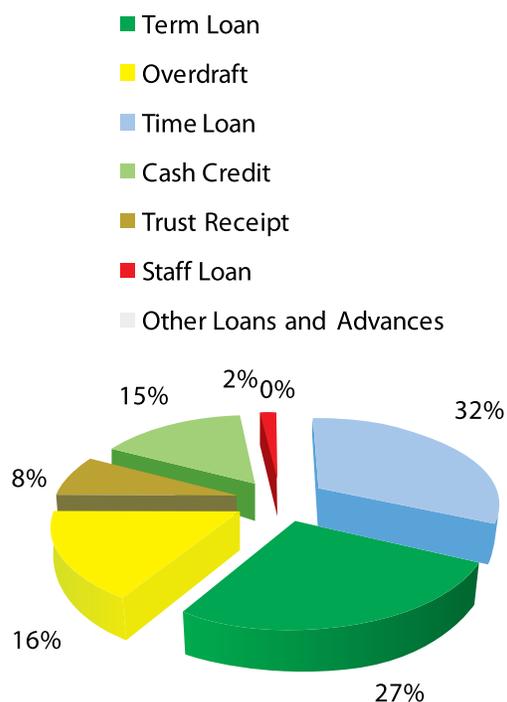
Under a very low investment climate in 2015, borrowers became averse to injecting new fund in their business. Bankers were hard pressed to find a solution to a two pronged problem: worsening current portfolio versus lower opportunity to expand business in absence of committed borrowers. Against the backdrop, MDB came out successful in enhancing its credit portfolio. The growth in the loan book was an outcome of Bank's concerted efforts and enhanced participation in local corporate and SME credit-lines, syndicated and structured finance along with broadening of business relationship in the country, the attractiveness of our retail and consumer credit products, careful selection of borrower, strong credit risk assessment and protection under good security coverage.

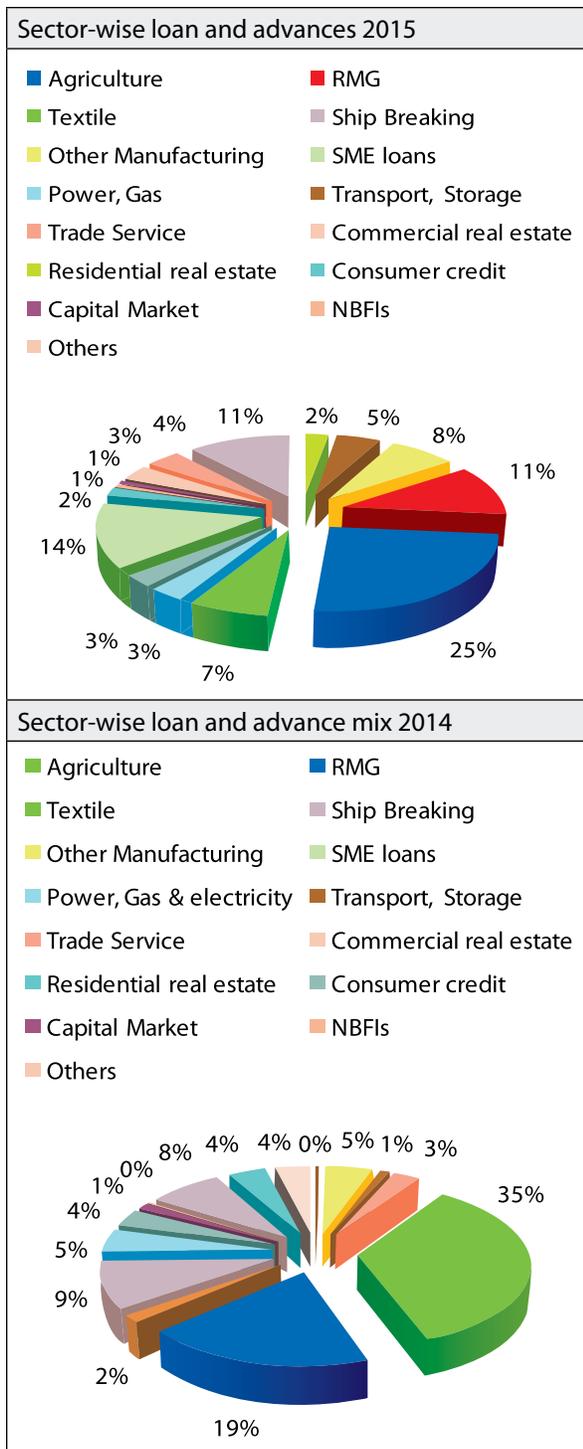
Concentration of loans and advances was well diversified details of which are explained in note 07 of the financial statements. Strategic focus on no-compromise with asset quality from the onset of our journey has been pursued in every standard of credit management. As a result, the year-end achievement in maintaining better asset quality was remarkable as the NPL fraction of loans was 1.01 percent. Based on contractual maturity terms 72 percent of the current loan portfolio will be matured within one year, 25 percent is due to mature within 5 years and 3 percent is due to mature over 5 years of the balance sheet date. Bank's Advance to Deposit (AD) ratio at the end 2015, improved to 77.35% from 76.66% in 2014, marking an efficient utilization of mobilized fund and equity in the most liquid banking industry.

Category wise Loan mix 2015



Category wise Loan mix 2014





Fixed assets and other assets

The aggregate amount of fixed assets of the Bank was BDT 211 million in 2015, compared to BDT 166 million in 2014 demonstrating a growth of 27%, while other assets amounted to BDT 570 million in 2015, compared to BDT 417 million in 2014, showing a growth of 37%.

Liabilities

Total liabilities excluding equity of the Bank registered an excellent growth of 70% with a total volume of BDT 18,826 million in 2015, as against BDT 11,058 million of 2014. Borrowings from other Banks, Financial Institutions and Agencies were BDT 281 million in 2015, compared to BDT 2,405 million of 2014.

Borrowings from other Banks, Financial Institutions and Agents

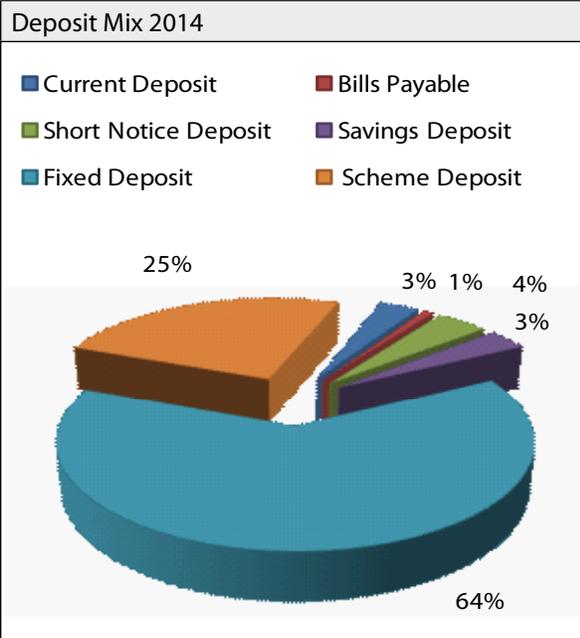
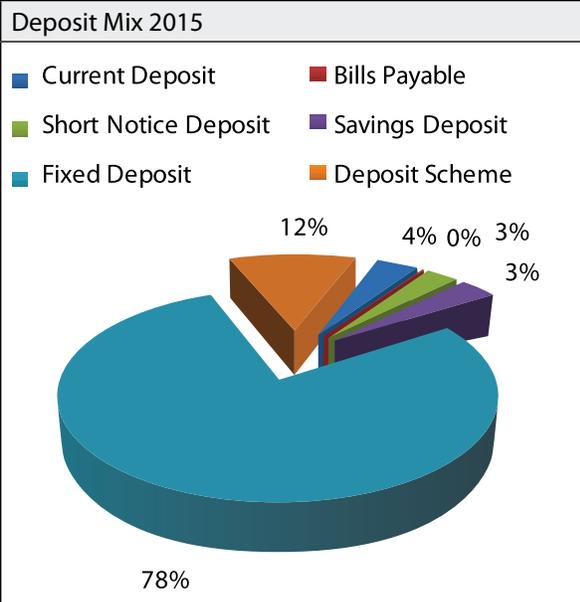
The borrowing represents call borrowing, REPO of Treasury Bills and refinances against SME loans from Bangladesh Bank, etc. The borrowings were mainly used for Bank's liquidity, purchasing Treasury Bonds / Bills as PD Bank, which were devolved on the Bank in excess of CRR & SLR requirements.

Deposits

Customer deposits are the prime source of funding for Commercial Banks. To attract the new customers, it was really challenging, being a new entrant as a fourth generation bank in the industry. However, we were able to manage efficient mobilization of deposit mix. The success was well supported by expansion of branch network, ATM booths, and introduction of various lucrative deposit products, competitive interest rates and excellent customer services. Business promotion continued through liability campaign carried out by retail liability team for no-cost and low-cost deposits.

The Bank also offered a number of attractive deposit schemes to cater to the needs of small and medium savers for improving not only the quantum of deposits, but also focusing on qualitative changes in future to the deposits structure.

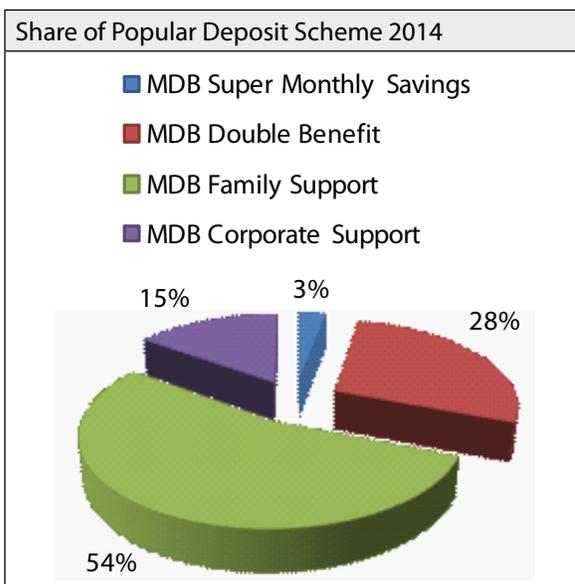
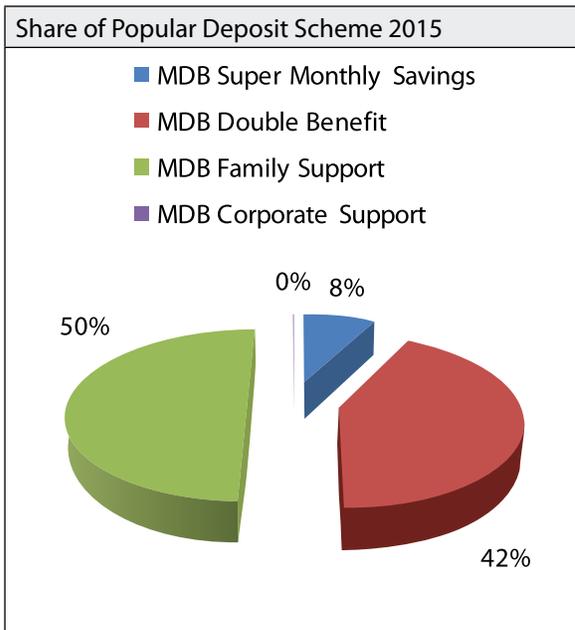
The Bank quite successfully enhanced the deposit portfolio to BDT 17,956 million in 2015 with a growth of 112% compared from BDT 8,479 million of 2014. The cost of deposit and cost of fund were brought down to 8.31% and 9.73% respectively in 2015, as against 9.46% & 10% respectively in 2014. Out of deposit, customer base witnessed a speedy growth of 112% over the preceding year numbering a total of BDT 17,956 million as on the balance sheet date of 2015. The strong customer-based comprised individuals, corporations, small & medium size enterprises, NBFIs, government entities, NGOs and autonomous bodies and others.



In 2015, MDB's deposit blend was stable with cost free and low cost deposits in comparison with the year 2014. High cost deposits in deposit mix such as Scheme Deposit reduced to 12% from 25% of 2014. Still, fixed deposits maintained its dominance occupying the highest share in the deposit line. At the year-end 2015, the ratio of customer deposit to total liabilities stood at 95%, compared to 77% of 2014. A wide range of liability products are now available at MDB to meet variant needs of deposit clients.

Scheme Deposits

With a view to bringing all citizens of the country into our Banking network from all of geographical segments irrespective of their classes, clans, religions, incomes and in other way to bolster the propensity to savings, Midland Bank crafted some attractive Scheme Deposit products. The Bank contemplates to devise some new beneficial schemes with more attractive features in the coming year. During the year the fascinating series of schemes, namely MDB Super Monthly Savings, MDB Double Benefit, MDB Family Support and MDB Corporate Support mobilized are given below:



Deposit Mix	Outstanding on 31.12.15 (In BDT Million)		Growth (%)	Deposit Mix (%)	
	2015	2014		2015	2014
	Current Deposits	701		282	148%
Bills Payables	26	73	-64%	0.14%	0.87%
Special Notice Deposits	535	365	47%	2.99%	4.30%
Saving Deposits	604	281	115%	3.36%	3.31%
Fixed Deposits	14,023	5,385	160%	78.10%	63.51%
Scheme Deposits	2,066	2,092	-1%	11.51%	24.67%
Total Deposits	17,956	8,479	112%	100%	100%

Shareholders' Equity

The shareholders' equity increased by BDT 1018 million to BDT 5,067 million in 2015 as against BDT 4,049 million of 2014. Statutory reserve was up by BDT 126 million in 2015, while retained earnings rose by BDT 312 million during the year. The robust growth in shareholders' equity will help the Bank to grow on a strong foundation of capital as well as expand its business as a whole.

Income Statements

Income and Expenses

The Bank registered net operating profit before tax and provision BDT 775 million in 2015 as against BDT 159 million of 2014, representing an outstanding growth of 387%. Net profit after tax increased significantly compared with previous year of 2014 (a rise of 1,154%) making a total of BDT 439 million in 2015 compared to BDT 35 million in 2014, due to capital gain on T-bills / bonds, as well as business growth in 2015..

Income

The Bank registered total interest income on loans and advances BDT 1,690 million in 2015 as against BDT 971 million of 2014. The Bank also earned an amount of BDT 1,100 million from commission, exchange & brokerage, investments and other operating income in 2015 as against BDT 276 million of 2014. The growth of income was mainly driven by real growth in overall asset portfolio, good sales of loan products, and rise in investment incomes, fees and commissions as well as efficient utilization of fund. Yield on loans and advance was 13.55% in 2015 compared to 14.69% in the previous year.

Investment Income

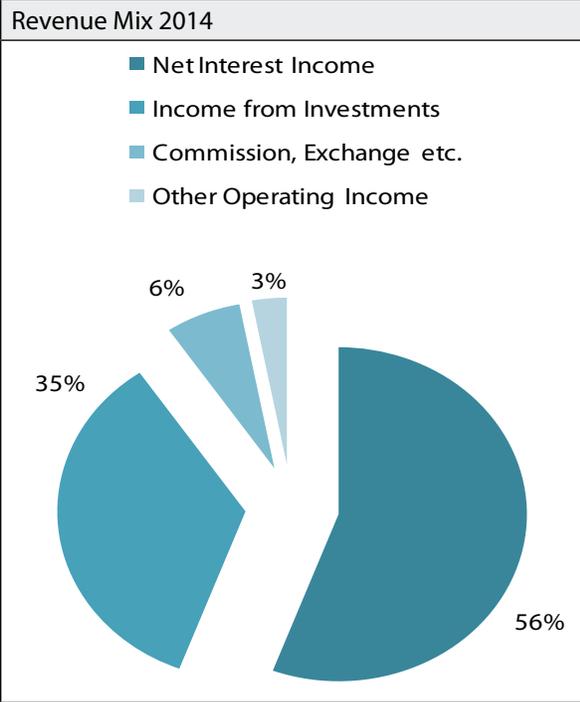
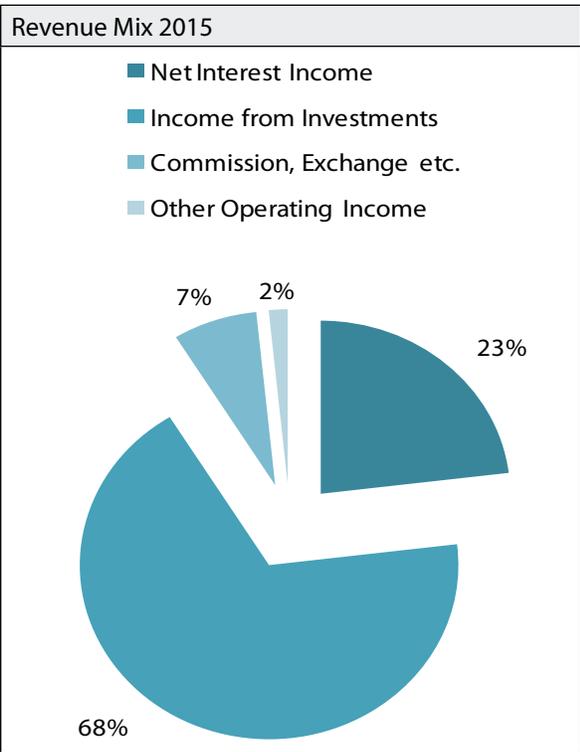
MDB's investment income consisted of interest / discount earned on treasury bills / bonds, gain on government security trading, interest on debentures so forth. Investment income in 2015 was BDT 974 million compared to BDT 217 million of 2014. This enabled the Bank to post a significant growth of BDT 757 million (349%) over the preceding year. Investment Income was another major contributor to total operating income accounting for 68% of net operating income.

Commission, Fees and Brokerage

Income from commission, fees and brokerage during 2015 increased by BDT 63 million against the preceding year. Regulatory pressure continued to rationalize the rate of commission and charges in an effort to broaden wider access of mass people to modern banking. Increasing volume of banking business and transactions together with huge sales of banking products and cost effective measures enabled us to offset the loss from reduced commission and charges

Details are showing in below table:

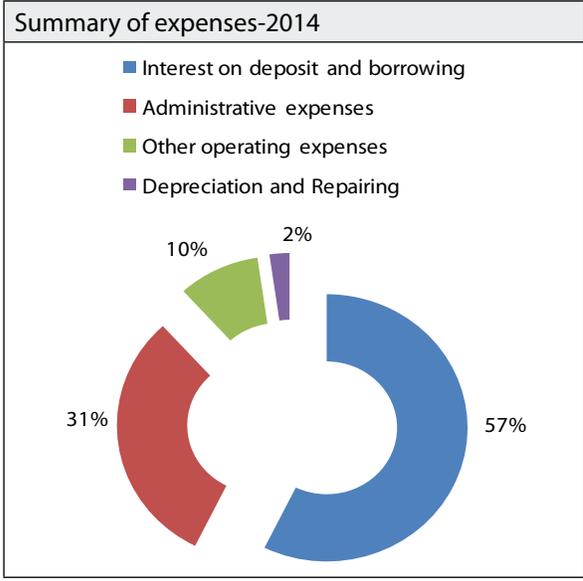
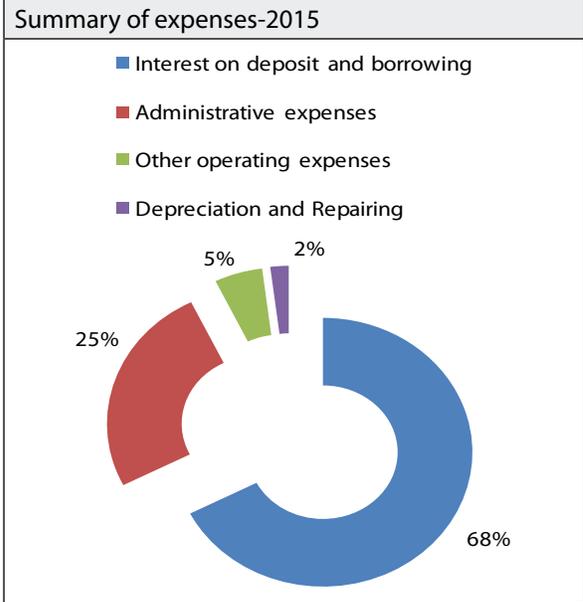
Particulars	In BDT million		Growth (%) over 2014
	2015	2014	
Interest income	1,690	971	74%
Interest paid	1,360	624	118%
Net interest income	330	347	-5%
Investment income	974	217	349%
Commission, fees and brokerage, etc.	103	40	158%
Other operating income	23	19	21%
Net operating income	1,430	623	130%
operating expenses	655	464	40%
Net operating profit	775	159	390%



Expenses

Interest paid on deposits and borrowings, etc. was BDT 1,360 million in 2015 compared to BDT 624 million of 2014. Administrative expenses incurred by the Bank amounted at BDT 655 million of 2015 as against BDT 464

million of 2014. Interest paid on deposits and borrowings and administrative expenses mostly increased due to expansion of business, provisioning of gratuity, provident fund, performance bonus and expansion of branch network during the year. The cost of deposit and cost of fund stood at 8.31% and 9.73% respectively in 2015 as against 9.46% & 10% in 2014. The cost income ratio reduced to 45.22% from 75% which indicates satisfactory operating efficiency of the Bank. Depreciation and repairs on of fixed assets totaled BDT 39 million up by 56% from previous year. Addition of fixed assets by BDT 79 million included the expenses against establishment of new branch premises, HO premises, ATMs, investment in IT infrastructures and so forth.



Summary of expenses are as follows:

Particulars	In BDT million		Growth (%)
	2015	2014	
Interest paid on deposit and borrowing	1,360	624	118%
Administrative expenses	510	336	30%
Other operating expenses	105	103	02%
Depreciation and amortization on banking assets	40	25	60%
Total Expenditures	2,015	1,088	85%

In BDT million

Particulars	2015	2014	Growth %
Salary and allowances	323	200	62%
Rent, taxes, insurance, electricity, etc	148	116	28%
Postage, stamp, telecommunication, etc	10	6	67%
Stationery, printing, advertisement, etc	18	6	200%
Managing Director's salary & fees	10	9	11%
Directors' fees	2	0.30	567%
Repairs, maintenance and depreciation	40	25	60%
Other expenses	105	103	02%
Total operating expense	656	465	41%

By and large, Bank's rent and tax, utility bills, insurance premium, printing & stationeries, repair, maintenance, office security, advertisement & business promotion costs increased significantly during 2015 because of expansion of service delivery channels (Branch, ATM), renovation of Branches and Head Office, introduction of new products, improving brand image through increased of promotion and advertisement, etc.

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

HR Productivity

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

In BDT million

Particulars	2015	2014
Number of employee	327	198
Net operating income per employee	4.37	3.15
Operating expenses per employee	2.00	2.35
Profit before provision per employee	2.37	0.80
Profit before tax per employee	1.93	0.51
Profit after tax per employee	1.34	0.18

General Provision

General provisions against unclassified loans and advances was BDT 78 million in 2015 as against BDT 46 million of 2014. The Bank also maintained general provision of BDT 10 million in 2015 against the off-balance sheet exposures, compared to BDT 11 million of 2014, according to the regulatory guidelines. General provision is considered as Tier-II capital of the Bank and acts as a safeguard against future default and for supporting business growth by strengthening the capital base of the Bank.

Specific Provision

Specific provision is required to make against classified loans and advances as per Bangladesh Bank guidelines.

During the year 2015, it was stood at BDT 56 million.

Other Provision

No provision was made against diminution in value of investment in shares and protested bills, as the Bank has no investment in shares in secondary market and no protested bills created during the reporting year.

Net Profit before Tax

After making appropriate provision on loans as stated above, net profit after provision stood at BDT 630 million in 2015 compared to BDT 101 million of 2014, depicting a growth of 523%.

Net Profit after Tax

The Bank has made a provision of current tax and deferred tax of BDT 192 million in 2015 as against BDT

67 million of 2014. After making appropriate provision of tax, net profit after tax stood at BDT 439 million in 2015 compared to BDT 35 million of 2014 showing a growth of 1,154%.

Statutory Reserve

As per section 24 of the Bank Company Act (Amendment) 2013, every Bank has to transfer to the statutory reserve a sum equivalent to not less than 20% of its net profit (net profit as disclosed in the Profit and Loss Account prepared under section 38 and before any money is transferred to the Government or any dividend is declared). The Bank has made adequate reserve as guided by Bank Company Act and the accumulated amount of statutory reserve stood at BDT 150 million in 2015 compared to BDT 24 million of 2014 with a growth of 525%.

Key financial ratios of the Bank:

Particulars	Bank	
	2015	2014
ROE-Return on average equity (PAT/ Average Equity)	8.63%	0.86%
ROA-Return on average assets (PAT/ Average Assets)	1.84%	0.23%
Cost to income ratio (Operating expense/ Revenue)	45.22%	74%
Capital adequacy ratio	26.29%	43.95%
Advance to Deposit ratio	77%	77%
NPL ratio	1.01%	Nil
EPS (in BDT)	1.10	0.09
Net Asset Value per Share (in BDT)	12.67	10.12

**Since the profit after tax (PAT) increased by 1,166 percent during 2015, all the ratios (including ROE & ROA) having PAT on the numerator have increased accordingly.*

Appropriation of Profit

Profit after Tax (PAT) stood at BDT 439 million for the year 2015. Profit available for distribution among shareholders is BDT 334 million after a mandatory transfer of statutory reserve of BDT 126 million (20% on PBT). Directors have recommended stock dividend 8.00% for the year 2015.

In BDT million

Particulars	Year 2015	Year 2014
Profit after tax (PAT)	439	35
Retained earnings brought forward	21	8
To be appropriated	460	43
Transfer to statutory reserve	126	(22)
Transfer to general reserve	-	-
Dividend	-	-
Distributable profit	334	21
Dividend for the year 2015 & 2014 (recommended):		
Stock dividend (8% in 2015 & Nil in 2014)	320	-
Retained earnings to be carried forward	14	21

Correspondent Relationship

MDB has established correspondent relationship all over the world with a number of foreign Banks. The Bank continues to follow the needs and business opportunities of its clients. Bank maintains 11 (Eleven) Nostro Accounts in 5 (five) major international currencies with reputed international banks in all the major financial centres around the globe, for settlement of trade finance and all other customer driven transactions denominated in foreign currency. We are constantly emphasizing the need for increasing correspondent partners and trying to develop business relationship with our correspondent banks worldwide.

Risk Management

For MDB, management of risk is a dynamic process interrelated with the philosophy, culture and functionalities of the Bank. Risk is evidently defined, mitigated or minimized to shield capital and to maximize value for shareholders. Midland Bank affixes utmost priority to establish, maintain and upgrade risk

management infrastructure, systems and procedures. Adequate resources are allocated in this regard to improve skills and expertise of relevant banking professionals to enhance their risk management capacity. The policies and procedures are approved by the Board of Directors and regularly assessed to bring these up to optimum satisfaction level. Recognizing the impacts of internal and potential risk domains, the Bank has laid down different risk management processes consisting of definition, identification, analysis, measurement, acceptance and timely management of risk profile.

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

Corporate Sustainability

In order to uphold corporate sustainability, MDB has concentrated in the key areas i.e. nation building, creation of healthy and congenial works place, enhancing the market place, support to the community and fortification of the environment. As a socially conscious and responsible corporate body, MDB is committed to the improvement of the society as a whole. MDB is continuously trying to put its efforts to help the disadvantaged population of the country in the sector of education, health, disaster management, sports, arts and culture, etc. The Bank is contributing @ 10% of its net profit every year to the CSR Fund. The Bank conducted various CSR activities during the year 2015 (details are discussed in CSR report in this annual report).

Corporate Governance

The Board of Directors of MDB is fully devoted to maintain the highest standards in corporate governance, professionalism and integrity in driving the Bank to create and deliver long-term sustainable value. In line with the Bank's ambitions, the Board has continued to ensure that the highest standards in corporate governance are

upheld, with a view to enhancing stakeholder value, increasing investor confidence, creating customer trust in building a modest organization and creating a congenial working environment inevitably to meet the challenges in the coming years, whilst at the same time not losing sight of its stakeholders by establishing and managing requisite governance policies and processes. Since inception, MDB has taken into cognizance of good corporate governance practice as a core ingredient in protecting the interest of stakeholders (details are discussed in corporate governance report in this annual report).

Remuneration of Directors and Managing Director

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

Accounting Records

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

Accounting Policy and Implementation of BAS / BFRS

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

for designing, implementing and maintaining internal control relevant to preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in this context.

Internal Control

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

Standard Reporting

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

Going Concern

The Conceptual Framework of BAS 1 is that financial statements are generally prepared assuming that the entity is a going concern and will continue in

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

Internal Control Environment

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

Supplier Payment Policy

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

Maturity Analysis

In BDT million

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	13,383	4,947	3,607	21,937
Non-interest earning assets	1,176	125	655	1,956
Total assets	14,559	5,072	4,263	23,893
Interest bearing liabilities	15,659	2,291	287	18,237
Non-Interest bearing liabilities	527	1	61	590
Total liabilities	16,186	2,292	349	18,827
Maturity Gap	(1,627)	2,780	3,914	5,067

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

Shareholders' Value

The Board of Directors is fully committed to adding high value of its shareholders investment by earning healthy profitability through delivering expected excellence in services to its valued clients and stakeholders. The Board was able to keep its commitment by clinching high profitability trends in the year 2015. The Earning Per Share (EPS) stood at BDT 1.10, Return on Average Assets (ROA) stood at 2.25% and Return on Shareholders' Equity (ROE) at 9.63% in 2015 as against BDT 0.09(EPS), at 0.23%(ROA) and 0.86%(ROE) in 2014, respectively.

Meeting of the Board

The Board of Directors holds meeting on a regular basis, usually once in a month but emergency meetings are being called when deemed necessary. Management provides information, references and detailed working papers for each of the agenda to all Directors well ahead of the scheduled date for meeting. Each Meeting, the Chairman of the Board of Directors allows sufficient time for the Directors to consider respective agenda item in a prudent way and permits them to freely discuss, inquire, and express independent opinions on the issues of interest so that they can fulfill their duties to the best of their abilities. During the year 2015, a total 17 (Seventeen) meetings of the Board of Directors were held.

Appointment of Auditors

M/S. S.F. Ahmed & Co., Chartered Accountants had conducted the audit of MDB for the year 2014. They have completed three (3) consecutive years. As such, they are not eligible for re-appointment as per Bangladesh

Bank guidelines. The Board Audit Committee in its 12th meeting and subsequently the Board of Directors in its 43rd Meeting recommended to appoint M/S. Hoda Vasi Chowdhury & Co., Chartered Accountants as external auditors of the Bank for conducting audit for the financial year 2016. Shareholders will appointment new auditors in the 3rd AGM of the Bank for the year 2016.

Annual General Meeting

The Third Annual General Meeting (AGM) of MDB will be held on September 29, 2016, Thursday at 5.00 p.m. The Directors' Report along with the financial statements was approved at 43rd Board Meeting held on 15th March, 2016 for presentation to the shareholders in the 3rd AGM to be held on 29th September, 2016.

Outlook 2016

In 2016, the Bank will continue to fortify its position by expanding the core business activities, particularly in Trade Finance, Commercial Lending to MSME and Agriculture, Structured Finance, Import and Export business. As regards liability management, the Bank will remain focused on growing its core customer deposits and also improving its deposit mix to have competitive funding cost. The Bank will continue to enhance its delivery of service standards, promotes fee-based activities (Non-funded business) and pursue greater cost efficiency and staff productivity by promoting a proactive business process. In pursuit of its business growth, the Bank will invariably adhere to good corporate governance practice, appropriate risk management policies, prudent credit policies and practices in order to upkeep sustainable long-term

growth and profitability of the Bank for the benefit of all stakeholders. The Bank confidently looks forward to continue sharing its success in delivering superior shareholders' value in coming year 2016.

Acknowledgements

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

Exchange limited, Chittagong Stock Exchange limited and Registrar of Joint Stock Companies and Firms and National Board of Revenue (NBR) for their cooperation, valuable guidance and advices provided to the Bank from time to time.

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

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

Report on Economic Impact

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

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

Maintaining Capital Adequacy

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

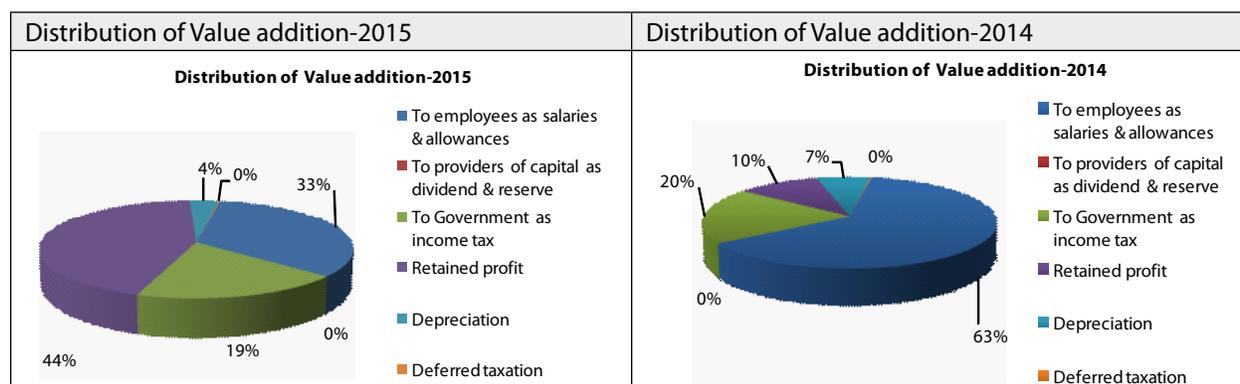
The capital adequacy computation as on 31 December 2015 is given below:

Particulars of Capital Fund	In BDT million	
	2015	2014
Paid up Capital	4,000	4,000
Statutory Reserve	150	24
Retained Earnings	334	21
Total Tier - I (Core) Capital	4,484	4,045
Supplementary Capital (Tier-II) :		
General Provision including Off Balance Sheet items	164	75
Revaluation Reserve on Investment in Securities	1	2
Total Tier - II (Supplementary) Capital	165	77
Total Capital	4,649	4,122
Total risk weighted assets	17,689	9,380
Core Capital Ratio (%)	25.36%	43.13%
Supplementary Capital Ratio (%)	0.93%	0.82%
Total Capital Adequacy Ratio (%) –Minimum requirement @ 10%	26.29%	43.95%

Value Added and Distribution

In BDT million

Particulars	2015	2014
Income from banking services	2,790	1,247
Less: Cost of services & supplies	1,648	857
Value added by banking services	1,142	390
Non-banking income	-	-
Provision for loans and off-balance sheet exposure	(145)	(58)
	997	333
Distribution of value addition		
To employees as salaries & allowances	333	209
To providers of capital as dividend & reserve	-	-
To Government as income tax	193	66
To expansion and growth	-	-
Retained profit	438	35
Depreciation	34	22
Deferred taxation	(2)	1
	471	58
Total	997	333



Economic Value Added statement

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

Particulars	In BDT million	
	2015	2014
Shareholders' equity	5,067	4,049
Add: Accumulated provision for Loans & Advances and Off Balance sheet exposure	220	75
Average Shareholders' equity	4,558	4,036
Earnings		
Profit after tax	439	35
Add: provision for Loans & Advances and Off Balance sheet exposure	145	58
Less: written off during the year	-	-
Earning for the year	584	92
Average cost of equity (based on weighted average rate of Shanchay Patra issued by the Government of Bangladesh) plus 2% risk premium.	10.50%	12.90%
Cost of average equity	479	521
Economic Value Added	105	(428)

MDB Photo Gallery



MDB Photo Gallery

Honourable Prime Minister Sheikh Hasina receives a cheque for Tk 2 Crore from Mr. M. Moniruzzaman Khandaker, Chairman of Midland Bank Ltd., for Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust.



Mr. M Moniruzzaman Khandaker, Chairman of Midland Bank Ltd., cuts a cake commemorating Bank's 2nd anniversary.

Mr. M Moniruzzaman Khandaker, Chairman of the Bank Presiding over the 3rd AGM Midland Bank Ltd. at Westin hotel.



MDB Photo Gallery



A Board Meeting Presided over by the Chairman.

Mr. Rezaul Karim, Chairman, Executive Committee, inaugurates Bank's ATM at Gulshan.



Mr. M Moniruzzaman Khandaker, Chairman of Midland Bank Ltd., along with other directors, attend the bank's Annual Business Conference 2016 held at a hotel in Dhaka.

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., presides over the half-yearly business conference 2015 of the bank.



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. received the crest of Award of Excellence in the Banking Fair Bangladesh 2015 from Dr. Md. Abdur Razzak, M.P., Chairman of Parliamentary Standing Committee on Ministry of Finance.

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., opens the bank's motor vehicle taxes and fees collection booth on BRTA premises in Bogra.



MDB Photo Gallery



Mr. M Moniruzzaman Khandaker, Chairman of Midland Bank Ltd., opens the bank's 12th branch at Panchrukhi in Araihasar, Narayanganj.

Mrs. Nilufer Zafarullah, M.P, Vice-Chairperson of Midland Bank Ltd., and Abdul Majid Mondol, M.P, a director, open the bank's 13th branch at Kamarpara in Dhaka.



Mr. Mohammed Helal Miah, a director of Midland Bank Ltd., opens a branch of the bank in Narsingdi.

MDB Photo Gallery

Mr. Selim Osman, a member of parliament, opens a branch of Midland Bank Ltd. on Maleh Road in Narayanganj. Mr. Md. Badsha Miah, Sponsor Shareholder of the bank was also present.



Mr. Kazi Zafarullah, Sponsor Shareholder of Midland Bank Ltd. inaugurates the 19th branch of the bank at Chowdhuryhat of HatHajari, Chittagong.

Master Abul Kashem, Mr. Md. Issa Badsha and Mr. Md. Kamal Hossain, directors of Midland Bank Ltd., open the bank's 17th branch on CDA Avenue in Chittagong.



MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd, inaugurates Bogra branch of the bank.

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., opens a branch of the bank in Mokamtola of Shibganj, Bogra.



Mr. M Moniruzzaman Khandaker, Chairman of Midland Bank Ltd., opens the relocated premises of the bank's Uttara branch on Jashimuddin Avenue in Uttara, Dhaka.

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., and Mr. Zulfikar Tahmid, Company Secretary of Dhaka Electric Supply Company (DESCO), attend the signing of an agreement, at DESCO Head Office in Dhaka.



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., and Mr. Md. Munir Chowdhury, Company Secretary of Dhaka Power Distribution Company (DPDC), attend the signing of an agreement at the DPDC Head Office in Dhaka. Brig. Gen. Mr. Nazrul Hasan (Retd.), Managing Director, DPDC was also present.

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., and Mr. Taqsem A Khan, Managing Director of Dhaka WASA, pose after signing a bill-collection agreement.



MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. and Mr. Abdus Salam, Managing Director of BRAC Sajaan Exchange Ltd. signed an agreement on behalf of their respective organizations for Remittance collection.

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. and Mr. A.M. Hamim Rahmatullah, Managing Director of Singer Bangladesh Limited signed an agreement on behalf of their respective organizations for discount facility for MDB credit and debit card holders.



The Managing Director & CEO, also the Chairman of MDB Customer Services and Complaints Cell, Mr. Md. Ahsan-uz Zaman formally launched Customer Feedback Form.

MDB Photo Gallery

Dr. Atiur Rahman, former Governor, Bangladesh Bank attends a signing ceremony on loan agreement between Midland Bank Ltd. and Palli Karma Unnayan Sangstha (PKUS) held in Bangladesh Bank.



Dr. Atiur Rahman, former Governor of Bangladesh Bank, attends the launch of Midland Bank's three new SME loan products at a programme held at Jahangir Alam Conference Hall of Bangladesh Bank.

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., inaugurates the five new deposit products along with Visa branded Credit Card of the Bank.



MDB Photo Gallery



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., launches the bank's new SME product -- MDB IT Uddog -- for clients who want to be engaged in IT business.

Mr. Md. Ahsan-uz Zaman, Managing Director of the Bank inaugurates a training program titled "Financing for Energy Efficiency Programs" as Chief Guest along with Mr. A.K.D. Sher Mohammad Khan, Senior Energy Advisor, USAID Bangladesh.



Mr. Khodoker Nayeemul Kabir, Deputy Managing Director of the Bank inaugurates 02 days long training program on "Foreign Exchange Banking Operations in CBS" at the Bank's Head Office, Dhaka.

MDB Project Finance



MDB Project Finance



Performance by Banking Segments

CORPORATE BANKING

Highlights

Key Performance Indicators	In BDT million		
	2015	2014	Growth Change (%)
Deposits as at Dec 31	17,955.52	8,478.58	112%
Advances as at Dec 31	13,887.86	6,499.98	114%
Profit before tax	630.33	101.19	522.92%
NPL ratio as Dec 31	1.01%	0%	1.01%

2015 has been a successful year for Midland Bank not only in terms of financial performance but also operational restructuring. Planned by the management, with consent from the board, the Bank changed its business model from branch based decentralized banking to centralized business units that significantly reduces credit risk, operation risks entailed in banking operation. Corporate Banking Division, alike other divisions, was centralized following an initiative in March 2015 and was entirely complete by September 2015. The centralized corporate banking team managed the friction of centralization very well and the initial transaction complexity of the clients while switching to centralized business model & successfully retained the valued corporate clientele. Throughout transition Corporate Banking Division thankfully received the best cooperation from the branches from which the corporate clientele the portfolio was taken over, the centralized credit administration department that manages loan operations & execution-to-custody of securities/collateral & operations division that deals with account operations and transactions of the clientele.

Under centralized model Corporate Banking Division, the scope of work for relationship teams have been well defined. Midland Bank's corporate banking relationship teams provide the corporate banking clients with one touch contacts. Relationship team of corporate banking division are responsible for the following functions:-

- Acquiring new businesses by getting onboard new clients.
- Maintaining the portfolio of both existing & new onboard clients.
- Structuring credit facilities in line with the clients' business volume and industry requirements.
- Carrying out the comprehensive due diligence on potential clients.
- Preparing business write upon potential clients for presentation & approval decision from the Management.
- Regular monitoring and troubleshooting of the portfolio of clients.
- Participating in syndication projects.
- Follow up & recovery of loan portfolio.

Corporate Banking Division works as a primary business segment & also as a market intelligence wing for the Bank. Through its first hand interaction & experience from the corporate clients in the marketplace, corporate banking hales the Bank to be responsive to the market dynamics. In 2015, there was a gradual influx of deposit funds in the commercial banks. The overwhelming liquidity of over BDT 1,700 Billion slides the AD ratio down to lower than 70% by June 2015. Corresponding to that there was an abrupt decline in the Call Money rate that plunged below 2% by year end. To help the bank to avoid loss from excess liquidity and low yield from overnight lending Corporate Banking rolled out a liquidity driven short term lending at lower interest rate to prominent corporate clients with strong credit record. Apart from saving the potential loss from surplus fund this initiative that rather earned at least some profit also helped opening up new windows of relationship with big league corporate clients.

While liquidity is not a problem that banks are facing at present, few years in recent past has shown shifts between scarcity and liquidity of funds taking place rather abruptly. To be prepared beforehand, Corporate Banking Division formed a full-fledged Liability & Cash Management Team by the end of the year that is expected to build up the liability side of the Bank's balance sheet with a long term perspective that will give the funded support to the asset units in building up the portfolio.

The financial marketplace has become very dynamic in recent past with innovative financing at very competitive terms and also comes with cross currency hedge. To cater to the developing & sophisticated requirements from ever more demanding clientele corporate banking division will build up structured finance capabilities for the bank around the portfolio of corporate clientele. The structured finance capabilities planned to be built in the offering includes rolling out of full-fledged offshore banking platform with all available trade finance products, to qualify and to secure various refinancing schemes made available by the central bank for agricultural, industrial (particularly US Dollar denominated long term funding for RMG & Textile sector) & infrastructural sectors under LTFF, IPFF, Green financing etc. programs.

The asset portfolio under corporate banking division was hovering above BDT 12 Billion by year end and in 2016 the corporate banking targets to reach BDT 18 Billion, while on the liability side the division plans to acquire funds worth BDT 6.5 Billion. The corporate banking division is expected to be the key driver of growth for the Bank and also to build up the market profile and perception as an emerging participant in the wholesale financial marketplace.

RETAIL BANKING

Retail Distribution division formally started its journey in March 2015 to provide a focused and structured approach to grow and maintain retail business under the centralization model of Midland Bank Limited.

In line with our bank's vision for inclusive growth, at the end of December 2015, we have 10 rural branches (out of total 20 branches) which has enabled us to reach the rural unbanked population and provide retail banking services to the remote areas of the country. In 2016, we have plan to increase the branch network further. Plans are underway to introduce Agent Banking service through which we can further expand our reach and ensure financial inclusion for the mass population.

MDB is always in the forefront in implementing technology based solutions. Midland online is a free of charge internet banking service for all. We have integrated BEFTN (Bangladesh Electronic Fund Transfer Network) and RTGS (Real Time Gross Settlement) with our internet banking facility to enable customers to transfer funds from their accounts to anywhere in Bangladesh without coming to the branch. We have connected our ATM (Automated Teller Machines) and Debit Card system to the NPSB (National Payment Switch Bangladesh) to provide customers' access to more than 5,000 ATMs across the country.

At Retail Distribution, we have full range of deposit and loan products to cater to the financial requirements of our valued clients. A number of new deposit products (e.g. MDB School Saver, MDB College Saver, MDB Probashi Savings, MDB Super Saver, MDB CPP Savings) and loan product (e.g. MDB Secured Loan) have been added in 2015 to meet customer requirements and help our goal of financial inclusion. We have introduced Corporate Payroll Package (CPP) to facilitate payroll/ salary disbursement facility for different corporate houses.

Some major initiatives taken during the year which include motivating the branch teams to increase number of customer base and cross sell our products, creating awareness on cost optimization in all the activities of branch and the departments, improving the service level of branches and ensuring customer satisfaction, significantly improving the compliance culture and better communication between branch and head office and focus on increased staff engagement level.

We aim to provide service excellence in all aspects of our branch operations. Whether it is account opening, cash deposit/withdrawal, pay order processing, bill payments, loan file processing, delivery of items (e.g. debit/credit card, PIN, Cheque Book) or even general enquiries we ensure that each customer service process is taken care of in a fast, easy and hassle-free way. Our 24 hour Contact Centre ensures that the Bank never sleeps and always ready to provide the required service keeping customer convenience in mind.

At the end of 2015, our total number of customers stood at 17,712 with 24,153 deposit accounts. Total deposit was BDT 1,795.55 crore and total Retail Loan was BDT 35.41 crore. In 2016, retail deposit target is to reach BDT 2,290 crore while retail loan target is to reach BDT 100 crore.

We will continue to emphasize on low/no cost deposit in 2016 through increasing the number of customers at a rapid pace, increasing bills pay and remittance amount and having more CPP facilities with different organizations.

MSME FINANCING

Small and medium enterprises are considered the growth engine of the country's economy. Our focus on SME sector, MSME sector to be precise reflects its huge contribution to the country's GDP, employment creation and export earnings. In line with local and global trends, we gave priority to developing SMEs placing special emphasis in 2015 on extending financing to manufacturing and service oriented business through flexible terms.

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

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

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

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

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

Thrust Sectors & Re-finance Schemes	Fund Source	Fund Size
Agro-based industry	Bangladesh Bank	BDT 450 Crore
Women Entrepreneurs	Bangladesh Bank	BDT 150 Crore
Small Enterprise	Bangladesh Bank	BDT 600 Crore
New Entrepreneurs	Bangladesh Bank	BDT 100 Crore
SMEs-Manufacturing Sector (TSL)	JICA	BDT 450 Crore
Re-finance for Islami Sharia based Banks	Bangladesh Bank	BDT 275 crore

Benefits of MSME financing and re-financing

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

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

Highlights of our MSME activities during the last year

- Introduce of 22 Loan Products including 8 generic products and 2 Deposit Products
- Arranging training on "Financing for Energy Efficiency Programs" with co-operation of USAID
- Launching of 3 SME Loan Products by the Honorable Governor of Bangladesh Bank
- Launching of SME Loan Product "IT Uddog" with blessings of Honorable Deputy Governor of Bangladesh Bank
- Handover of Cheque to "Sumon Agriculture Farm" at Cox's Bazar by the Honorable Governor of Bangladesh Bank
- Empowering SME Women Entrepreneurs in Food Processing: Diabetic and Functional Food
- Participating in the SME Financing Fair and SME Banking Award 2014
- Participating in the Launching Program of "I am SME of Bangladesh"
- Loan Agreement Signing in presence of Bangladesh Bank for financing to the disadvantaged Entrepreneurs (disabled, 3rd gender, ethnic groups etc.)
- Leading "Banking Fair Bangladesh 2015" and winning "Award of Excellence"
- Contributing in "e-GP Program" of Midland Bank Ltd. handover

Our Business Growth

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

Our MSME Loan Portfolio at a Glance

- Cumulative disbursement from the year 2013 : BDT 305.67 crore
- Number of borrowers : 168
- Loan outstanding as on December 31st 2015 : BDT 94.89 crore
- Annual loan target for 2015 : BDT 100.00 crore
- Loan disbursed during 2015 : BDT 147.25 crore
- Achievement : 147.25%
- Loan given to women entrepreneurs in 2015 : BDT 15.26 crore
- Loan given to new entrepreneurs in 2015 : BDT 4.09 crore
- Cluster financing in 2015 : BDT 12.00 crore
- Refinance obtained from BB : BDT 1.50 crore
- NPL : 0.03 crore/0.03%

Our Financing Plan for the year 2016

- New disbursement : BDT 120.00 crore
- Explore market : Through team effort & campaign
- Keep NPL : Below 1%
- Branding of the bank : Through innovative work

AGRICULTURE CREDIT

Agriculture is a thrust sector of the country. With a view to accelerating our growth of agricultural productivity, overcoming poverty and enhancing food security, Bangladesh Bank has taken a great initiative for agriculture lending through all nationalized and private commercial banks. In line with the Bangladesh Bank's guidelines, Midland Bank has taken initiatives to finance agriculture and rural sector through two ways – direct lending to the farmers and farms and indirect lending through NGOs/MFIs. For direct lending, we have a tailor-made loan product in the name of "MDB Krishi" and for indirect lending, we have "MDB NGO Link (Agri)" loan scheme. Under MDB NGO Link (Agri) loan scheme, we lend to NGOs/MFIs for on-lending to agri borrowers across the country. These products will offer more option to the agri customers. We have already introduced separate Agri Business Department and established dedicated Agri credit desk in all the branches. MDB signed MOU with Bangladesh Bank regarding refinance on "Milk Production & Artificial Insemination Sector."



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd., visits an Agri Finance Project.

INTERNATIONAL TRADE & NRB

Highlights

Key Performance Indicators	In BDT million		
	2015	2014	Growth Change (%)
Export	1,480	465	219%
Import	5,590	2,759	103%
Inward Remittance	138	24	475%
No of Correspondent Bank	56	40	40%
No. of Nostro Account	11	9	22%

International Trade is one of the challenging areas of banking operations while it yields higher income for a bank. Since inception, **International Trade & NRB division** has been keeping pace with the growing need of its customers with special focus on the corporate clients and helps the potential customers to explore new market and diversify bank's business to have steady and sustainable growth in the international trade activities. Over the years Midland Bank has continuously developed strong correspondent relationship with internationally reputed banks which numbered 56 across 44 countries as on 31 December, 2015, enhanced the overall credit line with foreign banks and earned considerable rebate/fee income from our foreign correspondents. In 2015, Import grew significantly to USD 70.78 million (Tk. 5590.00 million) registering a growth of 103% as compared with 2014 and the total export of the Bank was USD 18.98 million (Tk. 1480.00 million) which was 219% higher than that of 2014. Total wage earners remittance was USD 0.63 million (Tk. 49.20 million) and other inward remittance except wage earners and export proceeds increased to USD 1.13 million (Tk. 88.70 million) marking overall remittance 278% compared with the previous year. In 2015 MDB teamed up with five leading international exchange houses to distribute the wage earners remittance. The Bank currently maintains 11 nostro accounts in major international currencies such as US Dollar, Euro, Pound Sterling, Japanese Yen and Australian Dollar. In the last quarter of 2015 Midland Bank SWIFT unit introduced SWIFT Alliance Message Management 7.1.10 so that all AD branches can be linked up with SWIFT uninterrupted with 10800 Live Institutions in more than 200 countries around the world.

TREASURY

Treasury market in 2015 faced excess liquidity and year-end volatility in USDBDT rate. Excess liquidity in banking system prevailed the whole year and government bill-bond rate experienced major fall. Yield of government securities fell to historic low level. USDBDT market remained almost stable till October due to robust export and remittance performance and support from Bangladesh Bank to keep the rate at a certain level. USD BDT market experienced some volatility with Taka depreciated by aprx. 1.0% in last two months of the year due to mismatch in inflow and outflow and sluggish remittance performance in the month of October.

The Bank's Treasury Division discharges the responsibilities of managing interest risk, liquidity risk and foreign exchange risk. Its operations are divided into three specialized areas; Forex and Corporate Sales, Fixed Income Securities and ALM Operations – each headed by a Chief Dealer. Midland Bank has a committed and well trained treasury team capable of providing all kind of treasury solutions within its capacity. Currency, Midland Bank Treasury have four separate desk:



Money Market Desk

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

Fixed Income & Investment Desk

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

Foreign Exchange Desk

MDB Treasury is capable of providing vanilla and derivatives products in FX market. Being a new bank, this desk is building capacity as bank's import and export is growing and NRB business is getting momentum.

Asset Liability Management Desk

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

Transaction Volume

MDB Treasury efficiently runs trading book with a view to earnings profit by investing different asset classes of longer term and funding this trading book by borrowing on shorter term. On 2015, total foreign exchange transaction volume was USD 1498.20 million compared to USD 757.60 million in 2014, achieving a transaction growth of 197%. Also, Treasury was very active in secondary bond trading with transaction volume on both buy side and sell side.

Priorities in 2016

- Maximize portfolio size as well as return by discovering new investment opportunities.
- More active participation in secondary market of government securities by

exploring market to both corporate and individual customers.

- Establish corporate sales desk to tap foreign exchange business and enhance cross selling capabilities.
- Take exposure in secondary equity market to diversity investment portfolio and achieve handsome return.
- Manage balance sheet with specific focus on interest rate movement and business need.
- Overall, make Treasury major profit source of the Bank.

Market Outlook for 2016

Market outlook always correlates with money growth, expected inflation, private sector credit growth, benchmark rate and level of government borrowing. Inflation on December was within expected level of the Central Bank. Also global oil price slide and stable commodity price will not create any sudden pressure on inflation. As Bangladesh Bank is pursuing to reduce the lending rate, low level of inflation will give give them the room and laxity to reduce benchmark rate. Main concern is level of government borrowing from banking system which may rise from salary revision of government officials and funding of large priority projects like Padma Bridge. Remittance performance will be good as number of workers left abroad recording a hefty growth of almost 50% in 2015. Comfort from lower fuel and commodity price and growth of remittance will keep USBDT market at stable level. Overall two opposite streams are in play in 2016 and performance of money market will be largely dependent on severity of the forces. Therefore, in our projection money market rate will be stable around reference rate (repo rate) with some volatility. Yield on government securities will also experience some volatility but in our projection, the overall trajectory of yield will be in downward trend.

ALTERNATE DELIVERY CHANNEL

Agent Banking

Midland Bank wants to provide low cost banking services to the un-banked population under Agent banking. It is presumed, Agent banking can enhance the convenience in providing quality and affordable banking services to the underserved population in a cost efficient manner, complementing financial inclusion.

Midland Bank wants to contribute in country's financial inclusion through the establishment of Agent Banking, under its Alternate Delivery Channel (ADC), to reach to the geographically dispersed locations and to the poor segment of the society, with a range of banking and financial services. It is anticipated, Agent Banking will bring forward opportunity for financial inclusion by tapping un-banked rural population into the financial services. MDB is poised at creating its brand image to a new height all over Bangladesh, by extending its rural presence, and disbursement for SME/Agri-loans and Inward Foreign Remittance.

Through Agent Banking, the Bank plans to connect the un-bank people through the engaged Agents under a valid agency agreement. These un-bank people will get banking and financial services from the engaged agents and other alternate delivery channels, rather than a teller of the bank.

The Bank gives due importance on branding its Agent Banking operation to make it popular among all walks of life.

MDB CARDS

Cards division has successfully completed the year 2015 and it was a year of progress and evolution. During 2015, we issued 432 Visa Credit Cards and 3538 Visa Debit Cards. The Credit Card outstanding raised by Tk. 20 million over the year 2014 and delinquency is nil to date. Cards Division continuously increased the number of discount partners in 2015 and signed agreements with big merchant establishments including Fashion & Lifestyle, Restaurants, Hotel & Resorts, Health & Beauty Care etc. Highlights of the year 2015 include joining NPSB switch, deploying 18 onsite ATMs and 2 offsite ATM around the country, launching Visa Credit Cards, segregation of cards business and operations and building various policy guidelines.

Priorities for the year-2016

- Introducing Biometric Smart Card Reader at ATM for fingerprint recognition of card users.
- Initiating EMV compliant chip card project and incorporating 2FA (2-Factor Authentication) for E-commerce transactions.
- Introducing MDB Visa Prepaid Cards.
- Introducing value added services i.e. e-statement, safety net, reward points etc. for credit cardholder.

INFORMATION TECHNOLOGY

MDB puts utmost priority on Online banking as well as branchless banking to ensure customer convenience and to keep pace with digital shift across the world. As a part of the digital banking initiatives, the Bank has introduced a robust Internet Banking, named "midland online" with features like Balance of all accounts at a glance, Bank Statement, Cheque Book requisition, Intra and Inter-bank fund transfer through EFT and RTGS - a new and faster payment system in Bangladesh. MDB is the first bank to have launched inter-bank fund transfer under RTGS through Internet Banking. MDB customers can also make RTGS transaction from any MDB branch. Besides, to ensure prompt and best services MDB launched 24X7 Contact Centre last year. To get customer satisfaction with our services and to make us more accountable to delivering services, we are receiving Customer Feedback through our website. Moreover, to provide more flexibility to customers, MDB has partnered with most of Government Utility Service providers, to collect bills in their favor like BRTA, WASA, DESCO, DPDC and REB.

To adopt Green banking across the whole Bank, MDB is managing activities of Central Operations and Credit Administration Division, centrally, and related correspondences, approval processes with branches electronically, through an in-house developed software application. MDB believes the automation and centralization of the processes should help to achieve optimum operational benefits and customer experience.

MDB'S SERVICE EXCELLENCE

MDB is always dedicated to maintaining the best service standard in the banking industry. We believe that customer service needs to encompass every interaction that a customer has with a brand. Our vision is to become the most appreciated brand in the banking sector in Bangladesh by creating long lasting value for its stakeholders and by providing sustainable growth. In pushing for sustainable growth, Midland Bank Limited, since its inception, architects its products and service channels in such a way that it delivers not only quality customer services but is also responsive attitude to the needs of our customers. We believe in rendering service with a smile and we want to be referred by our customers for our standard and quality customer service. We have developed a Central Customer Service and Complaints Management Division at head

office to redress customer, because MDB management has zero tolerance approach towards customer services. The names and emails of this cell's members are published in MDB website. It also includes phone, email, chat, web forms, and social communications, as well as self-service support sites, contact centre etc. And it happens before, during, and after a sale.

Making way for Customer Feedback

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

MDB never sleeps

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

Key Priority in 2016

While ensuring customer service at MDB, we believe, customer delight depends on the efficient delivery of products and services within expected timelines. Organizations effectiveness, efficiency and productivity depend on how & when we are delivering to our valued customers. With a vision of becoming the fastest bank in terms of delivering service in the financial industry of Bangladesh, MDB will implement i) Customer Charter Booklets ii) Short Code number to contact with MDB directly iii) Service Standard re-design & Code of Conduct on Service Standard iv) Customer awareness strategy and many more.

HUMAN RESOURCES MANAGEMENT

Midland Bank Limited (MDB) being a fourth generation private commercial bank of the country took the privilege and set an aim for the year 2016 to convert human resources into human capital. To reach the goal, the bank focused on development of proper knowledge & expertise; customs and etiquettes with professional behavior and personality traits. The Bank is also committed to ensure corporate values such as togetherness, mutual respect, integrity etc. to ensure smooth transition to HR excellence. HRM Division focuses on building capabilities leveraging employee engagement and set strategies that align with organizational goals in order to create MDB as an Employer of the Choice “.

Believing in Human Resource Development as the key to maintain continued growth of the Bank continues this year also. MDB ensures that competent human resources are vital for growth & success of the Bank. In support, the Bank has a liberty to appoint skilled people from diversified sections of the society.

HRM Division encourages employees to move forward to establish corporate values in terms of Customer Centricity, Quality, Responsible Citizenship, Building the Future. HRMD helps to establish the MDB culture and climate in which employees have adequate competencies and commitment to serve our customers better. MDB always provide equal opportunities for employees to expose their latent talent.

Employment

Transparent recruitment process, recognizing and allocating sufficient time for recruitment established confidence in interviewer and interviewee as both the parties have the opportunity to express and understand views, ideas, expectations and objective of each other. MDB generally conducts two types of recruitment. One is fresh hiring and another is lateral hiring. For the fresh hiring, MDB generally engages illustrious consultancy firms to conduct the assessment professionally. To recruit tested leaders as lateral entrants, MDB sets customized committee who is responsible to identify the best among the bests. In 2015, total 143 new members joined MDB family and total employee number grew to 327.

Performance Management

MDB emphasizes on performance management as a continuous process. Performance management frameworks are designed with the objective of improving both individual and organizational performance by identifying performance requirements, providing regular feedback and assisting the employees in their career development. In MDB, Performance management aims at building a high performance culture for both the individuals and the teams so that they jointly take the responsibility of improving the business processes on a continuous basis and at the same time remote the competence bar by upgrading their own skills within a leadership framework. The major objectives of performance management are:

- Facilitate employees to achieve superior standards of work performance.
- Aid employees to identify knowledge and skills required for performing job efficiently.
- Lift up performance of employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism.
- Promote two way systems of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.
- Identify obstacles to effective performance and resolve those barriers through continuous monitoring, coaching and development interventions.
- Encourage personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills.

Training and development

Bank is at the final stage of establishing its own training institute with the vision to build up professionals with technical and conceptual skills. The institute will stress on ensuring a formal platform where employees can exchange their ideas, update knowledge base, and open up their eyes to complexities of the banking

world. MDB has a plan to prepare training program with some objectives such as i) To impart to new entrants basic knowledge and skills, ii) To assist the employees to function more effectively in their present positions by exposing themselves to the latest concepts, information and techniques and developing them the skills required in their fields. iii) To build up a second line of competent officers and prepare them as a part of their career progression to occupy more responsible positions, iv) To broaden the minds of the senior managers by providing them opportunities for interchange of experiences within and outside with a view to correcting the narrow outlook that may arise from over specialization, (v) To impart customer education.

To attain the objective of the training program, the bank training institute will have the latest training equipments, materials and adequate functional spaces for class rooms, administrative corner, research unit, dining room, wash rooms, library space, computer lab, etc. During 2015, MDB earned some training courses, seminars and workshops conducted by internal and external resources.

Workplace safety

MDB has given an important concern on workplace safety. Many initiatives have been taken to make the working place a harmonious and safer place for all level of employees. In 2016, MDB has a plan to deploy first aid kit box in its all work stations.

Employee hygiene

MDB believes that poor employee hygiene can affect the productivity of the entire workforce. In addition to productivity concerns, an unhygienic environment has a germ-risk, which is more likely to spread infectious diseases, such as the flu or cold, which could knock out a large percentage of the workforce for at least a few days. To combat with the above threat MDB ensured purified water supply, cleanliness of working place, sufficient space allocation for employees etc.

Minority and gender issue

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

Workforce diversity

MDB believes that organization's success and competitiveness depends upon its ability to embrace workforce diversity and realize the benefits. With that belief, MDB tries to handle workforce diversity in an efficient way so that MDB can increase adaptability, broader service range, recognize variety of viewpoints, manage more effective execution. As on 31 December 2015, workforce diversity is furnished below:

Age Group	Male	Female	Total
Above 50 years	5	-	5
30-50 years	231	24	255
Below 30 years	55	12	67
Total	291	36	327

RESEARCH AND PLANNING

The goal of Research and Planning (R&P) Division at MDB is to carry out systematic search for information and market opportunities in the economy and the banking industry in particular to guide management decisions to maximize business performance of the Bank. A well-measured approach and analysis of the market and own business in the process of decision and functional engagement is inevitable for the survival of a bank in a competitive market. Amidst a difficult market, at the conclusion of 2015, Midland Bank achieved significant growth in deposit, business and profitability by utilizing sensible decisions, successfully completing two and a half years of banking operations with its network of 20 branches.

In 2015, the bank focused on making investment in research and planning in order to consolidate the existing position, accelerate further development and ensure excellence in banking operations. In implementation of its development strategy, the bank established temporary training institute with the vision to build up professionals with technical and conceptual skills, ensuring a formal platform where employees can exchange their ideas, update knowledge base, and understand the complexities of the banking world. The short term strategic plan is to establish the training institute with latest training equipment, materials and adequate functional spaces for class rooms. In the long run, the bank will establish an ideal research and planning, as well as a permanent training institute as a

centre of excellence with separate academic building, playground, gymnasium and dormitory.

Even though Midland Bank achieved considerable success in 2015, the Bank must aim even higher and face upcoming challenges with more speed and enthusiasm. A well-structured 'Research and Planning' wing will evolve in 2016, we believe to add stimulant to the Bank and infuse dynamism to its operation by providing insight into how to achieve the Bank's quest to be a model bank in the industry.

The key responsibilities of R & P for 2015 were

- To explore market opportunities
- To develop new asset products in the field of Corporate, SME, Agriculture and Green Banking
- To develop new liability products under the umbrella of consumer banking
- To repackage existing products based on market demand and regulatory compliance
- To introduce new line of service for priority segment of customers
- To research on business policy, monetary and fiscal policy and regulatory guidelines
- To lend ideas and insights for business and branding development
- To manage all primary, secondary and syndicated market research for the Bank, seeking ways to obtain more value from existing studies and identifying opportunities for additional research that can provide deeper insight into MDB's customers and prospects and generate specific action plan
- To support corporate and other lines of business research needs by serving in a lead role partnering with the lines to develop research plans to support new product launches , advertising positioning , customer experience etc.
- To manage all vendors related to markets research and competitive intelligence as well as the market research budget
- To design and create reports and presentations of survey results on customers, employees and prospects to share with internal stakeholders
- To hold review meetings with the Senior Management or Divisional Heads on important findings

2016 Objectives for R&P

- Explore market opportunities
- Develop new asset and liability products
- Repackage low performing liability products
- Streamline operational process
- Research on business policy
- Strengthen communication system
- Lend ideas and insights to new branding initiatives
- Priority banking initiative
- New SME liability products
- Strengthen cash management services
- Analyze productivity
- Develop comparative reports on deposit mix, Loan, income & performance ratios
- Feasibility of new branches at new locations
- Strengthening cash management services
- Upgrade service excellence of the Bank

New Horizon - 2016

As R&P at MDB goes through a series of brainstorming session in the process of development, it will try to open up new avenues of business by assisting and guiding management to make often difficult but productive decisions. With the learning curve achieved through the just concluded year, R&P is confident of its accuracy in the future. However, actions and assertions are not conclusive and warrant management review and recommendation so as to make the best choice, which in turn will complement R&P's standard and capabilities.

R&P's mission is to reach a newer height in 2016, and MDB must translate R&P resource and support into a tangible gain and not least, a meaningful leadership to the Bank. R&P drew inspiration from the achievements in 2015 and looks forward to ambitious feats in 2016.

ANTI-MONEY LAUNDERING

Anti-Money Laundering (AML) operates as an independent division in the name and style of "Anti-Money Laundering Division/AMLD" which comprises four units (Inspection, Monitoring, Compliance & Account Enquiries) under the guidance of the DMD & CAMLCO. The prime responsibility of AMLD is to identify and mitigate the risk in respect of Money Laundering and Terrorist Financing. The key objective of AMLD is to assist & guide all employees of the bank using adequate resources for identification of weakness and

taking appropriate measures to overcome the same to be a fully compliant with Money Laundering (ML) and Terrorist of Financing (TF) legislations, guidelines and circulars.

To implement Bangladesh Financial Intelligence Unit's (BFIU) ML & TF Risk Management Guidelines as a part of managing core risks in banks, the Managing Director & CEO, on behalf of the senior management, send a statement to all employees on an annual basis that clearly sets forth the bank's policy against money laundering and similar initiatives which facilitates money laundering or the funding of terrorist or criminal activities. Such a statement should evidence the strong commitment of the bank and its senior management to comply with all laws and regulations designed to combat Money Laundering and Financing of Terrorism.

Midland Bank has performed the following AML & CFT functions in 2015

- Messages were sent from the desk of Managing Director & CEO on January 12 and February 11, 2015 to all employee of the bank for ensuring compliance in AML and TF issues.
- To facilitate implementation of the Money Laundering Prevention Act and Anti-Terrorism Act in Midland Bank and keep consistency with the Money Laundering and Terrorist Financing Risk Assessment Guidelines and the Money Laundering and Terrorist Financing Risk Management Guidelines of BFIU, Midland Bank has developed respective Guidelines which have already been implemented in our all business units including branches.
- AML Division arranged 5 (five) training programs where total 168 participants received training on prevention of Money Laundering and Terrorist Financing.
- AMLD visited 11 (eleven) branches to detect and rectify the weakness in AML and CFT issues and conducted a 2 hours session at each branch premises to build up awareness among the employees where total participants were 95.
- Midland Bank has established self assessment system by all business units with a view to assessing their effectiveness to identify areas of risk or to assess the need for additional control mechanisms.

Activities for 2016

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

- AML & ATF related policies to be updated on a regular basis based on any legal/ regulatory or business/operational changes. Since Money Laundering Prevention (Amendment) Act, 2015 has been enacted, we shall update our AML, KYC and ATF policies in 2016 incorporating new circulars of Bangladesh Financial Intelligence Unit (BFIU).
- Regular communication with branches to improve their AML & CFT compliance culture, identifying needs and directing branches as and when needed and responding to queries of branches.
- Monitoring of branches shall be robust in 2016 which shall include conducting special inspections on branches as a part of its own monitoring program of branches' AML & CFT compliance, apart from ICCD.
- AMLD will identify training needs and ensure adequate AML & CFT training sessions to make all officials of the bank about their duties & responsibilities for the purpose of mitigating ML & TF risk within the bank.

INTERNAL CONTROL & COMPLIANCE

Internal controls are put in place to keep the Bank towards a sustainable profitability goals and achievement of its mission, and to mitigate associated risks along the way. Bank is a highly leveraged financial institution and it extremely deals with unsolicited risks. To safeguard Bank's interest against any types of risks, an effective internal control system is required in banks along with better risk management in terms of identification, measurement, monitoring and mitigation of risks. Bangladesh Bank and other financial regulatory bodies are regularly emphasizing the importance of standardizing internal control system of Bank to protect Banks from unperceived major financial losses which ultimately affects stakeholders' interests.

Internal Control and Compliance Division (ICCD) of Midland Bank acts as the watchdog of Bank's established internal controls and bridge between

Management and stakeholders. It also gives assurance service to the stakeholders. ICCD is continuously working independently towards providing reasonable assurance regarding achievement of objectives of various internal controls. The core focus of MDB other than financial goal is to establish a vibrant compliance culture in the Bank ensuring engagement of all officials of corporate hierarchy, ICCD has been entrusted with utmost independence by both Board of Directors and Management to recognize and assess all of the material risks that could adversely affect the achievement of the Bank's goals. ICCD also ensures compliance with laws and regulations, policies and procedures issued by both the bank Board/Management and the regulators.

ICCD in MDB has three fold of functions undertaken by separate departments viz. a. Audit and Inspection Department, b. Monitoring Department and c. Compliance Department.

Audit and Inspection Department

To reduce the operational risk of the bank, Midland Bank Limited conducts regular Audits/Inspections on the Branches and various Divisions/Departments of Head Office of MDB on the basis of Risk Based Audit Format in line with different manuals, instruction, rules and regulations and procedures laid down by Bangladesh Bank and other regulatory authorities from time to time. Audit are also conducted as per instructions given by the Management and Executive Committee/Audit Committee/Board of Directors of MDB.

Functions of Audit & Inspection Department

- Conduct periodic audit in different Branches and Division /Departments/Units of Head Offices.
- Conduct Independent Testing Procedures audit on Anti Money Laundering and Combating Terrorist Financing.
- Carry out surprise checks in the areas.
- Conduct special investigation in cases of employee misconduct or major violation.
- Identify deviation in the operational processes from set policies and procedures.
- Recommend process improvement as and when necessary.

- Recommend to the head of internal control and Compliance Division regarding the effectiveness of the control system of individual Branch and Division /Department /Units as well as whole the organization.

Monitoring Department

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

Functions of Monitoring Department

- Establish Monitoring mechanism/procedures to ensure high risks areas are regularly reviewed.
- Ensure all limits set internally or externally are properly followed and appropriate reports are generated regularly.
- Review operational performance against key control issues of individual office.
- Analyzed various reports and assess key risk areas;
- Recommend to the head of Internal Control to send Audit/Inspection team in the areas where regular deficiencies are identified.
- **Compliance Department:** The Compliance Department is responsible to ensure that Bank complies with all regulatory requirements while conducting its business. The Department maintains liaison with the regulators at all level and notifies the other Departments regarding regulatory changes. This Department is also responsible to arrange timely submission of compliance report of Bangladesh Bank Inspection Report.

Functions of Compliance Department

- Ensure timely dissemination of all regulatory updates;
- Obtain clarifications from regulatory authorities.
- Provide training and guidance as and when necessary on regulatory issue.
- Maintain strong liaison with the regulatory authorities.
- Maintain all relevant circulars and regulatory guidelines.
- Ensure regulatory requirement are properly incorporated in the operation task.
- Assist Head of Internal Control in establishing compliance culture.

At MDB, the Head of ICCD has dual reporting lines to Audit Committee of the Board and Managing Director and CEO and thus acts as a bridge between Management and Board. ICC acts as a watchdog to ensure safe, sound and compliant operations of the Bank. It keeps informed the Management and Board (where necessary) with any relevant update which is not routinely covered by financial reporting and other non-financial disclosures. Internal Audit Report goes to the Managing Director and Chairman Audit Committee simultaneously.

Activity status of ICCD of MDB in 2015

ICCD performed Annual Internal Audit and Inspection and Risk Based Audit of Branches and Divisions/Departments, Surprise Inspection on Branches, Special audit at newly opened Branches in 2015, Special Inspection as and when required, year-end cash counting and special Inspection on Anti Money Laundering activities of Branches. Besides, ICCD coordinated Bangladesh Bank's Inspection Team whenever core risk areas were audited by the regulatory authority and also ensure timely submission of compliance report of BB Inspection in different areas e.g. comprehensive inspection at Divisions and Branches etc.

ICCD completed the following major works in 2015 which are presented in comparison with those of 2014

SL No.	Particulars	Performance-2015	Performance – 2014
Audit and Inspection Department			
1.	Annual Audit and Inspection of Branches (including AML system check)	11 Branches	9 Branches
2.	Annual Audit and Inspection of Head Office Division / Department	18 Div. / Dep't	4 Div./Dep't.
3.	Surprise Visit to the Branches	14 Times	12 Times
4.	Special Inspection of new Branches	4 Branches	-
5.	Year-end cash counting of selective Branches	2 Branches	-
6.	Special Inspection Report on Anti Money Laundering	14 Branches	9 Branches
7.	Special Investigation against complaint and Board/ Management Directives	5 Cases.	6 cases
8.	Post Migration Audit of migrated accounts	3 Times	-
Monitoring Department			
9.	Review of QOR, LDCL and DCFL	3 Times	-
10.	Review of various statements related to Loans and Advances, foreign exchange	4 Times	-
Compliance Department			
11.	Internal Audit and Inspection Report review and compliance monitoring	74 Times	-
12.	Bangladesh Bank and other regulator's Inspection Report and compliance thereof	22 Times	2 Times
13.	Compliance of regulatory changes: Placed summarized report	3 Times	-

Bangladesh Bank Inspection Statistics

Bangladesh Bank Inspection Team conducted a total number of 11 Inspections on 06 Division/Department/Units of the Head office and 05 Branches during the year 2015 which includes Comprehensive Inspection, Inspection on Foreign Exchange Transaction, Core Risk Management, Internal Control & Compliance, Information System Security, Asset Liability Management and Credit Risk Management.

Sl. No.	Nature of Inspection	2015	
		Head Office	Branch
1.	Comprehensive Inspection	01	04
2.	Comprehensive Inspection on Foreign Exchange Transaction	-	01
3.	Internal Control & Compliance (ICC)	01	-
4.	Information System Security	01	-
5.	Foreign Exchange Risk Management	01	-
6.	Asset Liability Management	01	-
7.	Anti Money Laundering	-	-
8.	Credit Risk Management	01	-

Major Initiatives to be Taken In 2016

Audit and Inspection Department:

- a) Audit and Inspection of Branches (including Branch AML system check): 20 Branches.
- b) AML System check as per BFIU Circular No. 10, Dated: 28-12-2014: 20 plus 3 Branches
- c) Audit and Inspection of Head Office Division / Department: 18 divisions/Departments.
- d) Surprise Visit to the Branches: 20 plus 2 new Branches.
- e) Special Inspection on Branches as per ICC guideline Para 4.5: At least 2 Branches.
- f) Special Audit on newly opened Branches: As required.
- g) Special Investigation/Inspection to the Branches / HO Divisions: As required.

Monitoring Department

- a) QOR and LDCLs will be collected and review the same for risk identification.
- b) Collection of statement of various statement from various Divisions like statement of credit, foreign exchange, treasury functions, finance and accounts to assess the risk.
- c) Monitoring team will instruct Audit and Inspection Team to conduct visit to the Branches to check DCFCs at-least 2 times.

Compliance Department

- a) Ensure compliance of Bangladesh Bank Inspection Reports on Branches/ Head Office Divisions/ Core Risk Areas (ALM, AML, CRM, FEX, ICC, ICT)/ Comprehensive Inspection on the Bank and other special Areas (SME, Retail, Cards, Mobile Banking etc.).
- b) Liaison with BB and contact with other the regulatory authorities as and when required.
- c) Ensure regulatory instructions are complied in the Bank over the year.
- d) Compliance team will involve compliance of Internal Audit and Inspection Report, Surprise Visit Report and other reports' round the year.
- e) Preparation of summary report on the various reports including compliance status for Management, Audit Committee and Board.

RISK MANAGEMENT

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

Board Risk Management Committee (BRMC)

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

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

Particulars	As on 31 December 2015
Number of Board RMC Meetings	4
Risk Issues Identified	As prescribed by Bangladesh Bank
Number of Members of Board RMC	5

Management Level Risk Management Committee (RMC)

A strong Risk Management Committee has been formed in the Bank comprising with the Heads of all the risk taking segments, Regular meeting in the committee is being arranged and organized by the Risk Management Division. The committee sits usually once in a month or more when necessary. In the meeting of RMC, all the existing/identified and foreseeable/potential risks issues are discussed and recommendations to the concerned risk taking business are to be addressed, measured and required steps were taken to mitigate the risk factors. Disclosure of activities of Risk management Committee (RMC) is as follows:

Particulars	As on 31 December 2015
Number of RMC Meeting	08
Number of risk issues identified in RMP	As prescribed by Bangladesh Bank
Number of risk issues presented in RMC	As prescribed by Bangladesh Bank
Number of Member of RMC	13

Risk Management Division (RMD)

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

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

Particulars	As on 31 December 2015
Number of RMP Presented in RMC	08
Number of Risk issue identified RMP	As prescribed by Bangladesh Bank
Number of Manpower in RMD	03

Risk Management Reporting

As per directives of Bangladesh Bank, RMD of the Bank performed the following reporting during the year 2015. Detailed are as follows:

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

Key Risk Mitigation

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

1 Environmental Risk Management

Environmental Risk Management Seeks to offer a structure for addressing the environment risk to pave the way for sustainable financial and economic growth. As per instruction of BB, the bank has implemented Environmental Risk Rating (ERR) and Environmental Due Diligence (EDD) of the eligible customers in the light of ERM guidelines.

2 Market Risk

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

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

3. Interest Rate Risk

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

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

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

Foreign Exchange Risk Management

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

Treasury Division oversees foreign exchange risk, net open position, dealing room operations; etc.

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

Asset Liability Risk Management

Asset Liability Management (ALM) defined as a well-planned, well-organized and systematic process of

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

Liquidity Risk

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

Money Laundering Risk Management

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

Internal Control and Compliance Risk Management

As per core risk guideline of BB, ICCD is acknowledged as one of the key RM organ of the Bank. To mitigate its operational risks identify various malpractices prevailing

in operational activities the division has formulated robust and resourceful policy guideline to be followed which ensures that Bank demonstrates compliance and conformity with relevant regulations of the Central Bank and other regulatory bodies. In addition, they ensure that corrective action plans are implemented within the set dead line as well as ensure proper corporate discipline and awareness. During the year the ICCD successfully conducted comprehensive inspection on some the Divisions of Head office and Branches as its scheduled and submitting findings thereon to the competent authority for discussion, review, suggestion and proper evaluation. Thus the ICC system of the Bank always plays active role in mitigating operational risk and contributes in the process of being a well compliant Bank in the industry.

Information and Communication Technology Risk Management

With the support of ICT risk management process, risks were identified and possible countermeasures were taken. In general, ICT risk management is based on four steps: risk identification, risk analysis, risk treatment and risk mitigation. In order to minimize and control these risks successfully, ICT risk management policies and strategies have been developed and implemented in MDB. However, this management control emphasizes both business control and technological control which support business requirements and corporate governance.

Operational Risk

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

Residual Risk

The Bank uses different techniques to reduce their credit risk. Improper application of these techniques may rise to additional risks that render the overall risk management less effective. Accordingly, these

additional risks are termed as residual risk which arises mainly out of the following situations:

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

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

1. Adequate and valid documentation are being ensured for minimizing capital charge under error in documentation
2. Valuations of collaterals are being done properly.

Risk Based Capital Management

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

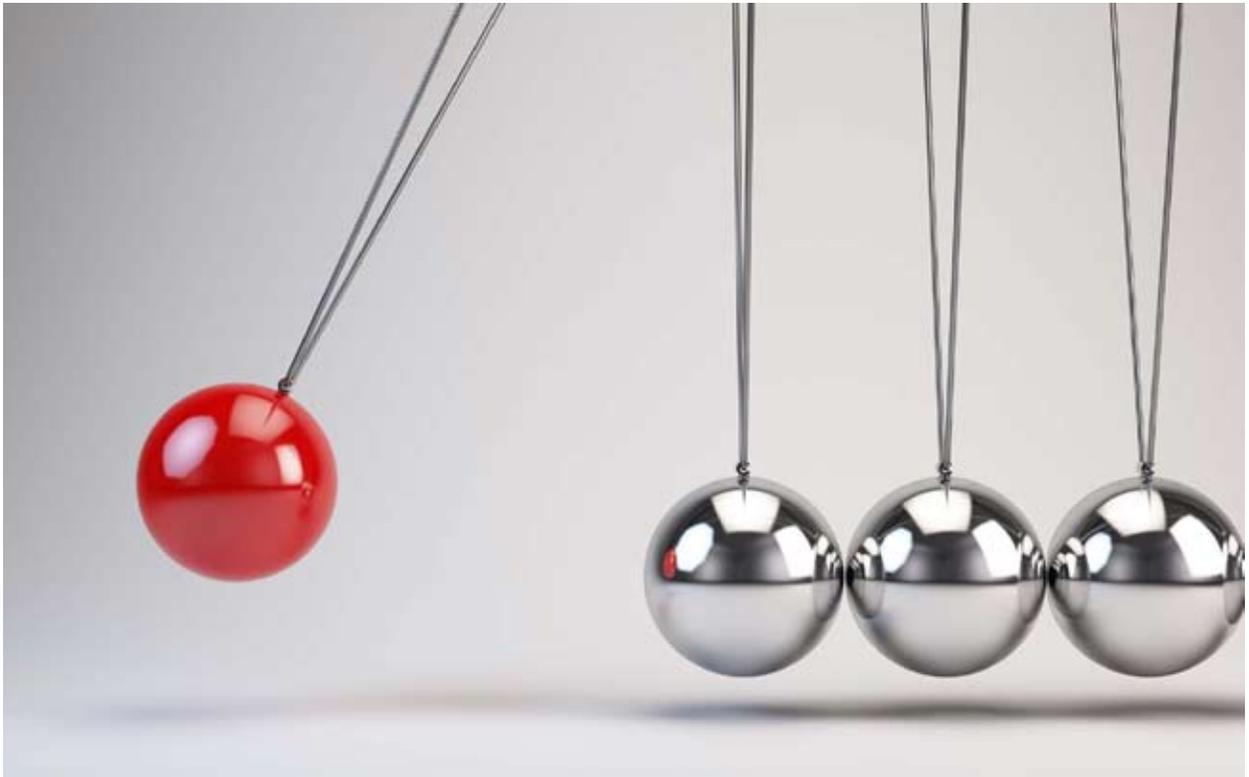
Stress Testing

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

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

A detailed Management review on risk Management and Basel-III compliance status is provided in the chapter "Report on overall Risk Management in MDB"

Report on Risk Management



Statement of the Chief Risk Officer

The prime objective of risk management is to appropriately balance the trade-off between risk and return. MDB faces a varied and wide range of risks in the day to day business operation, and side by side it handles risks judiciously to ensure optimum return on asset and equity. Managing risk prudently and efficiently to ensure profitability, capital adequacy and liquidity in a balanced manner. Sound health of a bank and the financial system as a whole mostly hinge on Identifying, measuring, monitoring and controlling various types of risks. In addition to the traditional risks faced by the Banks in credit and market risks, various operational risks are created due to following reasons:

- Increasing use of automated technology
- Growing importance of IT integration and shared services across financial institutions and entities
- Necessity of reducing earnings volatility and achieving cost efficiencies
- Shifting from vanilla type products to technology based products which are creating more complexity in product and product development
- Increasing customer needs
- Evolving outsourcing arrangements and increasing dependency

This has necessitated development of enterprise wise risk management framework for the Banks. Midland Bank Limited (MDB) is increasingly focusing on development of appropriate risk management framework for managing risks of the Bank. Risk Management Division has been set up which shall monitor and report various type of risks and develop appropriate risk management culture within the Bank. The Division has been working on identifying the gaps in the risk management procedure of the Bank, placing those issues to Risk Management Committee (Management level) comprising of members from all key business / risk areas and following up for rectification. Major activities of RMD include preparing Risk Management Paper, performing stress testing, vetting of different Product Program Guidelines, process manuals, monitoring risk areas, developing risk model, anticipating future risks and threats and acting as an operation layer for Internal Capital Adequacy Assessment.

Credit Risk Management

Prior entering into any new credit relationship, the Bank is familiar with the borrower and confident that the prospective borrower has sound reputation and credit worthiness. For allowing credit facilities, Credit Risk Management Division considers the repayment capacity, financial health, integrity and reputation of the borrower as well as its legal capacity to assume the liability. Increased focus has been given in managing Credit Risk Management. Total Credit Administration Process has been centralized which have mitigated various risks arising from human error in branch banking. Similarly, 100% of Branches came under the umbrella of centralized Trade Service process during the year 2015. To reduce the residual risks the security related documents were revalidated by legal firms and also cross examined by the ICCD of MDB in random basis. Corrective measures have been taken as per the audit report issued. Periodical Stock verification and insurance coverage has been made mandatory before renewing any credit proposals. MDB has been encouraging the borrowers to get their company rated by ECAI to come under rating procedure.

Operational Risk Management

Operational risk arises from Bank's internal activities and external sources. MDB takes on additional operational risks each time they originate new transactions, takes on new clients, introduce new products, open up new markets, hire new staffs, and new risks can also arise from a variety of changes they make to its processes, systems, vendors, organization structure, and corporate structures and so on. The operational risk exposure can also arise from changes in the external environment. MDB's Internal Control and Compliance Division are responsible for monitoring the transactions of the branches as per guidelines to develop a compliance culture. The division has adequate manpower to monitor the operational risks in banking transactions. Their activities have been monitored and supervised regularly.

Information and Communication Technology (ICT) Risk Management

Against the backdrop of an increased reliance on complex IT systems and operations in the financial sector, there is the heightened risk of cyber-attacks and system disruptions as well. In this regard, MDB has continued to enhance their technology risk management capabilities and is ready to handle IT security incidents and system failure.

An integral part of MDB's risk management endeavor is its strong "IT Security Policy" and its adherence to these principles. These policies define responsibilities and requirements for protecting information and information systems. They also define hardware, network and related communication technologies and their use in providing financial services.

Market Risk

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

In 2015, we further refined and added a few globally recognized and used advanced models like:

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

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

Environmental & Social Risk

The environmental policies facilitating "Green Banking" made it mandatory for the credits to be having the necessary compliance and as such we incorporated Environmental Due Diligence (EDD) in all our credit proposals. We have already made some direct lending to Zig-Zag brick fields. The Bank arranged an in-house training and awareness program titled "Financing For energy efficiency programs" conducted by USAID in the Head office of MDB on February 28, 2015 to create awareness, capacity building and growing expertise for lending in green energy sector as well as protect the environment from different pollution and hazards. Yet our effort will continue for making our business sustainable which will ultimately improve the quality of life in the long run.

Pillar 1: Risk Management

MDB has been maintaining capital above the minimum capital requirement as against Credit, Market and Operational risk. The Bank has proper credit risk mitigation process in place. Moreover, MDB is consistently trying to rate its corporate borrowers not only to have expert opinion on the borrowers but also to have capital relief. Proper organizational structure and procedures are also in place to ensure mitigation of operational risk and market risk. MDB was well ahead of minimum capital requirement of 10 percent in all the four quarters of 2015. The new guidelines "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" aimed to strengthen the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework. It is mentionable that, MDB is maintaining much higher Common Equity Tier-1 (CET-1) capital ratio.

Pillar 2: Risk Management

The key principle of the Supervisory Review Process (SRP), the second Pillar of Basel-II is that “Banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level”. SRP covers additional risks like Residual Risk, Concentration Risk, Liquidity Risk, Reputation Risk, Strategic Risk, Settlement Risk etc. MDB assessed its additional capital requirement under Pillar 2 and submitted the statements on Internal Capital Adequacy Assessment Process (ICAAP) to Bangladesh Bank. MDB has been conducting stress testing on its financials on quarterly basis and reporting the outcomes to Bangladesh Bank, as a part of Pillar 2 risk management.

Pillar 3: Market Discipline

MDB always delivers the appropriate disclosures not only to meet the regulatory requirements but also as per international best practices. Disclosures on the position of MDB’s risk profile, capital adequacy, and risk management system has been included in this Annual Report also

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



Khondoker Nayeemul Kabir
Deputy Managing Director & CRO

Report on Overall Risk Management in MDB

Introduction

Bank's business decisions contain an element of risk. Therefore understanding and managing risk is fundamental to a Bank's strategic planning and decision making process. MDB's risk management stance is to proactively assist the business in delivering superior and sustainable value to shareholders. The Bank's capacity to identify, assess and mitigate the risks it faces is essential for a growing bank which is less than three years old. Establishing strong corporate governance and risk management culture are foundations for graceful existence. MDB's risk management framework has remained resilient throughout 2015, amidst a challenging macroeconomic environment. Over the past years, Bank has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting an integrated risk management policy, improved watch-listing of customers, streamlining reporting of overdue contracts, initiating collection team for retail credit, and strengthening compliance risk management.

Regulatory Environment

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

Risk Governance

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

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

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

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

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

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

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

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

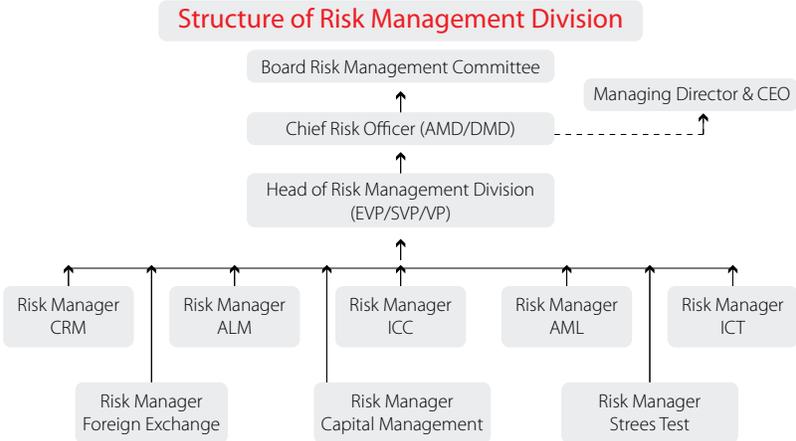
Several Executive Management Committees each with specialized focus support the BRMC and are responsible for the coordination of risk matters for the different business areas (see Risk Governance Structure page below).

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

Key functions of Bard Risk Management Committee

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

Risk Governance Structure



Risk Appetite

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

MDB's risk management framework incorporates active management and monitoring of credit, liquidity, market and operational risks. The Bank also monitors interest rate risk (in the banking book) as well as compliance risk on a regular basis. Other risk areas identified and monitored are concentration risk, reputational risk, and business/strategy risk.

Credit Risk Management

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

Credit Risk Management Policy

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

Credit Appraisal Process

Component	Description
Loan origination and Risk Appraisal	Screening an appraisal where the evaluation focuses on the borrower's ability to meet its obligations in a timely manner with collateral and guarantees forming an important part of the credit risk mitigation process.
Credit approval and Sanction	Independent risk appraisal for loan approvals/renewals by adopting an individual approval structure, where the approver takes lending decision if recommended by the credit committee. All signatories recommend the credit carry equal responsibility for credit risk.
Credit Administration and Disbursement	Availability of any credit limit is controlled and managed by the centralized Credit Administration Division which ensures that credit transactions are done within the approved limit.
Credit risk monitoring and reporting	The Credit Risk Management Division jointly with the Business Units, and Credit Administration Division tracks the status of the credit portfolio, undertakes impact studies and detects early warning signals pointing to a deterioration in the financial health of a borrower.
Recoveries and credit quality	Currently, respective relationship Manager follow up recovery of all performing and non-performing loans. Dedicated recovery and collection team is yet to form. Since the bank is going with greater focus on retail and small portfolio, a dedicated recoveries and credit quality division to be formed. This team will be responsible for all aspects of an overdue facility, non-performing loans, follow up of rescheduled facilities, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalized. This division's activities will be seamlessly integrated with Credit Administration and Credit Risk Management to ensure effective follow up.

Delegation of lending authority

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

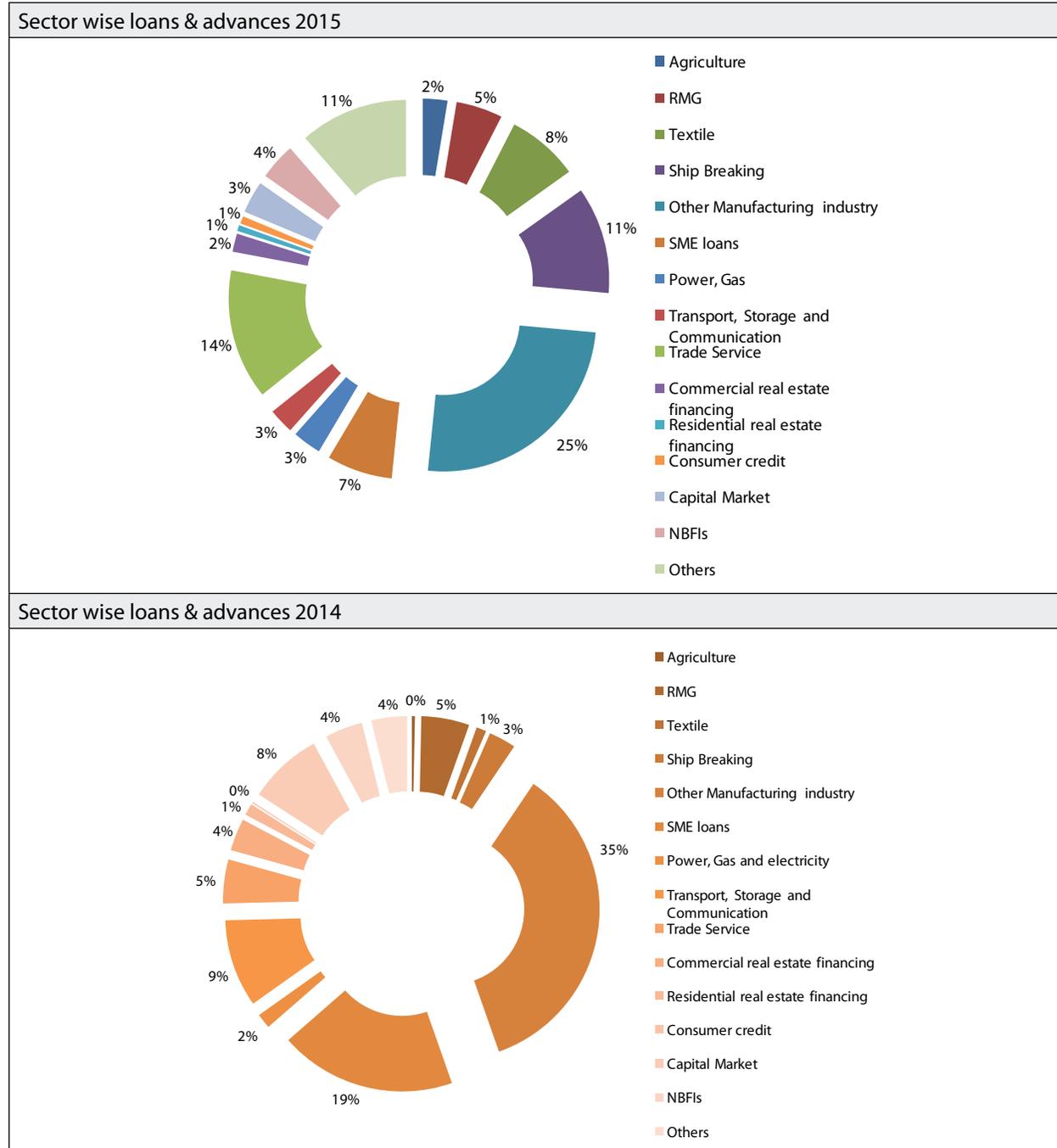
Credit Rating Models

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

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

Credit Concentration Risk

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



Credit Risk Mitigation

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

Collateral

Collateral is a key factor used by the Bank to mitigate credit risk when granting loans. Collateral can be seen as security provided by borrowers in the form of an asset or third party which helps the bank to mitigate possible credit loss in the event of a default. It also ensures a satisfactory degree of protection for depositors' funds which are used for lending activities. While collateral can be an alternative source of repayment, the bank is aware that accepting security from creditors does not replace the necessity for high quality standards in its credit granting process. The Bank as a policy calls for collateral/security when granting credit facilities. The amount and type of security taken by the Bank generally depends on the customer's credit risk profile and collateral arrangement with other lenders. Sometimes, regulatory instructions decide requirement for collateral. When determining security, bank is guided by following factors:

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

Non-Performing Loans (NPL)

Non-performing Loans (NPL) increased during 2015 indicating existence of vulnerabilities across the domestic financial and banking sector and the residual effects of political unrest in the first quarter of 2015. Movement of goods was interrupted and business community suffered from such disruptions in communication. Transport sector was one of the worst affected sectors and one of bank's customers operating in this sector could not overcome difficulties and went default. NPL as a percentage of Total Loans and Advances was 1.01% at the end of 2015.

Market Risk Management

Market Risk is the risk that changes in equity, bond and commodity prices, as well as movements in foreign exchange rates and interest rates that may adversely affect the Bank's trading and banking books. MDB's Board approves the market risk appetite and related limits for both the banking and the trading portfolios. Treasury Middle Office (TMO) which is part of the independent Risk Management Division reports on market risk. TMO keeps track of price movements and other developments in the market that affect the Bank's risk profile and monitors primarily exchange rate, interest rate and equity price risks.

The Bank's market risk on long term investments is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on mark to-market considerations. Reviews and assessments on the performance of the investments are undertaken regularly by the Bank's Management Committee. Some of the market risk mitigating measures applied by the Bank include, limiting concentration of exposures, applying stop loss, maximum tenor and dealer limits. The Bank also has a comprehensive Board approved Treasury Policy in place to reflect regulatory and market developments. TMO also independently reviews activities of the Treasury Front Office and adherence to regulatory/internal policy guidelines.

Value at Risk Approach

The Bank uses historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. VaR measures the expected loss of a financial position over a given holding period for a specific confidence

level. Market risk exposures for the Bank's overnight foreign exchange positions are monitored using VaR methodology. MDB uses a 1 day, 95% VaR for overnight foreign exchange positions to reflect that the daily loss will not exceed the benchmark limit. Currently banks proprietary equity holding is Tk 8.31 crore at market price and 2.50 Crore Cost at Price as on 31 December 2015, which was acquired by conversion of corporate bond.

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

Interest Rate Risk in Banking Book

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

Simple Gap Analysis: Simple Gap analysis involves allocation of on-balance sheet asset and liabilities in different time bucket based on their contractual/repricing maturity. Simple gap analysis determines rate sensitive gap in each bucket and quantify the potential loss due to adverse movement of interest rate. For Gap Analysis, Bank considers the following assumptions:

- For fixed-rate contract, remaining maturity is considered
- For contracts with provision of re-pricing, time remaining for next re-pricing is considered.
- For asset and liabilities without specific maturity/repricing date (like savings deposit, over-draft etc.) customers' past behavior is observed to determine the core and non-core portion and bucketed accordingly.
- It is also considered that interest rate moves in parallel fashion, repricing takes place at the mid time of time bucket, contractual repayment schedule is met, expectation of loan repayment occur in timely fashion and there is no options embedded in any contract.

Result of Gap analysis as on December 31, 2015

	In BDT Crore					
	<1M	1-3M	3-6M	6-12M	1-5Y	5>
RSA	321	334	472	283	492	653
RSL	352	774	175	155	223	29
Simple GAP	(31)	(441)	297	128	269	624

Loss on NII from Adverse Movement of Interest Rate	1 month	3 Months	1 Year
1% Adverse Movement of Interest Rate	0.0256	1.1783	0.4570
2% Adverse Movement of Interest Rate	0.0512	2.3565	0.9140

Duration Analysis: The purpose of duration analysis is to assess the sensitivity of Market Value of Equity (MVE) to the change of interest rate. ALCO monitors the Leveraged Liability Duration and duration gap of the total bank balance sheet on a quarterly basis to assess the impact of parallel shift of the assumed yield curve.

Particulars	31-Dec-2014	30-Jun-2015	31-Dec-2015
Duration of Asset	1.48	2.74	2.74
Duration of Liabilities	0.64	0.60	0.60
Leveraged Liability Duration	0.47	0.46	0.46
Duration Gap	1.01	2.28	2.28

Liquidity Risk Management

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

Liquidity gap analysis (contractual) as on 31 December 2015

	Up to 1 month	1-3 months	3-6 months	6-12 Months	1-3 years	3-5 years	Over 5 years	Total
Total Assets	373	351	486	319	223	289	653	2695
Total liabilities	658	897	179	163	160	74	564	2,695
Net Liquidity gap	(285)	(546)	307	156	64	215	89	-
Cumulative gap	(285)	(831)	(523)	(368)	(304)	(89)	(0)	

Liquidity Ratios

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

Ratios	Internal Limits 2015	Position as of 31 Dec 2015
Gross Loans to Total Assets	Max 60%	58.12%
Gross Loan to customer deposit	Max 90%	77.3%
Liquidity Coverage Ration	Min 100%	127.88%
Cash Reserve Ratio	Min 6.5%	6.61%
Statutory Liquidity Requirement	Min 13.0%	33.61%
Liquid Asset to Total Asset	Min 30% to Max 50%	31.2%

Basel III Implementation

Following the guidelines issued by the Central Bank of Bangladesh on the implementation of the Basel III Liquidity Coverage Ratio (LCR), the Bank shows comfortable position. As per December 2015 reporting, LCR was 127.88% against minimum limit of 100%.

Basel III approaches

Risk Type	Approaches prescribed by Basel II	Approaches adopted by MDB	Future plan
Credit Risk	<ol style="list-style-type: none"> Standardized Approach Internal Rating Based (foundation) approach Internal Rating Based (advanced approach) 	Standardized Approach	Investment in credit risk management solution will be planned in line with the road map of Central Bank.
Market Risk	<ol style="list-style-type: none"> Standardized Measurement Method Internal Models Approach 	Standardized Measurement Method	Continuation of Standardized Measurement Method since trading book is small and mostly made of plain vanilla products.
Operational Risk	<ol style="list-style-type: none"> Basic Indicator Approach The Standardized Approach The Advanced Measurement Approach 	Basic Indicator Approach	Continue with Basic Indicator Approach. Capacity building in Operational Risk Management will be emphasized.

Operational Risk Management

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

Insurance

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

Business Continuity

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

Outsourcing

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

Compliance Risk

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

Business/Strategy Risk

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

Information Technology and Communication Risk

In recent years, various technology innovations in areas such as card payment, social media, mobile technology complementing agent banking and system virtualisation have helped to expand Bank's business offerings and customer reach. As a result, increased reliance on complex IT systems and operations in financial sectors has also heightened risk of cyber-attacks and system disruptions.

This advancement of information technology has brought about rapid changes to the way businesses and operations are being conducted in Bank's. No wonder, IT is no longer a support function within a financial institution but a key enabler for business strategies, including reaching out to and meeting customer needs.

Identifying and addressing risk related to information technology is central to MDB's effort to ensure that issues are addressed quickly and thoroughly. The advancement of technology, predominantly in the areas of cloud, social media and mobile devices brings along new challenges, and requires consideration on tackling perceived risks.

IT Governance at Midland Bank is an integral part of accountability framework within corporate governance. It involves leadership support, organizational structure and processes to ensure, Bank's IT sustains and extends business strategies and objectives. Moreover, our Data Centre security includes security guards and biometrics access system.

Our Technology Risk Management Guidelines sets out risk management principles and best practice standards to guide us for the following:

- a) Establishing a sound and robust technology risk management framework;
- b) Strengthening system security and reliability; and
- c) Deploying strong authentication to protect customer data, transactions and systems.

Reputational Risk

Reputational risk results from damage to the Bank's image among stakeholders due to negative publicity regarding the Bank's business practices or management, and whether true or false, it can result in a loss of revenue or decline in shareholder confidence. The reputation of a company can be perceived as an intangible asset similar to goodwill. MDB considers reputational risk as a consequence of a failure to manage its key risks. The Bank is therefore committed to managing reputational risk by promoting strong corporate governance and risk management practices at all levels of the organization, by understanding how different aspects of its business activities affect stakeholders' perception of the organization, through effective communication in the form of timely and accurate financial reports and news bulletins, by maintaining strong media presence, valuable client service and investor relationships and by complying effectively with current laws and regulations. The Bank also recognizes the importance of making a positive contribution to society by promoting corporate social responsibility (CSR) through ethical banking practices, environmental awareness and a commitment to the local community. In 2015, the Bank's Corporate Social Responsibility (CSR) budget allocation was concentrated in the areas of wellbeing of children with special needs and distribution of winter cloths to homeless people.

Stress Testing

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

Stress Testing Methodology and Results

The Bank uses a number of sensitivity tests to measure the impact on the value of its portfolios due to extreme market movements, applying low, moderate and high impact shocks on hypothetical scenarios. Management reviews the outcomes of the stress tests and where necessary, determines appropriate mitigating actions such as limiting exposures or reviewing and changing risk limits in order to manage the risks induced by potential stresses. Stress tests scenarios are recommended by Risk Management Division (RMD) and reviewed by the management risk committee before perusal of Board Risk Committee. Summary of stress test result as on 31/12/2015 is given below:

Credit Risk

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

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

5. Increase in NPL in RMG and Capital Market sectors: This shock indicator measures additional requirement of loan loss provision due to shift of performing loans of the RMG and capital Market segments directly into 'Bad & Loss' category. Applied levels of shock are 3%, 9% and 15%.

Interest Rate Risk

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

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

Exchange Rate Risk

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

Equity Price risk

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

Liquidity Risk

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

Combined Shock

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

Credit Shock under Basel III

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

Summary of stress Testing Results as on 31 December 2015 is presented below:

Stress Test	: Simple Sensitivity Analysis
Position as on	: 31 December 2015
Regulatory CRAR	: 10%
CRAR before shock	: 26.29%

Individual Shocks	CRAR aftershocks (%)		
	Minor	Moderate	Major
Performing loan directly downgraded to B/L (RMG sector)	26.29	26.29	26.29
Performing loan directly downgraded to B/L (Capital Market Sector)	25.95	25.72	25.49
Increase in NPLs due to default of top large borrowers	19.11	12.19	9.13
Negative shift in NPLs categories	26.05	25.99	25.88
Decrease in the FSV of the collateral	26.02	25.97	25.88
Increase in NPLs	25.02	22.66	19.50
Interest Rate	24.76	23.45	22.15
FEx: Currency Depreciation	25.96	25.86	25.75
Equity Shock	25.30	24.52	22.91

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after combined shock	22.79	18.14	11.76

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after credit shock under Basel III (Balance Sheet)	25.80	25.53	25.28

Particulars	Level of Shock		
	Minor	Moderate	Major
CRAR after Credit shock under Basel III (Off Balance Sheet)	26.05	26.04	26.03

Key Initiatives in 2015:

Centralization of operations	Bank has completed centralization of its operations and business for better customer experience, focused business approach, and better risk management.
Strengthening policy initiatives	Bank has reviewed its existing policies to adopt changes in the regulatory and business environments, and introduced new policies to enhance efficiency in risk management functions.
Strengthening Market and Liquidity risk management	Policy supports has been strengthened. Liquidity Coverage Ratio under Basel III has been gained importance in ALM functions of the Bank.
Enterprise Risk Management Policy	Bank has established an Integrated Risk Management Policy to laid the foundation of its risk governance structure.
Development of Management Information System	Bank is continuously working to enrich its Management Information System.

Way Forward

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

The Emergence of Basel III

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

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

Basel III proposals have five main objectives

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

The expansion of Basel II to Basel III

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

Basel III Constituents: a short view

a. New capital enhancement

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

Composition of Required Capital under Basel III

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

b. Leverage Ratio

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

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

c. Capital Buffer

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

d. Liquidity Standard

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

Liquidity Coverage Ratio(LCR)

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

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

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

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

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

The Roadmap

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

Action	Deadline
Issuance of Guideline on Risk Based Capital Adequacy	December 2014
Commencement of Basel III implementation process	January 2015
Capacity building of banks and the central bank	Jan 2015-Dec 2019
Full implementation of Basel III	January 2020

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

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. and Mr. Golam Hafiz Ahme, Managing Director of NCC Bank Ltd. signed an agreement on behalf of their respective organizations for IME Remittance collection.



Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. and Mr. Khondker Fazle Rashid, Managing Director of Premier Bank Ltd. signed an agreement on behalf of their respective organizations for Remittance collection.

Market Discipline

Disclosures on Risk Based Capital (Basel-III)

1. Scope of Application

Qualitative disclosure	a)	The name of the top corporate entity in the group to which this guidelines applies.	Midland Bank Limited
	b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>Midland Bank Limited has no subsidiary.</p> <p>A brief description of the Bank and its subsidiaries are given below:</p> <p>Midland Bank Limited (MDB):</p> <p>Midland Bank Limited (“the Bank”) was incorporated (Registration # C-108070/13, Dated 20/03/2013) as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212. The company was incorporated on March 20, 2013 under Banking Companies Act 1991. It commenced its banking business on the same day under the license # BRPD (P-3)745(67)/2013-1665 issued by Bangladesh Bank on April 9, 2013. The Company started its banking operation on June 20, 2013 at the Dilkusha Corporate Branch. Presently the Bank has 20 (10 Urban and 10 Rural) branches all over the country.</p> <p>The principal activities of the Bank are to provide all types of commercial banking services to customers through its branches and SME centre / branches in Bangladesh. The Bank also entitled to provides money market operations, investment in merchant banking activities, financial intermediary services and any related financial services.</p>
	c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
Quantitative disclosure	d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not Applicable

2. Capital Structure

Qualitative disclosure	a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.	As per guidelines of Bangladesh Bank, Tier-1 Capital of MDB consists of (i) Fully Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings. Tier-2 Capital of MDB consists of (i) General Provision against unclassified Loans and Off-balance sheet exposures and (ii) Revaluation Reserve on Investment in Securities.
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In BDT Million

Quantitative disclosure	b)	The amount of Tier-1 capital with separate disclosure of:	Solo
		Fully Paid up capital	4,000.00
		Non repayable share premium account	-
		Statutory reserve	150.06
		General reserve	-
		Retained earnings	334.23
		Minority interest in subsidiaries	-
		Non-cumulative irredeemable preference shares	-
		Dividend equalization account	-
	Sub-Total (A)	4,484.29	
	c)	The total amount of Tier 2 and Tier 3 capital (B)	165.30
	d)	Other deductions from capital	-
	e)	Total eligible capital (A+B)	4,649.59

3. Capital Adequacy:

Qualitative disclosure	a)	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	<p>The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.</p> <p>The Bank has maintained capital adequacy ratio on the basis of "Solo" is 26.29% against the minimum regulatory requirement of 10%. Tier-I capital adequacy ratio for "Solo" is 25.35% as against the minimum regulatory requirement of 5%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The whole objectives of the capital management process in the Bank are to ensure that the Bank remains adequately capitalized at all times.</p>
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In BDT Million

	Particulars	Solo	
Quantitative disclosure	b) Capital requirement for credit risk	1,498.88	
	c) Capital requirement for market risk	156.36	
	d) Capital requirement for operational risk	113.66	
	e) Total and Tier-1 capital ratio:		-
		• For the consolidated group; and	-
		• For stand alone	96.22%
		Minimum capital requirement (10% of RWA or BDT 400 crore, which is higher)	4,000.00
		Total Risk Weighted Assets (RWA)	17,689.09
		Total and Tier-1 Capital Ratio:	
		Total CRAR	26.29%
		Tier-1 CRAR	25.35%
	Tier-2 CRAR	0.94%	

4. Credit Risk:

	a)	The general qualitative disclosure requirement with respect to credit risk, including:	
Qualitative disclosure	i) Definitions of past due and impaired (for accounting purposes);		<p>With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phasewise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow:</p> <p>Continuous & Demand Loan are classified as:</p> <ul style="list-style-type: none"> • Sub-standard- if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months; • Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months; • Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting upto Tk 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> • Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Sub-standard". • Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Doubtful". • Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12(twelve) months, the entire loans are classified as "Bad/Loss".

Qualitative disclosure		<p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Tk 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as “past due or overdue installment”. Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> • Sub Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as “Sub-standard”. • Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as “Doubtful”. • Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as “Bad/Loss”. <p>Short-term Agricultural and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement are classified as under:</p> <ul style="list-style-type: none"> • Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”. • Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”. • Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”. <p>A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, are treated as “Special Mention Account (SMA)”.</p>																								
	ii) Description of approaches followed for specific and general allowances and statistical methods.	<table border="1"> <thead> <tr> <th data-bbox="651 1199 1279 1234">Particulars</th> <th data-bbox="1279 1199 1417 1234">Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 1234 1279 1312">General provision on unclassified Small and Medium Enterprise (SME) financing</td> <td data-bbox="1279 1234 1417 1312">0.25%</td> </tr> <tr> <td data-bbox="651 1312 1279 1348">General provision on unclassified general loans and advances</td> <td data-bbox="1279 1312 1417 1348">1%</td> </tr> <tr> <td data-bbox="651 1348 1279 1383">General provision on interest receivable on loans.</td> <td data-bbox="1279 1348 1417 1383">1%</td> </tr> <tr> <td data-bbox="651 1383 1279 1419">General provision on off-balance sheet exposures</td> <td data-bbox="1279 1383 1417 1419">1%</td> </tr> <tr> <td data-bbox="651 1419 1279 1539">General provision on unclassified loans and advances for housing finance, loans for professionals to set-up business under consumer financing scheme</td> <td data-bbox="1279 1419 1417 1539">2%</td> </tr> <tr> <td data-bbox="651 1539 1279 1617">General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.</td> <td data-bbox="1279 1539 1417 1617">2%</td> </tr> <tr> <td data-bbox="651 1617 1279 1694">General provision on unclassified amount for Consumer Financing</td> <td data-bbox="1279 1617 1417 1694">5%</td> </tr> <tr> <td data-bbox="651 1694 1279 1772">General provision on Special Mention Account (SMA) except Short Term Agriculture Loans</td> <td data-bbox="1279 1694 1417 1772">0.25%-1%</td> </tr> <tr> <td data-bbox="651 1772 1279 1808">Specific provision on Sub-Standard loans and advances</td> <td data-bbox="1279 1772 1417 1808">20%</td> </tr> <tr> <td data-bbox="651 1808 1279 1843">Specific provision on Doubtful loans and advances</td> <td data-bbox="1279 1808 1417 1843">50%</td> </tr> <tr> <td data-bbox="651 1843 1279 1879">Specific provision on bad / loss loans and advances</td> <td data-bbox="1279 1843 1417 1879">100%</td> </tr> </tbody> </table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing	0.25%	General provision on unclassified general loans and advances	1%	General provision on interest receivable on loans.	1%	General provision on off-balance sheet exposures	1%	General provision on unclassified loans and advances for housing finance, loans for professionals to set-up business under consumer financing scheme	2%	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	General provision on unclassified amount for Consumer Financing	5%	General provision on Special Mention Account (SMA) except Short Term Agriculture Loans	0.25%-1%	Specific provision on Sub-Standard loans and advances	20%	Specific provision on Doubtful loans and advances	50%	Specific provision on bad / loss loans and advances	100%
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Quantitative disclosure	b)	Total gross credit risk exposures broken down by major types of credit exposure.	Total gross credit risk exposures broken down by major types of credit exposure of the Bank:	
			Particulars	In BDT Million
			Term Loan	3,375.43
			Overdraft	3,199.99
			Time Loan	4,531.97
			Cash Credit	679.30
			Loan Against Trust Receipts (LTR)	1,413.37
			Consumer Loan	113.46
			Payment Against Documents (PAD)	12.32
			Agricultural Credit	290.30
			EDF Loan	15.58
			Packing Credit	50.72
			Staff Loan	155.32
			Other Loans & Advances	8.81
			Bill purchased/discounted-Inland	17.69
			Bill purchased/discounted-Foreign	23.60
	Total	13,887.86		
	c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:	
			Particulars	In BDT Million
			Urban:	
			Dhaka Zone	10,362.83
			Chittagong Zone	3,319.81
			Khulna Zone	-
			Rajshahi Zone	-
			Barishal Zone	-
			Sylhet Zone	-
			Rangpur Zone	-
			Sub-Total	13,682.64
			Rural:	
Dhaka Zone			205.22	
Chittagong Zone	-			
Khulna Zone	-			
Rajshahi Zone	-			
Sylhet Zone	-			
Sub-Total	202.22			
Grand Total (Urban + Rural)	13,887.86			

			Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:																																						
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		ii) Specific and general provisions; and	Specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposures, interest on receivable, diminution in value of investment and other assets-suspense of the Bank according to the Bangladesh Bank guidelines.										
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		iii) Charges for specific allowances and charge-offs during the period.	During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposure, interest on receivable, diminution in value of investment and other assets (suspense) of the Bank as per Bangladesh Bank guidelines.										
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Particulars	In BDT Million												
Provision on classified loans and advances	56.32												
Provision on unclassified loans and advances	78.50												
Provision on Off-balance sheet exposures	10.25												
Total	145.07												

5. Equities: Disclosures for Banking Book Positions

	a)	The general qualitative disclosure requirement with respect to equity risk, including:	
		<ul style="list-style-type: none"> Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and 	<p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). Unquoted securities are categorized as Banking book equity exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held for maturity (HFM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.
		<ul style="list-style-type: none"> Discussion of important policies covering the valuation and accounting of equity holdings in the Banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. 	<p>The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un-Quoted equity securities are valued at cost and necessary provisions are maintained, if the prices fall below the cost price.</p>

		As per Bangladesh Bank guidelines, the HFT equity securities are revalued once in each week using marking to market concept and HTM equity securities are amortized once a year according to Bangladesh Bank Guideline. The HTM equity securities are also revalued if any, are reclassified to HFT category with the approval of Board of Directors.
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In BDT Million

		At cost	At market value
b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	-	-
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	-	-
d)	• Total unrealized gains (losses)	-	-
	• Total latent revaluation gains (losses)	-	-
	• Any amounts of the above included in Tier-2 capital.	-	-
e)	Capital requirements broken down by appropriate equity groupings, consistent with the Bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements (10% on market value).		
	• Specific Market Risk		Nil
	• General Market Risk		156.36 million

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

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

			Particulars	1-90 days	Over 3 months to upto 6 months	Over 6 months to upto 9 months	Over 9 months to upto 1 year
			In BDT Million				
Quantitative disclosure	b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Loans & Advances	3,936.90	1,500.00	2,200.00	2,320.50
			Balance with other Banks & Financial Institutes	2,055.30	50.00	495.60	50.00
			Government Securities	-	20.00	-	660.60
			Investment in other Securities	-	110.00	200.00	200.00
			A. Rate Sensitive Assets	5,992.20	1,680.00	2,895.60	3,231.10
			Demand Deposits	28.70	2.00	10.00	3.60
			Term Deposits	11,043.00	950.00	650.00	1,740.50
			Saving Deposits	196.50	100.00	100.00	106.00
			Borrowing from other Banks	266.30	-	-	-
			B. Rate Sensitive Liabilities	11,534.50	1,052.00	760.00	1,850.10
			GAP (A-B)	(5,542.30)	628.00	2,135.60	1,381.00
			Cumulative GAP	(5,542.30)	(4,914.30)	(2,778.70)	(1,397.70)
			Adjusted Interest Rate Changes (IRC)	1.00%	1.00%	1.00%	1.00%
			Quarterly earnings impact (GAP*IRC)	(13.86)	1.57	5.34	3.45
			Cumulative earnings impact to date	(13.86)	(12.29)	(6.95)	(3.50)
			Earning impact / Average quarterly net profit	(6.61%)	(5.86%)	(3.32%)	(1.67%)

7. Market Risk:

Qualitative disclosure	a)	<p>i) Views of Board of Directors (BOD) on trading or investment activities.</p>	<p>Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the Bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activities. The total capital requirement for Bank against its market risk shall be the sum of capital charges against:</p> <ol style="list-style-type: none"> i. Interest rate risk ii. Equity position risk iii. Foreign exchange (including gold) position risk throughout the Bank's balance sheet and iv. Commodity risk.
		<p>ii) Methods used to measure Market risk.</p>	<p>Measurement Methodology:</p> <p>As Banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the Banks for using Standardized Approach (SA) for credit risk capital requirement for Banking book and Standardized (rule based) Approach for market risk capital charge in their trading book.</p> <p>Maturity method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next repricing date.</p> <p>In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.</p> <p>The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:</p> <ol style="list-style-type: none"> a. Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. b. Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. c. Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk. d. Capital Charge for Commodity Position Risk = Capital charge for general market risk.

	iii) Market Risk Management system.	Treasury Division manages the market risk and ALCO monitors the activities of Treasury Division in managing such risk.
	iv) Policies and processes for mitigating market risk.	<p>To mitigate the several market risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices / policies and risk management prudential limits are adhere to.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>Foreign exchange risk management: it is the risk that the Bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report prepare for each currency.</p> <p>Equity Position Risk: Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation to the share investment portfolios are done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration:</p> <ol style="list-style-type: none"> Security of Investment Fundamentals of securities Liquidity of securities Reliability of securities Capital appreciation Risk factors and Implication of taxes etc.
In BDT Million		

Quantitative disclosure	b)	The capital requirements for:	Solo
		• Interest rate risk	90.80
		• Equity position risk	16.60
		• Foreign exchange risk and	48.96
	• Commodity risk	-	
		Total Capital Requirement	156.36

8. Operational Risk:

Qualitative disclosure	a)	i) Views of BOD on system to reduce Operational Risk	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the group stays in line with industry best practice and takes account of lessons learned from publicized operational failures within the financial services industry.</p> <p>The BOD has also modified its operational risk management process by issuing a high level standard like SOP, supplemented by more detailed formal guidance. This explains how the Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.</p> <p>The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the Bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the Bank's business, with reduced staffing levels.</p>
		ii) Performance gap of executives and staffs.	<p>Human Resources</p> <p>Midland Bank Limited (MDB) being a fourth generation private commercial Bank of the country took the privilege and set an aim for the year 2016 to convert human resources into human capital. To reach the aim, Bank will address proper knowledge & expertise; customs and etiquettes with professional behavior and personality traits. Bank also committed to ensure corporate values such as togetherness, mutual respect, integrity etc. to ensure smooth conversion. HRM Division focuses on building capabilities using employee management and set strategies that align with organizational goals for aiming to create MDB as a "preferred employer of the choice".</p> <p>Believing Human Resource Development as the key to maintain continued growth of the bank continues this year also. MDB believes that competent human resources are vital to growth & success of the bank. In support of that believe, the bank has a liberty to appoint skilled people from diversified sections of the society.</p>

		<p>HRM Division encourages employees to move forward to establish corporate values in terms of Customer Centricity, Quality, Responsible Citizenship, Building the Future. HRMD helps to establish the MDB culture and climate in which employees have adequate competencies and commitment to serve our customers better. MDB always provide equal opportunities for employees to fulfill their latent talent.</p> <p>Employment:</p> <p>Transparent recruitment process, recognizing and allocating sufficient time for recruitment established confidence in interviewer and interviewee as both the parties have the opportunity to express and understand views, ideas, expectations and objective of each other. MDB generally conducts two types of recruitment. One is fresh hiring and another is lateral hiring. For the fresh hiring, MDB generally engage highly illustrious consultancy firms to conduct the assessment professionally. To recruit proven leaders as lateral entrants, MDB sets customized committee who is responsible to identify the best among the bests. In 2015, total 137 new members joined MDB family and total employee number is 335.</p> <p>Performance Management:</p> <p>MDB believes performance management as a continuous process. Performance management frameworks are designed with the objective of improving both individual and organizational performance by identifying performance requirements, providing regular feedback and assisting the employees in their career development. In MDB, Performance management aims at building a high performance culture for both the individuals and the teams so that they jointly take the responsibility of improving the business processes on a continuous basis and at the same time raise the competence bar by upgrading their own skills within a leadership framework. The major objectives of performance management are:</p> <ul style="list-style-type: none"> • Facilitate employees to achieve superior standards of work performance. • Aid employees to identify knowledge and skills required for performing job efficiently. • Lift up performance of employees by encouraging employee empowerment, motivation and implementation of an effective reward mechanism. • Promote two way systems of communication between the supervisors and the employees for clarifying expectations about the roles and accountabilities, communicating the functional and organizational goals, providing a regular and a transparent feedback for improving employee performance and continuous coaching.
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		<ul style="list-style-type: none"> • Identify obstacles to effective performance and resolving those barriers through continuous monitoring, coaching and development interventions. • Encourage personal growth and advancement in the career of the employees by helping them in acquiring the desired knowledge and skills. <p>Training and development:</p> <p>MDB considers training as continuous process. Bank is at the final stage of establishing an own training institute with the vision to build up professionals with technical and conceptual skills. The institute will stress on ensuring a formal platform where employees can exchange their ideas, update knowledge base, and open up their eyes to complexities of the banking world. MDB has a plan to prepare training program with some objectives such as i) To impart to new entrants basic knowledge and skills. ii) To assist the employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing them the skills required in their fields. iii) To build up a second line of competent officers and prepare them as a part of their career progression to occupy more responsible positions. iv) To broaden the minds of the senior managers by providing them opportunities for interchange of experiences within and outside with a view to correct the narrow outlook that may arise from over specialization. (v) To impart customer education.</p> <p>To attain the objective of the training program, the bank training institute will have the latest training equipments, materials and adequate functional spaces for class rooms, administrative corner, research unit, dining room, wash rooms, library space, computer lab, etc. During the last year, MDB earned some training courses, seminars and workshops conducted by internal and external resources.</p> <p>Workplace Safety:</p> <p>MDB has given an important concern on workplace safety. Many initiatives have been taken to make the working place a harmonious and safer place for all level of employees. In 2016, MDB has a plan to deploy first aid kit box in its all work stations.</p> <p>Employee Hygiene:</p> <p>MDB believes that poor employee hygiene can affect the productivity of the entire workforce. In addition to productivity concerns, an unhygienic environment has a germ-risk, which is more likely to spread infectious diseases, such as the flu or cold, which could knock out a large percentage of the workforce for at least a few days. To combat with the above threat MDB ensured purified water supply, cleanliness of working place, sufficient space allocation for employees etc.</p>
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			<p>Minority and Gender Issue:</p> <p>MDB prohibits harassment and coercion of employees in the workplace. Bank inspires an atmosphere where employees are valued. Bank upholds equality of gender, race and religion and bars sexual or any other kind of discrimination, provocation or intimidation against a superior, coworker, customer, vendor or visitor.</p> <p>Workforce Diversity:</p> <p>MDB believes that organization's success and competitiveness depends upon its ability to embrace workforce diversity and realize the benefits. With that believe, MDB tries to handle workforce diversity in an efficient way so that MDB can increase adaptability, broader service range, recognize variety of viewpoints, manage more effective execution. As on 31 December 2015, workforce diversity is furnished below:</p> <table border="1" data-bbox="695 758 1421 951"> <thead> <tr> <th>Age Group</th> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Above 50 years</td> <td>5</td> <td>-</td> <td>5</td> </tr> <tr> <td>30-50 years</td> <td>239</td> <td>24</td> <td>263</td> </tr> <tr> <td>Below 30 years</td> <td>55</td> <td>12</td> <td>67</td> </tr> <tr> <td>Total</td> <td>299</td> <td>36</td> <td>335</td> </tr> </tbody> </table>	Age Group	Male	Female	Total	Above 50 years	5	-	5	30-50 years	239	24	263	Below 30 years	55	12	67	Total	299	36	335
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		<p>iii) Potential external events</p>	<p>Risk factors/Potential external events:</p> <p>It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business:</p> <ul style="list-style-type: none"> • General business and political condition <p>MDB's performance greatly depends on the general economic conditions of the country. The effect of recession is still unfolding which may result to slow down in business environment. Political stability is must for growth in business activities.</p> <ul style="list-style-type: none"> • Changes in credit quality of borrowers <p>Risk of deterioration of credit quality of borrowers is inherent in Banking business. This could result due to global economic crisis and supply side distortion. The changes in the import prices affected the commodity sectors and ship breaking industry. Deterioration in credit quality requires provisioning.</p> <p>Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions</p> <p>MDB is subject to regulations and compliance of regulation is must. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect the performance. Changes in provisioning requirement will also affect the performance of the Bank.</p>																				

			<ul style="list-style-type: none"> • Implementation of Basel-II <p>Basel-II is fully effective from 2010 and MDB needs to be complied with respect to credit risk management, its supervision and establishment of effective internal control. The grading of the borrowers and its link with capital requirement may slow down the credit expansion. The establishment of effective control requires more investment in technology and operating expenses are likely to increase.</p> <ul style="list-style-type: none"> • Changes in market conditions <p>Changes in market conditions particularly interest rates on deposits and volatility in Foreign Exchange market is likely to affect the performance of the Bank. Depositors are becoming increasingly price sensitive and any unilateral upward change by a Bank will exert pressure on interest rate structure of the Banking sector. It is feared that wage earners remittances may decline due to fall in job opportunity in international market. Unless offset by export performances, there may be pressure in the Foreign Exchange market.</p> <ul style="list-style-type: none"> • The risk of litigation <p>In the ordinary course of business, legal actions, claims by and against the Bank may arise. The outcome of such litigation may affect the financial performance of the Bank.</p> <ul style="list-style-type: none"> • Success of strategies <p>MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.</p>
		<p>iv) Policies and processes for mitigating operational risk.</p>	<p>Midland Bank limited (MDB) has formed a separate 'Risk Management Division' under Chief Risk Officer to ensure following things:</p> <ul style="list-style-type: none"> • Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it; • Formulation of overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines provided by Bangladesh Bank; • Reviewing and updating all risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The main risk areas will be (i) Balance sheet Risk Management, (ii) Credit Risk, (iii) Foreign Exchange Risk, (iv) Internal Control and Compliance Risk, (v) Money Laundering Risk and (vi) IT Risk. The following risks have also to be reviewed:

			<ul style="list-style-type: none"> • Operational Risk • Market Risk • Liquidity Risk • Reputation risk • Insurance Risk • Sustainability Risk <ul style="list-style-type: none"> • Setting the portfolio objectives and tolerance limits/parameters for each of the risks; • Formulation of strategies and different models in consistency with risk management policy based on IT Policy and in house IT support which can measure, monitor and maintain acceptable risk levels of the Bank; • Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank. • Ensure compliance with the core risks management guidelines at the department level, and at the desk level; • The unit will work under Bank’s organizational structure and suggest to the CEO to take appropriate measures to overcome any existing and potential financial crisis; • Analysis of self resilience capability of the Bank; • Initiation to measure different market conditions, vulnerability in investing in different sectors; • The unit will also work for substantiality of capital to absorb the associated risk in banking operation. <p>Activities undertaken by “Risk Management Division” since inception and recent approaches</p> <ul style="list-style-type: none"> • Risk Management Division of MDB is currently arranging monthly meeting on various issues to determine strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the Bank. Minutes of each meeting is submitted to Bangladesh Bank on monthly basis; • Besides, Risk Management Paper has also been prepared on the basis of 03 months’ monthly minutes addressing different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Division; • In order to perform the risk management function smoothly, RMD had invited all the Operational Divisions vide letter to the Head of respective Divisions to form an internal committee along with defined duties of concerned officials. It is to be noted here that due to continuous and successful persuasion, all the Operational Divisions have formulated and established internal risk management committees.
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			<p>Stress Testing in MDB:</p> <p>Risk Management Division (RMD) of MDB has prepared a stress testing model in line with the Bangladesh Bank's guideline which initially focused on "Simple Sensitivity and Scenario Analysis" on the following five risk factors:</p> <ul style="list-style-type: none"> • Interest rate; • Forced sale value of collateral; • Non-performing loans (NPLs); • Share prices; and • Foreign exchange rate. <p>The stress testing based on the financial performance of the Bank as on December 31, 2015 has also been completed which shows that the Bank has adequate capital to absorb minor, moderate and major level of shocks. However, in case of cumulative shocks, some additional capital may be required.</p>
		v) Approach for calculating capital charge for operational risk.	<p>The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$ <p>Where-</p> <p>K = the capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</p> <p>α = 15 percent</p> <p>n = number of the previous three years for which gross income is positive.</p> <p>Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should:</p> <ol style="list-style-type: none"> i). be gross of any provisions; ii). be gross of operating expenses, including fees paid to outsourcing service providers; iii). exclude realized profits/losses from the sale of securities held to maturity in the Banking book; iv). exclude extraordinary or irregular items; v). exclude income derived from insurance.

In BDT Million

Quantitative disclosure	Particulars		Solo Basis
	b)	The capital requirement for operational risk	113.66

09. Liquidity Risk

Qualitative disclosure	a)	i) Views of BOD on system to reduce Liquidity Risk	<p>Liquidity risk arises when the Bank cannot maintain or generate sufficient funds to meet its payment obligations as they fall due or can only do so at a material loss. This can arise when counterparties who provide funding to the Bank withdraw or do not roll over a line of funding or as a result of a general disruption in financial markets which lead to normal liquid assets becoming illiquid. The main sources of the Bank's funding are capital, core deposits from retail and commercial clients, wholesale deposits and access to borrowed funds from the interbank money market. The Bank also maintains a portfolio of readily marketable securities to further strengthen its liquidity position. MDB manages liquidity risk in accordance with regulatory guidelines internal benchmarks. A Board approved Liquidity Policy to manage liquidity on a day-to-day basis and a Contingency Funding Plan to deal with crisis situations are in place.</p>
		ii) Methods used to measure Liquidity risk.	<p>Measurement Methodology:</p> <p>LCR or Liquidity Coverage Ratio is a new liquidity standard introduced by the Basel Committee.</p> <p>This standard is built on the methodologies of traditional liquidity coverage ratio used by Banks to assess exposure to contingent liquidity events. LCR aims to ensure that a Bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. LCR goes beyond measuring the need for liquid assets over the next 30 days in a normal environment. It measures the need for liquid assets in a stressed environment, in which deposits and other sources of funds (both unsecured and secured) run off, to various extents, and unused credit facilities are also drawn down in various magnitudes. These runoffs are in addition to contractual outflows.</p> <p>The equation:</p> $LCR = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$

		<p>Definitions for the LCR:</p> <p>The calculation of the LCR requires three important quantities to be defined:</p> <ul style="list-style-type: none"> A. Total value of stock of high quality liquid assets B. Total cash outflows, next 30 days (stressed scenario) C. Total cash inflows, next 30 days (stressed scenario) <p>Net Stable Funding Ratio:</p> <p>NSFR or Net Stable Funding Ratio is another new standard introduced by the Basel Committee.</p> <p>The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that available stable funding (ASF) should be at least equal to required stable funding (RSF). ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or “long-term” and therefore requires stable funding. The time horizon of the NSFR is one year. Like the LCR, the NSFR calculations assume a stressed environment.</p> <p>The equation:</p> $\text{NSFR} = \frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$ <p>The calculation of the NSFR requires two quantities to be defined:</p> <ul style="list-style-type: none"> A. Available Stable Funding (ASF) and B. Required Stable Funding (RSF). <p>NSFR is met if ASF exceeds RSF, that is if $\text{ASF/RSF} > 1$ or 100%.</p>
	<p>iii) Liquidity Risk Management system.</p>	<p>Treasury Division manages the liquidity risk and ALCO monitors the activities of Treasury Division in managing such risk.</p>

		iv) Policies and processes for mitigating liquidity risk.	<p>To mitigate the several liquidity risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the liquidity risk. ALCO is primarily responsible for establishing the liquidity risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices / polices and risk management prudential limits are adhere to.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>A Board approved Liquidity Policy to manage liquidity on a day-to-day basis and a Contingency Funding Plan to deal with crisis situations are in place. Contractual maturity of assets and liabilities, liquidity ratios to include adherence to regulatory requirements and monthly liquidity forecasts are reviewed at ALCO meetings. Furthermore, liquidity stress tests are carried out quarterly to assess the impact of extreme events.</p>
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BDT in Million

Quantitative disclosure	b)		Solo
		• Liquidity Coverage Ratio	132.09%
		• Net Stable Funding Ratio (NSFR)	100.54%
		• Stock of High quality liquid assets	4,739.32
		• Total net cash outflows over the next 30 calendar days	3,587.95
		• Available amount of stable funding	16,089.78
		• Required amount of stable funding	16,004.00

10. Leverage Ratio

Qualitative disclosure	a)	i) Views of BOD on system to reduce excessive leverage	<p>In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:</p> <p>a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and</p> <p>b) reinforce the risk based requirements with an easy to understand and a non-risk based measure.</p>
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		ii) Policies and processes for mitigating market risk.	To mitigate excessive on and off-balance sheet leverage, the Bank formed Basel Unit who monitors the implementing status of Basel III within the Bank as per the guidelines on risk based capital adequacy issued by Bangladesh Bank.
		iii) Approach for calculating leverage ratio	<p>A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level.</p> <p>The Banks will maintain leverage ratio on quarterly basis. The calculation at the end of each calendar quarter will be submitted to BB showing the average of the month end leverage ratios based on the following definition of capital and total exposure.</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$

BDT in Million

Quantitative disclosure	b)		Solo
		• Leverage Ratio	17.62%
		• On balance sheet exposure	23,835.87
		• Off balance sheet exposure	1,345.80
		• Total exposure	25,181.68

11. Remuneration

Qualitative disclosure	a)	Information relating to the bodies that oversee remuneration	The Executive committee of the Bank oversees the remuneration on as and when required basis. No external consultant's advice has been sought. The Bank has approved pay scale approved by the Board of Directors. Employee type in MDB is Regular & Contractual.
		Information relating to the design and structure of remuneration processes	There is a pay scale approved by the competent authority where the salaries and increments are fixed designation wise and the same is followed accordingly.
		Description of the ways in which current and future risks are taken into account in the remuneration processes.	The approved pay scale was initialized considering the packages provided by peer Banks so that the employee retention risk is lower. For the future risks the pay scale is every now and then considered for revision.
		Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.	Half-Yearly and Annual appraisal is sought from the competent authority to link performance during a performance measurement period with levels of remuneration.

	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	To take account of longer-term performance the Bank seeks to adjust remuneration through Promotion.
	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms	There are no other forms but cash form of variable remuneration is utilized by the Bank.

BDT in Million

Quantitative disclosure	b)		Solo
		Number of meetings held by the main body overseeing remuneration and remuneration paid to its member.	Nil
		Number of employees having received a variable remuneration award (incentive bonus).	311 (actual)
		Number of guaranteed bonuses awarded (festival bonus).	2
		Total amount of guaranteed bonuses awarded.	19.50
		Number of sign-on awards made.	Nil
		Total amount of sign-on awards made.	Nil
		Number of severance payments made.	Nil
		Total amount of severance payments made.	Nil
		Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
		Total amount of deferred remuneration paid out (incentive bonus).	20.30
		Breakdown of amount of remuneration awards for the financial year to show:	
			BDT in Million
		Fixed (salary & allowances)	333.00
		Variable	20.30
		Deferred	20.30
		Non-deferred.	Nil
		Different forms used (cash, shares and share linked instruments, other forms).	Cash
Total amount of outstanding deferred remuneration	2.96		
Total amount of retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil		
Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil		
Total amount of reductions during the financial year due to ex post implicit adjustments	Nil		

Green Banking



Green Banking: Towards Sustainable Banking

Green vision

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

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

Banking perspectives

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

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

Compliance

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

Green incentives

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

- Award points on management component which will add value to better CAMELS rating.

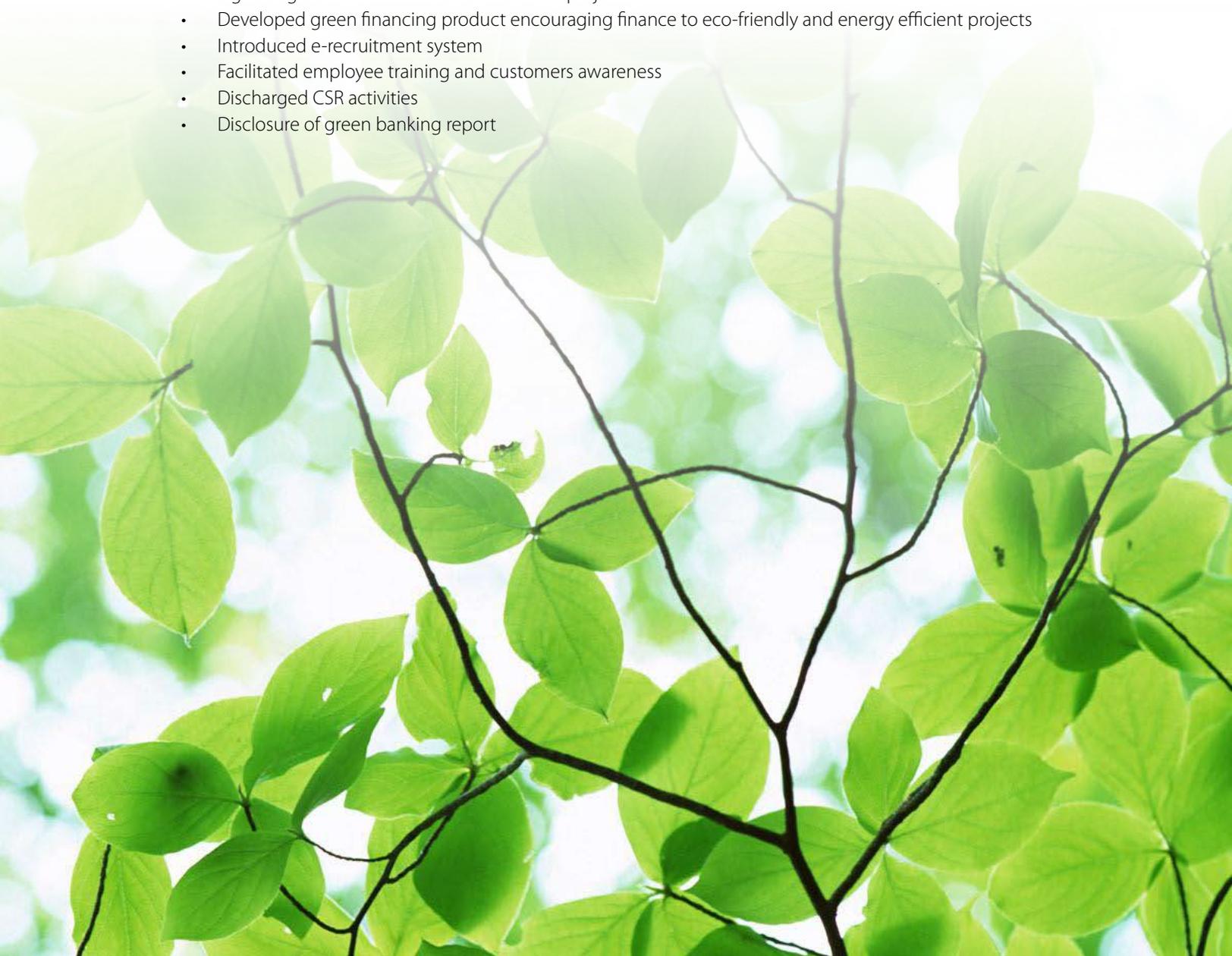
- Recognize Top Ten banks for their overall performance in green banking activities in the BB websites.
- Consider green banking activities/practices of a bank while according permission for opening new bank branch.

Green activities of MDB

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

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

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



MDB Green Report 2015

In BDT million

SI No.	Particulars	Total		Remarks
		No of Projects	Amount	
A.	Introducing Green Finance			Policy formulation is under process
01	Effluent Treatment Plant (ETP)			
02	Bio-gas Plant			
03	Solar Panel system/Renewal Energy Plant	1	48.52	
04	Hybrid Hoffman Kiln (HHK)			
05	Green Finance at reduced rate of interest	2	21.80	
	Others (if any) Zig Zig Brick Project	04	22.50	
	Total	06	92.82	
B.	Online Banking			
01	No of ADCs (own ATM & ADM)	18		
02	Shared ADCs	4,450		
03	No of Branches with online coverage	20		
04	No of total accounts	25,314		
04	No of accounts facilitated with internet banking	685		
05	No of accounts facilitated with Mobile/SMS Banking	5,008		
C.	Awareness Building			
01	Training Programmes on Green Banking (In-house)	1		
02	Participants in the Training	33		
D.	Disclosure			
01	Website	Yes		
02	Annual Report	Yes		
03	Preparation of Green Banking & Sustainability Report Others (if any)	Yes		
E.	Sector Specific Environment Policy			
01	Formulation of Sector Specific Environment Policy			
	(Underphase)			
	Others (ifany)			
F.	Green Strategic Planning			
01	Formulation of Green Strategic Planning			
02	Formulation of Bank's Specific Environment Risk			
03	Management Plan & Guideline Others (ifany)	Yes		

In-house green banking development

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

Electricity Consumption

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

Fuel Consumption

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

Paper Consumption

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

Water Consumption

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

Others

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

Carbon Footprint Reduction

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

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

Environmental risk

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

Social Responsibility Services

The Bank has initiated a number of social responsibility services like tree plantation campaign, autism care etc. As a caring partner, we will concentrate more on building green infrastructure, enhancing living standard of city life and coloring the world green in 2016 and beyond.

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

Sustainability Report

Highlights

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

Sustainability

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

MDB approach to sustainability

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

Entrepreneurship

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

Stewardship

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

Inclusion

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

MDB Sustainability Model

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

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

Fairness in Banking

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

Supportive Engagement

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

An admired employer

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

Safe banking approach

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

Citizenship and Environmental Concern

As a large organization we have a responsibility to manage our internal and external impacts. A core part of this is the way we govern our environmental, social and ethical risks, not only within our own operations, but also in relation to companies we lend to. In 2015, we implemented sector policies which clearly define our lending criteria in certain sensitive industries. 2016 will also see the launch of revised and more stretching

targets to reduce our environmental footprint across our travel and energy waste, water and paper use. These targets will drive forward the management of our own footprint, and allow our stakeholders to track our progress.

Financial inclusion

Multitudes of people across the country still remain unbanked or have limited access to banking services. MDB remains committed to agricultural and rural credit (micro finance) as a means of increasing financial inclusion in the country. We intend to support this sector by providing a range of financial services to microfinance institutions (MFIs) as well as through our own branch network. Small and Medium Enterprises played crucial role in generating jobs and economic growth in Bangladesh. In 2015, we continued to demonstrate our support for SMEs, increasing our lending to 168 entrepreneurs BDT 3056.70 million (disbursement) enriching our SME products and services. We disbursed agri credit of BDT 374.45 million to a total of 12 farms and farmers. During 2015, we have extended a total BDT 338.22 million to 14 MFIs to serve financial needs of 9863 individuals. We continued to explore new ways of increasing financial outreach.

Combating Financial Crime and money laundering risk

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

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

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

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

Promoting Sustainable Finance

Steps are taken to introduce green banking products which can in some way or other contribute to the reduction of carbon emissions. We are making every effort for the utilization of 'Green Finance' budget and 'Climate Risk Fund' approved by the Board. Our green finance priorities include ETP, modernization of brick kiln by advanced technology, Bio-gas Plant, Solar Power System and other renewable energy sectors. In our attempt for green finance in 2015, we have disbursed a good sum of BDT 92.80 million to a number of 04 Zig Zag on account of eco-friendly Brick Kilns, vermicompost and solar home system.

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

Highlights of Sustainable Finance 2015

1. Financed BDT 92.80 million to 04 Zig Zag on account of eco-friendly Brick Kilns, vermicompost and solar home system
2. Encouraged paperless banking by expanding online banking, mobile banking and internet banking, use of e-mail and introduction of IP message system. Added deposit alert to Mobile Banking Solution (MBS).

Investment in sustainability

Outlay of investment in building sustainability platform has increased manifold over the last few years. This banking philosophy has been shaped into a tangible chase for business goal and achievement. In 2015, we allocated an amount of BDT 3.20 million (10% of

profit) towards meeting our CSR objectives. We spent a total of BDT 3.20 million in various CSR projects in Bangladesh. To keep our commitment afloat for SME business, woman entrepreneur finance, agri farms, we have made necessary restructuring in our operations, launched campaign for SME promotion, participated in SME fairs, added and upgraded delivery channels and build alliance with various banks and micro finance organizations for a nationwide banking outreach. We have designed new products for various segments in the community for wider financial inclusion and took up promotional initiatives in the market. Together with this approach, our investment in a number of green projects like solar panel, eco-friendly modernization of brick kilns, biogas plants, etc carried more of our passion for preservation of Mother Nature than of commercial benefit. Our costs in sustainability build-up are taking an upturn every year and we are expecting their positive reflection in our present and future well-being. Furthermore, the Bank made considerable investment to strengthen capacity and preparedness to combat money laundering and terrorist financing in the field of manning & training, software development, building liaison & awareness, etc to ensure regulatory compliance. Around the year 2015, we actively pursued the expansion of our business with particular focus on greater welfare of the economy.

Contribution to Government Exchequer

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

MDB for inclusive growth

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

MDB has decided to increase lending target to small and medium enterprises. The Bank is targeting SME finance to the undeniable but underserved segment of the economy. To this effect, the Bank finance to small enterprises, manufacturing sector and women entrepreneurs is getting momentum. New strategy has been set out to expanded cluster base financing program. MDB disbursed BDT 152.60 million in loans to Women Entrepreneurs in the calendar year 2015. Bangladesh Bank refinance for SE and Women Entrepreneurs has enabled the Bank to open up a soft loan window for small sized business and women owned projects. The Bank is committed to the implementation of statutory codes of practice on business lending within agreed timeframes.

MDB is continuing to improve the transparency of its customer communications. All customer-facing material

is being reviewed to meet 'simple & smart Bangla and English standard' and transparency objectives are set out.

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



Mr. Khondoker Nayeemul Kabir, Deputy Managing Director of Midland Bank Ltd., Mr. AKM Saifuddin Ahamed, Deputy Managing Director of Jamuna Bank Ltd. and Mohammed H Rashid, Director of Placid NK Corporation, a Global Exchange House, pose at the signing of an agreement. Jamuna Bank Ltd. will carry out remittance distribution through Midland Bank Ltd.

Corporate Social Responsibility (CSR)

Context

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

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

Income Tax Regulation in Bangladesh on CSR: Incentive on CSR

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

BB Guidelines for CSR activities

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

MDB CSR Activity

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

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

As per Bangladesh Bank guideline, MDB's CSR Unit has proposed budgetary allocations for CSR programmes annually for approval of the Board of the Bank; the Board has approved allocations by appropriations from annual post tax net profits; currently which is 10% of the net profit of the Bank.

As per calculation of audited financials 2014, an amount of BDT. 32.00 lac was allocated for annual CSR programme 2015 of the Bank. We have also made provision of BDT 44 million on of net profit of 2015, which will be spend in 2016 financial year as CSR. According to Bangladesh Bank CSR guideline, budgetary allocations for CSR programmes 2015 were as mention below:

Education Sector (At list 30% of budget)

Under this sector, MDB has distributed free English Newspapers, The Daily Star, among the financially challenged meritorious students of National level Universities: BUET, Rajshahi University, Chittagong University, Khulna University and Bangladesh Agricultural University, Mymensing in consultation with the Vice Chancellor's office, jointly with Daily Star titled "Midland Bank-Daily Star Free Newspaper Campaign for Enhancing Knowledge". Daily Star has reached the copies through its own channels to selected students after affixing a message of Midland Bank and Daily Star. Total cost of Tk. 11,17,800.00 has donated for this purpose.

Healthcare Sector (At list 20% of Budget)

MDB has donated Tk. 50,000.00 to M/s. Protina HM Food to promote Diabetic & Functional Food. MDB has also donated an Ambulance to Anjuman Mofidul Islam, a renowned charitable trust as well as a leading ambulance service provider in Bangladesh, carrying patients and dead bodies within and outside Dhaka city. An amount of Tk. 13,49,822.00 donated for purchasing the ambulance.

Other Sectors (50% of Budget)

MDB has donated Tk. 5,00,000.00 for purchasing tent for Nepal earthquake victims as per approached and request of Bangladesh Bank as well as Ambassador of Nepal.

MDB has donated Tk. 1,82,378.00 for purchasing blankets which was distributing amongst winter affected poor people of the country through its branches.



Mrs. Nilufer Zafarullah, M.P, Vice Chairman of Midland Bank Ltd. handing over the key of an Ambulance to Mr. Md. Shamsul Haque Chisty, President, Anjuman Mofidul Islam.



Mr. Md. Ahsan-uz Zaman Managing Director of Midland Bank Ltd. handing over a token of the bank's contribution to Mr. Hari Kumar Shrestha, Ambassador of Nepal in Bangladesh. Dr. Atiur Rahman, former Governor of Bangladesh Bank was also present.

Mr. Mahfuz Anam, Editor and Publisher of the Daily Star, and Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. shake hands after signing an agreement to launch a project "Enhancing Knowledge" at the Daily Star Centre.



Mr. Md. Ahsan-uz Zaman, Managing Director Midland Bank Ltd., presents a cheque for financial assistance to Masuda Islam, owner of Protina HM Food, which works for diabetic and functional food processing.

Midland Bank distributes to the distressed homeless and cold stricken street people of Dhaka city.



Financial Statements 2015



Statement of Directors on adequacy of the system of Internal Control

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

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

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

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

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

Directors' Responsibility in relation to Financial Statements

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

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

The Board has reviewed the external auditors' report and considered that, these financial statements for the year 2015 have been prepared using appropriate accounting policies, consistently applied, and supported by reasonable and prudent judgment and estimates and in compliance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bank Company (amended) Act. 2013, as per guidelines of the Bangladesh Bank, Company Act 1994, Securities and Exchange Rules 1987 and other applicable laws and regulations issued by the regulatory bodies time to time. Any change to accounting policies and reasons for such change is disclosed in the "Notes to the Financial Statements" of this annual report.

The Board audit committee comprised of 05 Directors who has required qualifications and experience. The Committee has made an independent assessment of the financial reporting system of the Bank and confirmed that the financial statements of the year 2015 have been prepared in compliance with relevant accounting principles and regulatory requirements. The Committee also discussed and exchanged views with the representatives of external auditors and reviewed the financial statements and recommended to the Board of Director for consideration and approval of these financial statements for year 2015.

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

On behalf of the Board of Directors



M. Moniruzzaman Khandaker
Chairman

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

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

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

- (i) We have reviewed the financial statements for the year ended 31 December 2015 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.



Md. Zahirul Islam, FCA
Chief Financial Officer



Md. Ahsan-uz Zaman
Managing Director & CEO

Midland Bank Limited
Independent Auditors' Report to the Shareholders
For the year ended 31 December 2015

We have audited the accompanying financial statements of Midland Bank Limited (the Bank) which comprise the balance sheet as at 31 December 2015, profit and loss statement, cash flow statement, statement of changes in equity and liquidity statement for the year then ended and a summary of significant accounting policies, other explanatory notes and annexures thereto.

Management's responsibility for the financial statements and internal controls

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above which have been prepared in the format prescribed by Bangladesh Bank vide circular no. 14 dated 25 June 2003 and in accordance with relevant Bangladesh Financial Reporting Standards give a true and fair view of the state of affairs of the Bank as at 31 December 2015 and results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Banking Companies Act 1991, rules and regulations issued by Bangladesh Bank and other applicable laws and regulations.

Report on other legal and regulatory requirements

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

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

- (b) to the extent noted during the course of our audit work performed on the basis stated under the auditors' responsibility section in forming the above opinion on the financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the management's responsibility for the financial statements and internal control:
- (i) internal audit, internal control and risk management arrangements of the Bank appeared to be materially adequate;
 - (ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank and its related entities;
 - (c) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;
 - (d) the balance sheet and profit and loss statement of the Bank dealt with by the report are in agreement with the books of account;
 - (e) the expenditures incurred during the year were for the purposes of the business of the Bank;
 - (f) the financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as with related guidance issued by Bangladesh Bank;
 - (g) adequate provisions have been made for advances, and other assets following the guidelines of Bangladesh Bank;
 - (h) the information and explanations required by us have been received and found to be satisfactory; and
 - (i) we have reviewed over 80% of risk-weighted assets of the Bank and we have spent approximately 1950 person hours for the audit of the books and account of the Bank.

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Balance Sheet
As at 31 December 2015

PROPERTY AND ASSETS	Notes	2015 BDT	2014 BDT
Cash	3	1,060,433,798	505,725,934
In hand (including foreign currencies)	3.1	212,893,760	107,099,541
Balance with Bangladesh Bank and its agent bank(s) (including foreign currencies)	3.2	847,540,038	398,626,393
Balance with other banks and financial institutions	4	2,655,271,082	4,532,369,368
In Bangladesh	4.1	2,540,120,038	4,264,347,964
Outside Bangladesh	4.2	115,151,044	268,021,404
Money at call and on short notice	5	80,000,000	-
Investments	6	5,428,890,074	2,985,905,067
Government	6.1	3,678,890,074	1,985,905,067
Others	6.2	1,750,000,000	1,000,000,000
Loans and advances	7	13,887,861,789	6,499,978,994
Loans, cash credits, overdrafts, etc	7.1	13,846,572,030	6,384,418,036
Bills purchased and discounted	7.2	41,289,759	115,560,958
Fixed assets including premises, furniture and fixtures	8	210,766,739	165,765,891
Other assets	9	569,951,258	417,003,715
Non-banking assets		-	-
Total assets		23,893,174,740	15,106,748,970
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	281,255,604	2,404,500,000
Deposits and other accounts	11	17,955,516,897	8,478,577,992
Current deposit and other accounts		700,822,621	282,430,519
Bills payable		25,902,771	72,610,022
Short notice deposit		535,449,460	365,061,737
Savings deposit		604,312,485	281,258,615
Fixed deposit		14,022,783,348	5,385,181,567
Scheme deposit		2,066,246,212	2,092,035,532
Other liabilities	12	589,759,096	174,946,998
Total liabilities		18,826,531,597	11,058,024,990
Capital/ Shareholders' equity			
Total shareholders' equity	13	5,066,643,143	4,048,723,980
Paid-up capital	14	4,000,000,000	4,000,000,000
Statutory reserve	15	150,057,099	23,990,793
Revaluation reserve on investment in securities	16	582,359,114	3,258,030
Retained earnings	17	334,226,930	21,475,158
Total liabilities and shareholders' equity		23,893,174,740	15,106,748,970

Midland Bank Limited
Balance Sheet
As at 31 December 2015

OFF-BALANCE SHEET ITEMS	Notes	2015 BDT	2014 BDT
Contingent liabilities	18	2,288,723,296	1,263,380,722
Acceptances and endorsements	18.1	311,806,165	151,346,392
Letters of guarantee	18.2	1,200,416,635	766,771,493
Irrevocable letters of credit	18.3	510,486,299	342,531,801
Bills for collection	18.4	266,014,197	2,731,036
Other contingent liabilities		-	-
Other commitments		-	-
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total Off-Balance sheet exposures including contingent liabilities		2,288,723,296	1,263,380,722

These financial statements should be read in conjunction with annexed notes 1 to 43
for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO


Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Profit and Loss Statement
For the year ended 31 December 2015

OPERATING INCOME	Notes	2015 BDT	2014 BDT
Interest income	20	1,689,531,724	970,821,334
Less: Interest paid on deposit and borrowing, etc	21	1,359,458,808	623,732,122
Net interest income		330,072,916	347,089,212
Income from investments	22	974,468,320	217,068,004
Commission, exchange and brokerage	23	102,925,950	40,374,052
Other operating income	24	22,966,252	18,706,614
		1,100,360,522	276,148,670
Total operating income (A)		1,430,433,438	623,237,882
LESS: OPERATING EXPENSES			
Salary and allowances	25	322,649,594	200,117,592
Rent, taxes, insurance, electricity, etc	26	148,294,313	115,636,357
Legal expenses	27	231,321	206,610
Postage, stamp, telecommunication, etc	28	9,864,704	6,045,613
Stationery, printing, advertisement, etc	29	17,995,191	5,873,379
Managing director's salary and fees	30	10,350,000	8,811,794
Directors' fees	31	1,309,000	295,250
Auditors' fees	32	241,500	115,000
Depreciation and repairs of bank's assets	33	39,244,474	24,667,492
Other expenses	34	104,850,219	102,731,097
Total operating expenses (B)		655,030,316	464,500,184
Profit before provision (C = A-B)		775,403,122	158,737,698
Provision for loans and advances			
General provision		78,498,592	46,497,001
Specific provision		56,319,575	-
Provision for off-balance sheet exposures		10,253,426	11,054,994
Total provision (D)	35	145,071,593	57,551,995
Profit before tax (C-D)		630,331,529	101,185,703

Midland Bank Limited
Profit and Loss Statement
For the year ended 31 December 2015

	Notes	2015 BDT	2014 BDT
Less: Provision for taxation			
Current tax		193,034,724	65,974,287
Deferred tax		(1,521,273)	537,216
Total tax provision	36	191,513,451	66,511,503
Net profit after tax		438,818,078	34,674,200
Retained earnings brought forward from previous year		21,475,158	8,633,400
		<u>460,293,236</u>	<u>43,307,600</u>
Appropriations			
Statutory reserve	37	126,066,306	21,832,443
General reserve		-	-
Dividends		-	-
Total reserve		126,066,306	21,832,443
Retained surplus		334,226,930	21,475,158
Earnings per share (EPS)	38	1.10	0.09

These financial statements should be read in conjunction with annexed notes for and on behalf of Board of Directors of Midland Bank Limited



Managing Director & CEO



Director



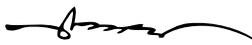
Director



Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Cash Flow Statement
For the year ended 31 December 2015

	Notes	2015 BDT	2014 BDT
A. Cash flows from operating activities			
Interest received		2,604,257,265	1,082,428,055
Interest paid on deposits, borrowings, etc		(1,259,765,512)	(567,778,829)
Dividend receipts		20,131,578	-
Fees and commission		102,925,950	40,374,052
Cash paid to employees as salaries and allowances		(317,686,100)	(195,878,136)
Cash paid to suppliers		-	-
Income tax paid		(100,451,844)	(49,601,743)
Cash received from other operational income	39	22,966,252	18,706,613
Cash paid for other operational expenses	40	(241,386,884)	(228,053,361)
Cash generated from/(used in) operating activities before changes in operating assets and liabilities (Increase)/Decrease in operating assets and liabilities		830,990,704	100,196,652
Investment in treasury bonds		(1,900,953,368)	(1,186,536,628)
Loans and advances		(7,377,592,492)	(4,668,547,140)
Other assets		(11,900,440)	47,640,531
Bank deposit		3,221,000,000	-
Customers' deposit		6,154,852,474	5,520,247,447
Borrowing from other banks, financial institutions and agents		(2,123,244,396)	1,824,500,000
Other liabilities		6,263,318	5,838,043
Net (increase)/decreased in operating assets and liabilities		(2,031,574,904)	1,543,142,253
Net cash from/(used in) operating activities (a)		(1,200,584,200)	1,643,338,905
B. Cash flows from investing activities			
Investment in shares and bonds		(750,000,000)	(900,000,000)
Purchase of property, plant and equipment		(78,875,667)	(98,074,928)
Net cash used in investing activities		(828,875,667)	(998,074,928)
C. Cash flows from financing activities			
Receipts from issue of shares		-	-
Dividend paid		-	-
Net cash from financing activities		-	-

Midland Bank Limited
Cash Flow Statement
For the year ended 31 December 2015

	Notes	2015 BDT	2014 BDT
D. Net increase/(decrease) in cash and cash equivalent (A+B+C)		(2,029,459,867)	645,263,977
E. Effects of exchange rate changes on cash and cash equivalents		-	-
F. Opening cash and cash equivalents		5,826,131,247	5,180,867,270
G. Closing cash and cash equivalents (D+E+F)		3,796,671,380	5,826,131,247
The above closing cash and cash equivalents include:			
Cash in hand		212,893,760	107,099,541
Balance with Bangladesh Bank and its agents		847,540,038	398,626,393
Balance with other banks and financial institutions		2,655,271,082	4,532,369,368
Money at call and short notice		80,000,000	-
Treasury bills		-	787,967,444
Prize bonds		966,500	68,500
Total		3,796,671,380	5,826,131,247
Net operating cash flows per share (BDT)		(3.00)	4.11

These financial statements should be read in conjunction with annexed notes for and on behalf of Board of Directors of Midland Bank Limited


Managing Director & CEO

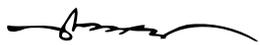

Director


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Statement of Changes in Equity
For the year ended 31 December 2015

Particulars	Paid-up capital	Statutory reserve	Share premium	Revaluation reserve	General reserve	Retained earnings	Total
Balance at 01 January 2014	4,000,000,000	2,158,350	-	11,913,084	-	8,633,400	4,022,704,834
Statutory reserve	-	21,832,443	-	-	-	(21,832,443)	-
Revaluation reserve	-	-	-	(8,655,054)	-	-	(8,655,054)
Issue of bonus shares	-	-	-	-	-	-	-
Issue of right shares	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	34,674,200	34,674,200
Balance at 31 December 2014	4,000,000,000	23,990,793	-	3,258,030	-	21,475,158	4,048,723,980
Balance at 01 January 2015	4,000,000,000	23,990,793	-	3,258,030	-	21,475,158	4,048,723,980
Statutory reserve	-	126,066,306	-	-	-	(126,066,306)	-
Revaluation reserve	-	-	-	579,101,084	-	-	579,101,084
Issue of bonus shares	-	-	-	-	-	-	-
Issue of right shares	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	438,818,078	438,818,078
Balance at 31 December 2015	4,000,000,000	150,057,099	-	582,359,114	-	334,226,930	5,066,643,143

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

Managing Director & CEO



Director



Director



Chairman



See annexed report of the date

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Liquidity Statement (Analysis of Maturity of Assets and Liabilities)
As at 31 December 2015

Particulars	Maturity						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Above 5 years		
	BDT	BDT	BDT	BDT	BDT	BDT	
Assets							
Cash in hand and balance with Bangladesh Bank	1,060,433,798	-	-	-	-	-	1,060,433,798
Balance with other banks and financial institutions	1,305,271,082	750,000,000	600,000,000	-	-	-	2,655,271,082
Money at call and on short notice	80,000,000	-	-	-	-	-	80,000,000
Investments	966,500	110,000,000	694,500,000	1,496,600,000	3,126,823,574	-	5,428,890,074
Loans and advances	1,771,500,000	2,165,400,000	6,020,500,000	3,450,100,000	480,361,789	-	13,887,861,789
Fixed assets including premises, furniture and fixtures				125,386,882	85,379,856	-	210,766,739
Other assets					569,951,258	-	569,951,258
Non-banking assets							-
Total assets (A)	4,218,171,380	3,025,400,000	7,315,000,000	5,072,086,882	4,262,516,477	23,893,174,740	
Liabilities							
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	266,255,604			15,000,000			281,255,604
Deposit and other accounts	3,433,000,000	8,557,316,896	3,402,100,000	2,275,700,000	287,400,000		17,955,516,897
Provision and other liabilities	37,680,000	39,800,000	449,639,096	1,240,000	61,400,000		589,759,096
Total liabilities (B)	3,736,935,604	8,597,116,896	3,851,739,096	2,291,940,000	348,800,000	18,826,531,597	
Net liquidity excess/ (shortage) (A-B)	481,235,776	(5,571,716,896)	3,463,260,900	2,780,146,882	3,913,716,477	5,066,643,143	

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


Managing Director & CEO


Director


Chairman

See annexed report of the date

Dhaka, Bangladesh
Dated, 15 March 2016


S. F. AHMED & CO
Chartered Accountants

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

1. The Bank and its activities

1.1 Midland Bank Limited

Midland Bank Limited (“the Bank”) is incorporated (Registration # C-108070/13 dated 20 March 2013) as a public limited company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Levels 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212. It commenced its banking business on the same day under the license no. BRPD (P-3)745(67)/2013-1665 issued by Bangladesh Bank on 09 April 2013. The Company started its banking operation on 20 June 2013 at Dilkusha Corporate Branch. Presently the Bank has 20 (10 urban and 10 rural) branches all over the country.

1.2 Principal activities

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

2. Basis of preparation of financial statements

2.1 Basis of accounting

2.1.1 Statement of compliance

The financial statements of the Bank have been prepared up to 31 December 2015 under historical cost basis, except for certain investments which are stated at fair/market value, in accordance with the First Schedule (Section 38) of the Bank Companies Act 1991, BRPD Circular # 14 dated 25 June 2003 and DFIM Circular # 11 dated 23 December 2009, other Bangladesh Bank Circulars, Bangladesh Accounting Standards (“BAS”) and Bangladesh Financial Reporting Standards (“BFRS”) as adopted by the Institute of Chartered Accountants of Bangladesh (“ICAB”), the Companies Act 1994, and other laws and rules applicable in Bangladesh. Adequate disclosures have been given for any material departures from the requirements of BFRS. Details are as follows:

2.1.2 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed considering business realities on an ongoing basis revisions of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most critical estimates and judgments are applied to calculate provision for loans and advances as per Bangladesh Bank guidelines.

2.1.3 Consistency

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

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2.1.4. Foreign currency transaction

a) Functional and presentation of currency

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

b) Foreign currencies translation

Foreign currency transactions are converted into equivalent BDT using the ruling exchange rates on the dates of respective transactions as per BAS 21 "The Effects of Changes in Foreign Exchange Rates".

Foreign currency balances held in US Dollar are converted into BDT at weighted average rate of inter-bank market as published by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into BDT equivalent.

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

c) Commitments

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

d) Translation gains and losses

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

2.1.5 Cash flow statement

Cash flow statement has been prepared in accordance with the BAS 7 "Statement of Cash Flows" under direct method as recommended in BRPD Circular No. 14, dated 25 June 2003. The cash flow statement shows the structure of and changes in cash and cash equivalents during the year. It cash flows during the period have been classified as operating activities, investing activities and financing activities

2.1.6 Statement of changes in equity

Statement of changes in equity has been prepared in accordance with BAS 1 and the guidelines of Bangladesh Bank BRPD circular no.14, dated 25 June 2003.

2.1.7 Liquidity statement

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

- i) Balance with other Banks and financial institutions, money at call and on short notice etc are on the basis of their maturity terms.
- ii) Investments are on the basis of their respective maturity.
- iii) Loans and advances are on the basis of their repayment schedule.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

- iv) Fixed assets are on the basis of their useful lives.
- v) Other assets are on the basis of their realisation/ amortisation.
- vi) Borrowing from other Banks, financial institutions and agents, etc are as per their maturity/ repayment terms.
- vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- viii) Provisions and Other liabilities are on the basis of their payment/ adjustments schedule.
- ix) Other long term liabilities are on the basis of their maturity term.

2.1.8 Reporting period

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

2.1.9 Offsetting

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

2.2 Significant accounting policies

Assets and basis of their valuation

2.2.1 Cash and cash equivalents

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

2.2.2 Loans and advances

- a) Loans and advances are stated in the balance sheet on gross basis.
- b) Interest is calculated on a daily product basis but charged and accounted for on "accrual basis". Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realised from borrowers (note 12). Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.
- c) Commission and discounts on bills purchased and discounted are recognised at the time of realisation.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

- d) Provision for loans and advances is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no.34 dated 16 November 1989, BCD Circular no. 20 dated 27 December 1994, BCD Circular no. 12 dated 4 September 1995, BRPD Circular no. 16 dated 6 December 1998, BRPD Circular no. 9 dated 14 May 2001, BRPD Circular no.02 dated February 2005, BRPD Circular no.09 dated August 2005, BRPD Circular no. 17 dated 06 December 2005, BRPD circular no.32 dated 27 October 2010, BRPD Circular no.14 dated 23.09.2012, BRPD Circular no19 dated 27.12.2012 and BRPD Circular no 05 dated 29.05.2015.

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

Particulars	Rate (%)
General provision on unclassified general loans and advances	1%
General provision on unclassified small enterprise financing	0.25%
General provision on interest receivable on loans	1%
General provision on unclassified loans for housing finance, loans for professionals to set-up business and loans to share business	2%
General provision on unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
General provision on Special Mention Account (SMA) except short term agriculture loans	0.50% to 1%
Specific provision on substandard loans and advances	20%
Specific provision on doubtful loans and advances	50%
Specific provision on bad/ loss loans and advances	100%

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

2.2.3 Investments

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

The Valuation methods of investment used are:

i) Held to maturity (HTM)

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

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

ii) Held for trading (HFT)

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

Value of investments has been enumerated as follows :

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

iii) Investment in listed securities

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealised gains are not recognised in the profit and loss statement. But provision for diminution in value of investment is provided in the financial statements which market price is below the cost price of investment as per Bangladesh Bank guidelines. In the reporting year, the Bank has no direct investment in equity shares, but the bank invested in preference shares which were converted into equity shares in the reporting year, which is also listed with both DSE and CSE (Note # 6.2).

iv) Investment in unquoted securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities (Note # 6.2).

2.2.4 Property, plant and equipment

As per BAS 16 Property, Plant & Equipments are recognized, if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

- a) All fixed assets are stated at cost less accumulated depreciation as per BAS 16. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

- b) The Bank recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred.
- c) Revaluation of Land and Building: As per Bangladesh Accounting Standard (BAS-16) revaluation should be made with sufficient regulatory compliance to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of reporting period. The fair value of Land and Buildings is usually determined from market based evidence by an appraisal that is normally undertaken by the professionally qualified valuers.
- d) Depreciation is charged for the year at the following rates and methods on all fixed assets:

Category of fixed assets	Rate (%)
Land	Not applicable
Building	Not applicable
Furniture and fixtures (reducing balance method)	10%
Office equipments (straight line)	20%
Library books (reducing balance method)	20%
Vehicles (straight line)	20%
Software (straight line)	20%
Computer and peripherals (straight line)	20%
Interior decoration (reducing balance method)	10%
Category of fixed assets (ATM Assets)	Rate
Furniture and fixtures (straight line)	10%
Office equipment (straight line)	20%

- e) For additions during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.
- f) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds (BAS 36).
- g) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets have been capitalized as part of the cost of the asset as per BAS-23
- h) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of BAS-17. The carrying value of leasehold properties is amortized over the remaining lease term or useful of leasehold property, whichever is lower.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2.2.5 Intangible assets

- a) An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably (BAS 38).
- b) Software represents the value of computer application software licensed for use of the bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortization and any impairment losses. Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditures that are incurred in customizing the software for its intended use.
- c) Expenditure incurred on software is capitalized only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognized as capital improvement and added to the original cost of software.
- d) Software is amortized using the straight line method over the estimated useful life of 5 (five) years commencing from the date of the application software is available for use over the best estimate of its useful economic life.
- e) Preliminary Expenses: If the entity has made a prepayment for the start-up, pre-opening, and pre-operating costs [IAS 38.69], that prepayment expenses are recognised as an asset until the entity receives the related goods or services [IAS 38.70]. The Bank had incurred preliminary expenses for cost of BDT 6,39,57,333.00 which was fully charged to the profit & loss accounts in 2014.

2.2.6 Impairment of assets

The carrying amounts of bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss is recognised in the profit and loss account, if the carrying amount of an asset exceeds its recoverable amount (BAS 36). No such impairment loss has been arisen and recognised during the year ended 31 December 2015.

2.2.7 Investment properties

- i) Investment property is held to earn rentals or for capital appreciation or both and the future economic benefits that is associated with the investment property, but not sale in the ordinary course of business.
- ii) Investment property is accounted for under cost model in the financial statements. Accordingly, after recognition as an asset, the property is carried at its cost, less accumulated depreciation and impairment loss.
- iii) Depreciation is provided on a reducing basis over the estimated life of the class of asset from the date of purchase up to the date of disposal (BAS 16).

2.2.8 Other assets

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

2.2.9 Securities purchased under re-sale agreement

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

Securities purchased under re-sale agreements are treated as collateralized lending and recorded at the consideration paid and interest accrued thereon. The amount lent is shown as an asset either as loans and advances to customers or loans to other banks. The difference between purchase price and re-sale price is treated as interest received and accrued evenly over the life of Repo agreement.

2.2.10 Receivables

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

2.2.11 Inventories

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

2.2.12 Leases

Leases are classified as finance leases whenever the 'terms of the lease' transfer substantially all the risks and rewards of ownership to the lessee as per BAS-17 "Leases". All other leases are classified as operating leases as per BAS-17 "Leases". Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. The bank has no Finance Lease or Operation lease during the year ended on 31 December 2015.

2.2.13 Non-banking assets

There are no assets acquired in exchange for loan during the period of financial statements.

2.2.14 Reconciliation of inter-bank and inter-branch Account

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

2.2.8 Other assets

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

2.2.9 Securities purchased under re-sale agreement

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

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

2.2.10 Receivables

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

2.2.11 Inventories

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

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Notes to Financial Statements
For the year ended 31 December 2015

2.2.12 Leasing

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

The Bank as lessor

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

The Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

2.2.13 Non-banking assets

There are no assets acquired in exchange for loan during the period of financial statements.

2.2.14 Reconciliation of inter-bank and inter-branch account

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

2.3 Capital/ Shareholder's equity

2.3.1 Share capital

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

i) Authorized capital

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

ii) Paid-up capital

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

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2.3.2 Statutory reserve

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

2.3.3 Revaluation reserve

When an asset's carrying amount is increased as a result of revaluation, the increase amount should be credited directly to equity under the head of revaluation surplus / reserve as per BAS16: "Property, Plant and Equipment". The tax effects on revaluation gain are measured and recognised in the financial statements as per BAS 12: "Income Taxes". During the financial year, the bank did not revalue of its fixed assets.

2.3.4 General reserve

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

2.3.5 Share premium

Share premium is the capital that the Bank raises upon issuing shares that is in excess of the nominal value of the shares. The share premium may be applied by the bank in paying up unissued shares to be allotted to members as fully paid bonus shares or writing-off the preliminary expenses of the bank or the expenses of or the commission paid or discount allowed on, any issue of shares or debentures of the bank or in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the bank. Share premium is showing in accounts after deduction of income tax on share premium as per Finance Act. The Bank did not issue any share to general public as it is not fall due to issue such share to the general public through IPO.

2.3.6 Deposit and other accounts

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

2.3.7 Borrowings from other banks, financial institutions and agents

Borrowed funds include call money deposits, re-finance borrowings and other term borrowings from banks, financial institutions and agents. These are stated in the balance sheet at amounts payable. Interest paid / payable on these borrowings is charged to the profit & loss account. Disclosures of borrowings against Repo are shown in (notes- 10, 12 and 20.2).

2.4 Basis for valuation of liabilities and provisions

2.4.1 Provision for current taxation

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Provision for current income tax has been made as per prescribed rate in the Income Tax Ordinance 1984 on the accounting profit made by the bank after considering some of the add-backs to income and disallowances of expenditure as per income tax laws with BAS 12 "Income Taxes". Tax Assets under the group head of other assets are recognized for payment of advance income tax, tax deducted at source and tax paid at the time of IT Return for the year/years for which assessment has not been yet finalized. On the other hand, the tax provision (as estimated as per BAS 12, provision of latest Finance Act, related SROs/ Guidelines, etc.) are recognised as tax liability under the group head of other liability for the year/years for which assessment has not been yet finalized.

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2.4.2 Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amount of income tax recoverable in future periods in respect of deductible temporary differences.

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

2.4.3 Benefits to the employees

The retirement benefits accrued for the employees of the bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard 19, "Employee Benefit". Bases of computing the retirement benefit schemes operated by the bank are outlined below:

i) Provident fund

Provident Fund benefits are given to the permanent employees of the bank in accordance with Bank's Service Rules. Accordingly, the bank appointed a consultant for preparation a Trust Deed and Provident Fund Rules and obtain approval from the Commissioner of Income Tax as a recognized provident fund within the meaning of section 2(52), read with the provisions of part B of the First Schedule of Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members from the Board of Directors) of the bank. All confirmed employees of the bank are contributing 10% of their basic salary as subscription to the Fund. The bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis as per audited financial statements of the Fund.

ii) Gratuity fund

The bank operates a Gratuity Fund scheme on "Continuing Fund Basis", in respect of which provision is made annually which is covering all its permanent eligible employees in accordance with bank Service Rules. The bank appointed a consultant for preparation a Trust Deed and Gratuity Fund Rules and get approval from the Commissioner of Income Tax as a recognized Gratuity fund within the meaning of Para 2,3 & 4, read with the provisions of Part C of the First Schedule of Income Tax Ordinance 1984. The Fund is operated by a Board of Trustees consisting six members (03 members from management and other 03 members from the Board of Directors) of the bank. Valuation of gratuity scheme has been made to assess the adequacy of the liabilities provided for the scheme as per BAS 19 "Employees Benefit".

iii) Welfare fund

Midland Bank Employees' Welfare Fund is subscribed by monthly contribution of the employees. The bank also contributes to the Fund in accordance with bank Service Rules. The fund has been established to provide medical support and coverage in the event of accidental death or permanent disabilities of the employees. Disbursement of loan from the fund will be done as per rules of "Employees Welfare Fund". Retirement benefits are also provided from this fund.

iv) Performance bonus

The Bank is giving incentive bonus to the employees in every year. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually, normally first/second month of every following calendar year and the cost is accounted for in the period to which it relates.

2.4.4 Contingent asset and contingent liability

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

2.4.5 Provision for off-balance sheet exposures

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

2.4.6 Provision for nostro accounts

As per instruction contained in the circular letter no. FEPP (FEMO) / 01 / 2005-677, dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, provision is to be maintained on the un-reconciled debit balance of nostro account more than 3 months as on the reporting date. Since there is no un-reconciled entries which are outstanding more than 3 months, provision has not been made during the reporting year.

2.4.7 Revenue recognition

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

- i) Interest income is calculated on daily product on unclassified loan and advances, but recognized on monthly basis.
- ii) Interest is charged on classified loans and advances by crediting "Interest Suspense Account" instead of Interest Income Account.
- iii) Dividend income is recognized at the time when it is realized.
- iv) Dividend income on preference shares is recognized on accrual basis.
- v) Income on investments is recognized on accrual basis.
- vi) Commission and discount on bills purchased and discounted are recognized at the time of realization.

2.4.8 Fees and commission income

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

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2.4.9 Interest paid and other expenses

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

2.4.10 Dividend payments

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

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

2.4.11 Earnings per share (EPS)

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

i) Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax has been considered as fully attributable to the ordinary shareholders.

ii) Diluted earnings per share

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

2.5 Credit rating

Credit Rating Information and Services Limited (CRISL) has rated the bank based on December 31, 2014 with "BBB+" (pronounced as Triple B Plus) in the long Term and ST 3 for the Short Term. The date of rating was June 29, 2015.

Year	Long term rating	Short term rating
2014	BBB+	ST-3

Midland Bank Limited has been rated as "BBB+" (pronounced as Triple B plus) in the long Term and ST3 for the Short Term by Credit Rating Information and Services Limited (CRISL) based on audited financials of FY2014 and other available information up to the date of rating declaration. The outlook on the rating is Stable. The rating reflects the strengths of the company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier1 capital, improved asset quality and well controlled liquidity position.

2.6 Risk management

Risk is the possibility of adverse outcome on an action or event, the bank takes to run its business. Such outcome could either result in a direct loss of earnings / capital or may result in imposition of constraints on banks' ability to meet their business objectives. The types and degree of risks of an organization may be exposed depend upon a number of factors such as its size, complexity of business activities, volume, etc. To manage risks, Bangladesh Bank has issued guidelines on six core risk areas along with integrated risk management guidelines. The scheduled banks operating in Bangladesh has implemented these guidelines for better risk management across the organization. Midland Bank Limited (MDB) also established its risk management culture and governance structure following central bank guidelines; which is discussed below in short.

i) Credit Risk Management

Credit Risk arises mainly from lending activities of the bank. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the bank. The failure may result from unwillingness of the counter party or decline in his / her financial condition. Therefore, the bank's credit risk management activities have been designed manage the risk ensuring appropriate risk-return trade off in line with organization's appetite.

The bank has segregated credit approval authority from credit origination teams. All business units, who originate credit proposals, are the first line of defense against underlying risk. These proposals are then reviewed independently by Credit Risk Management team to eliminate any conflict of interest and for better internal control. If appropriate authority accepts the risk by approval of credit proposal, pre disbursement formalities are completed by Credit Administration Division. Post disbursement monitoring are continuous process and responsibility of all departments/divisions involved in the credit chain. Bank has an 'Early Alert' management system for routine monitoring of its credit portfolio. Credit Risk Management Framework is reviewed periodically to ensure its effectiveness for maintaining asset quality, risk assessment, approval processing, policy governance, and compliance to related regulations and best practices. In addition to capital, bank provides provisions against outstanding loans and advances in accordance with Bangladesh Bank regulations. Loan loss provisions both on unclassified and classified loans are shown in note-12.1. Although counterparty default is the main trigger of Credit Risk, of degree consequences may vary on residual elements. Credit 'Concentration' is one the most important of these elements. Excessive credit concentration on any single borrower, industry, product, geography may increase credit risk for the bank. Bank's risk management functions are responsible to manage concentration risk. Loan concentration on Industry/Business segment is shown in note -7.5.

In determining single borrower/large loan limit, instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of bank and regulatory policies. Loans are classified as per Bangladesh Bank guidelines. Concentration of single borrower / large loan limit is shown in note-7.7.

ii) Credit approval

Credit proposals, except retail and secured by cash collateral, are reviewed by credit risk management division for recommendation of the 'Credit Committee'. With recommendation of 'Credit Committee', Proposals are then placed to the 'Approval Authority'. All credit approval authorities are delegated by the Board of Directors to Executive Committee of the Board and to the Management based on their capability, experience & business expertise. Credit originating units do not have any credit approval authority.

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iii) Credit monitoring

All parties involved in the credit chain regularly monitor credit exposures, portfolio performance, and external trends. Internal risk management reports containing information on environmental, political and economic trends across major portfolios, portfolio delinquency and loan impairment performance, as well as credit grade migration are presented to Credit Committee. The Committee meets regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures. Accounts or portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subject to a dedicated process overseen by the committee. Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of high power recovery committee. In Retail / Consumer banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions.

iv) Credit concentration risk

Credit concentration risk is managed within concentration restraints set for counterparty or groups of connected counterparty, for industry sector and for product. Additional targets are set and monitored for concentrations by credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least semi-annually by the Board of Directors. Bank's Risk Management Division (RMD) prepares risk reports periodically.

v) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools, such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates are carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include- cash, residential, commercial and industrial property, fixed assets such as motor vehicles, plant and machinery, marketable securities, commodities, bank guarantees, and letters of credit. Collateral is valued in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value.

vi) Liquidity risk

The object of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance (note # 04). Management of liquidity and funding is carried out by Treasury Division under approved policy guidelines. Treasury front office is supported by a very structured back office. The Liquidity management is monitored by Asset Liability Committee (ALCO) on a regular basis.

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vii) Market risk

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

a) Foreign exchange risk

Foreign exchange risk is defined as the potential change in earnings due to change in market price of foreign exchange. The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. To Control risk, bank always keep its unhedged net open position within stipulated limit set by central bank.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

b) Interest rate risk

Interest rate risk may arise either from banking book or from trading book. The trading book of the bank consists of net mismatch run by Treasury by deliberately creating mismatch in balance sheet. Interest rate risk of banking book arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis and also closely monitors various interest rate risk management parameters.

c) Equity risk

Equity risk arises from movement in market value of equities held. The risks are monitored by Investment Committee under a well-designed policy framework. The market value of equities is determined lower than the cost price at the balance sheet date. However, the bank has no direct investment in equity security during the financial year 2015, but the bank invested in preference share which was converted into equity share in the reporting year(Note # 6.ii.b).

viii) Money laundering risk

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

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Designation of Anti Money Laundering Compliance Officer (AMLCO):

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

ix) Operational risk

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

x) Internal control and compliance risk

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

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

There are 3 (Three) Departments working in ICCD named as (i) Audit & Inspection Department, (ii) Compliance Department and (iii) Monitoring Department. Main task of "Audit & Inspection Department" is to conduct Risk Based Audit, Surprise Inspection, Special Investigation etc. to assess the probable risks and find out violation of policy/ procedure / guidelines etc. Main task of "Compliance Department" is to ensure compliance of irregularities / lapses mentioned in the Internal and External audit report within stipulated time frame. Main task of "Monitoring Department" is to analyze data / information collected from various Branches / Divisions / Departments and assesses the risk of individual Branch / Divisions / Departments. ICCD plans start System Audit / "IT audit" in branches and divisions for pointing out weakness in IT security system. ICCD has planned to arrange an Awareness Building Program on Core Risk Areas" throughout the Branches.

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ICCD has a Risk Based Audit (RBA) Format for Branches and separate RBA formats for 16 Divisions / Departments of Head Office. ICCD conducted Risk Based Audit in 11 Branches and 16 Head Office Divisions out of 18 Audit conducted. In the year 2015 Bank shifted its business model from Decentralized to Centralized. Considering the new business model, ICCD has planned to revise Risk Based Audit Format in 2016. A comprehensive "Internal Audit Charter" is in active consideration of ICCD. Considering present CBS in the bank, ICCD also took initiative to strengthen its 'IT Audit' function by recruiting some highly expert & certified IT auditors from other banks / organizations. Consider the changed environment, a befitting organogram of ICCD has already been approved by the competent authority. Management has also got serious view to ensure proper manpower for ICCD to meet up the upcoming challenges in near future.

xi) Audit committee disclosures

The Audit Committee of the Board was duly formed by the Board of Directors of the bank in accordance with the BRPD Circular no. 12, dated December 23, 2002 of Bangladesh Bank.

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

Details of the committee are given below:

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

During the year 2015, the Audit Committee of the Board conducted 6 (Six) meetings in which the important issues were discussed / reviewed:

- a) Inspection report on branch/HO conducted by the bank's internal inspection team.
- b) Financial Statements of the bank.
- c) Status of compliance of different rules and regulations.
- d) Compliance status of Internal, Bangladesh Bank and External Auditor's report in 2014 and 2015 and submitted compliance status report to Board of Directors quarterly basis.
- e) Review of managements' certificate regarding effectiveness of Internal Control Policy, Practice and Procedure.
- f) Performance of ICCD in 2014 and 2015.

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xii) Risk management committee disclosures

The Board of Directors constituted with the following 5 (Five) members Risk Management Committee of the Board, the third Committee of the Board besides the Executive Committee and the Audit Committee in consistence with Bank Company (Amendment) Act 2013 and it is also comply with the BRPD Circular no. 11, dated October 27, 2013.

SI no.	Name	Status with Bank	Status with committee
1	Mr. Ahsan Khan Chowdhury	Director	Chairman
2	Mr. Mohammed Jamal Ullah	Director	Member
3	Mrs. Ferdous Ara	Director	Member
4	Mrs. Shahnaj Praveen	Director	Member
5	Mr. Md. Rokonzaman Sarker	Director	Member

Risk Management company disclosure

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

- a) Sectoral concentration for loans and advances (Internal Limits/Risk Appetite) to be set up and be approved by the Board of Directors.
- b) Management was advised to put special attention and effort to create at least pari passu charge on the assets of the borrower.
- c) Management was advised to expedite the process of obtaining Credit Line from foreign banks to facilitate the foreign trade business of our bank.
- d) Disaster Recovery Centre shall be set up within shortest possible time.
- e) Credit portfolio should be diversified in terms of sector / area / large borrowers and ensure effective monitoring & supervision to mitigate to borrowers concentration.
- f) No lapses in loan documentation shall be allowed. All documentation must be completed before disbursement.
- g) Special attention to be given to mobilize low-no cost deposit to make the deposit blend attractive.
- h) Dependency on large depositors to be reduced.
- i) ALCO should monitor the liquidity and FX risks to keep the shock at bare minimum.
- j) Management should get the rating done by the borrowers as per decision taken by the board.
- k) IT Risk Management and Information Security are very important now a day for the Bank. The activity report of the Department along with the compliance status of Central Bank's guidelines should be submitted to the Risk Management Committee of the Board on quarterly basis
- l) Concerned risk Divisions were advised to develop IT backed MIS for generating risk related Data/information in collaboration with IT Division

Midland Bank Limited
Notes to Financial Statements
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xiii) Events after balance sheet date

Where necessary, all the material events after the balance sheet date have been considered and appropriate adjustment / disclosures have been made in these financial statements as per BAS 10.

xiv) Directors' responsibility on financial statements

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

xv) Memorandum items

Memorandum items are maintained to have control over all items of importance and for such transactions where the bank has only a business responsibility and no legal commitment. Bills for collection, savings certificates, wage earners bonds and others fall under the memorandum items. However, Bills for Collection is shown under contingent liabilities as per Bangladesh Bank's reporting format.

xvi) Related party transaction

Related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not. Detailed of related parties transaction are given in note # 41 of notes to the financial statements.

xvii) Information about business and geographical segments

Segmental information is presented in respect of Midland Bank Limited.

Business segments

Business segments report consists of products and services whose risks and returns are different from those of other business segments.

Geographical segments

Geographical segments report consists of products and services within a particular economic environment where risks and returns are different from those of other economic environments.

Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments.

xviii) Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). While preparing the financial statements, Midland Bank applied all the applicable BAS and BFRS as adopted by ICAB. Details are given below:

Midland Bank Limited
Notes to Financial Statements
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Name of the BAS/ BFRS	BAS / BFRS	Status of compliance
Presentation of Financial Statements	BAS 1	Applied
Inventories	BAS 2	Applied
Statement of Cash Flows	BAS 7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS 8	Applied
Events after the Reporting Period	BAS 10	Applied
Construction Contracts	BAS 11	N/A
Income Taxes	BAS 12	Applied
Property, Plant and Equipment	BAS 16	Applied
Leases	BAS 17	Applied
Name of the BAS/ BFRS	BAS / BFRS	Status of compliance
Revenue	BAS 18	Applied
Employee Benefits	BAS 19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS 20	N/A
The Effects of Changes in Foreign Exchange Rates	BAS 21	Applied
Borrowing Costs	BAS 23	Applied
Related Party Disclosures	BAS 24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS 26	Applied
Separate Financial Statements	BAS 27	Applied
Investments in Associates & Joint Venture	BAS 28	N/A, MDBL does not have any such relationship
Interests in Joint Ventures	BAS 31	N/A
Financial Instruments: Presentation	BAS 32	Applied to the extent of compliance with BRPD Circular no. 14, dated June 2003, DOS circular no.5, dated 26 May 2008 and DOS circular no. 5, dated 28 January 2009

Midland Bank Limited
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Earnings per Share	BAS 33	Applied
Interim Financial Reporting	BAS 34	Applied
Impairment of Assets	BAS 36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS 37	Applied to the extent of compliance with BRPD circular no. 5 dated 5 June 2006 and BRPD circular no. 14 September 2012
Intangible Assets	BAS 38	Applied
Financial Instruments: Recognition and Measurement	BAS 39	Applied to the extent of compliance with BRPD circular no. 14 dated June 2003, DOS circular no. 5 dated 26 May 2008 and DOS circular no. 5 dated 28 January 2009
Investment Property	BAS 40	Applied
Agriculture	BAS 41	N/A
Share Based Payment	BFRS 2	N/A
Business Combinations	BFRS 3	N/A
Insurance Contract	BFRS 4	N/A
Non-current Assets Held for Sale and Discontinued Operations	BFRS 5	N/A
Exploration for and Evaluation of Mineral Resources	BFRS 6	N/A
Financial Instruments: Disclosure	BFRS 7	Applied to the extent of compliance with core risk management guideline of Bangladesh Bank
Operating Segments	BFRS 8	Applied
Consolidated Financial Statements	BFRS 10	N/A
Joint Arrangement	BFRS 11	N/A
Disclosure of Interest in other entities	BFRS 12	N/A
Fair Value Measurement	BFRS 13	Applied

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N/A = Not Applicable

* In order to comply with certain specific rules and regulations of the local Central Bank (Bangladesh Bank) which are different to BAS / BFRS, some of the requirements specified in these BAS / BFRSs are not applied. Refer below for such recognition and measurement differences that are most relevant and material to the bank.

** This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. Therefore, it is not applicable for the bank's annual report as it is the employer and not the retirement benefit plan itself.

*** The objective of BAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period and hence it is not applicable for annual financial statements. However, the bank is not a listed entity in Dhaka and Chittagong Stock Exchanges, but it is complying with BAS 34 regularly publishes the Interim Financial Report.

New and amended standards adopted by the Bank

There are no new standards, amendments to standards and interpretations that are effective for the first time of the financial year ended 31 December 2015 that have a significant impact on the bank.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning from 01 January 2015 or later, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the bank. Although, International Accounting Standards Board (IASB) has issued a new standard (IFRS 9) along with related amendments to existing standards (IAS/BAS 32& 39), but none of these have been adopted and/or endorsed locally as BAS/BFRS and as such any possible impact could not be determined.

Difference between BAS/ BFRS and Bangladesh Bank Regulation:

The financial statements of the bank have been prepared up to 31 December 2015 under the historical cost basis, except for certain investments which are stated at fair/market value, in accordance with the First Schedule (Section 38) of the Bank Companies Act 1991, BRPD Circular nos 14, dated 25 June 2003 and DFIM Circular # 11, dated 23 December 2009, other Bangladesh Bank Circulars, Bangladesh Accounting Standards ("BAS") and Bangladesh Financial Reporting Standards ("BFRS") adopted by the Institute of Chartered Accountants of Bangladesh ("ICAB"), the Companies Act 1994, and other laws and rules applicable in Bangladesh. In case, any requirement of provisions and circulars issued by central bank differs with those of other regulatory bodies, the provisions and circulars issued by Bangladesh Bank shall prevail.

In order to comply with the rules and regulations of Bangladesh Bank, MDB departed from those contradictory requirements of BFRSs, which are disclosed below.

Investment in shares and securities

BFRS/BAS: As per requirements of BAS 39 investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve, respectively.

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Notes to Financial Statements
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Bangladesh Bank: HFT securities are revalued on the basis of mark to market on weekly basis and any gains on revaluation of securities which have not matured at the balance sheet date are recognised in other reserves as a part of equity and any losses on revaluation of securities which have not matured at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortisation of discount are recognised in the profit and loss account. HTM securities which have not matured at the balance sheet date are amortised at the year end and any losses are recognized through profit and loss account and gains on amortisation are recognised in other reserve as part of equity.

Recognition of interest in suspense

BFRS/BAS: Loans and advances to customers are generally classified as 'loans and receivables' as per BAS 39 and interest income is recognised through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognised in profit and loss account on the same basis based on revised carrying amount

Bangladesh Bank: As per BRPD circular no. 14, dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognised as income, rather the corresponding amount needs to be credited to an "Interest Suspense Account", which is presented as liability in the balance sheet.

Other comprehensive income

BFRS/BAS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which is applicable for all banks. The templates of financial statements issued by Bangladesh Bank do not include the Other Comprehensive Income, nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such, the Bank does not prepare other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognise, measure and present financial instruments differently from those prescribed in BAS 39. As such, full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

Repo transactions

BFRS/BAS: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset, or a similar asset, at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between the selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per PRD guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset, or a similar asset, at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions, and the financial assets are de-recognized in the seller's book and recognized in the buyer's book.

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Notes to Financial Statements
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Financial Guarantees

BFRS/BAS: As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognised for the guarantee except the cash margin. 1% provision is maintained on such off balance sheet items as per guidelines of Bangladesh Bank.

Cash and cash equivalent

BFRS/BAS: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Non-banking asset

BFRS/BAS: No indication of Non-banking asset is found in any BFRS/BAS.

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

Cash flow statement

BFRS/BAS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD 14, cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.

Balance with Bangladesh Bank: (Cash Reserve Requirement-CRR)

BFRS/BAS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

Presentation of intangible asset

BFRS/BAS: An intangible asset must be identified and recognised, and the disclosure must be given as per BAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

Off-balance sheet items

BFRS/BAS: There is no concept of off-balance sheet items in any BFRS / BAS. Hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee, etc.) must be disclosed separately on the face of the balance sheet.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

Disclosure of appropriation of profit

BFRS/BAS: There is no requirement show appropriation of profit on the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD 14, an appropriation of profit should be disclosed separately on the face of the profit and loss account.

Loans and advances net of provision

BFRS/BAS: Loans and advances should be presented net of provision.

Bangladesh Bank: As per BRPD 14, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

Recovery of written off loans

BFRS/BAS: As per BAS 1 an entity shall not offset assets and liabilities, or income and expenses, unless required or permitted by BFRS/BAS. The recovery of written off loans should be charged to the profit and loss account as per BAS 18.

Bangladesh Bank: As per BRPD 14, recoveries of amount previously written off should be adjusted with specific provision on loans and advances.

Uniform Accounting Policy

BFRS/BAS: As per Para 19 of BFRS 10, a company shall prepare financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

BSEC: The bank has to keep adequate provision on diminution value of investments and certain provision made on impairment of client margin loan, (if any).

General

i) Function and presentation of currency

The financial statements are presented in Bangladeshi Taka (BDT), which is the bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka.

ii) Comparative information

Comparative information in respect of the previous year has been presented from the financial statements audited by current year auditors for the period ended on 31 December 2015. Figures of previous year have been rearranged whenever necessary to confirm the current year / period presentation.

iii) Disclosures of expenditures

Expenses, irrespective of capital or revenue nature, accrued / due, but not paid have been provided for in the books of the bank.

iv) Approval of financial statements

These financial statements have been prepared by the management, audited by the external & regulatory auditors, thereafter approved by the Board of Directors of the bank.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
3. Cash		
Cash in hand (note 3.1)	212,893,760	107,099,541
Balance with Bangladesh Bank and its agent bank(s) (note 3.2)	847,540,038	398,626,393
	<u>1,060,433,798</u>	<u>505,725,934</u>
3.1 Cash in hand		
In local currency	210,449,838	105,511,405
In foreign currencies	2,443,922	1,588,136
	<u>212,893,760</u>	<u>107,099,541</u>
3.2 Balance with Bangladesh Bank and its agent bank(s)		
Balance with Bangladesh Bank:		
In local currency	811,944,608	389,059,049
In foreign currencies	35,595,430	9,567,344
	<u>847,540,038</u>	<u>398,626,393</u>
Sonali Bank Limited (as an agent bank of Bangladesh Bank) - local currency	-	-
	<u>847,540,038</u>	<u>398,626,393</u>
3.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)		
Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 25 and 33 of the Bank Companies Act, 1991 and Circular No.# 01 and 02 dated 10 December 2013 & 23 June 2014 respectively of Monetary Policy Department (MPD) of Bangladesh Bank.		
The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 6.5% has been calculated and maintained with the Bangladesh Bank in Current Account and 13% Statutory Liquidity Ratio, including CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds, foreign currency with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the statutory requirement.		
(a) CRR		
As per Bangladesh Bank MPD Circular No. 04 dated 01 December 2010 and 23 June 2014. Bank has to maintain CRR @ 6.5% on fortnightly cumulative average basis and minimum CRR @ 6% on daily basis.		
Daily position as on the reporting date		
Required reserve	762,563,627	367,433,963
Actual reserve maintained	813,870,740	384,706,883
Surplus/ (Deficit)	<u>51,307,113</u>	<u>17,272,920</u>

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
(b) SLR		
Required reserve (19.5% of total time and demand liabilities)	1,525,127,254	734,867,926
Actual reserve maintained	3,943,091,448	1,719,667,391
Surplus/ (Deficit)	2,417,964,194	984,799,465
Total Required Reserve	2,287,690,882	1,102,301,889
Actual Reserve held	4,756,962,188	2,104,374,274
Total surplus	2,469,271,306	1,002,072,385
(c) Components of SLR		
Cash in hand	212,893,760	103,566,905
Balance with Sonali Bank	-	-
Excess reserve of CRR	51,307,113	17,272,920
Government securities	3,678,890,574	1,598,827,566
Actual Reserve maintained	3,943,091,447	1,719,667,391
4. Balance with other banks and financial institutions		
In Bangladesh (note 4.1)	2,540,120,038	4,264,347,964
Outside Bangladesh (note 4.2)	115,151,044	268,021,404
	2,655,271,082	4,532,369,368
4.1 In Bangladesh		
Current Account	-	-
Standard Bank Limited	1,521,295	141,042
Trust Bank Limited	3,668,168	826,781
The Premier Bank Limited	4,486,452	588,282
	9,675,915	1,556,105
Special notice deposit		
Mercantile Bank Limited	16,523,166	2,805,098
Prime Bank Limited	581,868	416,025
Eastern Bank Limited	13,339,089	9,570,736
	30,444,123	12,791,859

Midland Bank Limited
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For the year ended 31 December 2015

	2015 BDT	2014 BDT
Fixed Deposit Receipt (FDR)		
National Bank of Pakistan	650,000,000	300,000,000
Pubali Bank Limited	-	300,000,000
Agrani Bank Limited	-	400,000,000
Union Capital Limited	200,000,000	200,000,000
Prime Finance & Investment Limited	-	50,000,000
LankaBangla Finance Limited	-	350,000,000
Phoenix Finance & Investments Limited	200,000,000	-
First Finance Limited	150,000,000	300,000,000
Fareast Finance and Investment Limited	-	250,000,000
People's Leasing and Finance Services Limited.	150,000,000	600,000,000
National Finance Limited	400,000,000	-
GSP Finance Company Limited	-	250,000,000
Reliance Finance Limited	100,000,000	300,000,000
Uttara Finance and Investments Limited	-	200,000,000
Industrial and Infrastructure Development Finance Limited	-	200,000,000
Bangladesh Industrial Finance Company Limited	-	200,000,000
Premier Leasing and Finance Limited	500,000,000	250,000,000
FAS Finance Limited	150,000,000	100,000,000
	2,500,000,000	4,250,000,000
	2,540,120,038	4,264,347,964
4.2 Outside Bangladesh (NOSTRO accounts)		
In current account		
AB Bank Limited, Mumbai branch	21,017,431	3,407,111
United Bank of India	7,016,458	17,149
Axix Bank Limited	462,309	44,763
National Bank of Pakistan	275,710	25,840
National Australian Bank, Melbourne branch	921,083	-
Mashreq Bank Psc, NY	72,702,029	194,958,005
Mashreq Bank Psc, United Kingdom	446,227	30,619,836
Mashreq Bank Psc, United Kingdom	560,821	38,948,700
Commerz Bank-Frankfurt	277,743	-
Kookmin Bank South Korea	11,471,233	-
	115,151,044	268,021,404

Midland Bank Limited
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For the year ended 31 December 2015

	2015 BDT	2014 BDT
Details are shown in Annex A.		
4.3 Maturity grouping of balance		
with other banks and financial institution		
On demand	1,305,271,082	1,588,369,368
Less than three months	750,000,000	932,000,000
More than three months but less than one year	600,000,000	2,012,000,000
More than one year but less than five years	-	-
More than five years	-	-
	2,655,271,082	4,532,369,368
5. Money at call and on short notice	80,000,000	-
6. Investments		
Government securities (note 6.1)	3,678,890,074	1,985,905,067
Other investments (note 6.2)	1,750,000,000	1,000,000,000
	5,428,890,074	2,985,905,067
Investment classified as per Bangladesh Bank circular		
Held to maturity (HTM)	1,170,204,074	512,677,317
Held for trading (HFT)	2,508,686,000	1,473,227,750
Others investments	1,750,000,000	1,000,000,000
	5,428,890,074	2,985,905,067
6.1 Government securities		
Treasury bills (at present value)		
Un-encumbered		
28 days	-	-
91 days	-	-
182 days	-	88,680,825
364 days	-	431,978,014
5 Years	-	-
	-	520,658,839
Encumbered		
91 days	-	78,773,050
182 days	-	77,306,281
364 days	-	111,229,274
Sub-total	-	267,308,605
Total treasury bills (A)	-	787,967,444
Treasury bonds		

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	2015 BDT	2014 BDT
Un-encumbered		
	20,533,836	-
05 Years	427,417,237	319,049,475
10 Years	2,029,615,208	701,735,958
15 Years	296,657,132	10,006,757
20 Years	903,700,161	47,308,037
Sub-total	3,677,923,574	1,078,100,227
Encumbered		
2 Years	-	20,052,185
5 Years	-	20,079,550
10 Years	-	-
15 Years	-	39,896,170
20 Years	-	39,740,991
Sub-total	-	119,768,896
Total Treasury bonds (B)	3,677,923,574	1,197,869,123
Prize bonds (at face value)	966,500	68,500
Sub-total (A+B)	3,678,890,074	1,985,905,067
6.2 Other investments		
Shares in quoted companies	24,000,000	-
Shares in unquoted companies (at face value) :		
Regent Energy and Power Limited	150,000,000	150,000,000
United Capital Limited	50000000	-
	200,000,000	150,000,000
Bond, debenture and commercial papers:		
Convertible Coupon Bond-BSRM	176,000,000	200,000,000
AB Bank Subordinated Bond	200,000,000	200,000,000
Trust Bank Subordinated Bond	250,000,000	250,000,000
UCB Subordinated Bond	200,000,000	-
Rangs Properties Limited	100,000,000	-
Flamingo Fashion Limited	300,000,000	-
Star Patrice Board Limited	300,000,000	-
Shanta Properties Limited- Commercial Paper	-	200,000,000
	1,526,000,000	850,000,000
Sub Total	1,750,000,000	1,000,000,000
Total	5,428,890,074	2,985,905,067

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2015 BDT	2014 BDT
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6.3 (i) **Statutory disclosure regarding outstanding Repo**

Counterparty name	Agreement date	Reversal date	Amount (1st leg cash consideration)
A. Agrani Bank Limited	27-Dec-2015	3-Jan-2016	703,006,803
B. Agrani Bank Limited	28-Dec-2015	4-Jan-2016	706,029,306
C. Janata Bank Limited	29-Dec-2015	5-Jan-2016	682,106,580
D. Janata Bank Limited	30-Dec-2015	6-Jan-2016	718,301,754
E. Mercantile Bank Ltd.	31-Dec-2015	3-Jan-2016	272,036,030
		Total	3,081,480,474

(ii) **Disclosure regarding overall transaction of Repo and Reverse Repo**

Counterparty name	Minimum outstanding during the year	Minimum outstanding	Daily average outstanding during the year
Securities sold under Repo:			
i) With Bangladesh Bank	-		-
ii) With other Banks and financial institutions	910,660,707	4,323,816,210	2,406,238,957
Securities purchased under reverse Repo:			
i) With Bangladesh Bank	70,000,000	70,000,000	191,781
ii) With other Banks and financial institutions	200,384,832	1,410,543,376	10,874,989

6.4 **Maturity grouping of investment as follows:**

On demand	966,500	68,500
Up to one month	-	143,200,000
Less than three months	110,000,000	64,300,000
More than three months but less than one year	694,500,000	516,700,000
More than one year but less than five years	1,496,600,000	941,800,000
More than five years	3,126,823,574	1,319,836,567
	5,428,890,074	2,985,905,067

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	2015 BDT	2014 BDT
7. Loans and advances		
Loans, cash credits, overdrafts, etc (note 7.1)	13,846,572,030	6,384,418,036
Bills purchased and discounted (note 7.2)	41,289,759	115,560,958
	13,887,861,789	6,499,978,994
7.1 Loans, cash credits, overdrafts, etc		
In Bangladesh		
Term loan	3,375,433,290	2,025,761,067
Overdraft	3,199,987,604	1,707,873,788
Time loan	4,531,967,524	1,042,554,633
Cash credit	679,298,663	494,120,412
Trust receipt	1,413,376,422	988,685,768
Consumer loan	113,456,911	9,912,644
Payment against documents (PAD)	12,321,843	-
Agricultural Credit	290,296,360	-
EDF Loan	15,576,576	-
Packing credit	50,722,774	3,855,341
Staff loan	155,321,523	105,780,628
Other loans and advances	8,812,540	5,873,755
	13,846,572,030	6,384,418,036
Outside Bangladesh	-	-
	13,846,572,030	6,384,418,036
7.2 Bills purchased and discounted		
Payable in Bangladesh	17,687,259	87,267,053
Payable outside Bangladesh	23,602,500	28,293,905
	41,289,759	115,560,958
7.3 Net loans and advances		
Gross loans and advances (note 7)	13,887,861,789	6,499,978,994
Less: Classified loans and advances	139,687,491	-
Less: Interest suspense	10,290,303	-
Less: Provision for loans and advances - general provision	141,053,358	62,554,766
	291,031,152	62,554,766
	13,596,830,637	6,437,424,228

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
7.4 Residual maturity grouping of loans and advances		
Repayable on demand	1,771,500,000	302,778,994
Not more than three months	2,165,400,000	707,400,000
More than three months but less than one year	6,020,500,000	3,412,900,000
More than one year but less than five years	3,450,100,000	1,441,700,000
More than five years	480,361,789	635,200,000
	13,887,861,789	6,499,978,994
7.5 Concentration of loans and advances		
(a) Loans and advances to institutions in which the Directors of the bank have interest	1,011,537	-
(b) Advances to managing director & other senior executives	155,321,522	105,780,628
(c) Advances to industries		
Agriculture	356,905,174	20,800,000
RMG	675,999,130	329,100,000
Textile	1,045,372,888	68,400,000
Ship breaking	1,553,074,084	186,400,000
Other manufacturing industry	3,456,960,087	2,248,800,000
SME loans	948,947,065	1,212,000,000
Construction	-	-
Power and gas	415,666,379	102,100,000
Transport, storage and communication	369,005,091	602,700,000
Trade service	1,882,913,933	300,500,000
Commercial real estate financing	265,632,559	220,700,000
Residential real estate financing	86,615,223	79,600,000
Consumer credit	108,053,890	9,100,000
Capital market	465,155,067	508,800,000
NBFIs	531,886,240	259,000,000
Others	1,569,341,920	246,198,366
	13,731,528,730	6,394,198,366
	13,887,861,789	6,499,978,994
7.6 Classification of loans, advances and lease/ investments		
Unclassified		
Standard	13,651,193,170	6,499,978,994
Special mention account	96,981,128	-
Sub total	13,748,174,298	6,499,978,994

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
Classified		
Sub-standard	20,232,908	-
Doubtful	25,440,707	-
Bad/Loss	94,013,877	-
Sub total	139,687,491	-
Total	13,887,861,789	6,499,978,994

7.7 Details of large loans and advances

Number of borrowers with outstanding amount of loans exceeding 10% of total capital of the Bank and classification status are depicted below. Total capital of the Bank is BDT 464.96 crore as at 31 December 2015 (BDT 412.23 crore in 2014)

Number of clients	21	16
Outstanding advances (BDT)	6,120,027,580	3,811,668,538

SI No.	Name of clients	Status	Outstanding (BDT)		Total (BDT)
			Funded	Non-funded	
01	Adex Group	UC	378,270,397	26,654,745	404,925,142
02	Elite Group	UC	226,676,975	-	226,676,975
03	Navana Group	UC	388,836,615	-	388,836,615
04	Nitol-Niloy Group	UC	106,725,364	74,708,108	181,433,472
05	Bangla Cat	UC	-	496,000,000	496,000,000
06	Abdul Monem Group	UC	58,788,614	-	58,788,614
07	Noman Group	UC	585,919,211	-	585,919,211
08	Kazi Firms Group	UC	156,070,547	-	156,070,547
09	Zon Ron Group	UC	44,861,491	580,395,812	625,257,303
10	Rangs Group	UC	392,159,636	32,567,593	424,727,229
11	Abul Khair Group	UC	499,487,011	98,230,920	597,717,931
12	T.K. Group	UC	118,078,925	-	118,078,925
13	Habib Group	UC	613,591,078	-	613,591,078
14	GPH Group	UC	565,941,087	9,675,742	575,616,829
15	KDS Group	UC	-	-	-
16	Mosharaf Group	UC	-	-	-
17	Pride Group	UC	20,350,833	-	20,350,833
18	Anwar Group	UC	345,615,626	-	345,615,626
19	Confidence Cement	UC	300,421,250	-	300,421,250
20	BSRM	UC	-	-	-
21	ACS Textile	UC	-	-	-
	Total		4,801,794,661	1,318,232,920	6,120,027,580

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

2015 BDT	2014 BDT
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7.8 Details of required provision for loans and advances

Particulars	Base for Provision	Rate	Provision	
			Required	Maintained
Unclassified (UC):				
Standard		0.25%,1%, 2% & 5% 0.25%,1%, 2% & 5%	139,086,620	140,086,620
Special Mention Account (SMA)		0% & 5%	966,738	966,738
Sub total			140,053,358	141,053,358
Classified:				
Sub-standard		5% & 20% 5% & 20%	1,976,075	1,976,075
Doubtful		5% & 50%	5,643,790	5,643,790
Bad loan		100%	48,699,710	48,699,710
Sub total			56,319,575	56,319,575
Total			196,372,933	197,372,933
Excess/ (Deficit) provision as at 31 December 2015				1,000,000

7.9 Details of required provision for off balance sheet items

Required provision for off-balance sheet exposures	22,887,233	12,633,807
Total provision maintained (note 12.2)	22,887,233	12,633,807
Excess/ (Deficit) provision	-	-

7.10 Geographical location wise loans and advances

Inside Bangladesh

Urban

Dhaka division	10,362,831,693	4,011,529,518
Chittagong division	3,319,811,131	2,002,186,442
	13,682,642,824	6,013,715,960

Rural

Dhaka division	205,218,965	486,263,034
Chittagong division	-	-
	205,218,965	486,263,034

Outside Bangladesh

	-	-
	13,887,861,789	6,499,978,994

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
7.11 Particulars of loans and advances		
(i) Debts considered		
good in respect of which the bank is fully secured	6,787,473,197	2,295,100,000
(ii) Debts considered good against which the bank holds		
no security other than the debtors' personal guarantee	7,100,388,592	4,204,878,994
	13,887,861,789	6,499,978,994
(iii) Debts considered good and secured by the personal		
undertaking of one or more parties in addition to		
the personal guarantee of the debtors		-
(iv) Debts considered doubtful or bad, provision not provided for		-
(v) Debts due by directors or officers of the bank or any of them		
either separately or jointly with any other persons (staff loan)	156,333,059	105,780,628
(vi) Debts due from companies or firms in which the directors		
of the bank are interested as directors, partners or manag-		
ing 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 tempo-		
rary advances granted during the year to the companies		
or firms in which the directors of the Bank are interested		
as directors, partners or managing agents or, in the case of		
private companies, as members	-	-
(ix) Due from other banking companies	-	-
(x) Amount of classified loans on		
which interest has not been charged:	-	-
a. i) (Decrease)/Increase in provision,	-	-
ii) amount of loan written off	-	-
iii) amount realised against loan previously written off;	-	-
b. Amount of provision kept		
against loan classified as ' bad/ loss'	48,699,710	-
c. Interest creditable to the interest suspense A/c;	10,290,303	-
(xi) Cumulative amount of loans written-off	-	-
(xii) Amount of loans written-off during the year	-	-
(xiii) The amount of written off loan		
for which law suit has been filed	-	-

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
8. Fixed assets including premises, furniture and fixtures		
Cost:		
Computer and peripherals devices	60,914,527	39,471,394
Furniture and fixtures	99,184,724	74,998,555
Office equipment	72,827,184	43,590,469
Motor vehicles	24,266,445	24,266,445
Books	20,260	14,810
Intangible assets	13,036,100	9,031,900
	270,249,240	191,373,573
Less: Accumulated depreciation	59,482,501	25,607,682
	210,766,739	165,765,891
Details are shown in Annex B.		
9. Other assets		
Classification of other assets		
(A) Income generating other assets	-	-
(B) Non-income generating other assets		
Advance rent	139,310,150	143,211,921
Interest accrued on investment but not collected and other income receivable	214,793,721	179,991,547
Dividend receivable	15,859,028	11,050,001
Advance income tax (note 9.1)	170,396,603	69,944,760
Suspense account (note 9.2)	12,022,365	1,820,925
Advance subscription	4,891,027	2,079,158
Prepaid insurance	3,151,312	973,822
Stationery, stamps, printing materials in stock etc.	3,625,097	1,982,103
Sundry assets	4,483,840	5,758,748
Stamp in hand	247,353	190,730
Deferred Tax Assets (Note 12.4)	984,058	-
Branch adjustments (note 9.3)	-	-
Exchange house	186,704	-
Clearing house adjustment	-	-
Total other assets	569,951,258	417,003,715

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

		2015 BDT	2014 BDT
9.1	Advance income tax		
	Opening balance	69,944,760	20,343,017
	Less: Adjustment made during the year	-	-
	Add: Payment during the year	100,451,843	49,601,743
	Closing balance	<u>170,396,603</u>	<u>69,944,760</u>
9.2	Suspense account		
	Suspense account represents expenses for opening of new branch etc, awaiting for adjustment.		
9.3	Branch adjustment (net)		
	Entries	BDT	BDT
	No. of entries outstanding as on 31 December 2015		
	Debit entries	-	-
	Credit entries	-	-
		<u>-</u>	<u>-</u>
9.4	Classification of other asset		
	Unclassified	569,951,258	417,003,715
	Substandard	-	-
	Doubtful	-	-
	Bad loss	-	-
		<u>569,951,258</u>	<u>417,003,715</u>
10.	Borrowings from other banks, financial institutions and agents		
	In Bangladesh (note 10.1)	281,255,604	2,404,500,000
	Outside Bangladesh	-	-
		<u>281,255,604</u>	<u>2,404,500,000</u>
10.1	In Bangladesh:		
	Borrowing from bank/ other institutions:		
	BRAC Bank Limited	-	200,000,000
	Eastern Bank Limited	250,000,000	-
	Rupali Bank Limited	-	1,300,000,000
	Agrani Bank Limited	-	100,000,000
	Sonali Bank Limited	-	100,000,000
	South Bangla Agriculture and Commerce Bank Limited	-	50,000,000
	Dutch Bangla Bank Limited	-	300,000,000
		<u>250,000,000</u>	<u>2,050,000,000</u>

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
Repo of treasury bill/ bond		
Bangladesh Bank	-	352,000,000
Borrowing From Bangladesh Bank (EDF)	16,255,604	-
Refinance from Bangladesh Bank	15,000,000	2,500,000
Total	281,255,604	2,404,500,000
10.2 Security against borrowing from other banks, financial institutions and agents		
Secured	-	-
Unsecured	281,255,604	2,404,500,000
	281,255,604	2,404,500,000
10.3 Maturity grouping of borrowing from other banks, financial institutions and agents		
On demand	100,000,000	1,550,000,000
Repayable within one month	166,255,604	500,000,000
More than one month but within six months	-	352,000,000
More than six months but within one year	-	-
More than one year but within five years	15,000,000	2,500,000
More than five year but within ten years	-	-
	281,255,604	2,404,500,000
11. Deposit and other accounts		
From banks	3,221,000,000	-
From customers (note 11.1)	14,734,516,897	8,478,577,992
	17,955,516,897	8,478,577,992
11.1 Customer deposit and other accounts		
Current deposit and other accounts		
Current deposit	478,564,637	141,670,796
Foreign currency deposit	3,882,744	6,006,718
Sundry deposit	218,375,240	134,753,005
	700,822,621	282,430,519
Bills payable :		
Payment order issued	25,902,771	72,610,022
Pay slip issued	-	-
Demand draft payable	-	-
	25,902,771	72,610,022

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
Short notice deposit	535,449,460	365,061,737
Savings deposit	604,312,485	281,258,615
Fixed deposit	14,022,783,348	5,385,181,567
Scheme deposits :		
MDB super monthly savings	157,758,788	61,380,286
MDB double benefits	880,521,366	586,794,628
MDB family support	1,026,960,248	1,130,565,221
MDB corporate support	1,005,810	313,295,397
MDB special rural savings	-	-
	2,066,246,212	2,092,035,532
Total	17,955,516,897	8,478,577,992
11.2 Maturity grouping of deposit and other accounts		
On demand	547,800,000	1,548,600,000
Repayable within one month	2,885,200,000	2,017,640,000
More than one month but within three months	8,557,316,897	1,970,757,992
More than three months but within one year	3,402,100,000	1,245,840,000
More than one year but within five years	2,275,700,000	1,073,140,000
More than five year but within ten years	287,400,000	622,600,000
	17,955,516,897	8,478,577,992
11.3 Demand and time deposit		
Demand deposits		
Current deposit	478,564,636	141,670,796
Savings deposit	54,388,124	25,313,275
Foreign currency deposit (non interest bearing)	3,882,744	6,006,718
Sundry deposit	218,375,240	134,753,005
Bills payable	25,902,771	72,610,022
	781,113,515	380,353,816
Time deposits		
Saving deposit	549,924,361	255,945,340
Fixed deposit	14,022,783,348	5,385,181,567
Short notice deposit	535,449,460	365,061,737
Deposit under scheme	2,066,246,212	2,092,035,532
	17,174,403,381	8,098,224,176
Total demand and time deposits	17,955,516,896	8,478,577,992

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
11.4 Sectorwise deposits		
Government	1,595,229,730	249,443,000
Deposit money banks	3,221,000,000	-
Other public	1,140,959,769	537,718,000
Foreign currency	6,623,288	1,588,136
Private	11,991,704,110	7,689,828,856
	17,955,516,897	8,478,577,992
12. Other liabilities		
Provision for loans and advances (Note 12.1)	197,372,933	62,554,766
Provision for outstanding debit entries in NOSTRO account	-	-
Provision for off-balance sheet items (Note 12.2)	22,887,233	12,633,807
Provision for income tax (Note 12.3)	266,985,521	73,950,797
Interest payable on borrowing	2,654,595	4,047,732
Audit fee payable	172,500	115,000
Bonus payable	23,262,243	7,948,750
Accrued expenses	11,150,102	5,918,368
Corporate social responsibility (CSR) payable	44,679,786	3,200,000
Deferred tax liability (Note 12.4.1)	-	537,216
Provision for gratuity	9,000,000	4,000,000
Interest suspense (Note 12.5)	10,290,303	-
Provision for shares and debentures	-	-
Other liabilities	1,303,880	40,562
	589,759,096	174,946,998
12.1 Provision for loans and advances		
For Unclassified		
Opening Balance	62,554,766	16,057,765
Add: Provision made during the year	78,498,592	46,497,001
Closing Balance	141,053,358	62,554,766
For Classified		
Opening Balance	-	-
Add: Provision made during the year	56,319,575	-
Less: Adjustment during the year	-	-
Less: Loan written off during the year	-	-
Closing Balance	56,319,575	-
	197,372,933	62,554,766

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
12.2 Provision for off-balance sheet items		
Opening balance	12,633,807	1,578,813
Add: Provision made during the year	10,253,426	11,054,994
Closing Balance	<u>22,887,233</u>	<u>12,633,807</u>
12.3 Provision for income tax (*)		
Opening balance	73,950,797	7,976,510
Add: Provision made during the year	193,034,724	65,974,287
Closing balance	<u>266,985,521</u>	<u>73,950,797</u>
(*) Income tax provision has been made as per Bangladesh Income Tax Ordinance 1984 and as amended.		
12.4 Deferred tax liability (Asset)		
Opening balance	537,216	-
Less: Adjustment of prior year	31,601	
Adjusted opening balance	505,615	
Add: Deferred tax expense during the year	-	537,216
Less: Deferred tax income during the year	(1,521,273)	-
Adjustment with deferred tax liabilities	-	-
Closing balance	<u>(984,058)</u>	<u>537,216</u>
12.4.1 Computation of deferred tax		
Accounting written down value - fixed assets	210,766,739	165,765,891
Less: Tax base written down value - fixed assets	187,086,883	160,501,854
Taxable temporary difference	23,679,856	5,264,037
Book value - gratuity provision	26,140,000	4,440,000
Less: Tax base - gratuity provision	-	440,000
Deductable temporary difference	26,140,000	4,000,000
Net taxable temporary difference	2,460,144	(1,264,037)
Effective tax rate	40.0%	42.50%
Deferred tax (liability) / Asset	984,058	(537,216)
Deferred tax (expenses)/ income		
Closing deferred tax assets	984,058	(537,216)
Opening deferred tax assets	(537,216)	-
Less: Adjustment of prior year balance	(31,601)	
Adjusted opening deferred tax	(505,615)	
Deferred tax (expenses)/ income	<u><u>1,521,273</u></u>	<u><u>(537,216)</u></u>

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT	
12.5 Interest suspense account			
Opening balance	-	-	
Add: Addition during the year	10,290,303	-	
Less: Adjustment made during the year	-	-	
Closing Balance	10,290,303	-	
13. Total shareholders' equity			
Paid-up capital (note 14.2)	4,000,000,000	4,000,000,000	
Statutory reserve (note 15)	150,057,099	23,990,793	
Revaluation reserve on investment in securities (note 16)	582,359,114	3,258,030	
Retained earnings (note 17)	334,226,930	21,475,158	
	5,066,643,143	4,048,723,980	
14. Share capital			
14.1 Authorised capital	10,000,000,000	10,000,000,000	
1,000,000,000 ordinary shares of BDT 10 each			
14.2 Issued, subscribed and paid-up capital	4,000,000,000	4,000,000,000	
400,000,000 ordinary shares of BDT 10 each issued for cash.			
The break up of issued, subscribed and paid-up capital is as follows:			
31 December 2015			
	No. of shares	Value of shares BDT	% of holding
Sponsors	400,000,000	4,000,000,000	100%
Financial institutions	-	-	-
General	-	-	-
	400,000,000	4,000,000,000	100%

14.3 Capital to Risk Weighted Assets Ratio (CRAR) - as per BASEL III

CRAR:

In terms of section 13(2) of the Bank Company Act 1991 and Bangladesh Bank BRPD circular no. 35 dated 29 December 2010, required capital of the Bank at the close of business on 31 December 2015 was BDT 1,768,908,679 or BDT 4,000,000,000 (whichever is higher) as against available core capital of BDT 4,484,284,029 and supplementary capital of BDT 165,300,591 making a total capital of BDT 4,649,584,620 thereby showing a surplus capital of BDT 649,584,620. Details are given below:

Midland Bank Limited
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For the year ended 31 December 2015

	2015 BDT	2014 BDT		
Total risk weighted assets	17,689,086,793	9,379,900,000		
Required Capital : 10% of total risk weighted asset (A)	1,768,908,679	937,990,000		
Actual capital maintained				
Core capital (Tier-I) :				
Paid-up capital	4,000,000,000	4,000,000,000		
Statutory reserve	150,057,099	23,990,793		
Retained earnings	334,226,930	21,475,158		
	4,484,284,029	4,045,465,951		
Deduction from Tier - I (core capital)				
Short fall provision required against investment in share	-	-		
	4,484,284,029	4,045,465,951		
Supplementary capital (Tier-II) :				
General provision including off balance sheet items	163,940,591	75,188,573		
50% of revaluation reserve on investment in securities	1,360,000	1,629,015		
	165,300,591	76,817,588		
Total capital (Tier-I+Tier-II)-B	4,649,584,620	4,122,283,538		
Surplus/ (deficit) (A-B)	649,584,620	122,283,538		
Capital adequacy ratio	26.29%	43.95%		
14.3.1 Capital requirement				
	Particulars	Required	Held (%)	Held (%)
	Tier-I	5%	25.36%	43.13%
	Tier-II	5%	0.93%	0.82%
	Total	10%	26.29%	43.95%
15. Statutory reserve				
Opening balance	23,990,793	2,158,350		
Add: Transferred during the year	126,066,306	21,832,443		
Closing balance	150,057,099	23,990,793		
16. Revaluation reserve on investment in securities				
Opening balance	3,258,030	11,913,084		
Add: Addition during the year	1,038,297,064	29,840,080		
Less: Adjustment of revaluation reserve	459,196,010	38,495,134		
Closing balance	582,359,114	3,258,030		
17. Retained earnings				
Opening balance	21,475,158	8,633,400		
Add: Profit made during the year	438,818,078	34,674,200		
Less: Transferred to statutory reserve	126,066,306	21,832,443		
Closing balance	334,226,930	21,475,158		

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
18. Contingent liabilities		
Acceptances and endorsements (note 18.1)	311,806,165	151,346,392
Letters of guarantee (note 18.2)	1,200,416,635	766,771,493
Irrevocable letters of credit (note 18.3)	510,486,299	342,531,801
Bills for collection (note 18.4)	266,014,197	2,731,036
Other contingent liabilities	-	-
	2,288,723,296	1,263,380,722
18.1 Acceptances and endorsements		
Foreign	117,003,000	18,380,169
Local	172,192,189	113,684,625
EPZ	22,610,976	19,281,598
	311,806,165	151,346,392
18.2 Letters of guarantee		
Foreign	2,659,580	-
Local	1,197,757,055	766,771,493
	1,200,416,635	766,771,493
18.2.1 Letters of guarantee		
Money for which the Bank is contingently liable in respect of guarantees given favoring :		
Directors	-	-
Government	-	-
Banks and other financial institutions	-	-
Others	1,200,416,635	766,771,493
	1,200,416,635	766,771,493
18.3 Irrevocable letters of credit		
Letters of credit (sight)	-	411,711
Letters of credit (back to back/ deferred)	201,858,712	78,054,161
Letters of credit (cash and others)	308,627,587	264,065,929
	510,486,299	342,531,801
18.4 Bills for collection		
Foreign bill collection	175,417,570	-
Local/ inland bill collection	90,596,627	2,731,036
	266,014,197	2,731,036

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
19. Profit and Loss Statement		
Income		
Interest, discount and similar income	2,639,059,439	1,176,839,337
Dividend income	24,940,605	11,050,001
Fees, commission and brokerage	28,034,549	19,818,685
Gains less losses arising from dealing in foreign currencies	74,891,401	20,555,368
Other operating income	22,966,252	18,706,614
	2,789,892,246	1,246,970,004
Expenses		
Interest, fees and commission	1,359,458,807	623,732,122
Losses on loans and advances	-	-
Administrative expenses	332,999,593	208,929,386
Other operating expenses	288,155,904	233,137,830
Depreciation on banking assets	33,874,820	22,432,969
	2,014,489,124	1,088,232,306
Operating profit	775,403,122	158,737,698
20. Interest income		
Loans and advances (note 20.1)	1,259,705,388	548,868,071
Money at call and on short notice	12,836,894	1,308,778
Balance with other banks and financial institutions (note 20.2)	416,926,344	420,620,490
Bangladesh Bank foreign currency clearing account	63,098	23,995
	1,689,531,724	970,821,334

Midland Bank Limited
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	2015 BDT	2014 BDT
20.1 Interest on loans and advances		
Term loan	366,880,891	228,909,283
Overdraft	324,047,091	114,710,632
Time loan	235,509,276	54,605,312
Cash credit	118,316,992	36,017,282
Trust receipt	169,184,276	94,769,340
Consumer loan	5,370,134	404,372
Payment against documents(PAD)	1,188,533	1,904,454
Agricultural credit	18,871,970	-
EDF loan	90,201	516,138
Packing credit	753,533	180,214
Staff loan	8,531,294	4,653,123
Other loans and advances	2,384,919	338,934
Bill purchased and discounted	8,576,278	11,858,987
	1,259,705,388	548,868,071
20.2 Interest on balance with		
other banks and financial institutions		
Interest on balance with other bank in Bangladesh	416,857,914	420,595,006
Interest on balance held with outside Bangladesh	68,430	25,484
	416,926,344	420,620,490
21. Interest paid on deposit and borrowing, etc.		
Deposit and other accounts (note 21.1)	962,932,881	514,439,518
Borrowing from other banks and financial institutions (note 21.2)	396,525,927	109,292,604
	1,359,458,808	623,732,122
21.1 Interest on deposit and other accounts		
Current deposit	6,090,620	-
Special notice deposit	38,131,100	11,836,041
Savings deposits	15,112,008	6,631,958
Fixed deposits	670,655,118	284,895,582
Scheme deposits	232,944,035	211,075,937
	962,932,881	514,439,518

Midland Bank Limited
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	2015 BDT	2014 BDT
21.2 Interest on borrowing from other banks and financial institutions		
Call deposits	81,404,194	71,457,391
Local bank account	167,316,667	5,954,125
Repurchase agreement (REPO)	142,164,179	29,014,752
Refinance	294,271	14,931
Foreign bank account	-	-
Bangladesh Bank	5,346,616	2,851,405
	396,525,927	109,292,604
22. Income from investments		
Interest on treasury bills, bonds and reverse repo	386,925,405	99,397,886
Amortisation of securities	8,358,073	5,575,347
Interest on commercial papers	154,459,544	51,095,907
Gains on trading of government securities	399,784,693	49,948,863
Dividend on investment in shares	24,940,605	11,050,001
	974,468,320	217,068,004
23. Commission, exchange and brokerage		
Commission (note 23.1)	28,034,549	19,818,684
Exchange (note 23.2)	74,891,401	20,555,368
Brokerage	-	-
	102,925,950	40,374,052
23.1 Commission		
Letters of credit	14,721,695	13,445,709
Letters of guarantee	7,900,795	4,320,670
Acceptance of bills	4,611,227	1,824,871
Export bills	291,714	31,500
PO, DD and TT	225,078	172,616
POS commission	169,965	23,318
Underwriting commission on treasury bills/bonds	108,000	-
OBC/IBC	6,075	-
	28,034,549	19,818,684
23.2 Exchange		
Exchange gain	109,112,537	24,023,986
Less: Exchange loss	34,221,136	3,468,618
	74,891,401	20,555,368

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
24. Other operating income		
Service and other charges	7,635,820	3,010,953
Miscellaneous earnings	7,439,725	12,747,178
SWIFT charge recoveries	2,396,979	1,667,200
VISA charge	2,389,480	566
Letters of credit charges	2,144,150	1,059,576
Postage charge recoveries	729,465	165,623
Charges against cards	169,208	7,518
Locker rent	60,750	48,000
Telephone and telegram charge recoveries	675	-
	22,966,252	18,706,614
25. Salary and allowances		
Basic salary	108,771,161	72,081,302
Allowances	118,618,368	80,193,161
Bonus	42,464,693	20,778,700
Gratuity	22,140,000	4,440,000
Leave fare assistance	20,075,735	15,371,076
Provident fund	10,579,637	7,253,353
	322,649,594	200,117,592
26. Rent, taxes, insurance, electricity, etc		
Rent,	117,269,193	94,800,790
Rates and taxes	10,076,234	8,669,275
Insurance	10,027,448	5,184,795
Power, electricity, etc	10,921,438	6,981,497
	148,294,313	115,636,357
27. Legal expenses		
Legal and professional fees	231,321	206,610
28. Postage, stamp, telecommunication, etc		
Postage, stamp and courier service	600,121	272,389
Fax and internet	16,339	343,193
On-line and connectivity charges	7,314,951	4,165,879
Telephone	1,933,293	1,264,152
	9,864,704	6,045,613

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
29. Stationery, printing, advertisements, etc		
Printing and stationery	11,757,533	3,037,583
Computer stationery	1,132,792	593,405
Publicity and advertisement	5,104,866	2,242,391
	<u>17,995,191</u>	<u>5,873,379</u>
30. Managing director's salary and fees		
Basic	6,000,000	4,163,656
Allowances	2,400,000	2,679,032
Festival bonus	1,000,000	900,000
Leave fare assistance	350,000	652,740
Providend fund	600,000	416,366
	<u>10,350,000</u>	<u>8,811,794</u>
31. Directors' fees	<u>1,309,000</u>	<u>295,250</u>
32. Auditors' fees		
Statutory audit fee	<u>241,500</u>	<u>115,000</u>
33. Depreciation and repairs of Bank's assets		
Depreciation		
Computer and peripherals	8,936,848	6,431,306
Furniture and fixtures	7,987,713	4,848,936
Office equipment	10,172,157	5,831,120
Motor vehicles	4,853,292	3,603,333
Books	1,164	2,053
Intangible assets	1,923,646	1,716,221
	<u>33,874,820</u>	<u>22,432,969</u>
Repairs and maintenance	<u>5,369,654</u>	<u>2,234,523</u>
	<u>39,244,474</u>	<u>24,667,492</u>

Details are shown in **Annex B**.

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
34. Other expenses		
Corporate social responsibility (CSR) activities	44,000,000	4,689,040
Security and auxiliary service	26,421,975	16,375,751
Miscellaneous	7,484,481	3,294,764
Entertainment	5,356,635	3,774,299
Q-cash, ATM cards, VISA cards	5,260,713	171,976
Car expense	4,223,938	4,817,431
Business development expense	2,837,052	1,954,174
Bank charges	2,052,875	751,480
Conveyance	1,717,645	803,707
Travelling	1,161,282	1,182,993
Subscription and donation	1,101,497	361,487
Training expenses	1,092,435	245,970
Newspaper and magazines	882,137	190,066
Medical expenses	782,329	142,555
AGM expenses	433,961	-
Office cleaning and maintenance	41,264	18,071
Preliminary expenditure	-	63,957,333
	104,850,219	102,731,097
35. Provision for loans and advances		
Provision for classified loans and advances	56,319,575	-
Provision for unclassified loans and advances	78,498,592	46,497,001
Provision for off-balance sheet items	10,253,426	11,054,994
Total amount of provision made during the year	145,071,593	57,551,995
36. Provision for tax		
Current tax	193,034,724	65,974,287
Deferred tax* (note 12.4)	(1,521,273)	537,216
	191,513,451	66,511,503
(*) Deferred tax has been calculated as per BAS 12 "Income Taxes" and it is the timing differences arising between the carrying value of gratuity liability and fixed assets.		
37. Statutory reserve		
Transferred during the year (20% of pretax profit)	126,066,306	20,237,141
Add: Adjustments during the year	-	1,595,302
	126,066,306	21,832,443

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

	2015 BDT	2014 BDT
38. Earnings per share		
Net profit after tax	438,818,078	34,674,200
Number of ordinary shares outstanding	400,000,000	400,000,000
Weighted average number of shares	400,000,000	400,000,000
Earning per share (EPS)	1.10	0.09
(*) Earnings per share has been calculated in accordance with BAS-33: Earnings per share (EPS).		
39. Received from other operational income		
Service and other charges	7,635,820	3,010,953
Miscellaneous earnings	7,439,725	12,747,177
SWIFT charge recoveries	2,396,979	1,667,200
VISA charge	2,389,480	566
LC charges	2,144,150	1,059,576
Postage charge recoveries	729,466	165,623
Charges against cards	169,207	7,518
Locker rent	60,750	48,000
Telephone and telegram charge recoveries	675	-
	22,966,252	18,706,613
40. Payment for other operational expenses		
Rent, tax, insurance, and electricity	143,062,578	115,636,357
Other expenditure	63,370,436	97,646,629
Printing, stationery, and advertisement	17,995,191	5,873,379
Postage, stamps, telegram and telephone	9,864,704	6,045,613
Repair and maintenance	5,369,654	2,234,523
Directors' fee	1,309,000	295,250
Audit fee	184,000	115,000
Legal expense	231,321	206,610
	241,386,884	228,053,361
41. Related party transaction		

Name	Nature of Transaction	Limit	Amount Outstanding
Mr. Ahsan Khan Chowdhury	Credit Card	500,000	15,640
Mrs. Anushka Mehreen Zafar	Credit Card	500,000	164,379
Mr. Md. Wahid Miah	Credit Card	500,000	23
Mrs. Nilufer Zafarullah, M.P	Credit Card	500,000	224,864
Mr. Kazi Omar Zafar	Credit Card	500,000	437,203
Mrs. Luna Sarker	Credit Card	500,000	25,308

Midland Bank Limited
Notes to Financial Statements
For the year ended 31 December 2015

Dr. Kazi Shahidullah	Credit Card	500,000	14,529
Mr. A.K.M Badiul Alam	Credit Card	500,000	40
Mr. Kazi Shayan Ekramullah	Credit Card	500,000	13,038
Mr. Md. Rokonuzzaman Sarkar	Credit Card	500,000	116,513
Total			1,011,537

Directors' Name	Nature of Transaction	Name of Party	Amount
Mrs. Nilufer Zafarullah	Office Rent	Hong Kong Shanghai Tower	23,344,800
Mrs. Lutfa Begum	Office Rent	Hazrat Amanat Shah Spinning Mills Ltd.	522,347
Total			23,867,147

42. **Number of employees and support staffs**

Employee

Regular employee	327	193
Contractual employee	8	5
	<u>335</u>	<u>198</u>

Support staff

Security	183	86
Messenger and cleaning staff	94	60
	<u>277</u>	<u>146</u>
	<u>612</u>	<u>344</u>

43. **Others**

- 43.1 The expenses, irrespective of capital or revenue nature, accrued or due but not paid have been provided for in the books of the Bank.
- 43.2 Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.
- 43.3 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

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



Managing Director & CEO



Director



Director



Chairman

Dhaka, Bangladesh
Dated, 15 March 2016

Midland Bank Limited

Balance with other banks outside Bangladesh (nostro account) at 31 December 2015

Annex A

Name of the Bank	Account type	Currency type	2015				2014			
			FC	Exchange Rate (\$1=BDT)	Equivalent BDT	FC	Exchange Rate (\$1=BDT)	Equivalent BDT		
			Amount		Amount	Amount		Amount		
AB Bank, Mumbai Branch	CD	ACU \$	267,737	78.50	21,017,431	43,709	77.95	3,407,111		
United Bank of India	CD	ACU \$	89,381	78.50	7,016,458	220	77.95	17,149		
Axis Bank Limited	CD	ACU \$	5,889	78.50	462,309	574	77.95	44,763		
National Bank of Pakistan	CD	JPY	422,801	0.65	275,710	40,000	0.65	25,840		
Mashreq Bank Psc, NY	CD	US \$	926,137	78.50	72,702,029	2,501,084	77.95	194,958,005		
Mashreq Bank Psc, United Kingdom	CD	GBP	3,835	116.35	446,227	253,202	120.93	30,619,836		
National Australian Bank, Melbourne	CD	AUD	16,073	57.31	921,083	-	-	-		
Mashreq Bank Psc, United Kingdom	CD	EURO	6,536	85.81	560,821	411,147	94.73	38,948,700		
Commerz Bank-Frankfurt	CD	EURO	3,237	85.81	277,743	-	-	-		
Kookmin Bank, South Korea	CD	US \$	146,130	78.50	11,471,233	-	-	-		
Total			1,887,756		115,151,044	3,249,936		268,021,404		

Midland Bank Limited

Schedule of fixed assets including premises, furniture and fixtures
For the year ended 31 December 2015

Annex B

Asset category	Cost			Depreciation			Written down value			
	At 01 January 2015	Addition during the year	Adjustment/disposal	Total At 31 December 2015	Rates (%)	To 01 January 2015	Charge for the year	Adjustment/disposal	Total to 31 December 2015	as at 31 December 2015
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Computer and peripherals	39,471,394	21,443,133	-	60,914,527	20%	7,339,022	8,936,848	-	16,275,870	44,638,658
Furniture and fixtures	74,998,555	24,186,169	-	99,184,724	10%	5,817,154	7,987,713	-	13,804,867	85,379,857
Office equipment	43,590,469	29,236,715	-	72,827,184	20%	6,539,021	10,172,157	-	16,711,178	56,116,006
Motor vehicles	24,266,445	-	-	24,266,445	20%	4,034,519	4,853,292	-	8,887,811	15,378,634
Books	14,810	5,450	-	20,260	20%	4,553	1,164	-	5,717	14,543
Intangible assets (software)	9,031,900	4,004,200	-	13,036,100	20%	1,873,413	1,923,646	-	3,797,059	9,239,041
Total at 31 December 2015	191,373,573	78,875,667	-	270,249,240		25,607,682	33,874,819	-	59,482,501	210,766,739
Total at 31 December 2014	93,298,645	98,074,928	-	191,373,573		3,296,907	2,432,969	-	25,607,682	165,765,891

Midland Bank Limited

Name of the directors and their interest in different entities

Annexure C

Sl No	Name of the directors of the bank	Status with MDB	Entities where they have interest
1	Mr. Moniruzzaman Khandaker	Chairman	(i) Khandaker & Associates
2	Mrs. Nilufer Zafarullah, MP	Vice-chairman	(i) Hong Kong Shanghai Textiles Limited
3	Dr. Kazi Shahidullah	Director	(i) Hong Kong Shanghai Manjala Textiles Limited
4	Ms. Scherazad Joya Monami Latif	Director	
5	Mr. Abdullah Ahmed Yousuf	Director	
6	Mr. Kazi Omar Zafar	Director	(i) Hong Kong Shanghai Manjala Textiles Limited (ii) Kalypso Limited
7	Master Abul Kashem	Director	(i) MAK Corporation (ii) Master Steel Re-Rolling Mills (iii) Mother Steel Limited (iv) AIBL Capital Market Limited
8	Mr. Mohammed Jamal Ullah	Director	(i) Asia Insurance Limited (ii) Silver Dal Mills Limited (iii) Ishrf Oil Mills Limited (iv) Rupail Soap & Chemical Industries (Pvt) Limited (v) Bismillah Store
9	Al-Haj Mohammed Issa Badsha	Director	(i) Zuma Enterprise (ii) M.M Enterprise (iii) Musa & Issa Bros (iv) Azan Dairy & Food Products
10	Mr. Ahsan Khan Chowdhury	Director	(i) Rangpur Foundry Limited (ii) Property Development Limited (iii) RFL Plastics Limited (iv) PRAN Dairy Limited (v) Banga Building Materials Limited (vi) PRAN Agro Limited (vii) PRAN Confectionery Limited (viii) PRAN Exports Limited (ix) Agricultural Marketing Co Limited (x) Banga Agro Processing Limited (xi) Mymensing Agro Limited (xii) Banga Plastic International Limited (xiii) PRAN Beverage Limited (xiv) Allplast Bangladesh Limited (xv) Durable Plastics Limited (xvi) Rangpur Metal Industries Limited (xvii) PRAN Food Limited (xviii) Banga Millers Limited (xix) Packmat Industries Limited (xx) Banga Bakers Limited (xxi) Habigani Agro Limited (xxii) Bangladesh Lift Industries Limited (xxiii) Natore Agro Limited (xxiv) Sylvan Agriculture Limited (xxv) Chorka Textile Limited (xxvi) Get Well Limited (xxvii) PRAN Agro Business (xxviii) Banga Trading House Limited (xxix) Sylvan Technologies Limited (xxx) Habigani Textiles Limited (xxxi) Accessories World Limited (xxxii) AKC (Pvt) Limited (xxxiii) Habigani Metal Industries Limited (xxxiv) Multiline Industries Limited (xxxv) Natore Dairy Limited (xxxvi) RFL Construction Limited (xxxvii) RFL Exports Limited (xxxviii) Trade Environment Limited (xxxix) Chorka Fashions Limited (xxxx) Sun Basic Chemicals Limited (xxxxi) AKC Management Limited (xxxxii) Gongga Foundry Limited (xxxxiii) Habigani Glassware Limited (xxxxiv) Habigani Ceramic Limited (xxxxv) Logi-Care Overseas Limited (xxxxvi) RFL Electronics Limited (xxxxvii) Career Builders Limited

Midland Bank Limited

Name of the directors and their interest in different entities

Annexure C

Sl No	Name of the directors of the bank	Status with MDB	Entities where they have interest
11	Mr. Md. Wahid Miah	Director	(i) Al-Haj Karim Textiles Limited (ii) Abdul Karim Limited (iii) Jobaida Karim Jute Mills Limited (iv) Karim Jute Spinners Limited (v) Hypoid Composite Knit Limited (vi) Karim Trading (vii) Jobaida Filling Station (viii) JK Filling Station (ix) Karim Filling Station (x) Karim Shipping Lines (xi) M/S Md. Wahid Miah (xii) Karim Shipping Lines Limited
12	Mr. Md. Rezaul Karim	Director	(i) Bangla Tel Limited (ii) Jibondhara Solutions Limited (iii) BD Link Communications Limited (iv) Islami Commercial Insurance Co. Limited (v) Kohinoor Chemical Company (BD) Limited (vi) Reedisha Knitex Limited (vii) Reedisha Spinning Limited (viii) PA Knit Composite Limited (ix) Reedisha Textstipe Limited (x) Reedisha Printing and Packaging Limited (xi) Reedisha Blended Yarn Limited (xii) Chartered Life Insurance Co. Limited (xiii) Reedisha Trading & Distribution Co
13	Mr. A.K.M. Badiul Alam	Director	(i) Garments Export Village Limited (ii) Power Vantage Wear Limited (iii) Shahjibazar Power Co. Limited (iv) Eden Multicare Hospital Limited (v) Zenith Islami Life Insurance Limited (vi) Amtranet Limited (vii) Petromax Refinery Limited (viii) Bravo Apparel Manufacturer Limited
14	Mr. Abdul Momin Mondol	Director	(i) Mondol Fabrics Limited (ii) Alimknit (BD) Limited (iii) Cotton Club (BD) Limited (iv) Mark Sweater Limited (v) Mondol Knitwares Limited (vi) Montrims Limited (vii) Tropical Knittrix Limited (viii) Mondol Intimates Limited (ix) Cotton Field (BD) Limited (x) Mondol Fashions Limited (xi) Mondol Apparels Limited (xii) Appollo Fashions Limited (xiii) Cotton Clothing (BD) Limited (xiv) Mondol Securities Limited (xv) Mondol Auto Solution
15	Mrs. Ferdous Ara	Director	(i) Orient Chem-Tex Limited (ii) Liberty Knitwear Limited (iii) Midland Knitwear Limited (iv) A-One Polar Limited (v) Fortune Chemical (BD) Limited (vi) Tubingen Chemical (BD) Limited (vii) Sungarh Tex Limited (viii) Micro Trims Limited
16	Mr. Md. Kamal Hossain	Director	(i) That's It Sports Wear Limited (ii) Ha-Meem Travel Limited (iii) Explore Lingerie Limited (iv) Fauji Chatkal Limited (v) M H Spors Wear Limited (vi) M H Design Limited
17	Mrs. Shahnaj Parveen	Director	(i) Refat Garments Limited (ii) Bango Engineering Limited (iii) Next Collections Limited (iv) Next Garments Limited
18	Mrs. Lutfa Begum	Director	(i) Hazrat Amanat Shah Spinning Mills Limited (ii) Amanat Shah Weaving Processing Limited (iii) Standard Company Limited (iv) Amanat Shah Fabrics Limited (v) Hazrat Amanat Shah Securities Limited
19	Mr. Md. Rokonzaman Sarker	Director	(i) Beq Knit Limited
20	Mr. Kamal Uddin Ahmed	Director	(i) Kamal Yarn Limited (ii) Badsha Textiles Limited (iii) Pioneer Knit Fashions Limited (iv) Pioneer Knitwears (BD) Limited (v) Pioneer Denim Limited

Midland Bank Limited

Name of the directors and their shareholding as at 31 December 2015

Annexure D

Sl No.	Name of the director	Status with MDB	No of shareholding	(%)
1	Mr. Moniruzzaman Khandaker	Chairman	11,000,000	2.75%
2	Mrs. Nilufer Zafarullah, MP	Vice Chairman	4,000,000	1.00%
3	Dr. Kazi Shahidullah	Director	8,000,000	2.00%
4	Ms. Scherazad Joya Monami Latif	Director	40,000,000	10.00%
5	Mr. Abdullah Ahmed Yousuf	Director	23,000,000	5.75%
6	Mr. Kazi Omar Zafar	Director	8,000,000	2.00%
7	Master Abul Kashem	Director	20,000,000	5.00%
8	Mr. Mohammed Jamal Ullah	Director	20,000,000	5.00%
9	Al-Haj Mohammed Issa Badsha	Director	20,000,000	5.00%
10	Mr. Ahsan Khan Chowdhury	Director	20,000,000	5.00%
11	Mr. Md. Wahid Miah	Director	20,000,000	5.00%
12	Mr. Md. Rezaul Karim	Director	20,000,000	5.00%
13	Mr. A.K.M. Badiul Alam	Director	20,000,000	5.00%
14	Mr. Abdul Momin Mondol	Director	20,000,000	5.00%
15	Mrs. Ferdous Ara	Director	21,000,000	5.25%
16	Mr. Md. Kamal Hossain	Director	20,000,000	5.00%
17	Mrs. Shahnaj Parveen	Director	20,000,000	5.00%
18	Mrs. Lutfa Begum	Director	20,000,000	5.00%
19	Mr. Md. Rokonzaman Sarker	Director	19,000,000	4.75%
20	Mr. Kamal Uddin Ahmed	Director	20,000,000	5.00%

Midland Bank Limited

Highlights on the overall activities for the year ended 31 December 2015

Annexure E

Sl No.	Particulars	2015	2014
		BDT	BDT
1	Paid-up capital	4,000,000,000	4,000,000,000
2	Total capital	4,649,584,620	4,122,283,538
3	Surplus in capital fund	649,584,620	122,283,538
4	Total assets	23,893,174,740	15,106,748,970
5	Total deposits	17,955,516,897	8,478,577,992
6	Total loans and advances	13,887,861,789	6,499,978,994
7	Total contingent liabilities	2,288,723,296	1,263,380,722
8	Lending-deposit ratio	77.35%	76.66%
9	Classified loans as % of total loans and advances	1.01%	0.00%
10	Profit after provision and tax	438,818,078	34,674,200
11	Total classified loans and advances	139,687,491	-
12	Total provision maintained against classified loans	56,319,575	-
13	Surplus/ (deficit) in provision	1,000,000	-
14	Cost of fund	9.73%	10.00%
15	Earning assets	21,936,871,901	13,750,232,026
16	Non-interest earning assets	1,956,302,839	1,356,516,944
17	Return on investments (ROI)	23.16%	12.38%
18	Return on assets (ROA)	1.84%	0.23%
19	Income from investment	974,468,320	217,068,004
20	Earnings per share (BDT)	1.10	0.09
21	Net income per share (BDT)	1.10	0.09
22	Price-earning ratio (times)	N/A	N/A

MDB Products and Services

MDB believes in service excellence with a vision to be the first choice of our customers. The Bank wants to provide quality banking services with enhanced customer focus and innovative products through first-rate delivery channels and user-friendly tools and technology.

To cater for the needs of the growing SME industries and retail customers, the Bank has developed and launched a few new products in 2015, as follows:

MICRO, SMALL & MEDIUM ENTERPRISE (MSME) PRODUCTS

MDB Green Loan

MDB Green Loan is a structured and an environment friendly lending product with a view to enabling different MSMEs, farmers, individuals, organizations to purchase Green and Renewable Energy Technologies (RETs) to reduce the dependence of traditional energy, as well as to meet up country's electricity and gas demand. Green Energy is a potential and growing sector of Bangladesh which creates an ample opportunity of lending.

MDB Baboshay

Trading sector is the largest sector in Bangladesh and plays an important role in economic development. In MSMEs, most of the entrepreneurs are engaged in trading line due to easy entry in business, less hassle to start and make good profitability. In terms of self-employment and poverty alleviation, trading sector has significant role.

MDB HalkaShilpajat

This is a customized loan product, for light engineering and plastic industrial sectors which has many important roles to play both for the bank and the country. To foster development of light engineering, light electrical, light industrial machinery, and plastic industrial sector with bank finance for working capital and fixed asset purchase, including civil construction for factory building/warehouse/shed etc.

MDB IT Uddog

MDB IT Uddog a custom-made loan product especially developed for IT based entrepreneurs. IT entrepreneurship is one of the most potential differentiating factors for the long run economic growth rate among countries. Entrepreneurship is just another way in which young people who make a living, and is susceptible to the fault-line of the gender-segregated division of work. The Bank wants to render its service to this sector for inclusive banking.

MDB Janbahon

We want to provide the best-in-class services, innovative products and financial solutions from smart outlets – all with a big smile that conveys and generate happiness all the way. To meet commercial vehicle needs of any credit worthy SME customers, the Bank offers contemporary asset product MDB Janbahon Loan, for SME customers who like to enjoy commercial vehicle loan to diversify their business.

MDB Krishi

MDB Krishi is a structured loan product for agri SMEs and individual farmers. Agriculture is a potential growing sector of Bangladesh. There are a lot of emerging SMEs in agriculture which create an ample opportunity for lending. To serve this sector MDB Krishi been designed to meet up funding requirement of potential agri customers.

MDB Krishijat

MDB Krishijat is a customized loan product for agro-processing and agro-based industries. Because of its huge potentiality, agro-based industries have received special attention as a thrust sector by government policy makers. This has also been considered a priority sector in Export Policy too.

MDB Nabagoto

This is a customized loan product for the young and startup entrepreneurs, which will meet up their funding requirement and contribute to the real entrepreneurs.

MDB NariUddog

Women Entrepreneurship is one of the differentiating factors for the economic growth of Bangladesh. The Bank contributes to this sector with a tailor-made specialized service, through dedicated service desk, for women-led business, which will meet up their funding requirement. Women Entrepreneurship is just another way in which women make a living, and our relationship managers are always by the side of women entrepreneurs. This is not just a loan – it is a financing solution for their business.

MDB NGO Link

MDB NGO Link is a customized loan product for the MFI NGO sector. The product enables the MFI NGOs to cater the financial needs of their beneficiary members. The product facilitates promoting both the micro credit and SMEs (micro & cottage enterprises and women entrepreneurs) at grass root level.

MDB Nirman

Under this facility, SME entrepreneurs are supported with bank finance, they can explore developing land having commercial opportunity and location convenience for rental. The scheme allows constructing shops, small markets, dormitories and labor shed based on the opportunity surrounding the land. This ultimately facilitates the low income business people, shop keepers, traders, factory labors, garments workers, low salaried service holders to have their housing at affordable rent.

MDB Seba

MDB Seba is a custom-made loan product which meets up funding requirement of the prospective target customers. To foster development of service sector with bank finance for working capital and fixed asset purchase including civil construction for the business.

MDB Shamoik

MDB Shamoik is a custom-made loan product which meets up funding requirement of the prospective MSME entrepreneurs at various season, occasion, event and festivals.

MDB Shilpayan

This scheme fosters development of manufacturing sector with bank finance for working capital and fixed asset purchase including civil construction for factory building / warehouse/shed etc. Working capital may be extended in the form of RL and TL, while fixed assets/construction of factory building/warehouse/shed shall be financed in the form of TL.

MDB Abiram

This is an Interest bearing Current Deposit account where customers can initially deposit BDT 1,000. The Bank provides an interest rate of 2% per annum, which is subject to change as per decision of competent authority from time to time.

MDB Sthae

This is a Fixed Deposit account specially designed for enterprises, organizations or business, service or manufacturing, and individuals related with mentioned sectors. This fixed deposit account can be opened at a minimum deposit of BDT 25,000. The interest rate will be at bank's prevailing rate as decided by the competent authority time to time.

RETAIL BANKING PRODUCTS

MDB School Saver

Children are the future leaders of the country. MDB, as per its financial inclusion drive, has introduced MDB School Saver Account for school going students. This product is a daily interest bearing and half yearly interest paying savings account. Higher interest rate is applicable on maintaining a certain balance in the account. The account comes with free Debit card facility and waiver of account maintenance fee.

MDB College Saver

For college and university going students, we have launched MDB College Saver account. This is a unique monthly savings account, where interest calculation is on daily balance basis and is credited to account on monthly basis. This account also provides higher interest rate on maintaining a certain balance and free Debit card facility. In addition, the account has free Internet Banking facility, free SMS Banking and waiver of account maintenance fee.

MDB Probashi Savings

MDB Probashi is a savings account in local currency for the Non-Resident Bangladeshis (NRBs) who are residing abroad and want to save their hard-earned money. Similar to a regular savings account with withdrawal facility for emergency requirements, where interest calculation is on daily balance basis and is paid twice a year. Higher interest is applicable on maintaining a certain balance in the account. This unique product is bundled with free Debit card facility, Account Maintenance waiver (for First year), free internet Banking and free SMS alerts. The account can also be operated through mandate agreement.

MDB Super Saver

Considering the financial requirement of the customers, MDB has introduced MDB Super Saver account. It's a slab-based daily interest calculation and monthly interest paying savings account for any Bangladeshi Citizen. The benefits of the product includes higher interest rate on maintaining a certain balance in the account, free Debit Card facility (for 1st year) Free Internet Banking and Free SMS Banking.

MDB CPP Savings

We have introduced MDB Corporate Payroll Package (CPP) to facilitate payroll/ salary disbursement facility for different corporate houses.

Under MDB CPP facilities, MDB CPP Savings account is offered to the employees under the payroll package with following benefits: no minimum balance required, interest will be calculated on day end balance and credited monthly, no Account Maintenance Fee, salary disbursement charge for the organization is free, free Debit Card, cross branch transaction is free, daily withdrawal limit up to BDT 100,000 through ATM, salary transferred electronically from company account, SMS Transaction Alert free (for first year), and Free Internet banking.

MDB Secured Loan

MDB Secured Loan delivers a fast and hassle free solution to customer's quick finance needs. It is a fully secured and terminating (EMI Based) loan facility. Loan amount ranges from BDT 50,000 to maximum 90% of the applicable security. Loan tenor is from minimum 1 year to maximum 5 years. Cash securities include Midland Bank Fixed Deposits, Midland Bank Savings Scheme, and Wage Earner Development Bonds and US Dollar Bonds (US Dollar Investment Bond and US Dollar Premium Bond) issued by Midland Bank Ltd.

CARD PRODUCTS

MDB VISA Credit Cards

Our VISA International dual currency Platinum and Gold Cards are accepted globally and locally at all merchant outlets and restaurants showing VISA logo. Moreover, you enjoy discounts and interest free EMI on repayments at discount partners by showing your MDB Credit Cards. Some of the salient features include, waiver of annual fee for first year, complimentary card, 24/7 Contact Centre support, payment facility through BEFTN and midland online - a robust internet banking facility to pay your monthly credit card bill amount without visiting a branch.

MDB VISA Debit Card

Our VISA branded Debit card is widely used by customers due to its flexible features including access to multiple CASA accounts through a single plastic, 100% waiver on next year Annual Fee subject to making 15 transactions per year and up-to 1.00 lac per day limit through POS and ATM.

MDB SERVICES

Internet Banking

Our famous internet banking service, midline online, comes with variety of features which ads convenience to your needs. You can view all your accounts with a single login and can make fund transfers in-between your accounts. You can also transfer money to any bank account at your convenience at any time leveraging electronic fund transfer (BEFTN). The same can be done through real-time-gross-settlement (RTGS) without having any concern on cyber security. All your activities on midline online are supported by two factor authentication (2FA). Our midline online service is completely free.

SMS /Alert Banking

Our SMS banking service keeps you abreast of any activity, debit or credit, in your accounts.

Locker Service

We safeguard your valuables like confidential documents or jewelries or gold ornaments. Our locker service is available in selected branches.

24/7 Contact Centre

We are always there for you, day or night, 24/7. Our Contact Centre specialists are always a call away for your important queries, or when you want to block your account in a situation when you have lost your debit or credit card.

Corporate Website

We keep our website always up-to-date with vital information, including branch details and the services they provide.

Bills Pay and BRTA Booth

Our competent branch personnel are trained to welcome you should you need to pay your bill, WASA, DESCO, REB or DPDC for example. A few branches also accept motor vehicle fees and charges. Additionally, we have deployed a collection booth of BRTA fees for your convenience.

MDB Card Cheque

Our Card Cheque scheme ads convenience to your needs, where the chequebook comes as free with 1% processing fee, and 45 days interest free repayment period.

MDB Service Network

Sl.	Branch Name	Address	Head of Branch
1	Dilkusha Corporate Branch	Chini Shilpa Bhaban (1st floor), 3, Dilkusha C/A, Dhaka-1000 email: hob.dilkusha@midlandbankbd.net PABX: 09666-410901	Faisal Ahmed, FVP Phone: 01985700356, 01714359203 email: faisal.ahmed@midlandbankbd.net PABX: 09666-410901 Ext.901-356
2	Principal Branch	Hong Kong Shanghai Tower (Ground & 1st Floor), Plot #106, Road#11, Block#C, Banani, Dhaka-1213 email: hob.principal@midlandbankbd.net PABX: 09666-410902	Md. Shafiqul Islam, VP Phone: +8801985700167, +8801713436180 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167
3	Agrabad Branch	As- Salam Tower (1st Floor), 57, Agrabad C/A, Chittagong Email: hob.agrabad@midlandbankbd.net PABX: 09666-410903	Md. Shaiful Alam Chowdhury, VP Phone: 01973423777, 01713423777 email: shaiful.alam@midlandbankbd.net PABX: 09666-410903 Ext.903-127
4	Mirzapur Bazar Branch	Mannan Plaza (1st Floor), Mirzapur Bazar, Bhawal, Mirzapur Sadar, Gazipur email: hob.mirzapur@midlandbankbd.net PABX: 09666-410904	Md. Shakhawat Hossain, PO Phone: +8801985700047, 01717667203 Email: shakhawat.hossain@midlandbankbd.net PABX: 09666-410904 Ext.904-047
5	Panchar Branch	Dia-Moni Plaza (1st Floor), Panchar, Shibchar, Madaripur email: hob.panchar@midlandbankbd.net PABX: 09666-410905	Md. Arifuzzaman, EO Phone: +8801985700141, +8801710966955 Email: md.arifuzzaman@midlandbankbd.net PABX: 09666-410905 Ext.905-141
6	Uttara Branch	ABC Heritage (Ground floor), Plot#2 & 4 Jashim Uddin Avenue, Sector 3, Uttara, Dhaka-1230 email: hob.uttara@midlandbankbd.net PABX: 09666-410906	Md. Rashed Akter, FVP Phone: 01985700357, 01841939394 Email: rashed.akter@midlandbankbd.net PABX: 09666-410906 Ext.906-357
7	Aganagar Branch	Maksuda Garden City (2nd Floor), Aganagar, South Keranigonj, Dhaka email: hob.aganagar@midlandbankbd.net PABX: 09666-410907	Mir Rajib Faruk, AVP Phone: +8801985700050, 01712290888 Email: rajib.faruk@midlandbankbd.net PABX: 09666-410907 Ext.907-050
8	Dhanmondi Branch	TajLili Green (1st Floor), House# 751(Old), 51(New), Satmasjid Road, Dhanmondi, Dhaka email: hob.dhanmondi@midlandbankbd.net PABX: 09666-410908	Mohammed Arifur Rahman, AVP Phone: 01985700234, 01819393122 Email: arifur.rahman@midlandbankbd.net PABX: 09666-410908 Ext.908-234
9	Hemayetpur Branch	Diamond Tower (1st Floor), Hemayetpur, Singair Road, Savar, Dhaka email: hob.hemayetpur@midlandbankbd.net PABX: 09666-410909	Fazal Abdullah, FAVP Phone: +8801985700061, Email: fazal.abdullah@midlandbankbd.net PABX: 09666-410909 Ext.909-061
10	Zirabo Branch	Razzak Commercial Complex, Zirabo, Ashulia, Savar, Dhaka email: hob.zirabo@midlandbankbd.net PABX: 09666-410910	Md. Nazmul Haque, PO Phone: 01985700308, 01712752405 Email: md.nazmulhaque@midlandbankbd.net PABX: 09666-410910 Ext.910-308

Sl.	Branch Name	Address	Head of Branch
11	Gulshan Branch	NB Tower, Level-5, 40/7 North Avenue, Gulshan-2, Dhaka-1212 email: hob.gulshan@midlandbankbd.net PABX: 09666-410911	Mostofa Maynul Hasan, AVP Phone: +8801985700057,01914064738 Email: mostofa.maynul@midlandbankbd.net PABX: 09666-410911 Ext.911-057
12	Panchrukhi Branch	Panchrukhi Bazar, Araiহার, Narayanganj email: hob.panchrukhi@midlandbankbd.net PABX: 09666-410912	Md. Rozdar Ali, AVP Phone: 01985700241,01724953076 Email: rozdar.ali@midlandbankbd.net PABX: 09666-410912 Ext.912-241
13	Kamarpara Branch	JomJom Tower, Kamarpara School Road, Dhaka email: hob.kamarpara@midlandbankbd.net PABX: 09666-410913	Md. Shakhawat Hossain, FAVP Phone: 01985700252,01711129952 Email: md.shakhawat@midlandbankbd.net PABX: 09666-410913 Ext.913-252
14	Narsingdi Branch	Helal Tower, First & second floor, 211 ShahidShorwadi Park Road, Narshingdi email: hob.narsingdi@midlandbankbd.net PABX: 09666-410914	Sudipto Roy Chowdhury, FAVP Phone: 01985700235,01713385170 Email: sudipto.roy@midlandbankbd.net PABX: 09666-410914 Ext.914-235
15	Narayanganj Branch	55/A, Ground Floor, Tanbazar, Narayanganj email: hob.narayanganj@midlandbankbd.net PABX: 09666-410915	Mohammad Kamrujjaman, FVP Phone: 01985700278,01925993310 email:mohammad.kamrujjaman@midlandbankbd.net PABX: 09666-410915 Ext.915-278
16	Valuka Branch	Jamirdia, Masterbari, Bhaluka, Mymensingh email: hob.valuka@midlandbankbd.net PABX: 09666-410916	Mohammad Faruq Ur Rahman, PO Phone: 01985700307,01715186240 Email: faruq.rahman@midlandbankbd.net PABX: 09666-410916 Ext.916-307
17	CDA Avenue Branch	EVE's Centre (1st floor) A 1/47 P, East Nasirabad, Panchlaish, Chittagong Email: hob.cda@midlandbankbd.net PABX: 09666-410917	Chowdhury Md. Asad Al Zubery, AVP Mobile: 01985700326, 01777768700 PABX: 09666-410917 Ext.917-326 asad.alzubery@midlandbankbd.net
18	Mokamtola Branch	Majeda Plaza (1st floor), Talukdar Market, Mokamtola, Shibganj, Bogra email: hob.mokamtola@midlandbankbd.net PABX: 09666-410918	Md. Rezaul Huq, PO Phone: 01985700269,01718527925 email: rezaul.huq@midlandbankbd.net PABX: 09666-410918 Ext.918-269
19	Chowdhuryhat Branch	Abdul Rashid Market (1st & 2nd floor) Chowdhuryhat, Hat Hajari, Chittagong email:hob.chowdhuryhat@midlandbankbd.net PABX: 09666-410919	Syed Mohammed Omar, FAVP Phone: 01985700355,01819863857 email: syedmohammed.omar@midlandbankbd.net PABX: 09666-410919 Ext.919-355
20	Bogra Branch	Amicus Plaza, Shahid Abdul JabbarSarak, Joleshwaritola, Bogra email: hob.bogra@midlandbankbd.net PABX: 09666-410920	Kudrat-E-Khoda Md. Samiul Karim, AVP Phone: 01711951247, Email: samiul.karim@midlandbankbd.net PABX: 09666-410920 Ext.920-312

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