ANNUAL REPORT | 2018

ANNUAL REPORT 2018

www.midlandbankbd.net

midlandbank ltd
bank for inclusive growth

midlandbank ltd
bank for inclusive growth

WE MOURN



M. Moniruzzaman Khandaker
(1940 – 2018)

We recall with profound reverence and gratitude the enormous contribution made by our late Founder Chairman Mr. M. Moniruzzaman Khandaker who passed away suddenly on 17 August 2018 (Inna lillahi wa inna ilayhi rajiun). His inspirational guidance will always act as a beckoning light in our journey.

www.midlandbankbd.net

Towards nation building,
our commitment continues...



Contact Centre 24/7
16596
09617016596, 09611016596

midlandbank ltd
bank for inclusive growth

MDB-Progressing and on Track

Midland Bank (MDB) came to the financial frontier of Bangladesh in 2013 to serve people from all walks of life. Since the beginning, the Bank has been focusing on convenience and accessibility to create superior customer experience. Being committed to the clients, community and economy, the Bank aims to bind the nation together by taking on board the people from all across the society urban and rural, local and global to pursue inclusive banking resonating with our corporate slogan "Banking for Inclusive Growth". The automation of banking transaction coupled with centralized procedure, professional wisdom and the foresight of the Board are aptly blended in MDB to propel it to heights of success across the region and beyond.

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

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

Letter of Transmittal

April 29, 2019

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 on December 31, 2018

We are pleased to enclose a copy of the Bank's Annual Report 2018, together with the Audited Financial Statements for the year ended December 31, 2018 for your kind information and record.

Thank you.

Sincerely,

Khalid Mohammad Sharif FCS
Company Secretary



Statement Regarding Forward Looking Approach

The annual report contains some forward looking statements in regards to business environment and its likely effect on the financial status of the Bank.We don't treat financial statements as only historical facts, rather it gives us the guidance as to how even more prudently we can edge forward towards attainment of our set corporate objectives. Our forward looking statement virtually intends to address inherent risks and uncertainties that we are likely to face in our path of journey. Here we have endeavored to bring to the surface some inherent risk and challenges that may cause hindrances in near future.

- Corporate Tax for Banks/Financial Institutions is still on the higher end trajectory.
- Imposition of higher rate of Tax and VAT on banking services.
- Adverse changes of macro-economic conditions and upward movement of Non-Performing Loans (NPLs).
- Any major shift in policy which may prove to be unviable proposition.
- Liquidity crunch may create extra burden on our maintenance of CRR and SLR as per the requirement.
- Withdrawal / Decrease of incentives given to some thrust sectors, of the economy.
- Pressure to reduce the lending rates without creating enabling situation to make corresponding adjustment on our deposit rates, in the face of illiquid market scenario.
- Unexpected rise in provisioning requirement having adverse impact on our profitability.
- Abrupt price hike of commodities in international market having corrosive impact on our foreign exchange dealings i.e. volatile condition.
- In our future path of journey, we shall remain relentless to address all risk related issues by taking measures of mitigation towards strengthening our balance sheet wise position.
- We virtually are in the business of risk, so we are not risk averse rather we intendto take measurable risks that we can control to protect the interest of the bank in the best possible manner.
- We want to be a tech-savvy bank and in this world of rapid pace of technological development we have no other way out rather to stay attuned with the changes as changes are always constant.

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Midland Bank Profile: Success and Promises

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

MDB started commercial operation on June 20, 2013 with a corporate slogan "bank for inclusive growth". The Bank's business model has been evolving over time in response to significant changes in the operating environment– notably tightening of regulatory oversight, rapid development of new information and communication technologies and the more worth noticing, constantly changing customer behaviour. We are well aware of our requirement to bring qualitative changes in our operational modules as to make our position even more competitive and customer centric and shall remain focused to come up to the maximum possible wavelength of our customer satisfaction. MDB as a matter of policy perception believe in innovation and as part of it exploring of new avenues to ramify our financial services across the different demographic and geographical segments.

MDB is presenting its 2018 financial results as a fast growing fourth generation Bank in Bangladesh with the pride of a solid capital base, quality assets and strong profitability. The year 2018 has seen that customer accounts increased to 93,745 from 61,938 in 2017, Core business income grew by 45.36% to BDT 1,174.72 million from BDT 808.13 million in 2017 and balance sheet rose to BDT 45,750.80 to BDT 41,948.73 million in less than six years. Total deposits hit to BDT 35,592.17 million in the reporting year, up from BDT 34,240.23 million a year earlier and the loan portfolio increased to BDT 31,074.67 million from BDT 27,295.60 million at the year end 2018. By and large, this was most successful on our part to post return on equities (ROE) which is 10.54% and Earnings per Share (EPS) as best as BDT 1.23. At the year-end 2018, Bank's paid up capital increased to BDT 5,274.72 million from BDT 4,795.20 million indicating a remarkable growth of 10.00%. Shareholders' equity stood at BDT 6,486.64 million from BDT 5,851.99 million as at the balance sheet date. Bank's Capital to Risk Weighted Asset Ratio (CRAR) stood at 19.33% at the year-end which stayed much above required ceiling of 11.875% as per Basel III accord. Total customer-base of Midland Bank grew to a total of 67,501 accounts in 2018 from 44,395 accounts in 2017 with considerable growth in the rural customer- base. In our strategic action, we are giving priority to developing MSMEs placing special attention to extending finance to manufacturing sector. A total of 586 MSM Eentrepreneurs were extended BDT 2,750.10 million in loan as of 2018. We're getting growth rates above the market benchmark which give us confidence for the future.

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

Corporate Information

Name of the Company
Midland Bank Limited

Legal Form
Public Limited Company

Registered Office
N.B. Tower (Level 6 to 9)
40/7 North Avenue, Gulshan 2
Dhaka 1212

Date of Incorporation
March 20, 2013

Formal Inauguration
June 20, 2013

Company Registration No.
C-108070/13

Bangladesh Bank Permission No.
BRPD (P-3)745(67)/2013-1665
April 09, 2013

Core Banking Activities
All Types of Commercial Banking Activities
Money Market Operations
Financial Intermediary Services
Any Related Financial Services

Delivery Channels
Branches-30, ATMs -32
Agent Banking Centres-30
Real-time Online Banking
Internet Banking
SMS/Alert Banking
Debit/ Credit/ Prepaid Card with Global Access
Shared Network across the country

Authorized Capital
BDT 10,000 million

Paid-up Capital
BDT 5,274.72 million

Total Capital (Tier-i& ii)
BDT 6,942.27 million

Total Asset
BDT 45,750.80 million

Statutory Reserves
BDT 781.10 million

Capital to Risk Weighted Asset Ratio (CRAR)
19.33%

Earnings Per Share
BDT 1.23

Net Asset Value Per Share
BDT 12.30

Accounting Year-end
December 31

Credit Rating Agency
Credit Rating Agency of Bangladesh Limited (CRAB)

Website
www.midlandbankbd.net

Total Manpower
Employee: 571
(including 142 contractual)

Chairman
Mrs. Nilufer Zafarullah, MP

Vice Chairman
Master Abul Kashem

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

Additional Managing Director
Mr. Mohammad Masoom

Chief Risk Officer (CRO)
Mr. Mohammad Masoom

Chief Financial Officer (CFO)
Mr. Md. Zahirul Islam, FCA

Company Secretary
Mr. Khalid Mohammad Sharif FCS

Head of Internal Control & Compliance
Mr. Mohammad Syejuddin Ahmmed

Auditors
Hoda Vasi Chowdhury & Co.

SWIFT Code
MDBLBDDH

Contact Centre
16596 (Short Code)
(+88) 09617016596
(+88) 09611016596

Credit Rating:

Long Term	A3	The long term rating "A3" indicates strong capacity to meet financial commitment/obligation of the Bank.
Short Term	ST-2	Bank's short term rating has edged up to ST-2 (High Grade) from ST-3 (Average Grade), indicates strong capacity for timely repayment of obligations.
Outlook Status	Developing	Bank's outlook status has graduated to Developing from Stable. The outlook provides information to investors on the potential evolution of a rating, thereby underpins the precision of the rating status.

Value Creation for Stakeholders during 2018

Customers:	2018	2017
Total Deposit Accounts	90,182	58,764
Total Advances and Loans Accounts	3,564	3,174
Deposits	BDT 35,592 M	BDT 34,240 M
Interest paid to customers	BDT 2,547 M	BDT 2,042 M
Loans & Advances	BDT 31,075 M	BDT 27,296 M
Interest income	BDT 3,760 M	BDT 2,817 M
Service Points	01	01
SMS Alert A/c	63,214	32,740

Shareholders:		
Profit after Tax	BDT 650 M	BDT 692 M
Total Assets	BDT 45,751 M	BDT 41,949 M
Shareholders' Equity	BDT 6,487 M	BDT 5,852 M
Earnings Per Share (EPS)	BDT 1.23	BDT 1.31
Dividend Payout	8% stock (proposed)	10% stock

Employees:		
Total Regular Headcount	429	411
Total Contractual Headcount	142	92
Total Staff Cost	BDT 506 M	BDT 423 M
Talent Development: Training hours	800 hrs (approx.)	2,500 hrs (approx.)
Per Employee Operating Profit	2.89 M	2.91 M

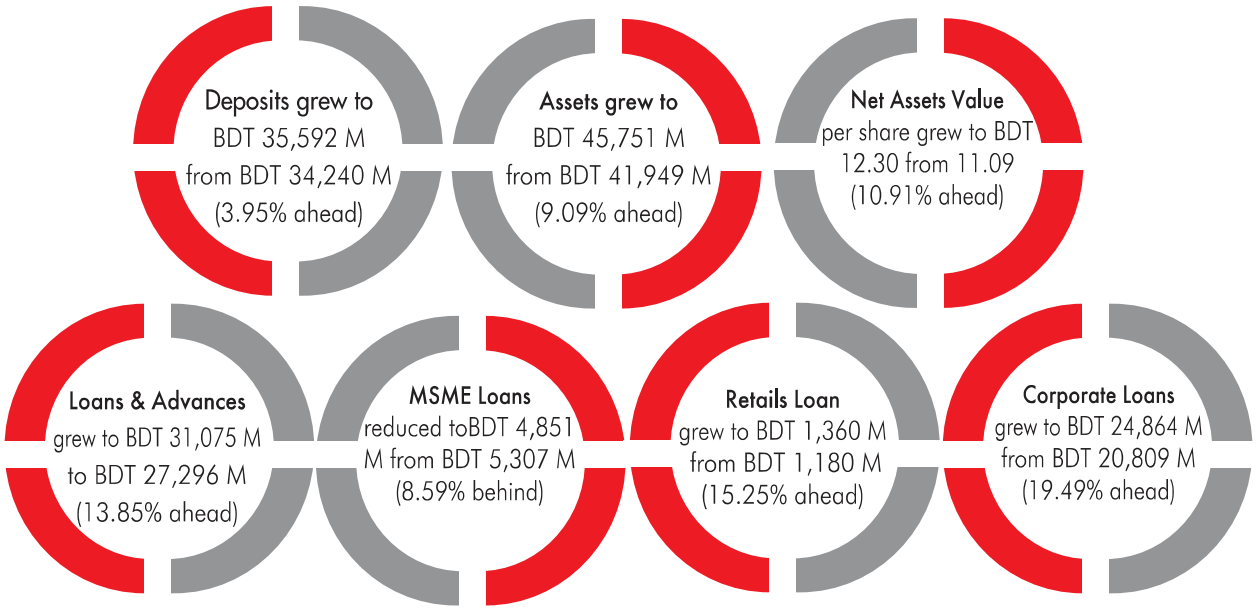
Government Institutions:		
Tax paid to Government	BDT 288 M	BDT 674 M
Investment in Govt. Securities	BDT 5,474 M	BDT 4,462 M
Tax Collected on behalf of Govt.	BDT 394 M	BDT 306 M
Excise Duty Collected on behalf of Govt.	BDT 57 M	BDT 42 M

Business Partners:		
Commission, Exchange & Fees	BDT 389 M	BDT 293 M
Payment to Service Providers	BDT 417 M	BDT 350 M
No. of Correspondent Banks (RMA)	121	112
Business Partnership Signed	40 Deals	75 Deals

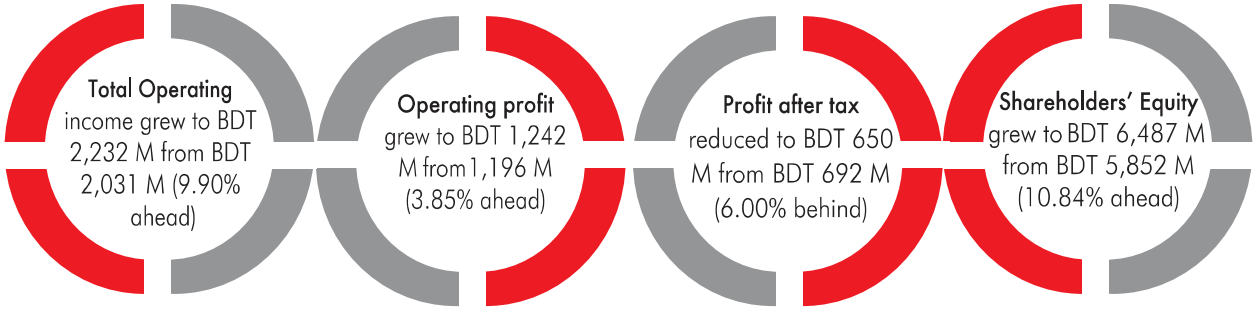
Community:		
CSR / Donation (Details in Page No. 160)	BDT 0.82 M	BDT 8.80 M
Internet Customers (midland online)	3,509	1,816
Refinance to SME, Agri, Women	23.90 M	67.55 M
Utility Bill Collection	6,359 M	1,941 M
Call Received by Call Centre	26,374	9,446

Performance Dashboard 2018

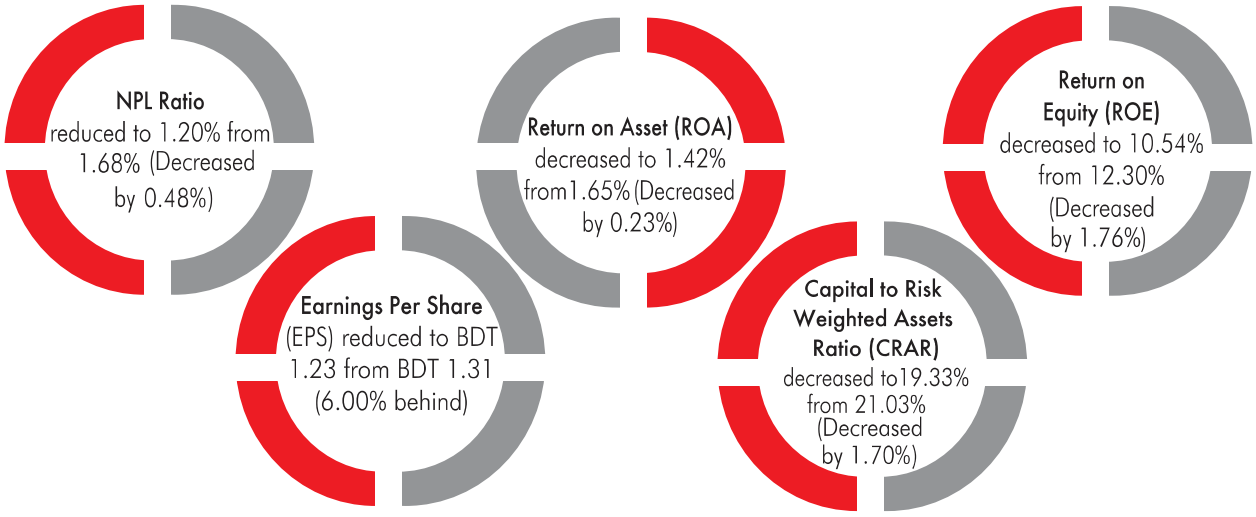
Volume Growth



Income Profile



Key Ratios







Vision

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

Mission

We always strive –

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



Corporate Values

Customer Centricity

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

Quality

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

Togetherness

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

Mutual Respect

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

Integrity

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

Responsible Citizenship

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

Building the Future

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



Balance Sheet Focus

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

Capital Strength

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

Cost Control

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

Risk Mitigation

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

Innovative Banking

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

Business Diversification

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

A Better Human Force

We adore our employees and foster their growth as the future force with constant training and development.

For a Green Living Habitat

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

Customer Charter

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

Ethical Preferences

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





Milestones

17-Apr-2012	Letter of Intent
20-Mar-2013	Certificate of Incorporation
20-Mar-2013	Commencement of Business
09-Apr-2013	Head Office Approval
10-Apr-2013	Gazette Published
27-Apr-2013	First Press Conference
20-Jun-2013	First Branch Operation (Dilkusha Corporate Branch)
30-Jul-2013	BACH Operation
02-Sep-2013	BEFTN Operation
08-Sep-2013	SWIFT Operation
18-Sep-2013	ATM Live Operation
18-Sep-2013	Q-Cash Operation
19-Sep-2013	Statutory Meeting of the Shareholders
07-Nov-2013	ATM Inauguration
26-Apr-2014	First Annual General Meeting (AGM)
11-Sep-2014	MDB Contact Centre launched
11-Sep-2014	"midland online" (Internet Banking) launched
01-Oct-2014	NPSB Operation launched
19-Nov-2014	VISA Operation inaugurated
01-Oct-2015	Completion of Centralized Banking Model (CBM)
29-Oct-2015	RTGS Operation launched
26-May-2016	Midland Bank Training Institute (MDBTI) inaugurated
03-Jan-2017	"midland online" Android Mobile App launched
23-Jan-2017	First Agent Banking Centre inaugurated
07-Mar-2017	Introduction of MDB Prepaid Card
15-Sep-2017	Core Banking Software upgraded from Desktop to Web version
02-Oct-2017	NPSB Fund Transfer through MDB Internet Banking "midland online"
23-Oct-2017	Titas Gas Bill collection started
31-Dec-2017	Establishment of Bank's real time Disaster Recovery Site
08-Jan-2018	Fund transfer with MDB Cards through NPSB using Internet Banking
03-May-2018	Agent Banking Centres started bill collection of REB
04-Jul-2018	On spot account opening process incorporated under Agent Banking Centres using TAB
19-Jul-2018	Implementation of Half Yearly Balance Confirmation SMS
26-Nov-2018	RTGS operation incorporated under Agent Banking Centres

MDB Financial Performance and Ratios Five Years Overview

Financial Highlights	In BDT Million					
	2014	2015	2016	2017	2018	% Changes in 2018 Over 2017
Income Statement:						
Interest income	970.8	1,689.53	2,178.91	2,816.99	3,760.22	33.48%
Interest expenses	623.7	1,359.46	1,600.58	2,042.08	2,547.46	24.75%
Net interest income	347.1	330.07	578.32	774.91	1,212.76	56.50%
Investment income	217.1	974.47	1,166.79	963.67	630.10	(-) 34.61%
Commission, exchange and brokerage	40.37	102.92	133.30	242.54	321.08	32.38%
Other operating income	18.71	22.97	31.77	50.23	68.10	35.58%
Total Operating income	623.2	1,430.43	1,910.18	2,031.35	2,232.04	9.88%
Operating expenses	464.5	655.03	830.54	835.57	990.53	18.55%
Profit before provision and tax	158.7	775.4	1,079.64	1,195.78	1,241.51	3.82%
Provision for loans and off-balance sheet exposure	57.55	145.07	110.01	160.49	135.18	(-) 15.74%
Profit after provision before tax	101.2	630.33	969.63	1,035.28	1,106.32	6.86%
Provision for tax	66.52	191.51	301.22	343.45	456.01	32.77%
Profit after tax	34.67	438.82	668.41	691.83	650.32	(-) 6.00%
Balance Sheet:						
Authorized capital	10,000	10,000	10,000	10,000	10,000	0.00%
Paid-up capital	4,000	4,000	4,320	4,795	5,275	10.00%
Total shareholders' equity	4,049	5,067	5,399	5,852	6,487	10.84%
Deposits	8,479	17,956	26,676	34,240	35,592	3.95%
Loans and advances	6,500	13,888	21,045	27,296	31,075	13.84%
Investments	2,986	5,429	5,973	5,777	6,726	16.43%
Fixed assets	166	211	236	199	283	42.21%
Earning assets	13,750	21,937	32,208	37,859	40,981	8.25%
Total assets	15,107	23,893	35,352	41,949	45,751	9.06%
Total liabilities	11,058	18,827	29,953	36,097	39,254	8.75%
Total Off-balance sheet exposure	1,263	2,289	3,605	5,067	4,884	(-) 3.61%
Foreign Exchange Business:						
Import	2,759	5,590	7,535	8,366.70	7,643.40	(-) 8.64%
Export	465	1,480	2,989	5,002.00	5,749.40	14.94%
Inward Remittance (wages & others)	24	138	228	618.50	2,154.60	248.36%
Capital Measure:						
Risk Weighted Assets (RWA)	9,380	17,689	23,210	29,213	35,909	22.92%
Core Capital (Tier-i)	4,045	4,484	5,149	5,836	6,481	11.05%
Supplementary Capital (Tier-ii)	77	165	259	307	461	50.16%
Total Capital held (T-i + T-ii)	4,122	4,650	5,408	6,143	6,942	13.00%

MDB Financial Performance and Ratios Five Years Overview

Financial Highlights	In BDT Million					
	2014	2015	2016	2017	2018	% Changes in 2018 Over 2017
Required Capital (11.875% of RWA, Or 4,000 million which is higher)	4,000	4,000	4,000	4,000	4,264	6.60%
Capital Surplus/(Deficit), (A-B)	122	650	1,408	2,148	2,678	24.67%
Tier I Capital Ratio	43.13%	25.36%	22.18%	19.98%	18.05%	(-)1.93%
Tier II Capital Ratio	0.82%	0.93%	1.12%	1.05%	1.28%	0.23%
Capital to Risk Weighted Asset Ratio (CRAR)	43.95%	26.29%	23.30%	21.03%	19.33%	(-)1.70%
Credit Quality:						
Non-performing loans (NPLs)	-	140	144	458	374	(-)18.34%
NPL to total loans and advances (%)	-	1.01%	0.68%	1.68%	1.20%	0.48%
Provision for unclassified loans	63	141	222	256	418	63.28%
Provision for classified loans	-	56	72	185	148	(-) 20.00%
Provision for Off-Balance Sheet exposure	13	23	36	51	42	(-) 17.65%
Provision for other assets and diminution in Investments	-	-	-	0.13	17.18	100%
Share Information:						
No. of Shares outstanding	400 M	400 M	432 M	479.52 M	527.47M	10.00%
No. of Shareholders	32	32	34	37	40	8.11%
Earnings per share (EPS), (BDT)	0.09	1.10	1.55	1.31	1.23	(-)6.11%
Net Assets Value Per Share (BDT)	10.12	12.67	12.40	11.09	12.30	11.09%
Profitability & Performance Ratio:						
Net Interest Margin (NIM)	2.52%	1.50%	5.06%	3.78%	4.44%	0.66%
Advance to Deposit Ratio	76.66%	77.35%	78.89%	79.72%	87.31%	7.59%
Cost to income Ratio	74%	45.22%	43.48%	41.13%	44.38%	3.25%
Cost of fund on average deposits	10%	9.73%	6.62%	6.33%	7.38%	1.05%
Return on average assets (ROA)	0.23%	1.84%	2.26%	1.65%	1.42%	(-) 0.23%
Return on shareholders' equity (ROE)	0.86%	8.63%	12.77%	12.30%	10.54%	(-) 1.76%
Liquidity Ratio:						
Cash Reserve Ratio (CRR)	6.80%	6.61%	7.30%	7.62%	5.63%	(-) 1.99%
Statutory Liquidity Ratio (SLR)	45.67%	35.38%	23.67%	17.48%	20.64%	3.16%
Liquidity Coverage Ratio (LCR)	204.33%	127.88%	418.80%	249.28%	171.70%	(-) 77.58%
Net Stable Funding Ratio (NSFR)	102.95%	100.54%	122.21%	128.05%	115.27%	(-) 14.87%
Leverage Ratio	-	17.62%	13.86%	13.02%	13.61%	0.59%
Other information:						
No. of Branches	11	20	21	24	30	25.00%
No. of ATM	5	18	23	26	32	23.08%
No. of employees including contractual staff of 92 in 2017 and 142 in 2018)	198	335	375	503	571	13.52%
Number RMA	40	56	64	112	121	8.04%
No. of NOSTRO Accounts (Five Major currency)	9	11	12	12	12	0.00%

The Sponsor Shareholders

SL	Name	Designation	Percentage of Shareholding
1	Mr. Kazi Zafarullah	Sponsor Shareholder	2.00%
2	Mrs. Nilufer Zafarullah	Sponsor Shareholder	1.00%
3	Mr. Kazi Omar Zafar	Sponsor Shareholder	2.00%
4	Ms. Anushka Mehreen Zafar	Sponsor Shareholder	2.00%
5	Mr. Kazi Raihan Zafar	Sponsor Shareholder	2.00%
6	Dr. Kazi Shahidullah	Sponsor Shareholder	0.25%
7	Mr. Kazi Ekramullah	Sponsor Shareholder	0.25%
8	Mrs. Sabiha Mahboob	Sponsor Shareholder	0.25%
9	Ms. Scherezad Joya Monami Latif	Sponsor Shareholder	10.00%
10	Mr. Abdullah Ahmed Yousuf	Sponsor Shareholder	5.75%
11	Mr. M. Moniruzzaman Khandaker	Sponsor Shareholder	2.75%
13	Mr. Nazib Ahmed	Sponsor Shareholder	0.25%
14	Mrs. Israt Ahmed	Sponsor Shareholder	0.25%
15	Dr. Fahmida Haque	Sponsor Shareholder	0.25%
16	Mrs. Ela Haque	Sponsor Shareholder	0.25%
17	Mr. Niranjan Chandra Saha	Sponsor Shareholder	0.25%
18	Mrs. Salina Maksuda	Sponsor Shareholder	0.25%
19	Mr. Basudev Saha	Sponsor Shareholder	0.25%
20	Reedisha Knitex Ltd. (Rep. by: Mr. Rezaul Karim)	Sponsor Shareholder	5.00%
21	Mondol Fabrics Ltd. (Rep. by: Mr. Abdul Momin Mondol)	Sponsor Shareholder	5.00%
22	Liberty Knitwear Ltd. (Rep. by: Mrs. Ferdous Ara)	Sponsor Shareholder	5.25%
23	That's It Sportswear Ltd. (Rep. by: Mr. Md. Kamal Hossain)	Sponsor Shareholder	5.00%
24	Refat Garments Ltd. (Rep. by: Mrs. Shahnaj Parveen)	Sponsor Shareholder	5.00%
25	Hazrat Amanat Shah Spinning Mills Ltd. (Rep. by: Mrs. Lutfa Begum)	Sponsor Shareholder	5.00%
26	Garment Export Village Ltd. (Rep. by: Mr. A.K.M. Badiul Alam)	Sponsor Shareholder	5.00%
27	Beq Knit Ltd. (Rep. by: Mr. Md. Rokonuzzaman Sarker)	Sponsor Shareholder	4.75%
28	Badsha Textiles Ltd. (Rep. by: Mr. Kamal uddin Ahmed)	Sponsor Shareholder	5.00%
29	Master Abul Kashem	Sponsor Shareholder	4.63%
30	Mr. Mohammed Jamal Ullah	Sponsor Shareholder	4.02%
31	Al-haj Mohammed Issa Badsha	Sponsor Shareholder	0.21%
32	Mr. Ahsan Khan Chowdhury	Sponsor Shareholder	5.00%
33	Mr. Md. Wahid Miah	Sponsor Shareholder	5.00%
34	Mother Steel Limited (Rep. by: Mrs. Nigar Sultana Daizy)	Shareholder	0.37%
35	Azan Limited (Rep. by: Mrs. Salma Issa)	Shareholder	0.37%
36	Ms. Mutaffin Issa	Shareholder	0.21%
37	Ms. Moomtahina Issa	Shareholder	4.21%
38	Mrs. Shahnaz Jamal	Shareholder	0.31%
39	Mr. Walid Mohammed Shamuel	Shareholder	0.35%
40	Mrs. Fariha Nousheen	Shareholder	0.31%
	Total		100%

THE BOARD OF DIRECTORS





Mrs. Nilufer Zafarullah

Chairman

Mrs. Nilufer Zafarullah is the Chairman of Midland Bank Ltd. She was an Honorable Member of 9th and 10th Parliament of People's Republic of Bangladesh. An Architect by profession, Mrs. Zafarullah has contributed to education and development for over 25 years. She is renowned for her humanitarian effort. She is a member of the Board of Trustees of Independent University Bangladesh (IUB) and Chittagong Independent University (CIU). She is a Director of Hong Kong Shanghai Manjala Textiles Ltd. and Donor Trustee of Begum Zebunnesa & Kazi Mahabubullah Janakalyan 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. She also served as the Chairman of the Parliamentary Standing Committee for the Ministry of Foreign Affairs, Government of Bangladesh from 2012-13, in the ninth Parliament.



Master Abul Kashem

Vice Chairman

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

Chairman
- Mother Steel & Oxygen Limited

Managing Director
- Mother Steel Limited.

Shareholder
- AIBL Capital Market Services Ltd.

Proprietor
- MAK Corporation
- Master Steel Re-Rolling Mills



Dr. Kazi Shahidullah

Director

Dr. Kazi Shahidullah is a Sponsor Director and a member 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 Janakalyan Trust, Bangladesh Itihas Samity and Asiatic Society of Bangladesh. Dr. Kazi Shahidullah also served as the Chairman of Audit Committee of the Board of Directors since inception of MDB until 20 December 2018.



Mr. Rezaul Karim

Director

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

Presently he is holding the following portfolios in different organizations:

Chairman:

- Board of Trustees, Southeast University Trust
- Board of Trustees, Southeast Asia Foundation
- 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 & Beverages Limited
- Reedisha Printing and Packaging Limited

Director:

- Chartered Life Insurance Company Limited

Proprietor

- Reedisha Trading and Distribution Co.

President:

- Bangladesh Cosmetics and Toiletries Manufacturers Association

Adviser:

- Banani Society and Gulshan Joggers Society

Member:

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



Mr. Ahsan Khan Chowdhury

Director

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

Mr. Chowdhury started his business career in the family Real State, Food, Plastic and Light engineering business. He worked in all three fields and was extremely successful in making profitable deals for his company. Under his dynamic leadership, PRAN-RFL Group earned extensive acceptability & recognition in Bangladesh as well as globally in a short span of time. Today, it is the fastest growing corporate in Bangladesh, which contributes significantly to the socio economic development of the country. Currently the group has diversified interest in Agro-processing, Food and Plastic, Light Engineering, Banking etc. The group has its own production facilities in 13 different locations all over Bangladesh. The Group is directly employing over 95000 people and another 15,00,000 people subsists of PRAN-RFL Group.Over the last 25 years, Mr. Chowdhury's role is instrumental in the success of the Group.

By profession he is an entrepreneur, but he is a pioneer on several fronts. He is known as an executive in the fields of sales, marketing and business development. From the start of his career, he had special focus on Sales & Marketing with a strong vision to make his products and services available in every shop even the remotest parts of the country. He travels all over Bangladesh to build up the strong sales and distribution network. Today the group occupies a market share of almost 65 % of the industry in Bangladesh in spite of the tough competition of the multinational companies.

Mr. Chowdhury strongly believes that in spite of Bangladesh being the world's most densely populated and poorest country, there is a lot of potential for development if given an opportunity. Bangladesh is considered as an agro based country but now with the changing trend the economy is rapidly developing to market based economy and thus it is emerging as a strong and competitive industrial based country. Bangladesh is endowed with vast human resource in the world and if properly utilized, they can prove to be most valuable asset for the development of the economy.

After winning the hearts of millions in Bangladesh, Mr. Chowdhury focused on export market. He travelled extensively in all continents, focusing on North America, Europe, Africa, and Asia to enrich and develop the markets. Under his Charismatic and effective leadership the group has established overseas offices in Dubai, Oman, India, Africa, Malaysia and Spain. Currently, his group is exporting its products to over 134 countries of the world. In recognition of Mr. Chowdhury's outstanding contribution in exports his company was awarded with Best Exporters Trophy for last 13 consecutive years by the government of Bangladesh.

His current mission is to emerge as the first Bangladeshi Multinational company with production facilities in different parts of the world by the year 2020. As a stepping stone, his company has successfully installed its production facility in India and Nepal.

Mr. Chowdhury's father, Late Major General Amjad Khan Chowdhury (Retd.), was a soldier turned into a businessman who started the family business in 1980 with the strong support of his mother, Sabiha Amjad, who continually worked with him to establish the business. His wife, Seema Chowdhury, is carrying out the responsibility as a Director in her husband's business, contributing to the success of all industrial ventures. This couple has two daughters, Samia and Sameen who are also planning to join their father's business after completing their studies in Canada.

Mr. Chowdhury is an active member of all Trade and Commerce bodies, associations & clubs in Bangladesh. He is involved in many socio-economic activities to serve the community. He is deeply involved in every aspects of his business on regular basis, working hand in hand with his employees. He works long hours and starts his day very early and work till late night. He can be described as a successful and energetic entrepreneur, workaholic, and hands on manager. He is an optimistic and has a very pleasant personality.

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

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



Kazi Omar Zafar

Director

Mr. Kazi Omar Zafar is a Sponsor Director and a member of the Executive Committee of Midland Bank Ltd. After completing B.F.A. Degree from Clark University in the USA, Mr. Kazi Omar Zafar started his early career as an exhibiting artist in New York. His 20 years business career began with ship management in Greece and in Bangladesh as the Managing Director of Refresh 360 Ltd, that ran as a 3D animation company for few years. During in his formative business years also he ran the Reliance Textile Industries, after which he went back to Greece and then shortly returned to Bangladesh as consultant for Chinese firms; whereby successfully implemented Bangladesh's first large scale Chinese G to G investment in the Fertilizer sector. Mr. Zafar is one of the active Directors of Hong Kong Shanghai Manjala Textiles Limited (HSMTL). Mr. Zafar has ventured into the energy business as CEO, where his family owned company Hongkong Shanghai Manjala Power Limited (HSMPL) has recently signed agreement with GOB to implement offshore LNG Terminal project. Simultaneously, Mr. Zafar is working with various foreign JV partners for the LNG business and for future energy infrastructure business in Bangladesh. Mr. Zafar, is an energetic and promising entrepreneur and apart from his numerous business interests in Bangladesh and abroad, Mr. Zafar is also an avid sportsman who constantly participates in Squash tournaments. Mr. Zafar is compassionate about social responsibility and contributes to philanthropic services for the underprivileged women and children. This apart, he has affiliation with a number of social groups. He has visited a good number of countries across the globe on different occasions of businesses. He is a donor trustee of Begum Zebunnessa and Kazi Mahabubullah Janakalyan Trust.

Currently he is associated with the following organizations:

Chairman

- Kalypso Limited

Managing Director

- Hongkong Shanghai Manjala Power Limited (HSMPL)

Director

- Hon Kong Shanghai Manjala Textiles Limited (HSMTL)



Mr. Mohammed Jamal Ullah

Director

Mr. Mohammed Jamal Ullah is one of the Sponsor Director and member of risk Management Committee of Midland Bank Limited. His core business interests includes manufacturing and trading of commodities. He earned notable name and fame in the business community for his integrity, devotion and sincerity for a span of 40 years. Mr. Mohammed Jamal Ullah has a deep affinity and attachment with various sociocultural organizations. He is a life member of ChattogramMaa-O-Shishu Hospital, Chittagong Diabetic General Hospital, Bhatiary Golf & Country Club and Chittagong Boad Club.

Currently he is associated with the following organizations:

Managing Director

- Silver Dal Mills Limited
- Ishfar Oil Mills Limited
- Shehzad Food Products Limited
- Silver Bell Properties Limited

Director

- Asia Insurance Limited

Proprietor

- Bismillah Store
- M/s Mohammed Jamal Ullah



Mr. Md. Wahid Miah

Director

Mr. Md. Wahid Miah is a Sponsor Director and a member of the Executive Committee of Midland Bank Limited. He is a very successful businessman and has over 30 years of experience in Textiles (BCI, ORGANIC YARN FRON CONTROL UNION: GOTS & OCS, OEKO-TEX, CONTROL UNION, AUSTRALIA) Jute Mills, Garments, Ship, Construction, Transport, Filling Station, Heavy Equipment, Engineering and Brick industry of the country. Under his dynamic Management, Karim Jute Spinners Ltd. (ISO 9001: 2015 certified) was awarded 'Agrani Bank Trophy' for being best export performers in 2010 and won 'National Export Trophy' for three times, i.e. 2011-12, 2013-14 and 2014-15 as recognition for being largest exporters of Jute yarn. Mr. Md. Wahid Miah is a humanitarian who is passionately involved in encouraging social awareness. Mr. Wahid regularly donates to educational institutions and promotes women's education. He is one of the largest donors to Muslim Missions and educational institutions. He is a life member of Faridpur Diabetic Samitee and an Executive Member of Bangladesh Textile Mills Assocition.

Currently he is associated with the following Organizations:

Managing Director:
- Al Haj Karim Textiles Ltd.
- Abdul Karim Ltd.
- Wahid Construction Ltd.
- Karim Shipping Lines Ltd.
- Karim Asphalt & Ready Mix Ltd.
- Karim Energy Limited.
- Karim LP Gas Ltd.

Director:
- Karim Jute Spinners Ltd.
- Hypoid Composite Knit Ltd.
- JK Jute and Burlap Ltd.

Proprietor:
- Karim Trading
- Jobaida Filling Station
- J.K Filling Station
- Karim Filling Station
- M/S Md. Wahid Miah

President:
- Faridpur Chamber of Commerce & Industries

Secretary:
- South Bengal Patrol Pump Owners Association

Secretary General:
- Bangladesh Container Ship Owners Association (BCSOA)

Joint Secretary:
- Bangladesh Petroleum Tankers Owner Association
- Faridpur Muslim Mission, Faridpur

Executive Member:
- Tarar Melalshan Memorial School, Faridpur
- Faridpur Club, Faridpur.
- Shabjan Nesa Mohila Madrasa, Faridpur
- Bangladesh Contractor Association
- Faridpur Bus-Truck Owners Association
- Faridpur Bus Owners Association
- Faridpur Truck Owners Association

Member:
- Federation of Bangladesh Chambers of Commerce and Industries (FBCCI)
- Standing Committee on 2017-2019 Ministry of Foreign Affairs (Europe & North America), International Organization.
- Bangladesh Textiles Mills Association- Standing Committee on
    1. Labour & Law
    2. Logistic & Infrastructure
- Sub-Committee on Arbitration to Mediate Dispute among the member mills

Sponsor & Life Member:
- Heart Foundation, Faridpur
- Sufl Club, Faridpur
- Sandhani Club, Faridpur
- Faridpur Diabetic Shametti
- Faridpur Diabetic Shametti, Faridpur
- Faridpur Muslim Mission, Faridpur

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



A.K.M. Badiul Alam
Director

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

Mr. A.K.M. Badiul Alam has been elected as Director of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) for 2019-2021 term. He is a member of the Board of Directors of Midland Bank Limited as the nominee Director of Garments Export Village Limited. He is also member of the Executive Committee of the Board of Directors of the Bank.

His initiatives have created employment to many unemployed and made unskilled workers to valuable workforce who are now rendering their labour and efforts for development of the national economy. Besides RMG manufacturing and exporting, Mr. Alam also taken initiatives to establish companies relating to Electricity generation and Oil refinery. He has also involved with the Medical service, Technical education, traditional and International standard basic educational institutions. He has earned name & fame by voluntary welfare service to his local native people.
For extra ordinary performance in RMG Export, recently Mr. Alam has been awarded CIP status by the Ministry of Commerce, Government of Peoples Republic of Bangladesh.
Presently he is holding position in the following companies/institutions:

Chairman:
- Garments Export Village Limited.
- Power Vantage Wear limited.
- Amtranet Limited.
- Bravo Apparel Manufacturer Limited.

Director:
- Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
- Shahjibazar Power Co. Limited.
- Petromax Refinery Limited.
- Zenith Islami Life Insurance Limited.
- Eden Multi Care Hospital (pvt.) Limited.
- Australian International School, Dhaka.
- Tiger Tours Ltd.
- Imperial Capital Ltd

Founder:
- Badiul Alam Science and Technical Institute.



Mrs. Shahnaj Parveen
Director

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

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

Executive Director:
- Refat Garments Ltd.
- Bango Engineering Co. Ltd.

Shareholder:
- Next Collections Ltd.
- Next Garments Ltd.



Mr. 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.
- FaujiChatkal Ltd.
- M H Sports Wear Ltd.
- M H Design Ltd.
- MH Jute Mills Limited
- Modern Cargo Carrier Limited

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.

Proprietor
- M/S Goldenaize Entreprise



Mr. Md. Rokonuzzaman Sarker
Director

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

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

Executive Director:
- Beq Knit Ltd.

Proprietor
- Sarker Enterprise



Mr. Kamal uddin Ahmed
Director

Mr. Kamal Uddin Ahmed is a member of the Board of Directors of Midland Bank Limited. He is also a member of the Bank's Executive Committee.
He is a promising entrepreneur and possesses excellent business background in the RMG and spinning industry. Currently Mr. Kamal Uddin Ahmed is associated as the Director of the following organizations:

- Badsha Textiles Ltd.
- Kamal Yarn Limited
- Badsha Accessories Ltd.
- Pioneer Knitwears (BD) Ltd.
- Pioneer Denim Limited
- Pioneer Denim Fashions Ltd.

He is an MBA graduate from Independent University of Bangladesh and BBA from North South University, Bangladesh. With his leadership the Badsha Group is enduring to become a leading textile conglomerate in the country and Mr. Kamal is a pivotal stalwart in this visionary journey. Badsha Group has been awarded National Export Trophy as recognition of their contribution to the National Economy for three consecutive years. In the year 2015, Mr. Ahmed was recognized as the youngest CIP by the government of Bangladesh for his contribution in the national economy.



Al-Haj Mohammed Issa Badsha
Director

Al-Haj Mohammed IssaBadsha 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 30 years of experience in manufacturing sector. He has also business interests in ship breaking and local trading. He donates generously to various humanitarian causes each year. Mr. IssaBadsha is 'Life Member' of Maa O Shishu Hospital Chittagong, Chittagong Diabetic General Hospital, Chittagong Kidney Foundation, ChattagramSamiti Dhaka, CTG Metropolitan Shooting Club, CTG Press Club, Bhattari Golf and Country Club and 'Member' of the Chittagong Co-operative Housing Society Ltd. Chattagram Jela Krira Sangstha, The Chittagong Chamber of Commerce & Industry. He is also a 'Permanent Member' of the Chittagong Club Ltd., Chittagong Boat Club Ltd., Chittagong Metropolitan Lions Club and Chittagong Seniors' Club Ltd. Currently he is associated with the following Organizations:

Managing Director:
- Badsha Group
- Azan Dairy & Food Products
- Azan Limited

Proprietor:
- Zuma Enterprise
- M.M Enterprise
- Musa &Issa Bros



Mr. Kazi Raihan Zafar

Director

Mr. Kazi Raihan Zafar is a Sponsor Director of Midland Bank Ltd. joined the Board of Directors with effect from 24 March 2019. He completed B.F.A. Degree from Parsons School of Design, New York, USA. Since returning to Bangladesh, Mr. Zafar is engaged in his family owned Textile business i.e. Hong Kong Shanghai Manjala Textiles Limited (HSMTL) as one of the active Directors. He is also a Director of Hongkong Shanghai Manjala Power Limited (HSMPL). The power company has agreement with GOB to implement offshore LNG Terminal project. Simultaneously, Mr. Zafar is working with various foreign JV partners for the LNG business and for future energy infrastructure business in Bangladesh. Mr. Zafar is an energetic and promising entrepreneur and apart from his numerous business interests in Bangladesh and abroad, Mr. Zafar is compassionate about social responsibility and contributes to philanthropic services for the underprivileged women and children and has affiliation with a number of social groups. He has visited a good number of countries across the globe for businesses purpose. He is a donor trustee of Begum Zebunnessa and Kazi Mahabubullah Janakalyan Trust.

Currently he is associated with the following organizations:

Director:

- Hong Kong Shanghai Manjala Textiles Limited (HSMTL)
- Hongkong Shanghai Manjala Power Limited (HSMPL)



Ms. Anushka Mehreen Zafar

Director

Ms. Anushka Mehreen Zafar is a Sponsor Director of Midland Bank Ltd. joined the Board of Directors with effect from 24 March 2019. She has an M.A. in Health Communication from Emerson College, Boston, USA. After returning to Bangladesh she worked in different Non-Government Organization and contributed in the Health sector of the country. Ms. Anushka Mehreen Zafar has considerable social affiliations. She has travelled widely across Asia, Europe and North America on professional and personal trips. With a compassion for the underprivileged, she is involved in various philanthropic work in the community. She is a Donor Trustee of Begum Zebunnessa and Kazi Mahabubullah Janakalyan Trust.



Mr. Mahbubul Hady Fazle Rab

Independent Director

Mr. Mahbubul Hady Fazle Rab joined the Board of Directors of Midland Bank Limited with effect from 06 December 2018. He is a career Banker having diversified experience in Risk Management, Credit Administration, Risk Assessment and Structuring with multi-country experience. Initially he started his job with American Express Bank, Dhaka in 1979 and later served Standard Chartered Bank and Barclays Bank in Dubai in various responsible positions. Before retirement from his 37 years banking career, he served at Al Hilal Bank, Abu Dhabi, UAE as Senior Vice President-Corporate Credit. At present, he is engaged in consultancy through his own firm i.e. RAB Consulting, FZE, RAK, UAE. Mr. Mahbubul Hady Fazle Rab is an MBA with major in Finance from IBA, University of Dhaka.

Proprietor:

- RAB Consulting FZE, RAK, UAE



Mr. Nazimuddin Chowdhury

Independent Director

Mr. Nazimuddin Chowdhury joined the Board of Directors of Midland Bank Limited with effect from 26 February 2019. He is a veteran Civil Servant with experience in working at the highest level of the Government. He served in different ministries in his career which includes Ministry of Agriculture, Defense, Health and Family Welfare, Commerce, Railway, Establishment, ERD, Women and Children Affairs, Home Affairs and Energy and Mineral Resources. Before retirement from the Government Service, he served as the Secretary of Ministry of Energy and Mineral Resources. Mr. Nazimuddin Chowdhury has vast experience in the role Director of different Government and private sector companies which includes Bangladesh Infrastructure Finance Fund Limited (BIFFL) and MJL (BD) Limited. He also served as the Chairman of the Board of Directors of Omera Petrolium Limited.



Mr. Md. Ahsan-uz Zaman

Managing Director & CEO

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

Committees of the Board of Directors

The Executive Committee

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

The Audit Committee

Sl.	Name	Designation
1	Mr. Mahbubul Hady Fazle Rab (Independent Director)	Chairman
2	Dr. Kazi Shahidullah	Member
3	Al-Haj Mohammed Issa Badsha	Member
4	Mrs. Lutfa Begum	Member
5	Mr. Md. Kamal Hossain	Member

The Risk Management Committee

Sl.	Name	Designation
1	Mr. Ahsan Khan Chowdhury	Chairman
2	Mr. Mohammed Jamal Ullah	Member
3	Mrs. Shahnaj Parveen	Member
4	Mr. Md. Rokonuzzaman Sarker	Member

From the Desk of the Chairman



Honorable Shareholders, Partners and Colleagues, Assalamu Alaikum.

It is my pleasure and honour to present to you the Annual Report together with financial statements for the year 2018 along with the reflection of our performance during the year under review.

On this very auspicious occasion of presentation of our annual report, I recall the valuable contribution that our founder Chairman Mr. M. Moniruzzaman Khandaker had made from the very formative stage of the Bank till his sudden passing. In him, we lost the guardian like personality in later part of the year 2018. I pray to the almighty Allah for his eternal salvation.

From the very inception of this Bank, the members of the Board of Directors prioritized to ensure consistent and sustainable growth and to remain compliant on all the regulatory and prudential matters so that we can acquire solid strength of resilience over the period of our proactive banking operation. We appreciate that we are the custodian of the depositors' money and their level of confidence is undoubtedly very much precious asset for us.

Our success should not necessarily be measured only in terms of monitory value but earnings of the confidence of all the stakeholders will definitely augment our bottom line position as a logical sequence.

You know that year 2018 was a challenging year for the financial eco-system and the year was also national election year which also affected the overall socio-economic dynamics of the country. Despite all that, our Bank has succeeded to produce the expected result in terms of earnings, profitability and at the same time succeeded in reining in the size of NPL. We are well aware that NPLs eat into the vitality of the Banks and financial institutions and with that sprit we are committed to arrest the growth of NPLs.

Midland Bank believes that at end of the day we have the obligations to make incremental value addition on the precious investment made by our valued sponsors as they had taken risk on their capital in establishing this Bank. At the same breath, I want to reiterate that our depositors are our most preferred stakeholders and our prime objective should be to protect their interest adequately under any circumstances.

You will be happy to learn that as part of implementation of our expansion plan we opened six new branches in different prime and potential areas of the country and alongwith that we in our endeavour have expanded Agent Banking Centers across the country numbering thirty. We in the year 2019 contemplate to expand our Agent Banking network by opening more centres in the catchment areas of the country as part of our commitment to the cause of financial inclusion.

Global economy during the year witnessed slow pace of recovery as international trade and manufacturing activities lost the steam and that was way below the expectation. In the meanwhile, debate rages as to why growth in global trade has slowed so sharply in recent years. US President Donald Trump administration has apparently taken lead in moving from trade liberalization and globalization to protectionism and fragmentation. Depending on the outcome of US-China trade negotiation there prevails the looming possibility that more bad news for Chinese export to USA. Moreover, China is moving aggressively to counter the cyclical shortfall on its domestic front. We are well aware that China is the world's largest exporter and at the same time happens to be the second largest importer. The negative impact of US China trade war has started to become visible. The disruptive effect of Brexit may exacerbate the problem. As an aftermath impact, global value chains in trade are facing major stress and mark down.

Bangladesh economy has in the meanwhile met all the three criteria for its graduation from LDC status and if everything goes right, we will finally be graduated to the status of middle income country by the year 2024. After graduation, Bangladesh will also have to face some challenges as the country will not be entitled to enjoy the preferential treatments with respect to international trade and development assistance specially with respect to some preferable treatment under the World Trade Organization (WTO). So from now onward, we shall have to take preemptive measures to ensure sustained growth in our journey to take the economy to the next trajectory so that we can weather the headwinds fruitfully.

Our domestic economy has witnessed record high GDP growth but employment opportunity has not been created on the same scale. This state of condition requires us to remain more focued on creation of employment opportunity by offering stimulus packages to the private sector. It is revealed from the available statistics that during the period from July to December of last year, overall import has registered an increase by 5.73% to US Dollar 27.82 billion whence our export earnings fetched US Dollar 20.16 billion up by 16.7% year on year basis. We should realize that there should be a balance of growth between exports and imports to turn an economy into sustainably vibrant one. From the available reports, it is conceivable that the country's foreign exchange reserve remains almost stagnant for the last three to four consecutive years. At the end of December of year 2018, Foreign Exchange reserve stood at 32.01 billion down from 33.06 billion a year earlier. The amount of reserve is found adequate to cover the import payment obligations of five months which was earlier around 6 months. On the otherhand, trade deficit hit an all-time high of US dollar 8.25 billion in the last fiscal year.

In 2018, MDB came out as the most successful among the fourth generation banks by upholding its vision of increasing returns without compromising the Bank's commitment to ethics and sustainability. During 2018, the Bank registered operating profit of BDT 1,241.51 million and posted net profit after tax at BDT 650.32 million. The Bank earned distributable profit of BDT 425.52 million, compare with BDT 480.99 million in 2017. Total deposit rose by 3.95% to BDT 35,592.17 million from BDT 34,240.23 million. Loans and advances increased by 13.84% to BDT 31,074.67 million from BDT 27,295.60 million. Amount of fee based income increased by 32.93% to BDT 389.18 million from BDT 292.77 million. Shareholders' equity rose to BDT 6,487 million from BDT 5,852 million, with an increase of 10.84%. Unlike many of our peer competitors, we were well-capitalized, deposit funded and liquid. MDB's capital management framework was intended to ensure best composition capital in relation to business growth. Bank's Capital to Risk Weighted Assets Ratio (CRAR) stood at 19.33% against minimum requirement of 11.875% per Basel III compliance. Return on Assets (ROA) and Return of Equity (ROE) stood at 1.42% and 10.54%, respectively. In an adverse scenario of Non-Performing Loan (NPL) in the banking industry of Bangladesh, MDB was able to maintain its NPL below 2% (1.20%), compared to an industry average of 10.30%. At the end of 2018, our number of branches stood at 30 (Thirty) including (Fifteen) rural branches and 30 (Thirty) Agent Banking Centres covering strategically important locations of the country. The Bank expanded to 32 (Thirty two) ATM Booths,

5 (Five) Bill Collection Centers and provided customers access to over 6,000 ATMs in different commercially important locations of the country.

As a matter of policy priority we attach utmost importance to become a tech-savvy Bank and in this direction we intend to build up a robust and customized IT platform over a period of time and in phases. We also firmly believe that the importance of Human Capital cannot be overstated as a sound and required manpower support bears immense importance to ensure sustained growth of a bank as well as to build up the future leaders to take over the onerous responsibility to lead the institution. Besides, we also give importance on ensuring cost efficiency in all our activities keeping in mind resources are limited but its optimum utilization to contain wastages in whatever form that may be.

Money laundering poses serious threat for any financial institution irrespective of its age and scale of operation. In this area we always intend to take preemptive measures to combat money laundering and terrorist financing. In this respect, we have taken all measures like that off creation of awareness among the rank and file of employees by arranging training programme, workshops in our endeavour to create realization regarding the noxious effect of any kind of money laundering and its aftermath impact is the erosion of reputation and goodwill. Money launderers have become very much cautious and they adopt even more sophisticated means to overreach our attempt to curb their heinous activities.

We in Midland Bank believe that Corporate Governance is the critically important pillar to build up the institution on sound footing. The art of Good Governance necessitates to device strategies to promote good governance. In fact, Corporate Governance is a process and structure used to direct and manage thereby enhancing shareholders value as well as ensuring financial viability. The underline purpose of good corporate governance is to build and strengthen accountability, credibility and upholding the institutional integrity. Our Board of Directors as a matter of policy, attach utmost importance on the issue of Corporate Governance and its proper practice upto the maximum possible extent to grow the organization with sustainability and its navigation in the right direction.

We in Midland Bank as a policy priority harbour the idea to ensure equitable growth of the economy which will bring down the discriminatory gap between the haves and have nots. We believe that the banks as financial intermediary has got their role to play for ensuring equitable distribution of resources and the CSR activities may act as an effective instrument to make our contribution in this direction. To this effect we set out a part of our operating income as dedicated fund to carry out our activities under the umbrella of corporate social responsibilities. We want to be very much responsive as a corporate citizen to any call to the cause of distressed humanity.

In fine I on behalf of respected members of our Board take the opportunity to express the debt of gratitude to all our stakeholders,patrons, business partners and our most valued clienteles. Their level of confidence will always be inspirational in our forward looking journey. I would also express my deep sense of appreciation and gratitude to the Government of Bangladesh, Bangladesh Bank, Ministry of Finance, Bangladesh Securities & Exchange Commission (BSEC), National Board of Revenue (NBR) and other regulatory bodies for their valued guidelines, advice and relentless support. I also recall the contribution made by our auditors, legal advisors and law enforcing agencies for their immense contribution to play our role in a most effective manner. I also appreciate the contributions made by the management team and the rank and file employees of the bank for their dedicated service and handwork, which made it possible for us to churn out the expected financial result in the face of headwinds and challenges. I am also very much thankful to my colleagues on the Board who have proved themselves as very much supportive in giving strategic policy guidance towards taking this institution to the next growth trajectory.I confidently believe that Insha'Allah by the grace of the Almighty and by dint of sincere and relentless effort of our management and the employees Midland Bank will succeed to carve its very and distinguished position in the banking and financial landscape of the country.

Sincerely,



Nilufer Zafarullah
Chairman

Report of the Audit Committee of the Board of Directors



Formation

The Board Audit Committee (BAC) of Midland Bank Limited was formed by the Board of Directors in its 15th Meeting held on April 26, 2014 to provide independent oversight of the company's financial reporting, non-financial corporate disclosures, internal control system and compliance to governing rules and regulations in compliance with Bangladesh Bank's BRPD circular No.11, Dated: October 27, 2013 regarding formation and responsibilities of Board of Directors of a Bank Company and in line with Bangladesh Securities and Exchange Commission (BSEC) Notification No.

SEC/CMRRCD/2006-158/134/Admin/44, Dated: August 07, 2012 and No. SEC/CMRRCD/2006-158/147/Admin/48, Dated: July 21, 2013 on Corporate Governance.

Organizational Structure of BAC

As per Bangladesh Bank BRPD Circular No.11, dated 27 October 2013, a 5 (Five) member Board Audit Committee (BAC) was last reconstituted in the 80th Board Meeting dated 20.12.2018 with the following Board Members:

SL No.	Name	Status with the Bank	Status with the Committee
01.	Mr. Mahbubul Hady Fazle Rab	Independent Director	Chairman
02.	Dr. Kazi Shahidullah	Director	Member
03.	Al-haj Mohammed Issa Badsha	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.

Participation of non-members:

The Managing Director and CEO, Additional Managing Director, Chief Financial Officer and Head of ICCD attended some of the meetings on need basis.

Roles and Responsibilities of Committee

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

a) Internal Control:

- Evaluate whether management is adhering to the appropriate compliance culture by communicating the importance of internal control and risk management to ensure that all employees have clear understanding of their respective roles and responsibilities.

- Review the initiatives taken by the management for developing and maintaining a suitable Management Information System (MIS).
- Consider whether internal control strategies recommended by internal and external auditors have been implemented timely by the management.
- Review the existing risk management policy and procedures for ensuring an effective internal check and control system.
- Review the corrective measures taken by the management as regards to the reports relating to fraud-forgery, deficiency in internal control or other similar issues detected by internal and external auditors and inspectors of the regulators and inform the Board on a regular basis.

b) Financial Reporting

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

c) Internal Audit

- Monitor/ evaluate whether internal audit functions are conducted independently from the management.
- Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made on the internal audit process.
- Review and assess the annual internal audit plan and appraise the same to the Board to get approved.
- Review the efficiency and effectiveness of internal audit function.
- Review that findings and recommendations made by the Internal Auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.
- Meet the Head of ICC and the head of internal audit/monitoring as and when necessary without management being present to discuss about any issues arising from the internal audits carried out.

d) External Audit

- Review the performance of the external auditors and their audit reports.
- Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the bank's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the external auditors including:

* Approval of their remuneration, i.e. fees for audit or non-audit services.
* Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
* Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the bank (other than in the ordinary course of business).
* Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.
* Review the findings and recommendations made by the external auditors for removing the irregularities, if any, detected are duly acted upon by the management in running the affairs of the bank.

e) Compliance with existing laws and regulations

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

f) Miscellaneous

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

Meetings of the BAC

Bangladesh Bank suggested banks to hold at least 4 meetings in a year. In the year 2018, the BAC of MDB managed to hold 04 (four) meetings and had detailed discussions and review session with the Head of Internal Control & Compliance on issues of bank affairs that need improvement. The BAC instructed management to follow those remedial suggestions and monitored accordingly.

Major areas focused by BAC in 2018 meetings:

- Recommendation regarding appointment/re-appointment of External Auditor(s) of the Bank for the period upto 6th Annual General Meeting.
- Review and recommend for recruitment of Independent Director(s) in the Audit Committee of the Board of Directors of the Bank.
- Review and recommend for approval of ICCD activity plan for the year-2018.
- Review and submit a compliance report to the Board of Directors on quarterly basis on regularization of the omission, fraud and forgeries (if any), and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities.
- Review the performance of ICCD in 2017, half yearly in 2018.
- Review the summary of audit findings by internal auditors and recommend the management for rectification.
- Review the highlight of all Bangladesh Bank Inspection reports and recommend the management for rectification.
- Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.
- Follow up of implementation status of meeting decisions taken by BAC.
- Review of annual un-audited financial statements of 2017 and quarterly, half-yearly un-audited financial statements of 2018.
- Review of annual integrated health report–2017.
- Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.
- Review of list of approvals taken as Credit Policy exception.

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, 2018. Since most of the computation is system based, the possibility of manipulation is almost absent. The committee has selected Bangladesh Standards of Auditing (BSA) and Bangladesh Financial Reporting Standards (BFRS) as the accounting standard and accordingly the financial statement clearly states the compliance of GAAP, SEC and Bangladesh Bank guideline.

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

On behalf of the Audit Committee,

Mahbubul Hady Fazle Rab
Chairman
Audit Committee of the Board of Directors

Managing Director & CEO's review



Respected shareholders and endearing partners, AssalamuAlaikum.

It is with a sense of deep gratitude that I present the performance and financials of the Bank for the year 2018. With Almighty Allah's mercy, 2018 reflected the strength of our business model as we improved, albeit small, our financial performance. Our profitability grew, equity base increased and we expanded our product offerings and services to be the right financial partner for our customers. We continued to invest in our process, people and technology to make it more convenient and secure for our customers to bank with us. The year showed we have the appropriate mix of business, risk profile and scale to drive results in a challenging environment. The money market was quite unstable during the whole year. It is notable that the import of capital goods, machineries and consumer items increased in large volume in recent years which resulted in increased negative trade balance that again negatively impacted on the balance of payments of the country. Moreover, the remittance inflows were in negative trend during the first half of 2018. The liquidity crunch intensified during the year as the local commercial banks purchased foreign currencies in increased volume to meet their net import payments which resulted in withdrawal of huge local currency from the market. As the money market tightened, the private Banks, the fourth generation banks in particular, suffered a lot due to the higher trends in interest rate in the money market. Despite the hurdles, we managed to book an operating profit of BDT1241.51 million in the year 2018.The negative net export balance reduced lately for which ease of the money market is expected. The inflows of remittance have also increased in the last quarter of 2018.

Economic Environment:

As one of the best performing economies of the world, Bangladesh's GDP grew 7.86% which is a new record of growth. The broad-based growth was mainly due to private consumption supported by strong remittance inflows. However, net export turned negative because of rising food and capital machinery imports and weak exports. In 2019, robust economic activity is expected to be sustained. GDP growth is expected at 8.0 percent plus. Activity will be supported by strong private consumption and investment on the back of infrastructure projects. Net exports are projected to contribute negatively to GDP growth as imports outpace exports in response to strong domestic demand.

Business Strategy:

Due to last years' liquidity crunch, the Bank had to curtail loan disbursements. The number of Branches reached 30 and Agent Banking Centres(ABC) also increased to 30 by the end of 2018. Number of customers reached 67,608 as we target one lac customers within 2019. Since Financial Inclusion is the tag line of Midland Bank (MDB), we rigorously perused the opportunity to increase the number of our ABCs. As the safest option for financial inclusion, we feel that Agent Banking could be the future for banking in the unbanked areas of Bangladesh to bring the marginal people under the banking umbrella. Customer security and safety is one of our priority at MDB. In this respect, we introduced system generated deposit slipacross our branches and ABCs for all cash deposits and bill payments which will further safeguard our customers and prevent fraudulent activities. The Bank invested in Disaster Recovery Centre and enhanced capability in its Core Banking Solution to meet security requirement and ensure cyber security, which is emerging as a big challenge for the online Banks. Midland Bank, simultaneous to expanding its Branch and Agent Banking network, will set up Banking Booth in various locations. It will also bring better payment and money transfer solutions for clients' benefit. We will also seek scope to grow client wealth by leveraging options available in the capital market.

Performance:

Midland Bank recorded a profit after tax of BDT 650.32 million with a negative growth of 6.00% year-on-year but the Bank achieved remarkable growth of BDT 367 million with a growth of 45.36% in Business profit before provision and tax. Due to reduction in gain on investment in shares and particularly Government security trading by 57.82% and 86.50% respectively, the business profit of the later being non-taxable, the net profit of the Bank decreased. However, we were pleased that 94% of our income came from core banking business of the bank in 2018 whereas it was 68% in 2017, which reflects that our business model is executing well as we build a solid foundation for the future. Total assets of the Bank stood at BDT 45,750.80 million up by 9.06% year-on-year. The Bank's loan portfolio and deposits maintained a balanced growth of 13.84% and 3.95% respectively supported by our customer centric business model. At the close of the year, our loans and advances were BDT 31074.67 million as our client acquisition strategies supported growth. Our credit lines comprised mostly of corporate portfolio, SME lending and retail loans. The NPL ratio reduced to 1.20% during the year as compared to 1.68% in 2017, which continues to remain at industry low. The Advance to Deposit ratio was maintained at 87.31% as at the year-end while current and savings (CASA) contribution to total deposits improved to 29.51%, thus enabling the Bank to gain a competitive margin. Continuous focus on streamlining operations resulted in an improved cost to income ratio of 44.38% consolidating our bottom line. The key financial heath check indicators reflect a sound position with Capital Adequacy ratio being 19.33% at the close of 2018 as per Basel III standard.

Customer Values:

Empirical evidence suggests that market drives customers' demand. In rhyme with consumer needs we focused on creating customer value by launching and remodeling products to cater to their requirement which improved our customer base substantially. Traditional banking business was geared towards large business entities and upper class population, base of which is limited and hence off-limits the growth of banking business. Concentration of banking sector on large conglomerates and higher echelon of the society allowed this segment of customers to dictate pricing and security terms which put the banking sector in weaker position. In view of the foregoing scenario, we concentrated more on large number of Small and Medium Enterprises (SMEs) which is the main driver and contributes lion share of the economy. This necessitated steering our vision, from the outset of our business, towards concentrating in this segment, which in turn allowed us to lessen our reliance on large conglomerates and concentrate more

in this sector to diversify our portfolio as well as enhance our profitability. We are gradually shifting our business focus from large conglomerates to SME and Retail segments by diversifying our asset portfolio. Both across asset and liability sides, we remained vibrant by disbursing Agri, Microfinance, green development loans and foreign currency fee based transactions and structuring current, savings and scheme deposit accounts. All of these offerings have drawn a significant appetite shown by the SME customers during the year under review.

During 2018, a good total of 236 MSME entrepreneurs were added to SME client-base bringing the total to 586 and disbursed a sum of BDT 2750.10 million which consolidated our SME portfolio with BDT 4602.10 million outstanding at the year-end. To improve the gender balance in SME finance, we closed the year with BDT 654.60 million loan disbursement comprising 11,418 women entrepreneurs (directly through Bank to 33 number of Women Entrepreneurs and indirectly through MFIs to 11,385 number of Women Entrepreneurs) recording a growth of 3.64% in loan disbursement. We reviewed and upgraded our Product Guidelines for the ease and safety of customers ensuring proper due diligence.

HR Capital:

Principal asset of our Bank is our talented, educated, professional and self-motivated human resources who drive the Bank towards excellence for achieving our organizational goal. MDB attaches top priority to acquire talented and skilled manpower. We consider development of human resource is a continuous process to overcome the technical and business challenges and turning them into opportunity to keep the Bank ahead. We continued to invest in our Training Institute to improve the skill level of our manpower increasing its capacity and resources to better equip our HR pool.

Social Commitment:

From the beginning of our journey we are committed to be a responsible stakeholder for serving the society and also maintain high standard of ethics and integrity in all of our activities. In 2018, the Bank contributed a portion of the net profit after tax for various CSR programmes. Our major area of CSR activities is education, community health, disaster management, winter clothing and support for the underprivileged.

Pleased to Acknowledge:

In 2018, we lost our beloved founder Chairman, Mr. M. Moniruzzaman Khandaker unexpectedly. He was a fatherly figure who guided us from the beginning of the Bank. I remember his enormous contribution to the Bank and pray for his departed soul. I convey my sincere appreciation to our Honourable Board of Directors who entrusted and guided us in our journey to achieve success. I also acknowledge that the Board at all times upheld high professionalism and ethical standard in its deliberations. I express my gratitude towards our valued clients for their trust on us to serve them with our products, services and delivery channels. I also convey my gratitude to our regulatory bodies who guided us and also provided us with solution and advice in our endeavour. I thank our new Honourable Chairperson for her vision, guidance and support extended to us for which I feel deeply indebted.

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

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

Sincerely,



Md. Ahsan-uz Zaman
Managing Director and CEO

DIRECTORS' REPORT



Dear Stakeholders,

The Board of Directors welcome you all in the 6th Annual General Meeting (AGM) of the Bank.It is a privileged pleasure for me to present the Annual report along with all relevant financial statements for the year ended December 31, 2018. In this report, we have endeavored to give the highlights of the global economy along with how we experienced the swings on our domestic economic frontier.

Global Growth and inflation outlook:

The global economy is expected to rebound by attaining the growth rate of 3.90% in the year 2019 supported by upward growth of investment spree in advanced economics and at the same time, it is expected that the emerging economies in Asia will also experience strong growth momentum which is projected to 2.20% in 2019. Growth projections have been revised downward for the Euro zone countries, Japan and UK, reflects negative surprises in their overall economic dynamics in early 2018. US growth, which has been boosted by the recent fiscal stimulus, is projected to moderate in the medium term. In the emerging markets, growth is now more uneven than expected, driven by rising oil prices, higher yield in the US economy, dollar appreciation, increasing trade tensions mainly tariff wars between US and china, market pressures on the currencies of some economies with weaker fundamentals, with the net effect on individual economies varying with the strength of the cross-winds they are facing coupled with domestic factor of the individual country.

In Asia, growth in China is projected to moderate from 6.90% in 2017 to 6.60% in 2018 and 6.40% in 2019, as regulatory tightening of the financial sector takes hold and external demand softens. India's growth rate is expected to rise from 6.70% in 2017 to 7.30% in 2018 and 7.50% in 2019, as the headwind from the currency exchange initiative and introduction of the goods and services tax fade. Oil exporters in the Middle East have benefited from the improved outlook for the oil prices, with growth projected to strengthen from 2.20% in 2017 to 3.50% in 2018 and further to 3.90% in 2019.

Global commodity prices have increased in 2018, supported by both demand and supply factors. According to World Bank commodity market outlook, energy prices forecast to rise by 19% in 2018 led by oil and natural gas, non-energy commodity prices are projected to rise by 3.60% and agricultural prices by 2.30%, largely due to supply shocks in the US.

Furthermore, financial condition in the advanced economies have tightened with higher inflation and strong job creation in the USA, requiring increase in the Federal Funds rates by 25 basis points in June 2018 with another 25 basis points increased in December 2018. As such, in 2018 the Federal Funds interest rates increased by 1.00% to 2.50% from 1.50% in 2017. Recent bouts of global financial market volatility highlight the markets' reassessment of fundamentals and risks. A sudden depreciation of risk appetite could trigger disruptive global portfolio adjustments, worsen the reversal of capital flows from emerging markets, and lead to further US dollar appreciation. Higher expected US dollar rates are likely to continue generating additional pressures on interest and exchange rates in the emerging markets, including Bangladesh. Looking ahead, tightening global financial conditions are expected to create pressures on the interest and exchanges rates in FY19, increasing the upside risks to inflation.

Bangladesh Economy

Domestic Growth and Inflation Outlook:

According to the provisional estimates by BBS, GDP grew by 7.86% in FY18, up from 7.28% in FY17, well above the projected 4.90% GDP growth for emerging markets and developing economies in 2018. A surge in remittance inflows 8% in FY18 up from (-) 14.50% in FY17, along with strong private sector credit growth boosted domestic consumption demand. At the same time, higher growth in investment related imports reflected robust investment demand. Export growth also maintained its momentum during this period. On the supply side, the growth impulse largely came from the industry and service sectors. The agriculture sector activities also remained solid, supported by benign weather conditions, higher crop price, and timely supply of inputs and finance. Manufacturing sector grew by 13.20% in FY18, up from 11% a year ago. A pick-up in the implementation of Government's mega projects raised construction sub-sector growth to 10.10%. Based on the sector-wise growth trends and economic estimates, BB projects GDP growth to range of 7.50% to 8.20% for FY19.

Average inflation edged up during FY18 before peaking at 5.54% in December 2018, slightly above the target of 5.50%. BB projections show average inflation to be around 5.30% to 5.60% in June 2019, assuming no further domestic or external shocks including a favorable global inflation outcome.

Negative growth in Net Foreign Assets (NFAs) of (-) 4.30% reflected the decline in NFAs, due to the sharp increase in current account deficit from high import growth. The stronger than expected decrease in overall BoP and decline in NFAs caused significant tightening of domestic liquidity conditions.

Total liquid assets of the scheduled banks decreased by 3.44% and stood at BDT 255,169,520million at the end December 2018 which was BDT 264,267,370 million at the end of June 2018. The minimum required liquid assets of the scheduled banks were BDT 178,776420million at the end of December 2018.

Broad money (M2) increased by 9.41% (y-o-y) in December 2018 which was lower than 10.69% of the same month of the previous year. Net foreign assets increased by 0.26% and net domestic assets increased by 12.46%, respectively in December 2018. Private sector credit recorded at 13.33% growth in December 2018 which was significantly lower than 18.00 percent of the same month of the previous year and marginally lower than targeted ceiling of 15.8%, as credit growth in the public sector declined by (-) 2.50% in FY18, since the Government's bank loans were paid off with proceeds from the larger than planned sale of National Savings Certificates (NSCs).

By balancing the inflation and output risks, BB kept repo rate at 6.75% and reverse repo rate at 4.75% in the first half of FY19. In order to reduce liquidity and foreign exchange risks and fostering financial stability, banks were alerted to tighten their compliance with BB's guidelines.

Some Insights of Macro Indicators:

Target of Government Borrowing from banking system set at BDT 42,030 crore for FY2018-19. However, Government borrowing from banking system stood BDT 3,112 crore in the H1 of FY2018-19. Net Sales of Saving Certificate was BDT 17,829 crore on Jul-Oct of FY2018-19, against sale of BDT 17,315 crore on same period of FY2017-18.

We are expecting that the Government has targeted to borrow BDT 42,030 in FY2018-19 from banking system. Sales of savings certificate experienced good growth in recent times due to higher interest rate. Revenue collection is below the target. On top of that, the Government plans to expense a higher amount for non-development expenditure and will expense allocated money for Annual Development Program (ADP) expenditure. Inflation is under control, considering money market rate and deposit rate will go up gradually.

Foreign Currency (FCY) Liquidity:

Market started with volatility in FCY this year and official taka depreciated to BDT 83.95 level in December 2018. Recently, the rate is stable at BDT 83.95. BC selling rate changed to BDT 83.95 level in November. Official USDBDT rate started at BDT 82.70 level at the beginning of this year and ends at BDT 83.94 level in Dec 2018. In recent times, the liquidity of greenback is in tight situation. Bangladesh Bank is pushing more USD into the market to make the market stable. Due to higher import pressure from large infrastructural projects and import growth, Taka will depreciate further in 2019.

Exports:

Total merchandise commodity export during July-January 2019 increased by 13.42% to USD 24.18 billion compared to USD 21.32 billion during July-January, 2018. Category-wise breakdown of exports shows that during July-January 2018-19, exports of agricultural products (+61.03%), chemical products (+51.03%), specialized textile (+41.11%), plastic products (19.66%), woven garments (+15.18%), knitwear (+13.86%), engineering products (+2.04%) and frozen & live fish (2.01%) experienced positive growth. On the other hand, jute and jute goods (-24.66%) and leather and leather products (-11.71%) experienced negative growth during July-January, 2018-19 as compared to that of July-January 2017-18

Imports:

Custom based import during July-December 2018 stood higher by 5.73% and stood at USD 30.07 billion against USD 28.44 billion of July-December 2017. Settlement of import LCs during July-December 2018 increased by 10.78% and stood at USD 27.32 billion against USD 24.66 billion of July-December 2017. Fresh opening of import LCs during July-December 2018 decreased by 27.12% and stood at USD 29.32 billion compared to USD 40.23 billion of July-December 2017. The decrease in opening of import LCs is a base effect of the large fund that came in for the Rooppur Nuclear Power Plant project in November 2017.

Workers' Remittances:

Total receipts of workers' remittances during July-January 2018-19 increased by 9.31% to USD 9.09 billion against USD 8.31 billion of July-January 2017-18. Receipt of workers' remittances in January 2019 stood higher at USD 1.59 billion against USD 1.21 billion of December 2018.

Foreign exchange holdings by Bangladesh Bank and Commercial Banks

(a) Gross foreign exchange reserves of Bangladesh Bank(BB):

The gross foreign exchange reserves of BB stood at USD 31.28 billion (with ACU liability of USD 0.67 billion) at the end of January 2019 as compared to

USD 32.01 billion (with ACU liability of USD 1.15 billion) at the end of December 2018. The current foreign exchange reserves (less ACU liability) is sufficient to pay import liability of 6.07 months; according to the average of the previous 12 months (January-December 2018) import liability is of USD 5.04 billion per month on an average basis.

(b) Gross foreign exchange balances held by Commercial Banks (CBs):

The gross foreign exchange balances held by commercial banks stood at USD 3.78 billion as of end January, 2019 which was lower than USD 3.98 billion as of end December, 2018. It was however higher than the balance of USD 3.04 billion at the end of January, 2018.

Money Market:

Money Market O/N rate eased to 2.00% to 4.50% from start of 2019. Both call and term money market were in eased condition. But overall market liquidity is not very hefty, thus posing threat on rate hike at any time. However, Bangladesh Bank is moping out liquidity by selling USD into the market.

Interbank 30 days' FDR rate moved downward to 5.0-6.50%

Interbank 90 days' FDR rate moved downward to 8.25-8.50%

Capital market developments:

The DSE Broad Index (DSEX) at the end of December 2018 stood lower at 5,385.64 compared to that of end November 2018. The total market capitalization of all shares and debentures of the listed securities at the end of December 2018 also stood higher at BDT 38,729,530 million from BDT 38,178,240 million at the end of November 2018.

Bangladesh Banking Sector:

The banking sector in Bangladesh is one of the major contributors to the Bangladesh economy with the commercial sector playing a pivotal role in the financial sector. The banking industry in Bangladesh began with six nationalized commercialized banks, two state-owned specialized banks and three foreign Banks after Bangladesh attained independence in 1971. There are 59 scheduled Banks in Bangladesh who operate under full control and supervision of Bangladesh Bank (Central Bank) which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. (Amendment upto 2018). In the 1980s, the banking industry of Bangladesh achieved significant development with the establishment of private Banks. Since then, various other forms of financial institutions have been formed to reform the transaction system in Bangladesh. Currently, there are five major categories of Banks in existence-Central Bank (Bangladesh Bank), State owned Commercial Banks (SCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks, Specialized Development Banks. Bangladesh Bank is responsible for the majority of financial controls of most of the financial institutions in the country, including regulating currency, credit controlling, monetary policy, exchange control, foreign exchange reserves, etc.

Banking sector has passed a steady year in 2018 by overcoming the liquidity crunch in the mid of the year. The political stability in 2018 has helped the banking sector pass a steady year. Major indicators like: deposit, advance, foreign exchange reserve, exchange rate, export, import, inflation and private sector credit growth were in good position.

According to the Central Bank, the domestic credit recorded an increase of BDT 1,283,183.00 million or 13.48 % at the end of December 2018 against the increase of BDT 1,199,516.00 million or 14.420% at the end of December 2017. Credit to the private sector and public sector recorded a growth of 13.33% and 14.70%, respectively in December 2018 as compared to the same month of the previous year.

Reserve money recorded an increase of BDT 176,741.00 million or 8.150% at the end ofDecember 2018 against the increase of BDT 254,856.00 million or 13.31% at the end of December 2017.Of the sources of reserve money, net domestic assets of Bangladesh Bank increased byBDT 234,801.00 million or 64.30% and net foreign assets of Bangladesh Bank decreased byBDT 58,060.00 million or 2.29% at the end of December 2018 as compared to December 2017. Money multiplier stood at 4.92 at the end of December 2018 which was 4.75 at the end of June 2018.

Total liquid assets of the scheduled banks decreased by 3.44% and stood at BDT 2,551,695.20 million as of end of December 2018 which was BDT 2,642,673.70 million at the end of June, 2018. The minimum required liquid assets of the scheduled Banks were BDT 1,787,764.20 million at the end of December 2018. Sectoral distribution of total liquid assets at the end ofDecember 2018 in the form of cash in tills & balances with Sonali Bank Ltd., CRR, excess reserves, foreign currency balances with Bangladesh Bank andun-encumbered approved securities were 6.13%, 23.24%, 6.36%, 3.68% and 60.59%, respectively.

The weighted average yields on 91-Day and 364-Day treasury bills decreased to 2.64% and 3.78% up to February 12, 2019 compared to January 2019, respectively. The weighted average yields on 182-Day treasury bills stood at 3.17% in January 2019 compared December 2018.

The weighted average yields on 2-Year BGTB decreased to 4.73% while the weighted average yields on 5-Year BGTB increased to 5.90% in February 2019 from those of January 2019. The weighted average yields on 10-Year and 20-Year BGTB stood at 7.59% and 8.43% in January 2019 while, the weighted average yields on 15-Year BGTB stood at 7.67%.

The weighted average yield on 07-Day BB Bill up to January 28 2019 stood at 0.02%, which is the same as that of December 2018. The weighted average yield on 14-Day BB Bill in December 2018 stood at 0.02%. The weighted average yield on 30-Day BB Bill in March 2018 stood at 2.97%. The weighted average call money rate in the inter-bank money market up to February 12, 2019 increased and stood at 4.28% compared to that of January 2019.

The spread between the weighted average interest rate on advances and deposits of Banks increased to 4.23% and that of NBFIs decreased to 2.70%, respectively at the end of December 2018 as compared to November 2018. Weighted average interest rate on deposits of Banks decreased to 5.26% at the end of December 2018 as compared to November 2018, while the weighted average interest rate on deposits of NBFIs increased to 9.95%.

Disbursement of agricultural credit and non-farm rural credit decreased by 3.10% and 11.27% respectively during July-December 2018 compared to that of July-December 2017. The Banks disbursed a total of BDT 102.31 billion to both the sectors during July-December 2018. The recovery of the agriculture credit and non-farm rural credit increased by 12.29% and 13.02% respectively during July-December 2018 as compared to July-December 2017. The position of overdue agricultural credit as percentage of total outstanding credit deteriorated, increasing from 16.26% in December 2017 to 16.65% in December 2018.

The disbursement of total industrial term loans during July-September 2018 increased by 21.22% and stood at BDT 191,112.20 million as compared to BDT 157,659.90 million during July-September 2017. The recovery of industrial term loans also increased by 5.57% and stood at BDT 163,781.30 million during July-September 2018 against BDT 155,137.40 million during the same period of the previous fiscal year. Outstanding amount of industrial term loans at the end of September 2018 stood at BDT 2,134,863.80 million. At the same time the overdue of industrial term loans was BDT 369,071.20 million, which is 17.29%t of the outstanding amount.

The total SME loans by the Banks and Non-bank Financial Institutions decreased by BDT 80,237.10 million or 4.22% and stood at BDT 1,820.826.80 million at the end of September 2018 as compared to BDT 1,901,063.90 million at the end of September 2017. The increase of SME loans of different categories of Banks and Non-bank Financial Institutions at the end of September 2018 are 41.41% for foreign Banks and 2.97% for Non-bank Financial Institutions while, SME loans of state-owned Banks, private Banks and specialized Banks decreased by 14.91%, 2.23% and 25.59% as compared to that of September 2017. SME loans as percentage of total loans stood at 19.35% at the end of September 2018 as compared to 22.30% of September 2017.

Budget financing:

Government's budget financing from domestic sources stood higher at BDT 299.74 billion during July-December 2018 as compared to that of BDT 161.78 billion of July-December 2017. Net foreign financing stood lower at BDT 192.22 billion in the period under review. The total budget financing of the government during July- December 2018 stood significantly higher at BDT 491.85 billion against BDT 330.87 billion of July- December 2017. Government's net borrowing from the banking system stood at BDT 31.69 billion and Govt.'s borrowing from the non-banking sources stood at BDT 268.05 billion during July- December 2018 as compared to that of July- December 2017. The total budget financing during July- December 2018 stood at 1.94% of projected GDP against 4.70% as envisaged in the national budget for FY2019.

Credit Risk Management Initiatives

On the previous year, Bank emphasized on follow up and monitoring of credit facilities as delinquency management is growing as a bigger challenge with the age of the Bank. During the year the Bank introduced and implemented the MIS on daily overdue listing, monitoring of sectoral exposure caps, and early alert reporting was in the forefront of developments. In 2018, refinement of existing process, and implementation of new risk guidelines by the Central Bank will be the top agendas. Risk based pricing, asset segregation, concentration risk management, and introduction of Internal Risk Based Approach of the Basel framework will be prioritized.

REVIEW OF BUSINESS: MDB

Brief history of MDB:

Midland Bank Limited (MDB) was incorporated on 20 March 2013 under the Companies Act 1994 as a Public Limited Company with an authorized capital of BDT 10,000 million and paid-up capital of BDT 4,000 million. The Bank started its commercial operation on 20 June 2013 with a corporate slogan "Bank for inclusive growth". Entitled to carry out all types of commercial banking activities, MDB stepped in the industry through Dilkusha Corporate Branch in Dhaka. Since then, the Bank has been constantly expanding far and wide in both network and business. At the end of 2018, the Bank has a total of 30 Branches including 15 Rural Branches, 32 ATMs and 30 Agent Banking Centers across the country. Over a short span of time, the Bank has emerged as a dignified banking partner in the market having ensured an easy banking access to customers through internet, alternative delivery channels, mobile, IT backed products and globally accessible Debit, Credit and Prepaid VISA cards. The Bank maintained a satisfactory level of growth of its assets and liabilities in spite of all challenges during the year 2018. To achieve its vision, mission and strategic priorities, the Bank is committed to maintaining the highest level of ethical standard and customer charter. With steady focus on increasing profitability, inclusive growth, capital strength and deep respect for the community, MDB is well positioned to become one of the country's leading new generation Bank soon. Taken together with the whole nation, we want to grow and prosper.

Principal activities of the Bank:

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

Strategic Plan:

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

- Diversify the credit portfolio into Corporate, MSME, Emerging Corporate & Special Program (EC&SP), Retail Business, Agriculture, Trade Financing, Project Financing and organizing Syndication deals.
- Improve Deposit mix by increasing low cost & no-cost Deposits in total Deposits.
- Increase the Non-Funded Business and Non-Funded income (Commission, Exchanges & Fees income).
- Maintain adequate level of liquidity by minimizing Asset-Liability mismatch.
- Increase inward remittance through expansion of domestic networks for the beneficiaries through strategic alliances and introducing new products to attract NRB customers.
- Extend banking services to un-banked and under banked people for inclusive growth.
- Improve IT infrastructures for developing new IT based products and services.
- Maintain strong capital base and strengthen Internal Capital Adequacy Assessment Process (ICAAP) by accelerating borrowers' rating and concentrating on lending portfolio having lower capital charge.
- Improve human resources management system to motivate and retain the workforce and transform into human assets through appropriate and extensive training and learning culture.
- Strengthen internal control & compliance and monitoring thereon.
- Introduce in-depth research for developing brand strategy to create an optimum brand value.
- Control of cost at every level of operations by ensuring budgetary goal.
- Improve internal governance through strengthening good corporate cultures, motivation, training and supervision as per KPIs in all level of management.
- Expand CSR related activities and ensure the green banking activities.

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

Branch Network:

Midland Bank Limited commenced its business on 20 June 2013. The first branch was opened at Dilkusha commercial area in the name and style "Dilkusha Corporate Branch" on the inauguration day of the Bank. At the end of 2018, the number of branches stood at 30 (Thirty) including 15 (Fifteen) rural branches and 30 Agent Banking Centers covering

commercially important locations of the country. The Management foresees to open another 4 (Four) more rural branches and 70 Agent Banking Centers under the Agent banking license in the forthcoming year 2019. MDB with the added network is about to bring the whole country under its banking network.

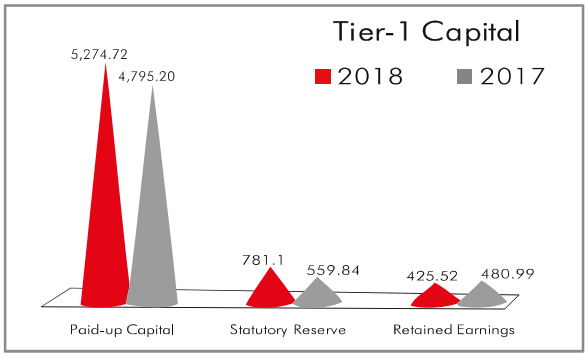
Capital Strength (Capital Adequacy):

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 initial paid-up capital of BDT 4,000 million. Apart from the paid-up capital, we were able to enlarge the shareholders equity of the Bank to BDT 6,487 million at the end of 2018 from BDT 5,852 million in 2017. The Capital to Risk Weighted Assets Ratio (CRAR) stood at 19.33% as on 31 December 2018, against the minimum CRAR of 11.875%.

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

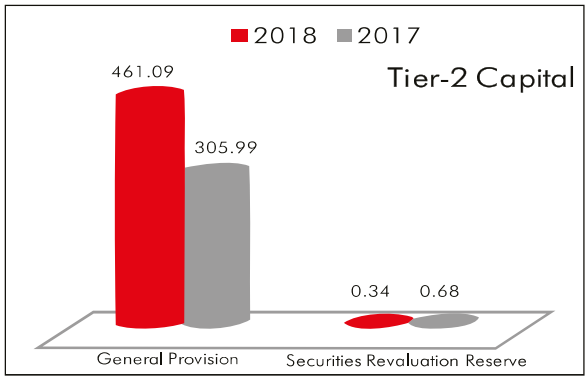
Tier-1 Capital

Particulars	In BDT Million		% of Growth in 2018 over 2017
	December 2018	December 2017	
Paid-up Capital	5,274.72	4,795.20	10.00%
Statutory Reserve	781.10	559.84	39.52%
Retained Earnings	425.52	480.99	(-) 11.53%
Sub-Total (A)	**6,481.35**	**5,836.03**	**11.06%**



Tier-2 Capital

Particulars	In BDT Million		% of Growth in 2018 over 2017
	December 2018	December 2017	
General Provision	460.58	305.99	50.52%
Securities Revaluation Reserve	0.34	0.68	(-) 75.00%
Sub-Total (B)	**460.92**	**306.67**	**50.30%**
Grand Total (A+B)	**6,942.27**	**6,142.70**	**13.02%**



Particulars	In BDT Million		% of Growth in 2018 over 2017
	December 2018	December 2017	
Total risk weighted assets	35,908.76	29,213.08	22.92%
Tier-I (Core) Capital Ratio	18.05%	19.98%	(-) 1.93%
Tier-II (Supplementary) Capital Ratio	1.28%	1.05%	0.23%
Capital to Risk Weighted Asset Ratio (CRAR) (Minimum Requirement for 2018 at 11.875%)	19.33%	21.03%	(-) 1.70%

FINANCIAL PERFORMANCE OF MDB

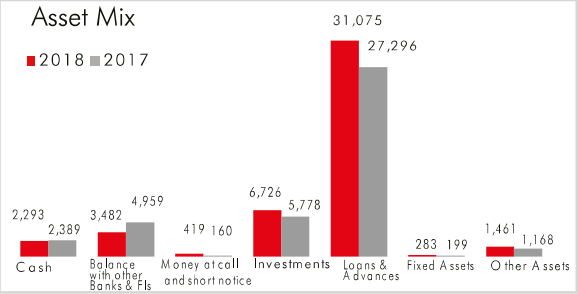
Particulars	In BDT Million		Growth in 2018 over 2017
	December 2018	December 2017	
Cash	2,293	2,389	-4.02%
Balance with other Banks & FIs	3,482	4,959	-29.78%
Money at call and short notice	419	160	161.88%
Investments	6,726	5,778	16.41%
Loans & Advances	31,075	27,296	13.84%
Fixed Assets	283	199	42.21%
Other Assets	1,461	1,168	25.09%
Non-banking Assets	12	-	100.00%
Total Assets	**45,751**	**41,949**	**9.06%**
Borrowings from other Banks, Financial Institutes and Agents	1,540	313	392.01%
Deposits and Other Accounts	35,592	34,240	3.95%
Other Liabilities	2,132	1,544	38.11%
Capital/Shareholders' Equity	6,487	5,852	10.85%
Total Liabilities & Equity	**45,751**	**41,949**	**9.06%**

BALANCE SHEET

ASSETS:

Total Assets of the Bank stood at BDT 45,751 million in 2018, against BDT 41,949 million in 2017, registering a positive growth of 9.06 percent. During the year, Loans & Advances growth was 13.84 percent

over the previous year. On the other hand, the growth of deposit was at 3.95 percent and growth of equity at 10.84 percent against previous year of 2017. The flow in assets was evident in the increase of loans and advances, other fixed assets and liquid assets as maintained by the Bank. The growth of deposits was used for funding credit growth and holding of securities for CRR & SLR purpose with Bangladesh Bank. During the reporting year 2018, the economy observed that private sector credit growth was 13.33 percent against 15.80 percent of FY18 program target.



Growth of Balance Sheet items:

Particulars	In BDT Million		Growth in 2018 over 2017
	2018	2017	
Total Assets	45,751	41,949	9.06%
Advances	31,075	27,296	13.84%
Deposits and Other Accounts	35,592	34,240	3.95%
Shareholders' Equity	**6,487**	**5,852**	**10.84%**

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

Cash in hand

The balance stood at BDT 2,293 million in 2018 compared to BDT 2,389 million in 2017.

Balance with other Banks, Financial Institutions and Its Agents

The aggregate position of the Bank was BDT 3,482 million in 2018, compared to BDT 4,959 million in 2017. The balance decreased by BDT 1,477 million in 2018, due to encashment of matured placement fund with NBFIs for keeping ADR and wholesale borrowing limit in line with regulatory requirement.

Investments

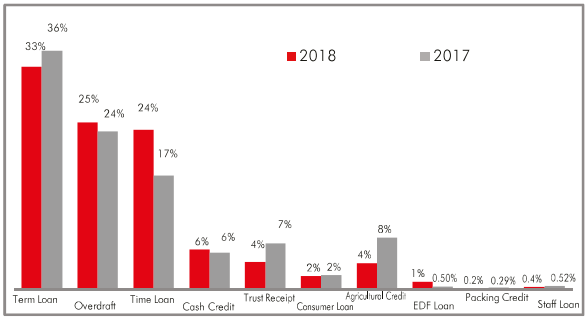
During the year, the investment was at BDT 6,726 million, compared to BDT 5,778 million in 2017. Bank's investment comprises of government securities of BDT 5,474 million and others (investment in debenture, corporate bond, etc.) of BDT 1,252 million. The balance increased by BDT 948 million in 2018, due to investment in Treasury Bills/Bonds during the year.

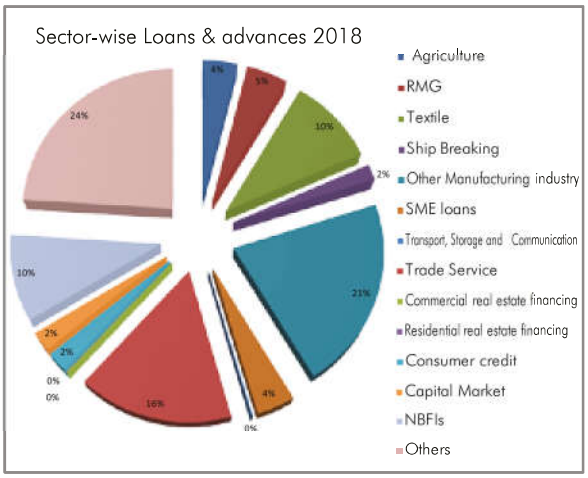
Loans and Advances

Loans and Advances outstanding of the Bank amounted at BDT 31,075 million in 2018 representing a growth of 13.84 percent, compared to BDT 27,296 million in 2017. Yield on loans and advances increased to 11.77 percent from 9.98 percent, due to increase the lending rate during 2018. Approval and disbursement of loans and advances were well managed. As a result, MDB's Non-performing Loans (NPLs) reduced to BDT 374.26 million from BDT457.60 million, i.e., NPLs reduced to 1.20 percent in 2018 from 1.68 percent in 2017.

In the financial year 2018, the overall liquidity crunch that the money market had suffered increased in the cost hike of interest rate against mobilization of fresh deposit at that time and there had been insignificant increase of interest rate on deposit. As such, Banks had to increase the lending rate to cover the over burden of interest hike on deposits. Against the backdrop, MDB came out successful in enhancing its credit portfolio. The growth in the loan book was an outcome of Bank's concentrated efforts and enhanced participation in local Corporate and SME credit-lines, syndicated and structured finance along with broadening of business relationship in the country, the attractiveness of our retail and consumer credit products, careful selection of borrower, strong credit risk assessment and protection under good security coverage.

Concentration of loans and advances was well diversified details of which are explained in note # 07of 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 reduced to 1.20 percent in 2018 from 1.68 percent in 2017. Based on contractual maturity terms 72percentof the current loan portfolio will be matured less than one year and 28 percent will be matured more than one year, but less than 5 years (note # 7.04).Bank's Advance to Deposit Ratio (ADR) at the end of 2018 increased to 87.31 percent from 79.72 percent in 2017, marking an efficient mobilization of fund and equity in the most liquid banking industry in Bangladesh during the reporting period 2018.





Fixed Assets and Other Assets

The aggregate amount of written down value of fixed assets of the Bank was BDT 282.77 million in 2018, compared to BDT 199.34 million in 2017, demonstrating a positive growth of 41.85 percent, due to set up of most modern Disaster Recover Site (DRS) at Mirpur, Dhaka and Data Center (DC) at Zahed Plaza, Gulshan-2, Dhaka during the year, while other assets comprises of advance income tax, advance office rent, accrued interest on investment, etc. (note # 9B)amounted to BDT 1,460.66 million in 2018, compared to BDT 1,168.09 million in 2017, showing a growth of 25.05 percent.

Non-Banking Assets

The Bank filed an Artha Rin Suit bearing # 539/2017, dated 02.03.2017 against a default customer, A/C: Al-Fahad Air Ticketing & Medical Tourism Limited. The Honorable Court order in favour of Midland Bank on 14 November 2018 for holding title of the collateral land at market Value of BDT 14.54 million against the claim amount of BDT 0.96 million as on 31 December 2016. The honorable court also order to charge unapplied interest until fully recovery of the loan by selling the mentioned collateral land. Subsequent approval taken from the Board of Directors of MDB in its 80th meeting held on 20 December 2018, management transferred the full loan amount of BDT 12.59 million (market value of the property at BDT 14.54 million) including applied and unapplied interest and suit charges of BDT 0.51 million to Non-Banking Assets of the Bank, which will continue to sustain in Bank's Balance Sheet until sale/disposal of the property acquired by the Bank u/s 33(5) of the Arta Rin Adalat Ain 2003 as mortgagee Bank.

Liabilities

Total liabilities excluding shareholders' equity of the Bank registered growth of 8.77 percent with a total volume of BDT 39,264 million in 2018 against BDT 36,097 million in 2017. Core Deposits of the Bank increased at 3.85% to BDT 35,592 million in 2018 from BDT 34,240 million in 2017.

Borrowings from other Banks, Financial Institutions and Its Agents

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

Deposits

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

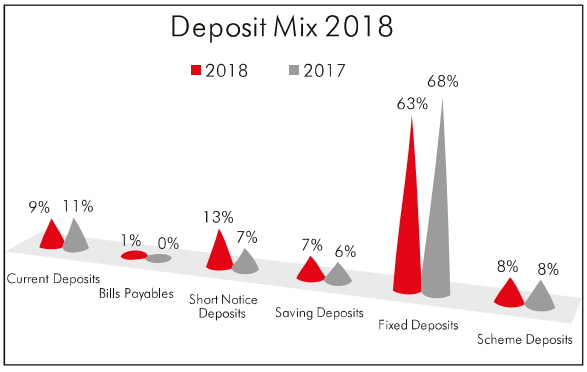
The Bank successfully enhanced the deposit portfolio to BDT 35,592 million in 2018 with a growth of 3.95 percent compared to BDT 34,240 million in 2017. The cost of deposit and cost of fund stood at

7.38 percent and 8.75 percent, respectively in 2018 against 6.33 percent and 7.64 percent, respectively in 2017. The strong customer-based deposits comprises of individual, corporation, small & medium size enterprises, NBFIs, government entities, NGOs, autonomous bodies and others.

During the financial year 2018, MDB's deposit blend was stable with cost free and low cost deposits was at 29 percent of total deposits, Fixed Deposits to total Deposits was at 62.74 percent and Scheme Deposits to total Deposits was at 7.75 percent. High cost deposits in deposit mix such as Scheme Deposit reduced by 0.26 percent in 2018. Low & no-cost deposits increased to 29 percent from 21 percent in 2017. On the other hand, High cost deposit reduced to 71 percent from 79 percent in 2017. A wide range of liability products are now available at MDB to meet variant needs of deposit clients.

Deposit Mix Outstanding Amount

Deposit Mix	Outstanding Amount (In BDT Million)		Growth in 2018 over 2017	Deposit Mix (%)	
	2018	2017		2018	2017
Current Deposits	3,345	3,652	-8%	8%	10%
Bills Payables	182	167	9%	1%	1%
Short Notice Deposits	4,463	2,407	27%	13%	7%
Saving Deposits	2,512	2,052	85%	7%	6%
Fixed Deposits	22,332	23,220	22%	63%	68%
Scheme Deposits	2,758	2,742	-4%	8%	8%
Total Deposits	**35,592**	**34,240**	**4%**	**100%**	**100%**

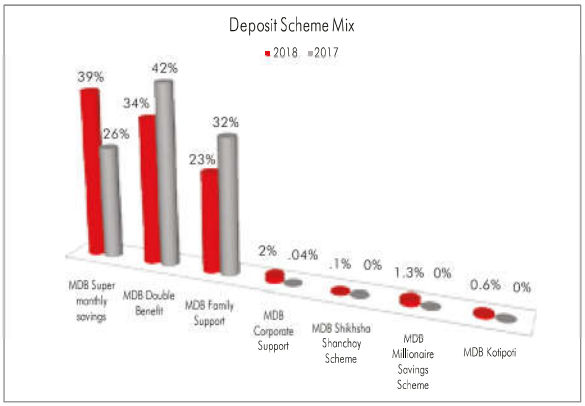


Scheme Deposits

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

Deposit Mix Outstanding Amount

Deposit Mix	Outstanding Amount		Growth in 2018 over 2017
	2018	2017	
MDB Super monthly savings	1,074	714	50%
MDB Double Benefit	941	1,161	(-) 19%
MDB Family Support	636	866	(-) 27%
MDB Corporate Support	42	1	4,100%
MDB Shikhsha Shanchay Scheme	2	-	100%
MDB Millionaire Savings Scheme	35	-	100%
MDB Kotipoti	17	-	100%
MDB Platinum Savings Scheme	6	-	100%
MDB Traveler's Savings Scheme	5	-	100%
Total	**2,758**	**2,742**	**1%**



Shareholders' Equity

The shareholders' equity increased by BDT 635 million to BDT 6,487 million in 2018 compared to BDT 5,852 million in 2017, i.e., 10.84 percent growth over 2017. Statutory reserve was up by BDT 221 million to BDT 781 million in 2018 against BDT 560 million in 2017, i.e., 39.46 percent growth over 2017, while retained earnings reduced by BDT 55 million to BDT 426 million in 2018, as against BDT 481 million in 2017, i.e., 11.53% percent negative growth over 2017. Retained earnings decreased during the year 2018, due to additional tax provision required by BDT 113 million in 2018 over 2017. This was happen for earnings from the core banking business operation increased by BDT 366.60 million, i.e. 45.37% growth in comparison to the last year, which is also taxable income, as such requiring to

keep provision for corporate tax 36.73%, compared to 28.73% of tax in 2017. So, the financial benefit as derived out of tax exemption facility has been very insignificant this year in comparison to the last year. However, shareholders' equity growth at 10.84 percent in 2018 compared to 8.39 percent growth in 2017, which will help the Bank to grow on a strong foundation of capital base as well as expand its business as a whole.

INCOME STATEMENTS

Operating profit and net profit after tax

The Bank registered net operating profit before tax and provision BDT 1,242 million in 2018 as against BDT 1,196 million in 2017, representing positive growth of 3.82 percent. Net profit after tax slightly decreased by BDT 42 million to BDT 650 million in 2018 from BDT 692 million in 2017. During the year earnings from the core banking business operation registered increase by BDT 366.60 million, i.e. 45.37% growth in comparison to the last year, which is also taxable income requiring to keep provision for corporate tax 36.73%, compared to 28.73% of tax in 2017, i.e., additional tax provision required by BDT 113 million in 2018 over 2017. So, the financial benefit as derived out of tax exemption facility has been very insignificant this year in comparison to the last year. As a result it was heated the net profit after tax as well as retained earnings during the year.

Interest Income

The Bank enumerated total interest income on loans and advances increased by BDT 943 million to BDT 3,760 million in 2018 against BDT 2,817 million in 2017, i.e., 34% percent growth in 2018 over 2017. The Bank also earned an amount of BDT 1,019 million from commission, exchange & brokerage, income from investment and other operating income in 2018 as against BDT 1,256 million in 2017. The growth of income was mainly driven from the core banking business operation as well as efficient utilization of fund. Yield on loans and advance increased to 11.77% in 2018 from 9.98% in 2017.

Investment Income

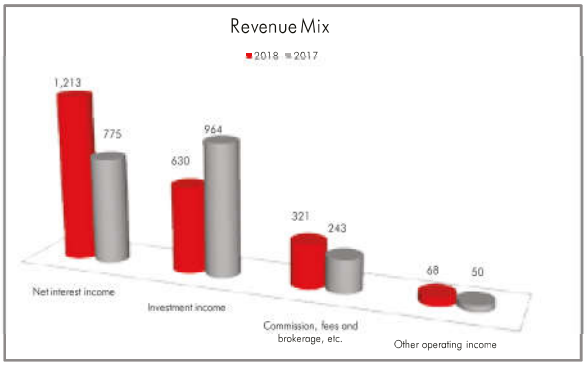
MDB's investment income consisted of interest / discount earned on treasury bills / bonds, gain on Government security trading, interest on debentures so forth. Income from investment decreased by BDT 334 million to BDT 630 million in 2018 from BDT 964 million in 2017, i.e., 35 percent negative growth in 2018 over 2017, due to decrease in rate of interest of T-bill/bonds and also sold out a substantial amount of high cost interest bearing Government Bond in 2018. Investment Income was another major contributor to total operating income which is 28 percent of net operating income during the year against 47 percent in 2017.

Commission, Fees and Brokerage Income

Income from commission, fees and FX gain increased by BDT 78 million to BDT 321 million in 2018 from BDT 243 million in 2017, i.e., 32 percent growth in 2018 over the previous year 2017, due to increase of non-funded business and FX gain for depreciation of BDT against USD during the year. Regulatory pressure continued to rationalize the rate of commission and charges in an effort to broaden wider access of mass people to modern banking. Increasing volume of banking business and transactions together with huge sales of banking products and cost effective measures enabled us to offset the loss from reduced commission and charges.

Summary of profit and loss accounts are shown in the below table:

Particulars	BDT in Million		Growth in 2018 over 2017
	2018	2017	
Interest income	3,760	2,817	33%
Interest paid	2,547	2,042	25%
Net interest income	**1,213**	**775**	**57%**
Investment income	630	964	(-) 35%
Commission, fees and brokerage, etc.	321	243	32%
Other operating income	68	50	36%
Net operating income	**2,232**	**2,032**	**10%**
operating expenses	991	836	19%
Net operating profit before provision and tax	**1,241**	**1,196**	4%
Provision on loans and advances	135	161	(-) 16%
Net Profit before tax	**1,106**	**1,035**	**7%**
Provision for corporate tax	456	343	33%
Net Profit after tax	**650**	**692**	**(-) 6%**

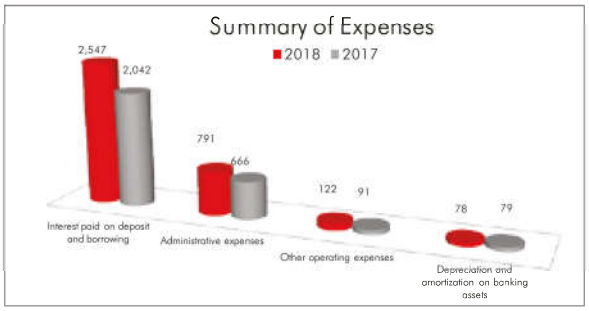


Expenses

Interest paid on deposits and borrowings was BDT 2,547 million in 2018 compared to BDT 2,042 million in 2017. Administrative expenses incurred by the Bank amounted at BDT 991 million in 2018 as against BDT 836 million in 2017. Interest paid on deposits and borrowings and administrative expenses mostly increased due to expansion of business, increases of branch network and upsurge of provisioning of gratuity & provident fund during the year. The cost of deposit and cost of fund stood at 7.38 percent and 8.75 percent, respectively in 2018, as against 6.33 percent and 7.64 percent, respectively in 2017. The cost income ratio reached to 44.38 percent from 41.13 percent. Depreciation and repairs on of fixed assets totaled at BDT 78 million reduced by 1 percent from previous year 2017.

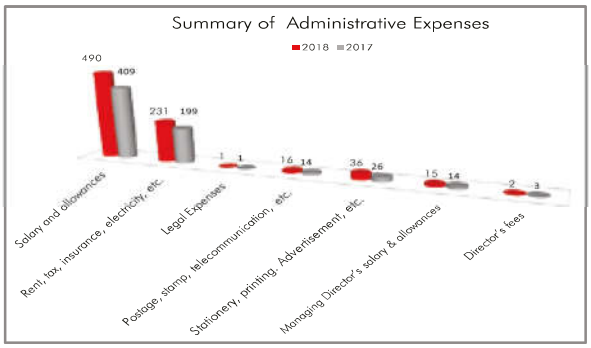
Summary of Expenses

Particulars	BDT in Million		Growth in 2018 over 2017
	2018	2017	
Interest paid on deposit and borrowing	2,547	2,042	25%
Administrative expenses	791	666	19%
Other operating expenses	122	91	34%
Depreciation and amortization on banking assets	78	79	(-) 1%
Total Expenditures	**3,538**	**2,878**	**23%**



Summary of Administrative Expenses:

Particulars	In BDT Million		Growth in 2018 over 2017
	2018	2017	
Salary and allowances	490	409	20%
Rent, tax, insurance, electricity, etc.	231	199	16%
Legal Expenses	1	1	0%
Postage, stamp, telecommunication, etc.	16	14	14%
Stationery, printing. Advertisement, etc.	36	26	38%
Managing Director's salary & allowances	15	14	7%
Director's fees	2	3	(-) 33%
Total Administrative Expenses	**791**	**666**	**19%**

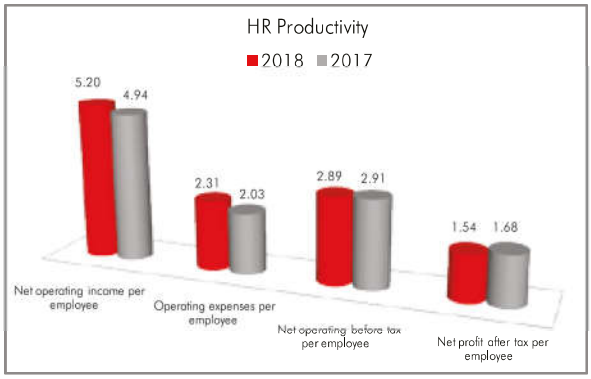


By and large, Bank's salary & allowances, rent and tax, utility bills, insurance premium, printing and stationeries, repair, maintenance, office security, advertisement & business promotion costs remain steady during 2018, because of expansion of service delivery channels (Branches, ATM and Agent Banking Centers) were launched end of December 2018 and other operational cost kept in control during the year. As a new growing Bank persuaded to expand business base and inclusive relationship as well as for smooth running of business under compliant environment, the Bank's operating expenses are usually high at the beginning stage. However, a prudent management of expenses and cost-control are our relentless concern and we put in practice our commitment to fair expenses in all banking operations under a strong accounts and auditing system.

HR Productivity

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

Particulars	2018	2017	Growth in 2018 over 2017
Number of regular employee (contractual employees in 2017 and 2018 were 92 and 142,respectively)	429	411	4%
	In BDT Million		
Net operating income per employee	5.20	4.94	5%
Operating expenses per employee	2.31	2.03	14%
Net operating before tax per employee	2.89	2.91	(-) 1%
Net profit after tax per employee	1.54	1.68	(-) 8%



General provision against Unclassified Loans (UCL)

General provision against UCLs (Standard & SMA) was BDT 164 million in 2018, as against BDT 34 million in 2017. General provision increased by 130 million over last year, due to increase of loan portfolio and also rescheduling one corporate loan account of BDT 220 million from Bad Loss by recovery necessary down payment. The Bank also released general provision against off-balance sheet exposures of BDT 8 million in 2018, compared to BDT 15 million in 2017 in compliance with regulatory guidelines. General provision is considered as Tier II capital of the Bank and acts as safeguard against future default and for supporting business growth by strengthening the capital base of the Bank.

Specific provision against Classified Loans (CL)

Specific provision is required to keep against classified loans and advances (Sub-standard-SS, Doubtful Debts-DF & Bad Loss-BL) as per Bangladesh Bank guidelines. During the year 2018, Bank's specific provision registered negative growth at (-) 133 percent over 2017, due to rescheduling one corporate loan account of BDT 220 million from Bad Loss by recovery necessary down payment as mentioned above.

Other Provision

An amount of BDT 16 million was made against diminution in value of investment in shares and protested bills against nil provision in 2017, as the Bank was not required such provision in 2017 and provision of BDT 0.78 million kept in 2018 compared to BDT 0.13 million in 2017 as a matter of regulatory compliance.

Net Profit before Tax

After making appropriate provision against loans and advances as stated above, net profit after provision but before tax stood at BDT 1,106 million in 2018 compared to BDT 1,036 million in 2017, representing a growth of 7 percent over 2017.

Net Profit after Tax

As per Income Tax Ordinance 1984 and Finance Act 2018, the Bank has made adequate provision of current tax and deferred tax of BDT 456 million in 2018 as against BDT 344 million in 2017. After making appropriate provision of tax, net profit after tax stood at BDT 650 million in 2018, compared to BDT 692 million in 2017, representing negative growth of 4.62 percent over 2017. Net profit after tax decreased by 4.62 percent, due additional tax provision required to keep BDT 103 million in 2018 over 2017. This was happen forearnings from the core banking business operation increased by BDT 366.60 million, i.e. 45.37% growth in comparison to the last year, which was also taxable income requiring to keep provision for corporate tax 36.73%, compared to 28.73% of tax in 2017. So, the financial benefit as derived out of tax exemption facility has been very insignificant this year in comparison to the previous year.

Statutory Reserve

As per section 24 of the Bank Company Act 1991 (Amendment up to 2018), 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 kept adequate statutory reserve as guided by Bank Company Act and the accumulated amount of statutory reserve at the end of 2018 stood at BDT 781 million, compared to BDT 560 million in 2017, i.e., 40 percent growth over 2017.

Key financial ratios of the Bank

Particulars	The Bank	
	2018	2017
ROE-Return on average equity	10.54%	12.30%
ROA-Return on average assets	1.42%	1.65%
Cost to income ratio	44.38%	41.13%
Capital to Risk Weighted Assets Ratio (CRAR)	19.33%	21.03%
Advance Deposit Ratio (AD Ratio)	87.31%	79.72%
Non-Performing Loans (NPLs) Ratio	1.20%	1.68%
Adjusted Earnings per share (EPS) in BDT*	1.23	1.31
Adjusted Net Asset Value per Share (NAV) in BDT*	12.30	11.09

*NAV and EPS of 2017 has been adjusted by number of outstanding shares held on 31 December 2018, due to increases the number of shares in 2018 to 527.472 million shares from 479.520 million shares in 2017 by issuing 10% stock dividend for the financial year 2017.

Appropriation of Profit

Profit after Tax (PAT) stood at BDT 650 million at the end of the FY2018 compared to BDT 692 million in FY2017. Profit available for distribution among the shareholders is BDT 425.52 million after a mandatory transfer to statutory reserve of BDT 221 million, i.e., 20% on profit before tax and BDT 5 million for Corporate Social Responsibility (CSR). The Board of Directors recommended stock dividend @ 8% for the financial year 2018.

➢ Summary of appropriation of profit

Particulars	In BDT Million	
	2018	2017
Profit after tax (PAT)	**650.31**	**691.83**
Retained earnings brought forward from previous year	1.47	1.21
To be appropriated	**651.78**	**693.04**

Particulars	In BDT Million	
	2018	2017
Transfer to statutory reserve	(221.26)	(207.06)
Transfer to CSR	(5.00)	(5.00)
Distributable profit for the financial year	**425.52**	**480.98**
Dividend recommended by the Board of Directors		
Paid up capital	**5,274.72**	**4,795.20**
Proposed Dividend	421.97	479.52-
Retained earnings to be carried forward	**3.55**	**1.46**

Human Capital

Skilled human resources is essential for running any successful financial institution and sustainable planning is required for proper development of human resources. In 2019, our Human Resources Management Division's aims for building strong, dedicated, skilled and professional manpower base with a mission to be the employer of choice in the financial sector where all employees work with pride and dignity. To increase profitability and sustainable growth, MDB's HRM division established performance driven culture to expedite the utmost effort from its employees. To maintain a well-motivated team, employees were rewarded with promotions, increments and performance bonus every year. We are highly confident that Bank's competent HR team will take the Bank to newer heights and deliver expected results to the shareholders for years to come.

Correspondent Relationship

MDB has established correspondent relationship all over the world with a number of foreign Banks. The Bank continues to follow the needs and business opportunities of its clients. The Bank maintains 12 (Twelve) Nostro Accounts in four major international currencies and ACU currency and 121 RMA relationships with reputed international Banks in the major financial centers around the globe, for settlement of trade finance and all other customer driven transactions denominated in foreign currency. We are constantly emphasizing the need for increasing correspondent partners and trying to develop business relationship with our correspondent Banks worldwide.

Risk Management

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

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

Maturity Analysis

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	26,270	10,424	4,675	41,368
No-interest earning assetsn	2,626	185	1,571	4,382
Total assets	**28,896**	**10,609**	**6,246**	**45,750**
Interest bearing liabilities	25,760	8,769	604	35,132
Non-Interest bearing liabilities	2,073	56	1,992	4,122
Total liabilities	**27,833**	**8,825**	**2,596**	**39,254**
Maturity Gap	**1,063**	**1,784**	**3,650**	**6,496**

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

Green Banking

Green Banking is defined as promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities, thus building our world into a safe living habitat. The Board and Management are committed in providing resources for the growth of green business and practices. MDB put emphasis on green revolution of internal operations by adopting proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark. In 2018, we incorporated environmental risks in our CRM, introduced mobile banking and online or paper less banking as well as e-recruitment system, re-financed eco-friendly and energy efficient projects, facilitated employee training and took customer awareness initiatives.

Money laundering and Terrorist Financing

Money Laundering (ML) and Terrorist Financing (TF) are global phenomena, apparent in almost every part of the world. ML and TF are components of terror-

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

Corporate Social Responsibility

The Bank is very much active to the cause of society in meeting its obligations to the less privileged peoples. MDB was involved in a broad range of direct and indirect Corporate Social Responsibility (CSR) engagements which included humanitarian relief and disaster response, widening opportunities for disadvantaged population segments, supporting of healthcare and education. During the year, the Bank donation to Bangladesh Alliance for Women Leadership (BDAWL), Chad Tara Mosque and sponsorship in monthly Braille newspaper "Dristi Bejoee" published by Bangladesh Disabled Development Trust. Bicycles were distributed among meritorious but financially challenged female students. MDB also distributed of Blankets among the cold stricken people of the country through.

The Bank conducted various CSR activities during the year 2018 (details are discussed in CSR report in this annual report).

Corporate Governance

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

Corporate Sustainability

In order to uphold corporate sustainability, MDB has concentrated in the key areas i.e. nation building, creation of healthy and congenial works place, enhancing the market place, support to the community and fortification of the environment. As a socially conscious and responsible corporate body, MDB is committed to the improvement of the society as a whole. MDB is continuously trying to put its efforts to help the disadvantaged population of the country in the sector of education, health, disaster management, sports, arts and culture, etc. The Bank is contributing a portion of its net profit every year to the CSR Fund. The Bank conducted various CSR activities during the year 2018 (details are discussed in CSR report in this annual report).

Remuneration of Directors and Managing Director

The Bank did not pay any remuneration to its Directors. As per BRPD circular # 9, dated September 19, 1996, the Chairman may be provided car, telephone, office chamber and private secretary. In addition to the above, Directors are entitled to get fees and other benefits for attending in the meeting of Board, Executive Committee, Risk Management Committee and Audit Committee as per regulatory guidelines (Note # 31). The Managing Director & CEO was paid salaries and allowances as per approval of MDB Board as well as Bangladesh Bank (Note # 26.01).

Accounting Records

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

Accounting Policy and Implementation of BFRS/BAS

The Board of Directors are responsible for the preparation and fair presentation of Bank's annual financial statements comprising Balance Sheet, Profit & Loss Accounts, Cash Flow Statement, Statement of Change

in Equity and a summary of significant accounting policies and other explanatory notes, and the Director's report, in accordance with Bangladesh Bank guidelines, Bangladesh Financial Reporting Standards (BFRS) / Bangladesh Accounting Standards (BAS) and in the manner as required by the Company Act, 1994. The Directors are also responsible for designing, implementing and maintaining internal control relevant to preparation and fair presentation of these finacial 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 activties defined at every business level. These include review by top level management, appropriate activity controls for different departments / divisions, physical control, checking for compl ance with exposure limits and follow-up on non copliance, a system of approvals and author zation, and a system of verification and reco ciliation, thereon.

Standard Reporting

The financial statements have been prepared in accordance with Bangladesh Bank guidelines, Bangladesh Financial Reporting Standards (BFRS) / Bangladesh Accounting Standards (BAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and applicable provisions of Bank Companies Act 1991 (Amendment up to 2018) and Company Act, 1994. Midland Bank Limited endeavors relentlessly to stay compliant in every aspect including corporate and financial reporting as per regulators' requirements. In this respect, the Management accepts the responsibilities for the integrity and objectivity of these financial statements, as well as various estimates and judgments used therein. The estimates and judgments have been made on a prudent and reasonable basis, in order to ensure that the financial statements reflect the financial operations of the Bank in a true and fair manner.

Going Concern

The conceptual framework of Bangladesh Accounting Standards-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 settles.

Internal Control Environment

The Board of Directors set the tone for an effetive internal control background from end to end regular review of the process identifying, evaluaing, 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 dully approved by the Board of Directors. Before processing any payment, General Service Division (GSD) and Financial Administration Division (FAD) dedicated team review the bills in compliance with the terms of reference (TOR) of Work Order and necessary VAT, Withholding Tax and other applicable security charges are being deducted from bills and issue Pay Order/Account Transfer in favor of the eligible vendors/beneficiaries. MDB is keen to build strong business relationship with its vendors and service providers. Hence, the Bank does not face any litigation from its any customer or stakeholder since of its inception.

Shareholders' Value

The Board of Directors is fully committed to accretion the high value of its shareholders' investment by earning solid profitability through delivering excellence in services to its valued clients and stakeholders. The Board was able to keep its

commitment by settling excellence profitability trends in the year 2018. During the year, earning per share (EPS) stood at BDT 1.23 against BDT 1.31 in 2017, Return on Equity (ROE) at 10.54% against 12.30% in 2017, Return on Average Assets (ROA) stood at 1.42%, against 1.65% in 2017 and Net Assets Value Per Share (NAV) stood at BDT 12.30 compared to BDT 11.09 in 2017, i.e., growth of 10.91 percent over 2017.

Meeting of the Board of Directors

The Board of Directors hold meeting on a regular basis, usually once in a month but emergency meetings are being called when deemed necessary. Management provides information, references and detailed working papers for each of the agenda to all Directors well ahead of the scheduled date for meeting. Each Meeting, the Chairman of the Board of Directors allows sufficient time for the Directors to consider respective agenda item in a prudent way and permits them to freely discuss, inquire, and express independent opinions on the issues of interest so that they can fulfill their duties to the best of their abilities. During the year 2018, a total 13 (Thirteen) meetings of the Board of Directors were held.

Appointment of Auditors

Hoda Vasi Chowdhury & Co., Chartered Accountants had conducted the audit of the Bank for the financial year 2018. They have completed 3rd terms (3 years). As such, they are not eligible for re-appointment for conducting audit for the FY2019 as per guidelines of Bangladesh Bank. The Board of Directors in its 84th Meeting held on 29 April 2019 recommended to appoint A. Qasem & Co., Chartered Accountants as external auditors of the Bank for conducting the audit of the Bank for the financial year 2019. Shareholders of the Bank will approve the appointment of that Chartered Accountant firm in its 6th AGM to conduct the audit of the Bank for the FY2019.

Annual General Meeting

The schedule of 6th Annual General Meeting (AGM) of the Bank to be decided later. The Directors' Report along with the financial statements of the Bank was approved at the 84th Meeting held on 29 April 2019 to be placed before the shareholders of the Bank in the 6th AGM for review and approval.

Outlook of Financial Year 2019

During the financial year 2019, the Bank will continue to strengthen its position by expanding the core business activities, particularly in Retail Finance, Commercial Lending to SME and Agriculture, Agent Banking Centers (ABC), Corporate Finance, Structured Finance, Import and Export business. As regards liability management, the Bank will remain focused on growing its core customer deposits and also improving its deposit mix to have competitive funding cost. The Bank will continue to enhance its delivery of service standards, promotes fee-based activities (Non-funded business) and pursue greater cost efficiency and staff productivity by promoting a proactive business process. In pursuit of its business growth, the Bank will invariably adhere to good corporate governance practice, appropriate risk management policies, prudent credit policies and practices in order to upkeep sustainable long-term growth and profitability of the Bank for the benefit of all stakeholders. The Bank confidently looks forward to continue sharing its success in delivering greater shareholders' value in coming year 2019.

Acknowledgements

I intend to express my profound satisfaction that Midland Bank has by this time occupied respectable position in the banking landscape of the country. The success that we have achieved so far is largely attributable to the prudent team members of the management and the support and patronization that we have received in our way forward journey from our valued depositors, stake holders, regulators. In all circumstances we shall remain steadfast with our ethical standard, relentless effort for up gradation of our quality of services and above all to stay compliant with all the regulatory and prudential issues to ensure sustained growth of our beloved institution. The relentless endeavor of the Management and Staff of the Bank under prudent guidance and timely support of the Board of Directors have substantially contributed to the success of the Bank but there is no scope to become complacent. The Board of Directors take this opportunity to acknowledge the debt ofgratitude andheart-felt appreciation 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 unwavering co-operation and support.

On behalf of the Board of Directors,



Nilufer Zafarullah
Chairman

Report on Economic Impact

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

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

Maintaining Capital to Risk Weighted Assets Ratio (CRAR)

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

The capital adequacy computation as on 31 December 2018 is given below:

Particulars of Capital Fund	2018	2017
Paid up Capital	5,274.72	4,795.20
Statutory Reserve	781.10	559.84
Retained Earnings	425.52	480.99
Total Tier - I (Core) Capital	**6,481.35**	**5,836.03**
General Provision including Off Balance Sheet items	460.58	305.99
Revaluation Reserve on Investment in Securities	0.34	0.68
Total Tier - II (Supplementary) Capital	**460.92**	**306.67**
Total Capital (Tier I + II)	**6,942.27**	**6,142.70**
Total risk weighted assets	35,908.76	29,213.08
Tier - I (Core) Capital Ratio	18.05%	19.98%
Tier-II (Supplementary) Capital Ratio	1.28%	1.05%
Capital to Risk Weighted Asset Ratio (CRAR) – Minimum Requirement @ 11.875%	**19.33%**	**21.03%**

Statement of Value Added and its Distribution

In BDT million

Particulars	2018	2017
Income from banking services	4,779.51	4,073.43
Less: Cost of services & supplies	(2,964.39)	(2,391.85)
Value added by banking services	**1,815.12**	**1,681.58**
Non-banking income	-	-
Provision for loans, Off-balance sheet exposure and CSR	(140.23)	(165.49)
Total	**1,674.89**	**1,516.09**

Distribution of value addition		
To employees as salaries & allowances	505.65	423.04
To providers of capital as dividend & reserve	221.26	207.06
To Government as income tax	446.78	371.60
Sub-Total	**1,173.69**	**1,001.70**
To expansion and growth		
Retained profit	424.02	479.78
Depreciation	67.95	62.76
Deferred taxation	9.23	(28.15)
Sub-Total	**501.20**	**514.39**
Grand Total	**1,674.89**	**1,516.09**

Economic Value Added statement

Economic value added is a measurement of a company's financial performance based on the residual wealthcalculated by deducting cost of capital from its operating profit. Shareholders/equity providers are always conscious about their return on capital invested. As a commercial Bank, we are deeply concerned for delivery the value to all of our Shareholders/equity providers. During the reporting year 2018, the economic value added of MDB are as under:

In BDT million

Particulars	2018	2017
Shareholders' Equity	6,486.60	5,851.99
Add: Accumulated provision for Loans & Advances and Off Balance sheet exposure	608.81	490.83
Total Shareholders' Equity	7,095.41	6,342.62
Average Shareholders' Equity	**6,719.02**	**6,035.98**
Earnings		
Profit after tax	650.32	691.83
Add: provision for Loans & Advances and Off Balance sheet exposure	135.18	160.49
Less: written off during the year	-	-
A. Earning for the year	**785.50**	**852.33**
Average cost of equity (based on weighted average rate of ShanchayPatra issued by the Government of Bangladesh) plus 1% risk premium.	9.35%	10.35%
B. Cost of average equity (6,724.02*9.75%including 2% risk premium)	**655.59**	**624.72**
Economic Value Added (A-B)	**129.96**	**227.61**

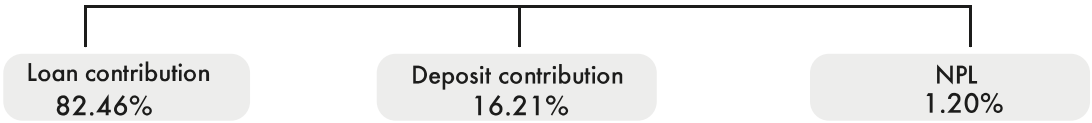
Peformance by Banking Segments

CORPORATE BANKING

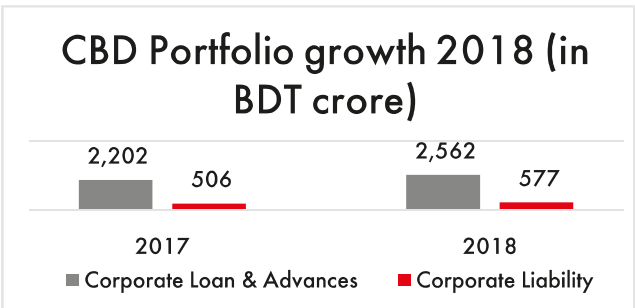
Global economy in 2018 continued to be on conservative side as reflected in world GDP growth, monetary inflation and investment trend. Growth which was evident during the first quarter, was replaced by revised downward trend down the line, arising from country specific factors, tightened financial conditions, geo-political tensions and BREXIT. Nevertheless, economy of Bangladesh was able to maintain sustained growth at a rate of 7.86 percent during the period. Per-capita national income was reported at USD 1,751 during the period.

For banking industry of Bangladesh, however, 2018 was a very challenging year which was attributed to fierce market competition, long lasting liquidity crisis, rising interest rate across the financial sector, depreciation of BDT against USD, client's apathy for investment due to fund crisis, market instability and to some extent, year-end national parliamentary election. In spite of the challenges, Midland Bank Limited (MDB) continued to excel with positive profit growth by focusing more on creditworthy clients, prudent fund management, diversified financial services and effective use of alternative funding sources. Corporate Banking Division (CBD), being major contributor of total loan portfolio of the Bank with 82.46% contribution, helped the Bank to ensure a loan growth by 14.05%. In deposit side, out of total 12.31% growth, CBD's contribution was 16.21%. CBD achieved this feat by maintaining total operational compliance and upon following complete regulatory guidelines. With a strong service orientation, CDB focused on leveraging strong relationship with big corporate clients, proactive approach in addressing customers' requirements and serving their financial needs promptly. Moreover, strong monitoring helped the Bank to keep Non-Performing Loans (NPL) at a level as low as 1.15% this year.

CBD's Core Performances in 2018



CBD's operational strategy in 2018 was devised in line with overall goal of the Bank and was flexible enough to cope up with changing market scenario. Liquidity scenario was the most prominent challenge in 2018, which was accompanied by rising interest rates and fluctuations of various fiscal parameters like USD-BDT exchange rate. To manage the liquidity crisis, CBD deployed its team members for aggressive liability marketing since beginning of 2018. Simultaneously innovative liability products were introduced and rates were also adjusted from time to time to attract deposits. Throughout the year, Team CBD maintained excellent collaboration with Treasury Divisionas well as clients to avoid any unexpected fund crisis at the time of disbursements,without having compromised the projects/deals. Asset-liability matching as well as investment through treasury and wholesale borrowing, all had been part of judicious fund management. CBD continued to explore avenues for innovative services to help increase fee income alongside traditional services like Letter of Credit Authorization Form (LCAF), Local guarantee against ECA backed financing etc. There had been interest rate revisions from time to time, in order to justify rate gaps of loan and deposit products and we highly appreciate our clients' best cooperation in this regard. The Bank also looked for alternative funding sources on continuous basis. Various refinancing schemes of Bangladesh Bank namely Financing Brick Kiln Efficiency Improvement Program (FBKEIP) funded by Asian Development Bank (ADB), Long Term Financing Facility (LTFF) funded by World Bank, Investment Promotions and Financing Facility II (IPFFII) funded by World Bank and other green financing products are mentionable in this regard. To safeguard our clients from vulnerability of exchange rate fluctuations, CBD adopted various hedging strategies including forward contract.



Corporate Asset Team's contribution

Corporate asset team serves top corporates of the country which, in Garments sector includes Talha Fabrics Ltd., Shasha Denims Ltd, SS Sweaters Ltd, Dhaka Textile Ltd.; in Food & Allied sector, BD Corporation, BD Seafood Ltd., Igloo Food Ltd., in Automobile Assembling sector, Nitol Motors Ltd. IFAD Autos Ltd, ACI Motors Ltd.; Flexi-Packaging & Polymer Ware sector, Bengal Flexipak Ltd., Bengal Polymer Ware Ltd.; in

Mobile & Household Appliances assembling sector, Fair Electronics Ltd.; in steel sector BSRM, KSRM, GPH and in NBFI sector, Lanka Bangla Finance Ltd., Prime Finance Capital Management Ltd. Notable other corporates are Anwar Group, Energypac Group, Adex Group, Confidence Group, Younus Group, Spectra Group and Youth Group. Corporate asset team's total loan and advances outstanding stood at BDT 2,562.00 crore in 2018 with 14.05% growth compared to the previous year. Corporate asset team itself contributed to BDT 339.00 crore into liability portfolio in the year 2018.

Corporate liability team's contribution

From its inception in 2016, separate corporate liability team has been contributing to steady inflow of deposits to reduce cost of fund of the bank. Midland Bank Ltd. has devised customized liability products for large corporate customers, keeping in mind their needs and also the current market demand. Corporate liability team added BDT 238 crore out of CBD's total contribution of BDT 577 crore, which is 41.24% of total corporate deposit portfolio in 2018.

Structured Finance Unit's (SFU) contribution

In order to provide tailored financial services and mitigate risk through syndication, MDB introduced Structured Finance Unit (SFU) in 2017 as part of Corporate Banking Division. SFU is dedicated for promoting infrastructure projects, managing alternative financing through innovative products and instruments, explore opportunities in the market to cater new arrangement for easy availability of fund at a competitive rate. SFU offers corporate financial advisory and agency function too. In 2018, SFU closed the first ever syndication deal of MDB as a lead arranger namely Kushiyara Auto Bricks Limited.

Core achievements of SFU

- Financial closure of syndicated term loan for Kushiyara Auto Bricks Limited amounting to BDT 599.5 million as Joint Lead Arranger.
- SFU and CBD Unit-3 jointly executed the largest trade deal in history of MDB with a transaction value of USD 70 million in the form of Letter of Credit Authorization Form (LCAF) in favor of Feni Lanka Power Limited, a concern of Lakdhanavi Limited of Sri Lanka.
- Mandated as lead arranger for issuance of Sukuk Al Ijara for ACI Motors and lead arranger for issuance of commercial paper of Partex Laminates Ltd.
- Mandated and performed as IPA for commercial paper of Energypac Engineering Ltd. (BDT 1500 M & 1000 M), and Partex Laminates Ltd. (BDT 750 M & 750 M)
- Approval of USD 5 million fund from Asian Development Bank (ADB) under Financing Brick Kiln Efficiency Improvement Project (FBKEIP) of Bangladesh Bank

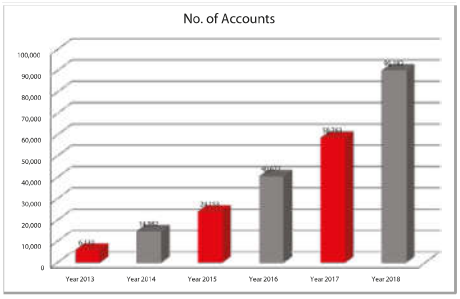
RETAIL DISTRIBUTION DIVISION

Retail Distribution Division (RDD) has emerged into a more sophisticated retail banking platform during 2018 and has proved to be an irreplaceable source of stability for Midland Bank Ltd. In 2018, the Bank opened 3 more urban branches (Mirpur, Islampur and Rajshahi) and 3 more rural branches (Foyla Bazar, Maligram& Paragram) at a very strategic locations of the country to extend its business network and also to strengthen the presence of MDBL. The Bank has also launched 6 ATM Booths with the newly opened branches followed by introduction of 22 more Agent Banking Centres to reach out to the geographically dispersed locations and to the poor segment of the society, with a range of banking and financial services. Presently MDBL has 30 Agent Banking Centres across the country.

The year 2018 has been the most promising year for Retail Distribution Division. The Bank has shown its utmost commitment to increase the retail customer base of the Bank through building strong relationship with its customers and giving door-step service. As a fourth generation Bank, this has led to a qualitative growth of 53.47% (from 58,763 to 90,182) in number of customers.

Product Developments

The Banking industry of Bangladesh has become steeply competitive having as many as 59 Banks are in operation. Now sustainable growth of any Bank depends upon introduction of innovative business products properly addressing the risk issues to cater the clients' specific requirement vis-à-vis to broaden the clientele base.



RDD has also emphasized on developing innovative financial proucts and services, giving highest priority on developing technology driven products for the ease of the customer.These competitive proucts include "MDB MILLIONAIRE SAVINGS SCHEME", "MDB KOTIPOTI", "MDB PLATINUM SAVINGS SCHEME", "MDB TRAVELLER'S SAVINGS SCHEME" AND "MDB TIME DEPOSIT". Our corporate slogan "Bank for Inclusive growth" underpins the necessity by innovation of new credit oriented products matching the requirements across the different business segments. Hence, a new loan product "MDB EARNEST MONEY FINANCING" has been launched in the market in 2018 which is a specific form of payment order financing as earnest money for bidding/participating in any official procurement process to determine the applicant's genuine willingness to participate in the procurement and complete the work if awarded.

Value Added Services

Midland Bank Ltd. has always differentiated its value added services through developing extremely coseefficient, user friendly, multi-functional and highly secured web based Internet Banking facility and its mobile application "midland online" that allows customers to transfer funds (through BEFTN, RTGS and NPSB), pay various utility bills (DESCO, DPDC), mobile top-up services, credit card bill payment etc. We are connected with more than 5,000 ATMs across the country to make it convenient for the customers to withdraw fund from any where in Bangladesh. Our SMS based service facilitate our customers for receiving notification on every transaction in their mobile phone.

Sustainable Growth

Retail Distribution Division (RDD) will strive to achieve sustainable growth with a vision to become market leader at near future by establishing a compliance and performance based culture, satisfying the client requirement with excellence. RDD plans to expand the Bank's business and service network under the latest technological advancements in the world to serve its customers with more satisfaction and simultaneously provides a secured banking platform that will make Midland Bank Limited as their preferred banking partner.

MSME FINANCING

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

In view of the importance and business potentially of this sector , MDB attaches top priority to develop SME sector through extending short term financing to wide range of manufacturing and service based enterprise. To support and harness potentiality of this sector, MDB launched ECSP & SME Division on September 2013 to deal with business of this segment. The Division developed/ structured a range of loan products to cater requirement of different business sub segments. This facilitated MDB to enhance its portfolio in this sector from Tk.15.13 Crore (in 2013) to Tk. 275.01 crore (in 2018), a phenomenal growth of 18 times in a period of six years.

Bangladesh Bank envisaged priority in segment i.e. women entrepreneurs, micro enterprise, cottage industries , under privileged group , 3rd gender , ethnic groups etc. with re- financing opportunity at lower rate of interest . MDB disbursed loan of Tk. 65.46 crore to the women entrepreneur during the year 2018 which is an outstanding achievement considering age of MDB and total portfolio.

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

SME Division envisage to enhance its portfolio by amount of 260.00 crore mainly to the Bangladesh Bank designated priority sector keeping in mind geographical diversification and also business segment diversification.

AGRICULTURE CREDIT

Agriculture is the mainstay of Bangladesh economy contributes 14.10% of GDP and importance of this sector cannot be over emphasized. Now there has emerged agri businesses under different sub sectors of the agriculture and making its contributions even in the sphere of export earnings. Generically agriculture sector comprises of crops, horticulture, pisciculture, livestock and forestry, sub-sectors with crop sub-sector being the predominant. So this sector creates value additions from the multidimensional perspective. Agriculture sector is well rooted and sustainable one and its contributions is very much visible and measurable in generating vibrant trade and also promote the mobility of goods across the country by utilizing the different modes of transport and so transport sector is also immensely benefited from the vibrant activities in the agriculture sector.

In view of the importance of agriculture sector Midland Bank allowed more than 2.5% of its portfolio to Agri crop sector at convenient rate through Non-government organization as per BB set target. Besides substantial credit facilities were also allowed to Non crop sector e.g. pisciculture, livestock. MDB also envisage to deliver Agri credit facility through their own distribution channel.

It is noteworthy that MDB got appreciation letter from Bangladesh Bank for achieving the Agriculture financing target of FY 2014-2015 which is indeed inspirational for us. For the fiscal Year 2017-2018 (based on July to June), MDB's disbursement target in agri lending was Tk. 74.00 crore. MDB achieve its target for the financial year 2017-2018 by 193.04% & Special Agriculture Credit at 4% concessional Interest Rate by 102%. To achieve the target for the FY 2018-2019 MDB is working very hard & already achieved almost 80.84% against yearly sale at the end of December 2018.

International Trade

In order to facilitate the Foreign Exchange (FX), Foreign Trade and Other Foreign Currency (FCY) Business and Transactions, International Division of the bank maintains affluent Correspondent Banking Relationship with almost all the major and renowned banks at home and abroad. International Division comes forward to play its role and not only felicitates foreign trade but also works for the development and enhancement of foreign correspondence relationship. The well experienced and dedicated team of the division has established Standard Settlement Instructions (SSI) including Drawing and Telegraphic Transfer (TT) arrangements in all major currencies in the locations of international business concentration. The bank maintains 12 NOSTRO accounts in major international currencies with reputed international banks for the settlement of all the foreign currency transactions of our customers. As a part of its growth, International Division has been constantly developing and improving the affiliation with foreign correspondent banks on reciprocal basis.

Foreign Trade:

MDB has established Centralized Trade Processing Unit for serving customers in a more effective and efficient way. Two base stations have been established at Head Office, Dhaka and Agrabad Branch of Chattogram respectively. All the branches of the Bank and corporate banking division are able to serve their trade customers through these base stations. As a result, processing becomes faster and efficient.

Remittance:

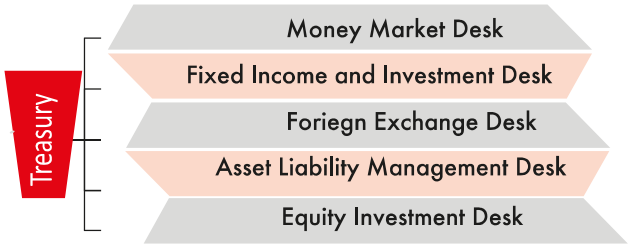
MDB is in continuous effort to encourage expatriate Bangladeshis living abroad for remitting funds through banking channel. In this regard the bank has established remittance drawing arrangements with reputed exchange houses/ money transfer companies around the world. At present the bank is providing remittance service channeled through Western Union Money Transfer, Xpress Money Services, Placid NK Corporation, Trans-Fast Remittance LLC, BRAC Saajan Exchange Limited, Ria Money Transfer, Prabhu Money Transfer, Uremit International Corp. MDB has a very dedicated and efficient team to source remittance business as well as to ensure prompt & efficient services to the customers offering best competitive price for their hard earning Foreign Currencies. MDB handles both inward & outward remittance products. The outward remittance includes FC Cash, FDD & wire transfer through SWIFT, The inward remittance products are Over the Counter Payment (OTC), Account Credit to all bank all branches, & wire transfer through SWIFT. The bank is endeavoring to increase its remittance network with continuous efforts to explore new destinations wherein out Bangladeshi diaspora earn their livelihood.

TREASURY

2018 was a year of volatility and challenge for Treasury wholesale market. Money market liquidity experienced both compression and loosening within a short span of time. Commercial Banks had to take support from Bangladesh Bank in the form of repo in August, 2018 and December 2018. Yield of government bill-bond rate experienced upward movement due to tight liquidity and higher rate expectation. USDBDT market also experienced large volatility like the year 2017 and 2016, though volatility was suppressed as Bangladesh Bank sold large volume of dollar into the market to keep the exchange rate stable. Wage earners remittance receipt experienced handsome growth, export growth was attractive, however higher import growth and slowdown in financial account exceeded the supply, which ultimately resulted in 1.50% depreciation of official exchange rate of USDBDT.

Midland Bank Treasury:

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



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

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

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

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

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

Treasury transaction volume:

Midland Bank treasury deliberately runs trading book with a view to earn profit by investing different asset classes of longer term and funding this trading book by borrowing on shorter term. In 2018, total foreign exchange transaction volume was USD 10,527.38 million compared to USD 4,689.90 million in 2017, achieving a transaction growth of 224.47% in 2018. Also, Midland Bank treasury was very active in secondary bond trading. . Total secondary bond market transaction turnover by Midland Bank Ltd. in 2017 was Tk. 9,367.13 million which was 5.7% of entire market.

Treasury Priorities in 2019:

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

Treasury Market Outlook for 2019:

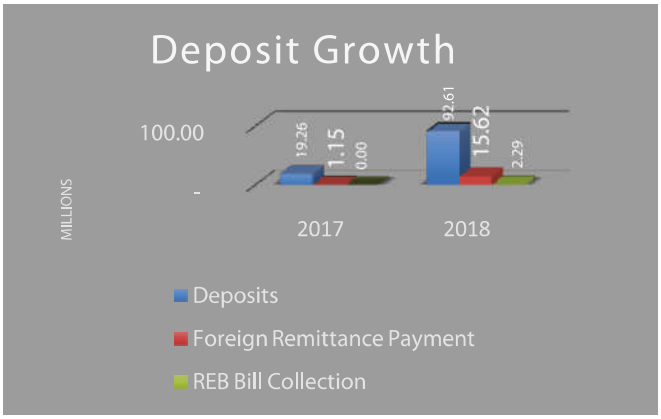
Market outlook always correlates with money growth, expected inflation, private sector credit growth, benchmark rate and level of government borrowing. Inflation on December was contained within expected level of inflation by Central Bank, however higher credit growth and rising import cost for BDT depreciation is posing threat on inflation outlook. Current account deficit improved slightly from second half of the year, with balance stood -2.55 billion on Nov 2018. Higher import and payment for some mega projects will put pressure on exchange rate.

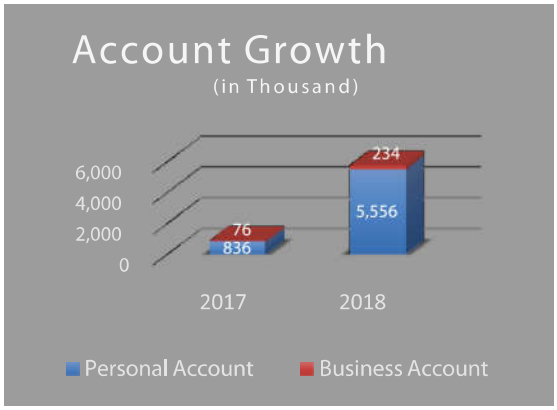
Taka may further depreciate by another 2.50-3.0% in 2019. With a stable political environment, economy may experience higher credit growth, which may pose threat on interest rate. In our projection money market rate will be stable, but overall interest rate may increase throughout the year. If goverment revamps the savings certificate rates, government borrowing from banking system will increase which will result in higher Treasury bond rate in the short run. However, such action will result in higher deposit growth in banking system, which will increase market liquidity condition, taking impact of money multplier, will ease deposit rate and Treasury bond rate in longer term.

AGENT BANKING

Agent Banking has made significant contribution to rural economy over the past few years and it's becoming increasingly popular. Midland Bank Ltd. (MDB) has been actively trying to contribute in this financial inclusion program of the Government of Bangladesh. MDB started its Agent Banking Opertion in 2017 with state of the art technology. By the end of 2018, MDB established 30 Agent Banking Cetres (ABCs) across different parts of the country that aided the recognized banking sector reach out to the marginalized unbanked people of the country.

The Bank so far has been able to accumulate deposit of BDT 92.61 Million. The Agent Banking Centres have created an easy path for the surrounding people to receive remittances from abroad and they can also pay their utility bills through this channel. MDBL has received foreign remittance of BDT 15.62 Million and collected utility bill of BDT 2.29 Million throughout 2018.





Sincerity in service delivery backed by latest banking products and utilization of technological advancments have played a vital role for MDB Agent Banking Centres to spread rapidly across its locality for Midland Bank Ltd. We have incorporated Debit Card (VISA enabled) facility to enhance their transaction freedom across the country. Besides, BEFTN and RTGS facility allows the business people in the locality to do day to day banking operations more smoothly. We have launched Tab version of the banking solutions for ABC customers that helped us to reach out our ABC customers at their door-steps. MDB have already started disbursing salary for the garments workers through various Agent Banking Centres. The Bank has facilitated the ABC customers with Internet Banking facility to digitalize the banking service among the people and allow them to do all the available mode of transaction. All types of deposit products are being facilitated to ABC customers to encourage savings culture among them which will ultimately help to build National Capital for the economy. Through this Agent Banking channel, we have taken the opportunity to promote the School Banking activities surrounding the Agent Banking outlets to educate the children regarding the Banking system, create a savings culture among them and guide them towards a progressive future. We plan to open 70 more Agent Banking Centres across different parts of the unbanked population, introduce micro credit facility (SME & home loan) in small scale to uphold this segment of the customers and contribute in the national GDP growth of the country.

MDB CARDS

MDB Cards Division has passed couple of years and within this short period successfully created its own brand image to penetrate into this highly competitive though lucrative market. In recent times, card has become an essential service for the customers, offered by a bank. It does not only lessen the risk of carrying cash in the wallet, rather it adds value to the customer's daily life, giving more convenience to fulfill their day to day needs. MDB Card offers various attractive value added services and diversified products for all range of customers.

Despite stiff competition in the market, MDB Cards achieved remarkable success in 2018 with positive growth in operating profit, increase in portfolio outstanding and new card acquisition compared to 2017. Card Division at MDB, strives to achieve sustainable growth with a vision to become market leader in the near future. Some of the major accomplishments in 2018 were launching cash back campaign on the foreign currency transactions, introducing Insta-Loan, Retail2EMI and BOGO free offer with renowned merchants.

Priorities for the year-2019

Card Business already set its ambitious strategies for making consistent business growth in 2019 and the priorities are as follows:

- Improve customer experience with every interaction and use it to build customer loyalty, increased revenue and enhanced profitability.
- Implement Fraud Guard Module to reduce the risk of fraudulent transactions to protect customer's interest.
- Implement Biometric Smart Card Reader at ATM for fingerprint recognition.
- Introduce Visa payWave (Dual Interface i.e. contact and contactless) cards for the Bank.
- Introduce value added services i.e. safety net insurance program, reward points, branch POS and conversion of card outstanding into EMI credit facility.

Implementation of these initiatives will enhance capacity of MDB, secure cards/transactions more effetively, offer the client more convenience, safely and secrecy; thus improving the overall customer satisfaction significantly.

List of Agents:

01. United Social Human Advancement (USHA) Foundation, Narayanganj
02. Sachatan Shahajjo Sangstha (SSS), Narsingdi
03. Society for Family Happiness & Prosperity (FHP), Bajitpur, Kishoreganj
04. M/S. Robin Traders, Bogura
05. M/S. Mozaddediya Enterprise, Sirajganj
06. M/S. Prapti Dairy Farm, Bogura
07. Coastal Association for Social Transformation Trust (COAST), Laxmipur
08. M/S. Rose Tiles, Khulna
09. Deshbondhu Solar and Electronics, Guzia, Bogura
10. Zahid Enterprise, Khulna
11. Z&X Associates, Manikganj
12. Village Association for Social Development (VASD), Manikganj
13. Sarker Apparels Food & Trading Limited, Dhaka
14. M.B. Automobiles, Laxmipur
15. Ogrozatra Private Limited, Gaibandha
16. Master & Sons, Bogura
17. Forid Traders, Bogura
18. K.H. Enterprise, Narsingdi
19. Deshbondhu Solar and Electronics (Amtoli) Bogura
20. Mehjabin Traders, Manikganj
21. Raju Poultry Farm, Khulna
22. M/S. Shikder Fisheries, Mymensing
23. Khan Traders, Dinajpur
24. BASTOB-Initiative for Peoples' Self Development, Chokoria, Cox's Bazar
25. Janani Traders, Manikganj
26. Wali Enterprise, Madaripur
27. Ma Enterprise, Madaripur
28. Z.R. Corporation, Dhaka
29. Shiza Enterprise, Tongi, Gazipur
30. Sowrov Traders, Siddiquebazar, Dhaka

INFORMATION TECHNOLOGY

The world has witnessed a technology revolution. This revolution has touched every aspect of our life, including banking. Today, technology has introduced new and innovative ways of delivering banking services and products to customers. Technology and banking business has now been closely integrated. At Midland Bank (MDB), we have adopted information and communication technology for our business to facilitate faster decision making and to provide superior services to our customers. The bank commenced banking operation with an online core banking system, running its daily activities in an efficient manner.

During the year 2018, we developed and launched midland online apps, a robust internet banking system, both for Android & iOS supported gadgets, through our internal expertise, thus allowed our customers to manage their banking through smart devices. Recently, the bank has connected with coutries new digital payment system NPSB (National Payment Switch Bangladesh) and introduced in midland online. The customer can get account statement, maintain inter & intra bank fund transfer, pay utility and credit card bills using midland online. To make midland online more advance, we have signed an agreement with bKash, the largest mobile wallet service in the country, to facilitate our customers to make transactions between bKash and MDB.

To further strengthen the service quality, MDB earlier decided to centralize its business operations, a significant shift from the traditional brick and mortar banking, with the prudent application of informtion technology. This bold strategy, and re-defined business operations, will ensure cutting-edge services for our valued clients.

To reinforce practices and procedures in compliance of Central Bank, we established our 1st Disaster Recovery Site (DRS), with world renowned, latest and sophisticated devices and technology to run our banking services. In our endeavour for making our ICT infrastructure and systems more secured and robust, we have amended our ICT Policy in line of latest guideline of Bangladesh Bank. We believe the automation & robustness of the processes, industry standard policy & procedure will ensure transparency and accuracy of the services of the bank.

MDB'S SERVICE EXCELLENCE

MDB is always dedicated to maintain the best service standard in the banking industry. Our aim 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. We believe in rendering service with a smile and we want to be referred by our customers for our standard and quality customer service. We have developed a Central Customer Service and Complaints Management Division at head office to redress customer, because MDB management has zero tolerance approach towards customer services. The names and emails of this cell's members are published in MDB website. It also includes phone, email, chat, web forms, and social communications, as well as self-service support sites, contact centre etc.

Making way for Customer Feedback

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

MDB never sleeps

We have established a 24/7 Contact Centre to provide the best customer service and track any complaint or opinion of the customers. We are one call away to solve any queries any time on 16596.

CUSTOMER SERVICES AND COMPLAINT MANAGEMENT

MDB attaches top priority for developing and continuously monitoring customer services rendered by the Bank in its day to day operation. To exclusively and professionally look after the matter MDB developed Customer Services & Complaint Management (CS&CM) Division which takes a relentless effort in establishing a customer-friendly envronment by resolving any complain from the customer through prompt analysis, investigation and initiating remedial measures.

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

HUMAN RESOURCES

Human Resources Management Division has an aim to contribute for building strong, dedicated, skilled and professional Human Resources base for the Bank in peoples' development who are involved in the profitability curve and sustainable growth of the Bank. We believe that everyone has a latent talent, and for that we thrive to find out the underlying talent of the employees and help them to utilize their talent properly towards achieving individual development and organizational goals. This Bank established performance driven culture to expedite the utmost effort of its employees.

Our HR mission is to be the employer of choice in the financial sector where the employee will work with pride and pleasure. MDB believes that Human Resource Development is a continuing process and the output of the development helps the organization to meet the objective and vision of the organization. The Bank highly emphasizes on attitude driven talent acquisition process as we do not offer merely a job for the employees but we are highly conscious to offer their career and make them confident for the best fit of the next role. The main motto of Human Resources Management Division is to upward the service excellency curve for the internal and external customers of the Bank. The Management team of the Bank with their talent & skill has now been working for business excellence with new pledge based on professionalism, team work and strong bondage of interpersonal relationship with good governance. The financial sector with increased global, regional and local competition coupled with socio-economic sensitivity has created enormous challenges in organization like private commercial Banks. To cope with new challenges, our strategic approach is to make our people techy to cope with technology based environment. Thus we thrive for caring our people so that they can grow as future leaders of the Bank. Also we created enabling working environment to attract, develop and retain quality manpower to ensure all the development of the Bank. We appreciate the employees' creativity and innovation for improving the work process of the Bank. Employees will be provided the work life balance, respect and caring attitude within the organization that they are expected to share externally with every customer as a Brand Ambassador of the Bank.

RESEARCH AND PLANNING DIVISION

The primary mission of Research and Planning division (R&P) is to provide expert policy and technical advice based on a sound framework for business planning through the conduct of economic and social research, policy analysis, rational planning, technical cooperation-coordination and analysis of statistical information.

In 2018, R&P focused on carrying out systematic search for information and market opportunities in the banking industry to guide management decisions. The major responsibilities of R&P were to analyze and report daily on interest rate sensitivity of loans and deposits, prepare comparative reports on deposit mix, performance ratios, profit positions including trend analysis of all Private Commercial Banks of the country, compare business strategies of other banks versus MDB and advise on key strategies to be implemented.

In the coming years, R&P will explore new market opportunities, conduct feasibility studies for expansion, identify and resolve data gaps, provide deeper insight into prospective customers while generating specific action plans, develop comprehensive reports on deposit mix as well as other performance indicators, assess vulnerabilities, research on the implications of trends and develop methods to better identify and analyze risks.

CREDIT ADMINISTRATION

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

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

Credit Administration Division of MDB manned with professional and experienced manpower ensures perfection of documentation, which helps the business units to run business smoothly along with addressing the risk properly. Besides the Division is entrusted to monitor the borrower's compliance and proper account conduct/ performance to ensure quality portfolio.

LEGAL

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

The major responsibilities of this unit are as follows

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

ANTI-MONEY LAUNDERING

Anti-Money Laundering & Combating Financing of Terrorism

Money Laundering (ML), Terrorist Financing (TF) & Proliferation of Financing (PF) weapons of mass destruction have become very imperative issue in almost every part of the world in recent times that may cause significant level of risk for economic & social security. Besides, Money Laundering & Terrorist Financing Risk has been intensified recently due to integration of sophisticated technology in global financial sector.

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

MDB, during the year 2018 has accomplished following activities for strict adherence of Anti-Money Laundering & Combating Financing Terrorism program:

- To ensure the attainment of the Anti-Money Laundering & Combating Financing of Terrorism Compliance Culture in MDB, AML Division of the Bank issued several Circulars, Circular Letters & valuable instructions for Branches and all Business Units during 2018 so far keeping in consistency in line with BFIU Circulars & Circular Letters and ML & TF Risk Management Guidelines as well as Bank's own ML & TF Risk Management Policy Guidelines.

- ❖ Quarterly meetings of Central Compliance Committee (CCC) held regularly headed by CAMLCO to supervise the Bank's AML & CFT related activities. Also meetings of Branch Anti-Money Laundering Compliance Committee (BAMLCC) held on regularly to create awareness among the employee's & keep them updated regarding AML & CFT issues & compliance thereon.
- ❖ Two (02) Messages were sent from the desk of Managing Director & CEO during the year 2018. One Message sent to all employees of the Bank for ensuring compliance in AML & CFT issues and another one sent to all Branches & respective Divisions on the eve of 11th National Elections.
- ❖ AMLD conducted inspection on AML & CFT compliance status of Eight (08) Branches and also conducted 08 Eight (08) separated one hour awareness session at Branch premises to build up awareness on AML & CFT issues among the employees of Branches where the total participants were 80.
- ❖ AML Division of MDB conducted Four (04) Training session for the users of Bank Agent Centers as well as the officers of Agent Banking Division to build up awareness on AML & CFT issues.
- ❖ AML Division updated the "Question & Answer Based Guide Book" which was introduced earlier containing numerous information and question with answer regarding AML & CFT issues for all employees to enhance their knowledge & perception on AML & CFT issues.
- ❖ As part of Know Your Employee (KYE) program, MDB performs reference check and background check in the process of employee screening;
- ❖ Emphasis has been given on monitoring of customer transactions of Branch as well as centrally on a regular basis for identifying Suspicious Transaction. The complex transaction, transactions with deviation from normal transaction and the transactions that does not have reasonable purpose or the transaction with unusual pattern are to be more emphasized during our monitoring;
- ❖ AMLD submitted numbers of Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR) to BFIU ;
- ❖ AMLD communicated with Branches including all Business Units to improve their AML & CFT compliance culture, identifying needs and directing Branches as needed and responding to queries of Branches;
- ❖ AMLD performed well in respect of BFIU system check Inspection on AML & CFT issues;
- ❖ AMLD has extended its initiative to create awareness on AML & CFT among the customers by displaying awareness Banner on conspicuous place of the Branches and distributing awareness leaflets among the Customers.

Strategic goals of AMLD for the year 2019 are to strengthen our compliance culture in all units of MDB. Specific goals are as follows:

- ❖ This year AMLD will update its ML & TF Risk Management Policy Guidelines in 2019 for incorporating of updating BFIU circular 19 dated 17-09-2017 and Draft Guidelines for Preventing of Trade Based Money Laundering & Terrorist Financing of Bangladesh Financial Intelligence Unit (BFIU);
- ❖ Emphasis will be given on training this year and AMLD will arrange a day long training programs on AML & CFT including Trade Based Money Laundering to aware all officials of the Bank about their duties & responsibilities for the purpose of mitigating ML & TF risk within the Bank;
- ❖ AMLD will continue its communication process with Branches to improve their AML & CFT compliance culture, identifying needs and directing Branches as and when needed and responding to queries of Branches;
- ❖ AML Division has a plan to arrange a BAMLCO conference this year for all BAMLCO's of the Bank to keep them updated in relating to AML & CFT issues.
- ❖ AMLD will launch an Automated Sanction Screening tool with the help of IT to perform screening against, UN, UNSCR, OFAC and Domestic Sanction list;
- ❖ Monitoring of Branches shall be vigorous in 2019 which shall include conducting special inspections on the Branches as a part of its own monitoring program of Branches' AML & CFT compliance, apart from ICCD;
- ❖ AMLD will take proper steps to upgrade the status of Branches to Satisfactory which were already rated as Fair;

- ❖ AML Division will initiate strategies among the officials of the Bank to conduct Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) and identify Beneficial Ownership of account;
- ❖ AML Division will Implement Risk Based approach for AML/CFT Supervision/inspections on Branches as a part of its own monitoring program of Branches' AML & CFT compliance, apart from ICCD.

INTERNAL CONTROL & COMPLIANCE

An effective internal control and compliance system has become essential in order to underpin effective risk management practices and to ensure smooth performance of the Bank. Internal Control and Compliance Division of any Bank acts as the watchdog of Bank's established internal controls and compliances. ICCD of MDB is continuously working independently towards providing reasonable assurance regarding achievement of objectives of various internal controls. The core focus of MDB other than financial goal is to establish a vibrant compliance culture in the Bank ensuring engagement all officials of corporate hierarchy and ICCD has been entrusted with utmost independence by both Board of Directors and Management to recognize and assess all of the material risks that could adversely affect the achievement of the Bank's goals. ICCD also ensures compliance with laws and regulations, policies and procedures issued by both the bank Board/Management and the regulators.

In 2018, ICCD in MDB had three fold of functions consisting of two separate departments viz. a. Audit and Inspection Department, b. Monitoring and Compliance Department. As per Bangladesh Bank's revised guideline on Internal Control & Compliance (BRPD Circular No. 03 dated 08.03.2016 and amendment through BRPD Circular No. 06 dated 04.09.2016), the Head of ICCD of MDB reports his activities and findings to the senior management and Head of Audit and Inspection although being part of ICCD administratively reports directly to the Board Audit Committee and is responsible to the Board Audit Committee.Internal Control & Compliance Functions of above two departments in 2018 are enumerated below:

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

b. Monitoring and Compliance Department:

b. 1. Monitoring Department is responsible to monitor the operational performance of various Branches/Divisions/Departments. The Department collects relevant data and analyzes those to assess the risk of individual units. In case, any major deviation is found they recommend to the Head of Internal Control and Compliance/Head of Audit and Inspection for sending audit & inspection team for thorough review.

b.2. The Compliance Department is responsible to ensure that Bank complies with all regulatory requirements while conducting its business. The Department maintains liaison with the regulators at all level and notifies the other Departments regarding regulatory changes. The Department followed up the Branches/Divisions/Departments for implementation / rectification of the findings / irregularities brought out in the Internal Audit Report/s. This Department is also responsible to arrange timely submission of compliance report of Bangladesh Bank Inspection Report.

Activity status of ICCD of MDB in 2018:

Risk Based Audit checklist for both Branches and Head Office Divisions were revised by ICCD in 2018. The checklists were prepared in aligned with existing and updated manual, policies and circulars of Bank and also with related instructions of Bangladesh Bank and other regulatory bodies. Based on these checklists, risk based audit was performed on Branches and Divisions/Departments throughout the year.As per decision of senior management, ICCD also conducted surprise cash verification on 5 (Five) Branches in 2018. Special audit at a newly opened Branch during 2018 was conducted as directed by MD and CEO. In addition, special inspections on Anti Money Laundering activities of Branches were also conducted. In pursuant to comply with the provision of Bangladesh Bank's "Guideline on ICT Security For Banks and Non-Bank Financial Institutions, May, 2015, Version 3.0"

ICCD also conducted Information System (IS) Audit on all Branches. As per instruction of Bangladesh Bank, ICCD also conducted audit on daily basis reporting of Foreign Exchange Transactions of 2017 in the Online Foreign Exchange Transaction Monitoring System of Bangladesh Bank. After commencing of Agent Banking business, the Bank has opened 30centers so far. While auditing Agent Banking division, ICCD also visited 3 Agent Banking centers in 2018. As per instruction of Bangladesh Bank, ICCD also prepared health report of the Bank on the basis of financial position of 31.12.2017 and the report was approved by Board of Directors afterwards. Besides, ICCD coordinated Bangladesh Bank's inspection team/s whenever various units/branches were audited by the regulatory authority and also ensured timely submission of compliance report of BB Inspection in different areas e.g. comprehensive inspection at Divisions and Branches etc.

ICCD completed the following major works in 2018:

1. Annual Audit and Inspection of 24 Branches (including AML system check and IS/ICT Audit).
2. Annual Audit and Inspection of 22 head office divisions / departments.
3. Surprise Visit to the 07 branches.
4. Surprise Cash Verification at 05 Branches.
5. Special Inspectionof05 new branches
6. Review of QOR, LDCL, Self-assessment report, various statements like loans and advances, Online GL Transaction etc.
7. Internal Audit and Inspection report review and compliance monitoring of 120 times.
8. Bangladesh Bank and other regulator's inspection report and compliance thereof of 52 times.
9. Compliance of regulatory changes: placed summarized report for 4 quarters.

Bangladesh Bank Inspection Statistics:

Bangladesh Bank inspection team conducted a total number of 18 inspections on 08 division/department/units of the head office and 8 branches during the year 2018 which includes 7 Comprehensive Inspections, 1 Inspection on Foreign Exchange Transaction Risk Management (TSC), 2 Internal Control & Compliance, 2 Information System Security, 1Foreign Exchange Risk Management (FEX), 1Asset Liability Management, 2 Credit Risk Management and 2Anti-Money Laundering (AML).

Plan for 2019:

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

- Perform audit and inspection on 34 Branches including 4proposed newly opened Branches.
- Perform AML, ICT/IS audit on all 30 Branches including extra 10% AML audit as per BIFU Circular – 19 dated 17.09.2017.
- Perform Audit and Inspection of all 22 head office divisions/departments.
- Pay Surprise Visit to the Branches, Head Office Divisions, surprise cash verification where needed as directed by the management/Internal Control Team.
- Perform special audit on 4 newly opened Branches and as required when new Branches are opened.
- Monitor and review the QOR, LDCL, Self-Assessment Report on AML and send report there against.
- Take steps to monitor internal GL accounts and Staff accounts centrally and produce exception reports thereon.
- Ensure compliance of Bangladesh Bank Inspection Reports, External and Internal Audit and Inspection reports etc.
- Ensure compliance of Regulatory Changes.

Internal Control and Compliance Risk Management

As per core risk guideline of Bangladesh Bank, ICCD is acknowledged as one of the key Risk Management organs of the Bank. To mitigate its operational risks and identifying various malpractices prevailing in operational activities, the division has formulated robust and resourceful policy guideline which ensures that Bank demonstrates compliance and conformity with relevant regulations of the Central Bank and other regulatory bodies. In addition,

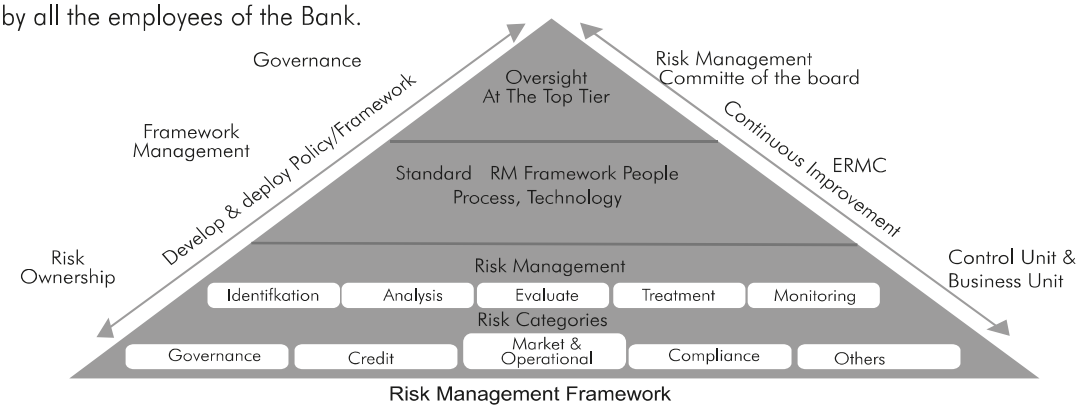
they ensure that corrective action plans are implemented within the set deadlines and they also ensure proper corporate discipline and awareness. During the year 2018, ICCD successfully conducted comprehensive inspection on all divisions and Branches according to its approved activity plan and submitted findings thereon to the competent authority for discussion, review, suggestion and proper evaluation. Apart from the continuous auditing, ICCD is also conducting off-site supervision through monitoring day-to-day transactions and reporting any exceptions thereon. Thus the ICCD virtually acts as a whistle blower and play active role in taking precautionary measures for risk mitigation as well as to make the institution even more compliant on prudential and regulatory issues.

Risk Management

Risk is the probability that fund deployed either in the form of lending or investment, the actual return of which will be different than expected including the possibility of losing partial or full of fund so deployed through co-ordinated and coherent steps to keep the loss at a tolerable limit which includes but not limited to control and monitoring only.

The objective of risk management is to identify and analyze risks and manage their consequences. Basel II/III Accord, the standards of Risk Management as guided by the Bank for International Settlements (BIS) and particularly Basel Committee on Banking Supervision (BCBS), has been applied by bank regulators across the world.

Effective risk management is one of the most crucial success factors for sustenance of a Bank. That is why, we have established a strong, disciplined and inclusive risk management culture where risk management is a responsibility shared by all the employees of the Bank.



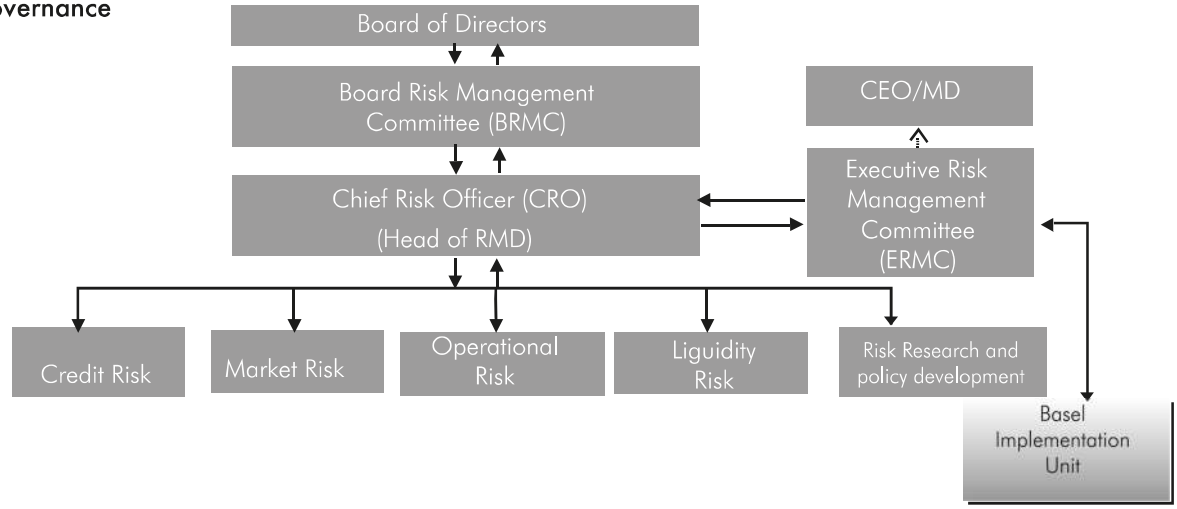
Risk Management Framework

The risk landscape in the current business environment is changing dynamically with the dimensions of Cyber security, Information Security & Business Continuity, Data Privacy and Large Deal Execution figuring prominently in the risk charts of most organizations. To effectively mitigate these risks, we haveformulated a risk management framework which helps proactively identify, prioritize and mitigate risks.

Bank's risk management framework is applied on an enterprise-wide basis and consists of three key elements:

- Risk governance
- Risk appetite
- Risk management tools

Risk governance



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

Board Risk Management Committee (BRMC)

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

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

Particulars	During the year 2018 (in Number)
Number of Members of Board RMC	5
Number of Board RMC Meetings	4

Executive Risk Management Committee (ERMC)

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

Particulars	**During the year 2018 (in Number)**
Number of Member of RMC	13
Number of RMC Meeting	09

Risk Management Division (RMD)

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

Risk culture: The Bank's risk governance structure, risk appetite, and risk management tools are influenced by risk culture of the Bank. The risk culture is built upon:

Tone from the top: Clear and unambiguous communication from the senior management regarding risk management behavior expectation and compatibility with the ingrained values of MDB.

Accountability: All MDB employees in every business function are held accountable for risk ownership and their actions in accordance with the Risk Management Policy.

Compensation: Programs are structured to discourage behavior not aligned with the Bank's values and Code of Conduct thereby ensuring that such behavior will not be rewarded.

Reporting: Reputational and operational risk dashboards and other key metrics are monitored and reported. The Bank also seeks out employee feedback through a variety of surveys.

Training: MDB continually reinforces risk culture by providing effective and informative mandatory and non-mandatory training modules for all employees by the competent resource persons covering multi-dimensional risk issues.

Decision-making on risk issues highly centralized: The membership of senior and executive management committees responsible for the review, approval and monitoring of transactions and the related risk exposures (whether global or local) include business line heads and senior risk officers.

Risk appetite statement

MDB's risk appetite statement defines the amount of risk we are willing to assume in pursuit of our strategic and financial objectives. Our guiding principle is to practice sound risk management, supported by strong capital and funding positions, as we pursue our client-focused strategy. In defining our risk appetite, we take into consideration our vision, values, and strategy, along with our risk taking/absorbing capacity (defined by regulatory constraints).Application of the risk appetite statement and monitoring of the key risk appetite measures help to ensure the Bank stay within appropriate risk boundaries.

Risk management tools

Effective risk management includes tools that are guided by the Bank's Risk Appetite Framework and integrated with the Bank's strategies and business planning processes.

Risk mitigation methodologies

Risk types	Governing documentation	Application to risk appetite limits/ tolerances
Credit risk	Credit risk policy, Credit risk appetite, Collective allowance policy for performing loans	Exposure to a single customer or group of related parties. Country risk (exposure limits to control transfer/cross-border and sovereign default risks); and Industry concentrations (exposure and risk adjusted concentration limits).
Market risk	Market and structural risk management policy	Various VaR limits, stress test results, equity and debt investment exposures, and Structural interest rate and foreign exchange exposures.
Liquidity and funding risk	Liquidity risk and collateral management policy	Appropriate hold levels of unencumbered high quality liquid assets that can be readily sold or pledged; Limits to control the maximum net cash outflow over specified short-term horizon; and Diversification of funding by source, type of depositor, instrument, term and geographic market.
Operational risk	Operational risk management policy and framework, Internal controlpolicy, Fiduciary risk management policy, New products and services risk management policy, Information technology risk management policy,Outsourcing & other arrangements risk management policy	Systematic identification, measurement, mitigation and monitoring of operational risk, Minimization of residual operational risk; and Expressed quantitatively by an aggregate loss limit.
Reputational risk	Reputational risk policy, Guidelines forbusiness conduct compliance policy	Low tolerance for reputational, legal, or taxation risk arising from business activities, initiatives, products, services, transactions or processes, or from a lack of suitability of products for clients.
Environmental risk	Environmental policy	Ensuring that projects are developed in a socially responsible manner
Strategic risk	Annual strategy report to the Board of Directors	It links the Bank's risk appetite framework with the enterprise strategy, business line strategies and corporate function strategies;

Credit risk

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

Effective management of credit risk requires the establishment of an appropriate credit risk culture. The Board of Directors, either directly or through the Risk Committee (the Board), reviews and approves the Bank's credit risk appetite annually and credit policy manual triennially.

Environmental Risk Management

Environmental Risk Management Seeks to offer a structure for addressing the risk to make a certain course of action for enduring sustainable financial and economic growth. Environmentally derived risks for the Bank are inability of the clients to make payments due to unexpected environmental costs, interruption/discontinuation of client business by imposing penalties/closure notice by competent authorities, decrease in the value of security due to environmental impairment during the term of investment etc. Environment risk management procedure includes identify environmentally derived-potential liabilities for Bank in transactions, assess the awareness, commitment and resources of the client to manage the environmental risk creating those potential liabilities, manage and control the Bank's exposure to environmentally derived liabilities. As per instruction of BB, the bank has implemented Environmental Rating (ERR) and Enviromental Due Diligence (EDD) of the eligible customers in the light of ERM guidelines.

Market Risk

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

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

Interest Rate Risk

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

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

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

Foreign Exchange Risk Management

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

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

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

Asset Liability Risk Management

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

Money Laundering Risk Management

MDB takes utmost care to recent money laundering and terror financing matter as a crucial part of its risk management activities. Bank has formulated its own guidelines for prevention of money laundering approved by the Board of Directors in line with Bangladesh Bank AML/CFT laws, rules and regulations. Risk Management Committee

of the Bank reviews and monitors the AML activities i.e. Suspicious Transaction report, Cash Transaction report, Number of branch inspected, number of workshop held on AML and Number of participants etc.

Internal Control and Compliance Risk Management

As per core risk guideline of BB, ICCD is acknowledged as one of the key RM organ of the Bank. To mitigate its operational risks ICCD identify various deviant policies in operational activities. The division has formulated a robust and elaborate 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 all 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 for ensuring stable growth.

Top and emerging risks

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

Technology, information and cyber security risk

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

Operational Risk

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

Residual Risk

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

Risk Based Capital Management

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

Stress Testing

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

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

Step forward

MDB follows a holistic approach when implementing framework of risk management practices. We also use dynamic tools to address different risks and continuously focus on improvements to get the better return. Besides, the Bank's focus will be staying robust at times of challenge and keeping well-informed of fast-paced changes. In addition to that, continuous monitoring and no compromise approach would be the guiding principle for the risk management of the Bank in the upcoming years.

SPECIAL ASEESTS MANAGEMENT

Midland Bank Limited has its high on the agenda to keep risk assets portfolio of the Bank performing to the maximum extent possible by reining in the growth of non-performing loans. In this direction, the management has created a dedicated division namely special assets management division with required expertise and manpower support. Consequent upon its application depending on the merits of defaulted borrowers, percentage of non-performing loan became within acceptable range, i.e.: 1.15%. SAMD has fixed following way out measures towards restraining growth of NPLs, thereby keeping the portfolio performing for optimization of profitability.

- Formulation of realistic and effective recovery strategy and its application depending on the merits and magnitude of particular problem of the loan.
- Prioritization to adopt alternate dispute resolution measures concurrently with legal resources to make the loan recovery drive time and cost effective.
- Special Care to ensure keeping of adequate loan loss provisioning considering it as a cushion for capital.
- Extract utmost benefits from the cases/ suits through recovery of loans vis-à-vis liquidation of collateral security.
- Adhere to the guidelines of regulatory authorities.

Compliance Certificate on Corporate Governance Guidelines of Midland Bank Limited

[Certificate as per condition No. 1(5)(xxvii)] Annexure-B

Report to the Shareholders of Midland Bank Limited on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by Midland Bank Limited for the year ended on 31st December 2018. This Code relates to the Notification No.BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the bank. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

(a) The bank has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;

(b) The bank has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;

(c) Proper books and records have been kept by the bank as required under the Companies Act, 1994, the securities laws and other relevant laws;

(d) The governance of the bank is satisfactory.

Place: Dhaka
Dated: 04 April 2019

For **K. M. Hasan & CO.**
Chartered Accountants

Hedayet Ullah FCA
Partner

Corporate Governance

Introduction

Corporate Governance (CG) comprises a set of systems and practices to ensure that the Bank's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions in the widest sense. The objective is to meet stakeholder's aspirations and societal expectations. Good governance practices stem from the dynamic culture and positive mindset of the organization. Midland Bank is always committed to the best corporate governance practices, in the sense of responsible and transparent management and control aimed at sustainable value creation. The guiding principles of our governance practice are basically derived from various regulatory requirements of Bangladesh Bank (Central Bank of Bangladesh) and Bangladesh Securities & Exchange Commission (BSEC). MDB, since the very beginning of its operation, has manifested its commitment to adhering to the principles of sound corporate governance. The Bank is also committed to complying with the Bangladesh Bank Circulars (BRPD Circular NO. 11 dated 27 October 2013) in line with Bank Company Act, 1991 (Amended upto 2013). Besides the regulatory and legal bindings, our best CG choices and practices are inspired by various internal rules, policies, procedures, applications and experience based on preferred governance systems enacted by local and global banking institutions.

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

MDB's Governance Standard

- Compliance of corporate governance guidelines of the regulators.
- Appointment of Directors in the Board meeting and election of Directors through voting by the shareholders in the Annual General Meeting.
- 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 04 (four) female Directors in the Board representing 21.05% of the total Directors.

Composition of Board of Directors

The Board of Directors comprises of seventeen Directors as on 31 December 2018 including the Managing Director as ex-officio member. However, one Independent Director and two other Directors from the sponsor shareholder group joined the Board after the close of the financial year under report. The Chairman and eighteen other Directors are Non-Executive Directors and only the Managing Director & CEO is an Executive Director. Amongst the Non-Executive Directors there is 2 (two) are Independent Directors who joined the Board on 06 December 2018 and 26 February 2019 respectively with prior approval from Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank. All the Directors have been elected by the shareholders of the company in the Annual General Meeting (AGM). The appointment of Independent Directors shall be placed before the shareholders in the ensuing AGM for approval as per Corporate Governance Code issued by BSEC. 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. The Independent Directors appointed by the Board have excellent professional track record in the highest level in their respective fields. Mr. Mahbubul Hady Fazle Rab, Independent Director of MDB was career Banker having diversified experience in

Risk Management, Credit Administration, Risk Assessment and Structuring with multi-country experience. The other Independent Director of MDB, Mr. Nazimuddin Chowdhury was a veteran Civil Servant with experience in working at the highest level of the Governmentas the Secretary of Ministry of Energy and Mineral Resources. The Directors have declared their respective interests and directorships atthe 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 powers to the Managing Director as per Bank Companies Act 1991 and different circulars/Guidelines of Bangladesh Bank. All essential policy making and strategic issues are discussed in the meetings of the Board of Directors and decisions are made on the basis of management opinion and exchange of views.

Independent Directors

The Board of Directors of the Bank consists of 19 members including Managing Director and CEO. There are two Independent Directors in the Board of Directors of MDB appointed by the Board of Directors of the Bank with prior approval from Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank.

Meeting of the Board

The Board of Directors meets on regular basis: usually once in a month but emergency meetings are called when deemed necessary. Management provides information, references and detailed working papers for each agenda to all Directors well ahead of the date scheduled for meeting. Chairman of the Board of Directors allocates sufficient time for the Directors to consider each agenda item in a prudent way and allow them to freely discuss, inquire, and express opinions on the items of interest so that they can fulfill their duties to the best of their abilities. In 2018, a total 13Board 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 Cozmittees 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 bothwork in the common interests of the Bank and its stakeholders. Difference of opinion is settled in a harmonious way towards achieving more of Bank's goal together.

Benefits provided to the Directors and the Managing Director

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

- The Chairman of the Board of Directors may be provided car, telephone, office chamber and private secretary.
- Directors are entitled to fees and other benefits for attending the Board/Executive Committee/Audit Committe/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 # 26.01)

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

Remuneration and Compensation of the Management

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

Appointment of External Auditors and the purview of their activities

As per recommendation of the Board of Directors, the shareholders of the Bank in the 5th AGM held on 13 September 2018 approved the appointment of M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants as the statutory auditors of the Bank for the financial year 2018. In compliance with the provision 4 of BSEC guidelines, the External Auditor was not engaged with MDB in any of the following services

during the year 2018:

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

Functions of the Board

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

Board Committees

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

Executive Committee (EC)

In accordance with Bangladesh Bank instruction, the Board of Directors of Midland Bank Limited has formed Executive Committee with 7 members. The Executive Committee is responsible for the review of the policies and guidelines issued by Bangladesh Bank in terms of credit and other operations of the banking industry. The Committee supervises the degree of execution of the policies and guidelines entrusted with the management. In the normal course of business,the EC of the Board approves the credit proposals in line with approved policy of the Board. Management is advised to exercise due diligence of the credit policy and risk management at the time of assessing credit proposals. The EC in its continuous efforts guides the Management to develop uniform and minimum acceptable credit standards for the Bank. MDB Board Executive Committee held 13 (Thirteen) meetings in 2018.

Board Audit Committee (BAC)

The Board Audit Committee meets the external auditor and provides them the recommendations on the overall audit plan. They also discuss the auditor's interaction with the Management and the Management's response as well as corrective actions taken. They review the quarterly financials and approve Quarterly, Half Yearly and Annual financial reports of the Bank. The Audit Committee also meets the Head of Internal Control & Compliance as well as Head of Internal Auditor of the Bank to review their charter, scopes of work and the organizational structure. The inspection reports from regulators and internal Audit are also presented to the Audit Committee for their review and action.The Board Audit Committee of MDB consists of 5 Directors and is constituted with the members not included in the Executive Committee of the Board. Company Secretary is the member secretary to the committee.

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

- integrity of the financial statements and any related formal announcements;
- overseeing the relationship between the Board and its external auditors;
- review of the Bank's internal controls, including financial controls;
- assessment of the effectiveness of the internal audit, compliance and risk management functions;
- review of the internal and external audit plans and subsequent findings;
- selection of accounting policies namely Bangla-

desh Accounting Standards (BAS) and International Accounting Standards (IAS);

- review of the auditors' report;
- obligations under applicable laws and regulations including Securities and Exchange Commission Guidelines; and
- review of the effectiveness of the services provided by the external auditors and other related matters.

MDB Board Audit Committee held 04 (four) meetings in 2018 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 2018 are appended in the Report of the Audit Committee at page no 38 - 40.

Risk Management Committee (RMC)

According to Bank Company (Amendment upto 2013) and BRPD Circular No. 11 dated 27 October 2013, the Bank has constituted Risk Management Committee (RMC). RMC has been formed by the Board essentially to play an effective role in reducing ensued and potential risks in the process of implementation of Bank's strategy and work plan as devised by the Board of Directors. The Committee, in addition, ensures efficient execution of related responsibilities of the Board. The RMC has the responsibility of oversight as regards, whether proper risk mitigation processes/methods are being applied and required capital and provisions are maintained by management after it has duly identified and measured credit risk, foreign exchange risk, internal control & compliance risk, money laundering risk, ICT risk, operating risk, interest risk, liquidity risk and other risks. Risk Management Committee of Midland Bank consists of 4 (Four) members chosen from the Board. The Company Secretary of the Bank acts as the secretary to the Committee. All the committee members have honesty, integrity and ability to invest adequate time in affairs of the Committee. All of the members of RMC have adequate insight about banking business, Bank's operation, various risks along with knowledge about their own duties and responsibil ties. 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 2018 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 2018 are appended in the report of the Risk Management Committee.

Internal Control & Compliance

The Directors acknowledge their responsibility for building the systems of internal control and for reviewing their effectiveness at regular interval. Such systems are designed to control,

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

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

The controls as outlined above are rooted within the operations of the Board and reviewed by Bank's Internal Audit. The review focuses the areas of greater risk as identified by risk analyst. The Directors confirm that the Board, by properly engaging the Committees, has reviewed the effectiveness of internal control for the year ended 31 December 2018. This process ensured an internal control system to the tune of best financial reporting practice throughout the financial year and upto the date of the signing of these financial statements.There was an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various committees and Bank's risk management actions and the extent to which various significant challenges are understood and addressed.

Different Committees at the Management Level of the Bank

MDB has various management teams constituted by the Board with the deligated authority at the appropiate level to manage the Bank's day-to-day affairs including business operation. A model Corporate Governance structure repases the responsibility on the Management to steer the bank in the right direction within the broader policy perview of the Board to promote and uphold the interest of all its stakeholders in the best possible manner.

Professional Development

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

Election / Re-election of Directors

There was a Rule issued by Honorable High Court Division of the Supreme Court of Bangladesh in the Writ Petition No. 10376/2016, dated 27 November 2017 to maintain Status Quo on the composition of the Board of Directors of the Bank. Therefore, there was a restriction on Election and Re-election of Directors as per Companies Act 1994, and in the 5th AGM held on 13rd September 2018 the Directors refrained themselves from retirement and the agenda for election/re-election was not took up in the 5th AGM and it was decided for continuation of the existing Board of Directors until disposal of the Writ Petition. However, the aforesaid writ petition no. 10376 of 2016 before the Honourable High Court Division of the Supreme Court of Bangladesh has been discharged due to non-prosecution by the petitioners and the order of status-quo earlier granted by the Court was also recalled and vacated on 03rd October 2018. As such, one third members of the Board of Directors (except Managing Director and Independent Director) shall retire in the upcoming 6th Annual General Meeting and election/re-election will take place as per the Companies Act 1994 and relevant provisions of the Articles of Association of the Bank.

Communications with the Shareholders

MDB makes sincere efforts to disseminate integrated operational and financial output and initiatives to shareholders to enable them to rightly assess future potentials of the Bank. Relations and communication with stockholders are given high priority. The Bank expresses its financial health and achievement through annual report which contains a balanced, clear assessment of its performance and prospects. It also uses its internet website www.midlandbankbd.net to provide investors with the full text of the annual report and with copies of presentation to regulatory bodies, analysts and investors as they are made so that information is available to all relevant targets. The annual report containing audited financial statements for the respective year are also dispatched to the shareholders well ahead of Annual General Meeting (AGM) and audited financial statements for any particular year are published in two leading circulated Bangla and English dailies. The Quarterly and half-yearly unaudited financial statements are also submitted to the regulatory bodies in compliance with regulations. Our policy focuses on constructive use of the AGM and all shareholders are encouraged to participate. Shareholders are open to ask questions at the AGM.

Commitment to other Stakeholders

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

The Community

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

The Government

MMDB is always tax compliant as a responsible corporate business community. The Bank makes payment of corporate tax on time and sometimes even before the time it takes effect. The Bank deducts excise duty, withheld tax and VAT on time from employee's salary, as well as customers and vendors, and deposits to Goernment Treasury on time. During 2018, MDB paid advance corporate tax of BDT 289 million while deposited withheld tax of BDT 260 million, VAT of BDT 46 million and Excise Duty of BDT 57 million. Bank's contribution to government exchequer during the last 5years are given below: (BDT in Million)

	2018	2017	2016	2015	2014	2013
Advance Corporate Tax	289	326	201	100	50	21
Withheld VAT, Tax & Excise Duty	451	348	245	169	83	30
Total	**740**	**674**	**446**	**269**	**133**	51

Conflicts of Interest

The Board and the Management effectively refrain from pursuing other interest at the cost of the organization. Given the context, MDB remains watchful about the extent of agency cost and moral hazard both with relation to the Board and the Management along with real or potential conflicts of interest. In this process, connected transactions orrelated party transactions are brought to focus. Regulations require that Directors should report changes in their holdings of Bank's shares through buy or sell to the Bangladesh Securities and Exchange Commission (BSEC) before one month of such transactions. Besides, the Bank watches over insider trading. To guard against any illegal access to inside information and subsequent undue advantage from price sensitive information in advance, the Bank circulates awareness guidelines on the issue to its staff, executives and the Directors for their knowledge and observance. The BSEC guidelines prohibit the directors, employees, auditors and any people engaged in the auditing activities, beneficiary owners from buying or selling, offering to buy/sell, or motivating others to buy/sell the Bank's shares during the period of two months immediately before the closing date of income year till the date of approval of audited financial statements by the Board. Accordingly, regulatory compliance is made effective in mitigating the conflicts of interest among the shareholders and other stakeholders of the Bank.

Related Party Transactions

The Bank in its normal course of business, conducted financial transactions with some entities or persons that fall within the purview of 'Related Party' as contained in BAS 24 (Related Party Disclosures) and as defined in Bangladesh Bank BRPD circular 04, dated 23 February 2014 (Notes to the Financial Statement, note # 41).

Compliance Status on Corporate Governance Guidelines

Bangladesh Securities and Exchange Commission (BSEC) has introduced a new checklist for Compliance Status of Corporate Governance Guidelines vide Notification dated 03 June 2018 for the Companies listed with Stock Exchanges. Bank's Status of compliance is appended below:

Status of Compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under condition no. 9)

(Annexure C)

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1	Board of Directors:			
1 (1)	Size of the Board of Directors : The total number of members of a company's Board of Directors (hereinafter referred to as "Board") shall not be less than 5 (five) and more than 20 (twenty).	✓		
1 (2)	Independent Directors:			
1 (2) (a)	At least one-fifth (1/5) of the total number of directors in the company's Board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	✓		MDB has complied relevant provision of the Bank ompanies Act 1991 relating to appointment of Independent Directors as per Section 15(9) of the Act.
1 (2) (b)	Independent Directors means a Director:			
1 (2) (b) (i)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	✓		
1 (2) (b) (ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members;	✓		
1 (2) (b) (iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	✓		
1 (2) (b) (iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	✓		
1 (2) (b) (v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	✓		
1 (2) (b) (vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	✓		
1 (2) (b) (vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	✓		
1 (2) (b) (viii)	Who is not independent director in more than 5 (five) listed companies;	✓		
1 (2) (b) (ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI); and	✓		
1 (2) (b) (x)	Who has not been convicted for a criminal offence involving moral turpitude;			
1 (2) (c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);			The appointment of Independent Directors shall be placed before the shareholders in the next AGM for approval
1 (2) (d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and			No Vacancy occurred

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1 (2) (e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only: Provided that a former independent director may be considered for reappointment for another tenure after a time gap of one tenure, i.e., three years from his or her completion of consecutive two tenures [i.e. six years]: Provided further that the independent director shall not be subject to retirement by rotation as per the কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮নং আইন) (Companies Act, 1994). **Explanation**: For the purpose of counting tenure or term of independent director, any partial term of tenure shall be deemed to be a full tenure.	✓		
1 (3)	**Qualification of Independent Director:**			
1 (3) (a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	✓		
1 (3) (b) (i)	He or she shall be a Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	✓		
1 (3) (b) (ii)	He or she shall be a Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or **Explanation:** Top level executive includes Managing Director (MD) or Chief Executive Officer (CEO), Additional or Deputy Managing Director (AMD or DMD), Chief Operating Officer (COO), Chief Financial Officer (CFO), Company Secretary (CS), Head of Internal Audit and Compliance (HIAC), Head of Administration and Human Resources or equivalent positions and same level or ranked or salaried officials of the company.	✓		
1 (3) (b) (iii)	He or she shall be a Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or	✓		
1 (3) (b) (iv)	He or she shall be a University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	✓		
1 (3) (b) (v)	He or she shall be a Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	✓		
1 (3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	✓		
1 (3) (d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			N/A
1 (4)	**Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer:**			
1 (4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	✓		
1 (4) (b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	✓		
1 (4) (c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	✓		
1 (4) (d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	✓		
1 (4) (e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	✓		
1 (5)	**The Directors' Report to Shareholders shall include the following additional statements or disclosures:**			
1 (5) (i)	An industry outlook and possible future developments in the industry;	✓		
1 (5) (ii)	The segment-wise or product-wise performance;	✓		
1 (5) (iii)	Risks and concerns including internal and external risks factors, threat to sustainability and negative impact on environment, if any;	✓		
1 (5) (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	✓		
1 (5) (v)	Discussion on continuity of any extra-ordinary activities and their implications (gain or loss);	✓		
1 (5) (vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	✓		
1 (5) (vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or 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 Share Offer, Direct Listing, etc.;			N/A

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1 (5) (ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			N/A
1 (5) (x)	A statement of remuneration paid to the Directors including Independent Directors;	✓		
1 (5) (xi)	A statement that 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)	A statement that proper books of account of the issuer company have been maintained;	✓		
1 (5) (xiii)	A statement that 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)	A statement that International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS), 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)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	✓		
1 (5) (xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	✓		
1 (5) (xvii)	A statement that there is no significant doubt 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 shall be disclosed;	✓		
1 (5) (xviii)	An explanation that significant deviations from the lat year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;	✓		
1 (5) (xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;	✓		
1 (5) (xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			N/A
1 (5) (xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	✓		
1 (5) (xxii)	The total number of Board meetings held during the year and attendance by each Director;	✓		
1 (5) (xxiii)	**Pattern of shareholding disclosing the aggregate number of shares (along with name wise details where stated below) held by:-**			
1 (5) (xxiii) (a)	Parent or Subsidiary or Associated Companies and other related parties;	✓		
1 (5) (xxiii) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children;	✓		
1 (5) (xxiii) (c)	Executives (top 5 (five) salaried employees of the company, other than stated in 1 (5) (xxiii)(b); and	✓		
1 (5) (xxiii) (d)	Shareholders holding ten percent (10%) or more voting interest in the company;	✓		
1 (5) (xxiv)	**In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:**			
1 (5) (xxiv) (a)	A brief resume of the director;	✓		
1 (5) (xxiv) (b)	Nature of his or her expertise in specific functional areas; and	✓		
1 (5) (xxiv) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board;	✓		
1 (5) (xxv)	**A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:**			
1 (5) (xxv) (a)	Accounting policies and estimation for preparation of financial statements;	✓		
1 (5) (xxv) (b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	✓		
1 (5) (xxv) (c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five year's explaining reasons thereof;	✓		
1 (5) (xxv) (d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	✓		
1 (5) (xxv) (e)	Briefly explain the financial and economic scenario of the country and the globe;	✓		
1 (5) (xxv) (f)	Risks and concerns issues related to the financial statements explaining such risks and concerns mitigation plan of the company; and	✓		
1 (5) (xxv) (g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof i.e., actual position shall be explained to the shareholders in the next AGM;	✓		
1 (5) (xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per **Annexure-A**; and	✓		
1 (5) (xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per **Annexure-B** and **Annexure-C.**	✓		
1 (6)	**Meetings of the Board of Directors** : The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as	✓		

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
	those standards are not inconsistent with any condition of this Code;			
1 (7)	**Code of Conduct for the Chairperson, other Board Members and Chief Executive Officer:**			
1 (7) (a)	The Board shall lay down a Code of Conduct based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No.6, for the Chairperson of the Board, other Board members and Chief Executive Officer of the Company;	✓		
1 (7) (b)	The Code of Conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior, confidentiality, conflict of interest, compliance with laws, rules and regulations, prohibition of insider trading, relationship with environment, employees, customers and suppliers and independency.	✓		
2	**Governance of Board of Directors of Subsidiary Company:**			
2 (a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;			N/A
2 (b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;			N/A
2 (c)	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
2 (d)	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
2 (e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.			N/A
3	**Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS):**			
3 (1)	**Appointment:**			
3 (1) (a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	✓		
3 (1) (b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	✓		
3 (1) (c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	✓		
3 (1) (d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	✓		
3 (1) (e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	✓		
3 (2)	**Requirement to attend Board of Directors' Meetings:** The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	✓		
3 (3)	**Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO):**			
3 (3) (a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		
3 (3) (a) (i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	✓		
3 (3) (a) (ii)	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;	✓		
3 (3) (b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	✓		
3 (3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	✓		
4	**Board of Directors' Committee:** For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4 (i)	Audit Committee; and	✓		
4 (ii)	Nomination and Remuneration Committee.			N/A
5	**Audit Committee:**			
5 (1)	**Responsibility to the Board of Directors:**			
5 (1) (a)	The company shall have an Audit Committee as a subcommittee of the Board;	✓		
5 (1) (b)	The Audit Committee shall assist the Board 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;	✓		
5 (1) (c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	✓		
5 (2)	**Constitution of the Audit Committee:**			
5 (2) (a)	The Audit Committee shall be composed of at least 3 (three) members;			
5 (2) (b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	✓		
5 (2) (c)	All members of the audit committee should be "financially literate" and at	✓		

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
	least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience; **Explanation:** The term "financially literate" means the ability to read and understand the financial statements like statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows statement and a person will be considered to have accounting or related financial management expertise if he or she possesses professional qualification or Accounting or Finance graduate with at least 10 (ten) years of corporate management or professional experiences.			
5 (2) (d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	✓		
5 (2) (e)	The company secretary shall act as the secretary of the Committee;	✓		
5 (2) (f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
5 (3)	**Chairperson of the Audit Committee:**			
5 (3) (a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	✓		
5 (3) (b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	✓		
5 (3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM): Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	✓		Shall be invited to remain prese
5 (4)	**Meeting of the Audit Committee:**			
5 (4) (a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	✓		
5 (4) (b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	✓		
5 (5)	**Role of Audit Committee (the Audit Committee shall):**			
5 (5) (a)	Oversee the financial reporting process;	✓		
5 (5) (b)	Monitor choice of accounting policies and principles;	✓		
5 (5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	✓		
5 (5) (d)	Oversee hiring and performance of external auditors;	✓		
5 (5) (e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	✓		
5 (5) (f)	Review along with the management, the annual financial statements before submission to the Board for approval;	✓		
5 (5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	✓		
5 (5) (h)	Review the adequacy of internal audit function;	✓		
5 (5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	✓		
5 (5) (j)	Review statement of all related party transactions submitted by the management;	✓		
5 (5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	✓		
5 (5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	✓		
5 (5) (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.			N/A
5 (6)	**Reporting of the Audit Committee:**			
5 (6) (a)	**Reporting to the Board of Directors-**			
5 (6) (a) (i)	The Audit Committee shall report on its activities to the Board.	✓		
5 (6) (a) (ii)	**The Audit Committee shall immediately report to the Board on the following findings, if any:**			
5 (6) (a) (ii) (a)	Report on conflicts of interests;			N/A

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5 (6) (a) (ii) (b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			N/A
5 (6) (a) (ii) (c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			N/A
5 (6) (a) (ii) (d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			N/A
5 (6) (b)	**Reporting to the Authorities:** If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			N/A
5 (7)	**Reporting to the Shareholders and General Investors:** Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.			N/A
6	**Nomination and Remuneration Committee (NRC).**			
6 (1)	**Responsibility to the Board of Directors:**			
6 (1) (a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;			N/A
6 (1) (b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			N/A
6 (1) (c)	(c) The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).			N/A
6 (2)	**Constitution of the NRC:**			
6 (2) (a)	The Committee shall comprise of at least three members including an independent director;			N/A
6 (2) (b)	All members of the Committee shall be non-executive directors;			N/A
6 (2) (c)	Members of the Committee shall be nominated and appointed by the Board;			N/A
6 (2) (d)	The Board shall have authority to remove and appoint any member of the Committee;			N/A
6 (2) (e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;			N/A
6 (2) (f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;			N/A
6 (2) (g)	The company secretary shall act as the secretary of the Committee;			N/A
6 (2) (h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			N/A
6 (2) (i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.			N/A
6 (3)	**Chairperson of the NRC:**			
6 (3) (a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;			N/A
6 (3) (b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			N/A
6 (3) (c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders: Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the annual general meeting (AGM) for answering the shareholder's queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM.			N/A
6 (4)	**Meeting of the NRC:**			
6 (4) (a)	The NRC shall conduct at least one meeting in a financial year;			N/A
6 (4) (b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			N/A
6 (4) (c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);			N/A
6 (4) (d)	(d) The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			N/A
6 (5)	**Role of the NRC:**			
6 (5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			N/A
6 (5) (b)	**NRC shall oversee, among others, the following matters and make report with recommendation to the Board:**			
6 (5) (b) (i)	**Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:**			
6 (5) (b) (i)	The level and composition of remuneration is reasonable and sufficient to			N/A

Condition No.	Title	Compliance Status (✓ has been Put in the appropriate column)		Remarks (if any)
		Complied	Not complied	
(a)	attract, retain and motivate suitable directors to run the company successfully;			
6 (5) (b) (i) (b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			N/A
6 (5) (b) (i) (c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			N/A
6 (5) (b) (ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			N/A
6 (5) (b) (iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;			N/A
6 (5) (b) (iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;			N/A
6 (5) (b) (v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and			N/A
6 (5) (b) (vi)	Developing, recommending and reviewing annually the company's human resources and training policies;			N/A
6 (5) (c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.			N/A
7	**External or Statutory Auditors:**			
7 (1)	**The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-**			
7 (1) (i)	Appraisal or valuation services or fairness opinions;	✓		
7 (1) (ii)	Financial information systems design and implementation;	✓		
7 (1) (iii)	Book-keeping or other services related to the accounting records or financial statements;	✓		
7 (1) (iv)	Broker-dealer services;	✓		
7 (1) (v)	Actuarial services;	✓		
7 (1) (vi)	Internal audit services or special audit services;	✓		
7 (1) (vii)	Any service that the Audit Committee determines;	✓		
7 (1) (viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	✓		
7 (1) (ix)	Any other service that creates conflict of interest.	✓		
7 (2)	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; his or her family members also shall not hold any shares in the said company: Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	✓		
7 (3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	✓		
8	**Maintaining a website by the Company:**			
8 (1)	The company shall have an official website linked with the website of the stock exchange.	✓		
8 (2)	The company shall keep the website functional from the date of listing.	✓		
8 (3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	✓		
9	**Reporting and Compliance of Corporate Governance:**			
9 (1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. Explanation: "Chartered Accountant" means Chartered Accountant as defined in the Bangladesh Chartered Accountants Order, 1973 (President's Order No. 2 of 1973); "Cost and Management Accountant" means Cost and Management Accountant as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); "Chartered Secretary" means Chartered Secretary as defined in the চার্টার্ড সেক্রেটারীজ আইন, ২০১০ (২০১০ সনের ২৫নং আইন) (Chartered Secretaries Act,2010).	✓		
9 (2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	✓		
9 (3)	The directors of the company shall state, in accordance with the **Annexure-C** attached, in the directors' report whether the company has complied with these conditions or not.	✓		

Annexure 01

Meeting of the Board of Directors of Midland Bank Limited

Sl.	Directors	Designation	No. of Meeting	No. of Attendance	% of Attendance
1.	Mr. M. Moniruzzaman Khandaker	Ex-Chairman (Passed away on 17 August 2018)	07	6	86%
2.	Mrs.Nilufer Zafarullah	Chairman	13	9	69%
3.	Dr. Kazi Shahidullah	Director	13	11	85%
4.	Ms. Scherezad Joya Monami Latif	Director (Resigned from the Board on 24 May 2018)	05	0	0%
5.	Mr. Abdullah Ahmed Yousuf	Director (Resigned from the Board on 24 May 2018)	05	1	20%
6.	Kazi Omar Zafar	Director	13	6	46%
7.	Master Abul Kashem	Director	13	11	85%
8.	Mr. Mohammad Jamal Ullah	Director	13	8	62%
9.	Al-haj Mohammed Issa Badsha	Director	13	3	23%
10.	Mr. Ahsan Khan Chowdhury	Director	13	8	62%
11.	Mr. Md. Wahid Miah	Director	13	5	38%
12	Mr. Rezaul Karim	Director	13	6	46%
13.	Mr. A.K.M. Badiul Alam	Director	13	5	38%
14.	Mr. Abdul Momin Mondol	Director (Resigned from the Board on 13 September 2018)	09	3	33%
15.	Mrs. Ferdous Ara	Director (Resigned from the Board on 13 September 2018)	09	8	88%
16.	Mr. Md. Kamal Hossain	Director	13	8	62%
17.	Mrs. Shahnaj Parveen	Director	13	8	62%
18.	Mrs. Lutfa Begum	Director	13	9	69%
19.	Mr. Md. Rokonuzzaman Sarker	Director	13	12	92%
20.	Mr. Kamal uddin Ahmed	Director	13	1	8%
21.	Mr. Mahbubul Hady Fazle Rab	Independent Director	1	1	100%

Pattern of Shareholding

Annexure 02

The pattern of shareholding of Midland Bank Limited as on 31 December 2018 as per Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 on Corporate Governance Code:

a) Shareholding by Parent/Subsidiary/Associated Companies and other related parties : Nil

b) Shares held by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouses and Minor Children are as follows :

Status as of 31st December, 2018:

(i) Shares held by Directors and their Spouses

Sl.	Directors	Status	No. of Shares	Name of Spouse	No. of Shares
1	Mrs. Nilufer Zafarullah, MP	Vice Chairman	5,274,720	Mr. Kazi Zafarullah	10,549,440
2	Dr. Kazi Shahidullah	Director	1,318,680	Mrs. Shabnam Shahidullah	NIL
3	Mr. Kazi Omar Zafar	Director	10,549,440	Anastasia Gkouni Kazi Zafar	NIL
4	Master Abul Kashem	Director	24,420,000	Mrs. Nigar Sultana Daizy	NIL
5	Mr. Mohammed Jamal Ullah	Director	21,203,600	Mrs. Shahnaz Jamal	NIL
6	Al-haj Mohammed Issa Badsha	Director	1,100,000	Mrs. Salma Issa	NIL
7	Mr. Ahsan Khan Chowdhury	Director	26,373,600	Mrs. Seema howdhury	NIL
8	Mr. Md. Wahid Miah	Director	26,373,600	Mrs. Suborna Mostafa	NIL
9	Mr. Rezaul Karim	Nominee Director of ReedishaKnitex Ltd.	26,373,600	Mrs. Shirin Akhter	NIL
10	Mr. A.K.M. Badiul Alam	Nominee Director of Garment Export Village Ltd.	26,373,600	Mrs. Shahida Alam	NIL
11	Mr. Md. Kamal Hossain	Nominee Director of That's It Sportswear Ltd.	26,373,600	Mrs. Ashneel Chowdhury	NIL
12	Mrs. Shahnaj Parveen	Nominee Director of Refat Garments Ltd.	26,373,600	Mr. Md. Belal Hossain	NIL
13	Mrs. Lutfa Begum	Nominee Director of HazratAmanat Shah Spinning Mills Ltd.	26,373,600	Mr. Al-haj Mohammed Helal Miah	NIL
14	Mr. Md. Rokonuzzaman Sarker	Nominee Director of Beq Knit Ltd.	25,054,920	Mrs. Arzuman Ara	NIL
15	Mr. Kamal uddin Ahmed	Nominee Director of Badsha Textiles Ltd.	26,373,600	Mrs. Shary Hasan Mushanta	NIL
16	Mr. Mahbubul Hady Fazle Rab	Independent Director	NIL	Mrs. SabihaRab	NIL

(i) Shares held by:

Chief Executive Officer : Nil

Company Secretary : Nil

Chief Financial Officer : Nil

Head of Internal Audit : Nil

Spouses of above Executives : Nil

a) Shareholding by other Executives and Spouse :Nil

b) Shareholders holding ten percent (10%) or more voting interest in the company : Ms. ScherezadJoyaMonami Latif (10%)

Management Committees

MANCOM

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member
5	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
6	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
7	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
9	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member
10	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member Secretary
11	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
12	Mr. Nazmul Ahsan Head of Treasury & Market Risk (Front)	Member
13	Mr. Khalid Mohammad Sharif Company Secretary	Member

Investment Committee (IC)

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	Mr. Nazmul Ahsan Head of Treasury & Market Risk (Front)	Member Secretary

Asset Liability Committee (ALCO)

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

Risk Management Committee (RMC)

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

Credit Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director & CEO	Chairman
2	Mr. Mohammad Masoom Additional Managing Director& CRO	Member
3	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
4	Mr. Shamsul Azam Khan Head of Credit Risk Management Division	Member Secretary
5	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
7	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
8	Mr. Khondkar Towfique Hossain Head of International Division & NRB	Member
9	Mr. Nazmul Ahsan Head of Treasury & Market Risk Division (Front)	Member

Anti-Money Laundering Compliance Committee (AMLCC)

1	Mr. Mohammad Masoom Additional Managing Director & CAMLCO	Chairman
2	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
3	Mr. Khondkar Towfique Hossain Head of International Division	Member
4	Mr. Md. Mahabubur Rahman Head of Central Operations & Service Delivery	Member
5	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member
6	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
7	Mr. Fazal Abdullah Acting Head of Anti Money Laundering Division & DCAMLCO	Member Secretary

Social Media and Administration Review Committee (SMAR)

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

Sustainable Finance Committee

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

Branch Expansion & Interior Decoration Committee

1	Mr. Md. Ahsan-uz Zaman Managing Director and CEO	Chairman
2	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
3	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
4	Mr. Nakul Chandra Debnath Head of General Services Division	Member Secretary
5	Mr. Mohammed Rashadul Anwar Head of Public Relation Division	Member

ICT Steering Committee

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

ICT Security Committee

1	Mr. Mohammad Masoom Chief Risk Officer	Chairman
2	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
3	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member Secretary
4	Mr. Md. Mahabubur Rahman Head of Central Operations & Service Delivery	Member
5	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
6	Mr. S.M. Didarul Abedin Security Unit, ITD	Member

ICT Risk Management Committee

1	Mr. Mohammad Masoom Chief Risk Officer (CRO)	Chairman
2	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Member
3	Mr. Mohammad Iqbal Head of Emerging Corporate and Special Programmes	Member
4	Mr. Md. Zahirul Islam, FCA Head of Financial Administration Division & CFO	Member
5	Mr. Md. Ridwanul Hoque Head of Retail Distribution Division	Member
6	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
7	Mr. Md. Nazmul Huda Sarkar Head of Information & Technology Division	Member Secretary
8	Mr. Md. Humayoun Kabir Risk Management Division	Member

Integrity Building Committee (IBC)

1	Mr. Md. Zahid Hossain Head of Corporate Banking Division	Chairman
2	Mr. Shamsul Azam Khan Head of Credit Risk ManagementDivision	Member
3	Mr. Md. Mahabubur Rahman Head of Central Operations & Service Delivery	Member Secretary
4	Mr. Tapash Chakraborty Head of Human Resources Management Division	Member
5	Mr. Mohammad Syejuddin Ahmmed Head of Internal Control & Compliance Division	Member
6	Mr. Fazal Abdullah Acting Head of Anti Money Laundering Division	Member

Purchase Committee (PC)

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

Report on Risk Management

From the desk of the CRO



Banks/Financial Institutions play the role of financial intermediary(ies) and in the process they take multidimensional risks but at the same time risk should be identifiable, measurable, towards taking realistic initiative for mitigation.

It is an admitted fact that any setbacks in the country's business and industrial landscape have the direct or indirect impact on the financial health of the bank. In other words, whatever positive or negative changes take place in the main street have the impact on the health of the financial eco system. We at Midland Bank as a matter of policy perception prioritize to ensure maximum extent of compliance with the prudential and regulatory guidelines prescribed for six identified core risk areas. We believe that the issue of compliance is a critically important factor as compliance itself creates enabling environment for the banks to oversee the operational areas of the bank in the right perspective which ultimately prove to be instrumental in addressing the risk issues with professional zeal.

We in our Bank have in place well-articulated process flowchart /Standardized Operational Procedure (SOP) to ensure proper identification and taking of befitting measures for risk mitigation on different frontiers of our operation. We have given below some conceptual outlines for having better insight towards cultivating good risk management practices thereby building up a sound and sustainable risk management culture in the Bank.

Risk Governance

It refers to the structure, rules, processes, and mechanisms by which decisions about risks are taken and implemented.

Risk governance covers the questions about:

- What risks management assumes, at what levels and the ways the Board oversee the risk related issues for judicious decisions; and,
- The role, structure, and staffing for risk management.

Active Board and Senior Management Oversight:

- Board of directors has the ultimate responsibility to guide the management to take measurable risk within the defined risk appetite.
- Define the risk appetite and risk tolerance, and mapping of risk strategies.
- Duty of senior management to transform the strategies into operational policies, procedures, and processes for ensuring efficacy in risk management practices.

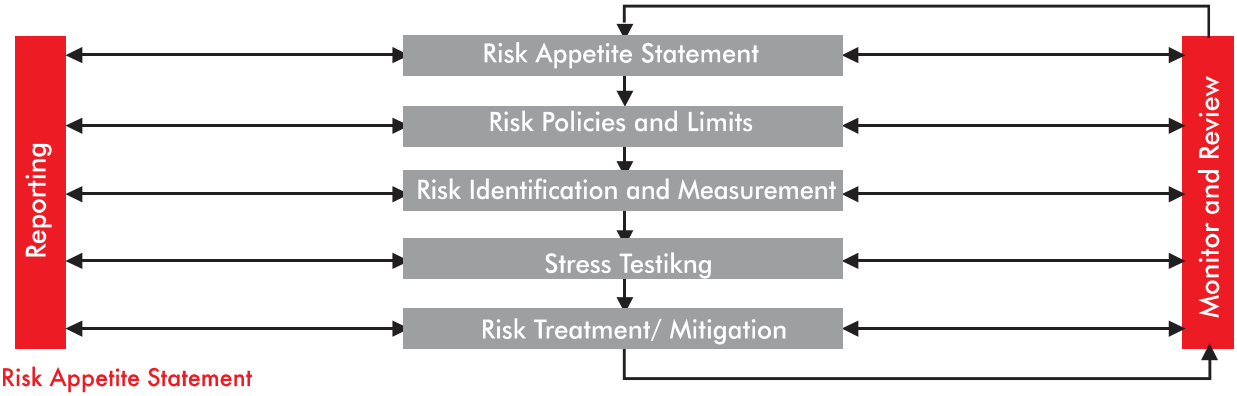
Independent Risk management Function:

The main functions of the risk management include:

- Formulation of risk policies and process as well as adaptation with the emerging requirements.
- Smooth coordination in/between and among the functional areas.
- Preparing risk reports based on empirical study on different fronts of operations.
- Playing instrumental role for implementation of different policy guidelines to churn out better result in risk management process.
- Functionally and hierarchically independent from business and other operation functions.

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

Risk Management Process



Risk Appetite Statement

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

- Safeguarding our reputation and brand;
- Engaging in client-oriented businesses that we understand;
- Maintaining a balance between risk and returns;
- Retaining a prudent attitude towards tail and event risk;
- Meeting regulatory expectations and/or identifying and having plans in place to address any issues in a timely manner; and

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

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

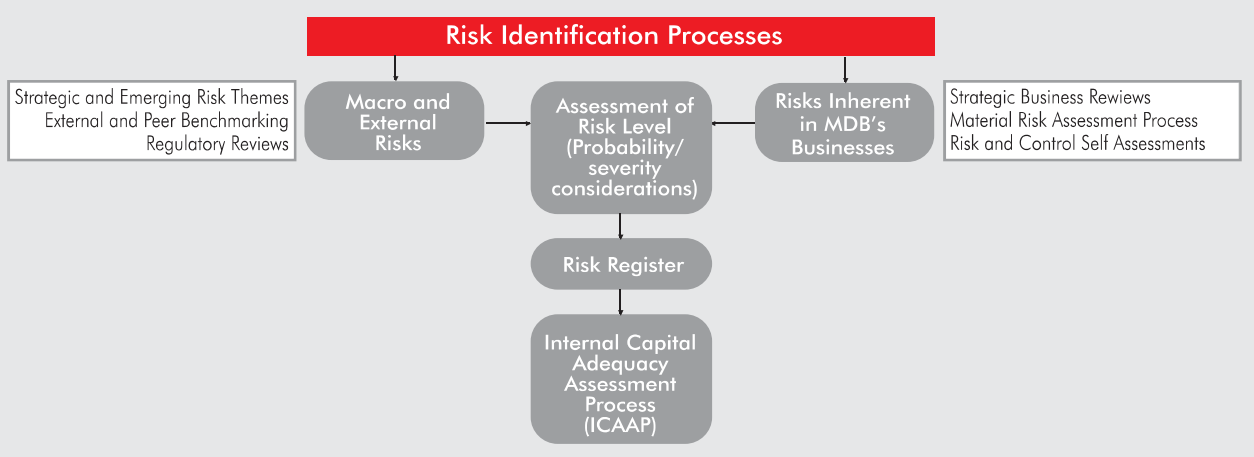
Risk policies and limits

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

Risk identification and measurement

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

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



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

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

Expected loss

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

Unexpected loss and economic capital

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

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

Stress testing

Stress testing supplements our other risk management tools by providing an estimate of tail risk (i.e., low probability, high severity events). Results of stress testing are interpreted in the context of our risk appetite, including metrics for capital adequacy. Enterprise-wide stress testing, capital planning and Financial planning processes are integrated for a comprehensive information system. As a matter of policy perception, we conduct stress testing on our balance sheet and the results generated in the process are brought to the attention of the senior management for having necessary guidance and initiation of measures for mitigations/remediation.

Risk treatment/mitigation

- Balancing the costs and efforts of implementation against the benefits derived, regarding legal, regulatory, and other requirements.

- Put in place adequate risk control mechanisms (limits, policies, and procedures that define responsibilities and authority)
- Monitoring and review are integral parts of risk treatment:
- Detection of changing risk sources and factors,
- Obtaining further information to improve risk assessment,
- Ensuring that controls are effective and efficient,
- Analyzing and learning lessons from events, trends etc., and
- Identifying emerging risks.

MDB pursues risk mitigation options in order to control its risk profile in the context of risk appetite. MDB's objective is to proactively consider risk mitigation options in order to optimize results.

Credit risk

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

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

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

Market risk

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

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

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

Risk measurement

We use the following measures for market risk:

- VaR enables the meaningful comparison of the risks in different businesses and asset classes.
- Stress testing and scenario analyses provide insight into portfolio behavior under extreme circumstances.
- Liquidity coverage ratio (LCR), net stable funding ratio (NSFR) for liquidity risk.
- Stress testing on regular basis to assess the sensitivity with regard to interest rate risk, FX risk, equity risk and liquidity risk.
- Assessment of additional capital requirement (Pillar II, Basel III) against market risk is also conducted on yearly basis.

Liquidity risk

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

MDB possesses a comprehensive liquidity management framework that supports our business strategy, aligns with our risk appetite and limits Established within the liquidity risk management policy, and adheres to regulatory expectations. The liquidity risk management policy requires we maintain sufficient liquid assets and diversified

funding sources to consistently fund our balance sheet, commitments and contingent obligations, in order to maintain the strength of our enterprise under both normal and stressed conditions.

Our management strategies, objectives and practices are regularly reviewed to align with changes of liquidity environment, including regulatory, business and/or market developments. Besides, we constantly endeavor to keep the liquidity risk within our institutional appetite/risk perception in a measured way.

Operational risk

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

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

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

Operational risk management approach

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

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

Reputation and legal risk

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

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

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

Regulatory compliance risk

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

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

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

Environmental risk

Environmental risk is the risk of financial loss or damage to reputation associated with environmental issues, whether arising from our credit and investment activities or related to our own operations. Our green banking and environmental policy, commits MDB to responsible conduct in all activities to protect and conserve the

environment; safeguard the interests of all stakeholders from unacceptable levels of environmental risk; and support the principles of sustainable development.

Top and emerging risks

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

Technology, information and cyber security risk

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

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

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

Despite our commitment to maintain information and cyber security, MDB and its related third parties may not be able to fully address all risks associated with the increased complexity and accelerated pace of change in the territory of threat. However, MDB continuously monitors its risk posture to keep pace with changes and continues to refine security protection approaches to minimize the impact of any likely incidents.

Disintermediation risk

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

MDB manages disintermediation risk as part of strategic risk management as well as investment in emerging channels, in data and analytics capabilities, and in technology and innovation in general, to meet our clients' changing expectations, while working to reduce our cost structure and simplification of operation.

Geo-political risk

The level of geo-political risk escalates at certain point in time. The impact of any adverse movement of the global economy cast the systemic impact on the domestic economic front because of the trend and pace of globalization as well as close nexus of relationships among the countries. Although Bangladesh is unlikely to be directly subject to geo-political risk, the indirect impact of reduced economic growth, as well as adverse movement of commodity prices, could have contagion impact on overall economic activities.

Midland Bank from its very inception emphasizes on building of good risk management culture focusing on the efforts for upgradation of its standard in phases within the organization in conformity with broader prudential guidelines prescribed by Bangladesh Bank and also to be resonated with institutionalpolicy prescription/strategies approved by the Board. We firmly believe that compliance factors bear immense importance towards safeguarding the interest of the institution as a financial intermediary. We don't want to be risk averse but at the same time our risk taking approach should be based on sound footing where exercising of due diligence with objectivity will get pre-emption over any other subjective considerations.We are relentless in our effort to ensure sustainable growth of our Bank thereby making it as one of the most preferred and resilient financial institutions.



Mohammad Masoom
Additional Managing Director & CRO

Report on Overall Risk Management in MDB

Risk Management

Bank's business decisions contain an element of risk. Therefore understanding and managing risk is fundamental to a bank's strategic planning and decision making process. MDB's risk management stance is to proactively assist the business in delivering superior and sustainable value to shareholders. The Bank's capacity to identify, assess and mitigate the risks it faces is essential for a growing bank which has completed four years of operations. Establishing strong corporate governance and risk management culture are foundations for graceful existence. MDB's risk management framework has remained resilient throughout 2018, amidst a challenging macroeconomic environment and intense competition. Over the past year, the Bank has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting an integrated risk management policy, improved watch-listing of customers, streamlining reporting of past due contracts, and strengthening compliance risk management.

Regulatory Environment

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

Risk Governance

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

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

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

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

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

Report on Overall Risk Management in MDB

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

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

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

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

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

Key functions of Board Risk Management Committee

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

Risk Appetite

Risk appetite can be expressed as the amount of risk the Bank is willing to accept in pursuit of its return objectives. The risk appetite framework is overseen by MDB's Board and adherence is monitored and controlled by the Risk Management function. Key performance and risk measures are tracked and reported regularly to the Board, responsible committees and corporate management with escalation at each level depending on the basis of its severity of the breach. MDB has mapped its risk appetite setting and some prudential limits following regulatory guidelines. Qualitatively, monitoring takes place through sound policies, procedures and controls meant to limit risk. The defined risk tolerance limits provide a basis for gliding business activities of the bank. It sets boundaries aligning bank's business strategy with stakeholder expectations.

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

Credit Risk Management

Credit risk can be defined as the risk of a potential loss to the Bank when a borrower or counterparty is either unable or unwilling to meet its financial obligations. Granting loans and advances is the core business of MDB and as such to maintain sound asset quality, managing credit risk is its most critical and major activity of the Bank. The credit risk arises primarily from Corporate, SMEs and Retail loans and advances. Given the scale and materiality of bank's loan book, managing the credit quality of the lending portfolio is a key focus area with the objective of minimizing probable losses and maintaining credit risk exposure within acceptable parameters. The Bank's credit portfolio is now moderately concentrated on top 10 borrowers but fairly diversified on major business segments. Enhancement of capacity and logistics to increase exposure on retail and small business is focused for diversification of portfolio and better risk-return tradeoffs.

Credit Risk Management Policy

MDB's Credit Risk Management Policy, which is approved by the Board of Directors, plays a central and strategic role in managing daily business activities. The policy defines the principles encompassing client

selection, due diligence, early alert reporting, tolerable levels of concentration risk and portfolio monitoring, in line with the Bank's risk appetite. The approach is to avoid excessive credit risk on a counterparty or portfolio level by applying stringent underwriting standards combined with sound collateralization where feasible. The policy is reviewed regularly by the Board of Directors to ensure consistency with the Bank's business strategy.

Credit Appraisal Process

Component	Description
Loan origination and Risk Appraisal	Screening and appraisal where the evaluation focuses on the borrower's ability to meet its obligations in a timely manner with collateral and guarantees forming an important part of the credit risk mitigation process.
Credit approval and Sanction	Independent risk appraisal for loan approvals/renewals by adopting an individual approval structure, where the approver takes lending decision if recommended by the Credit Committee. All signatories recommend the credit carry equal responsibility for credit risk.
Credit Administration and Disbursement	Availability of any credit limit is controlled and managed by the centralized Credit Administration Division which ensures that credit transactions are done within the approved limit. Functions of Credit Administration of MDB is strictly segregated from Relationship/ Business team for avoiding possibility of compromise in documentation or issues not being highlighted at the appropriate level.
Credit risk monitoring and reporting	The Credit Risk Management Division jointly with the business units and Credit Administration Division tracks the status of the credit portfolio, undertakes impact studies and detects early warning signals pointing to deterioration in the financial health of a borrower.
Recoveries and credit quality	Currently, respective credit officers at branch and business units of head office follow up recovery of all performing and non-performing loans. However, to handle the classified and other deteriorated loan accounts, effectively Special Assets Management Division has been formed on 23.05.2017. Special Assets Management Division with the support of Business Units, Credit Risk Management Division, Credit Administration Division and Legal Division perform its activities to contain, recover and reduce NPL.

Delegation of lending authority

The delegated credit approval structure and the associated processes ensure efficient administration and control of the lending limits given to the Senior Management staffs of the Bank. Board of Directors, Executive Committee of the Board, Managing Director & CEO, Deputy Managing Director and Head of Credit Risk Management Division currently have credit approval authority. All credit proposals except secured by financial assets and other bank's acceptance are recommended by the Credit Committee. Branch Managers can approve some loans fully secured by MDB Deposits.

Credit Rating Models

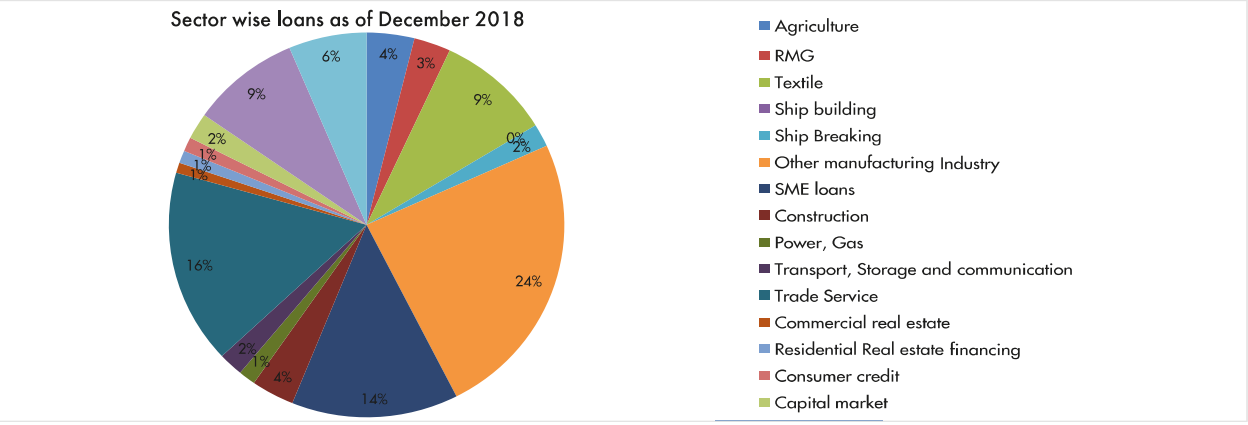
Bank uses a numerical grading system for all Corporate and SME clients other than small segment customers. The grading system is called 'Credit Risk Grading Matrix' (CRGM), which was introduced by Bangladesh Bank and mandatory to use the tool before taking lending decision. CRGM compares degree of credit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

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

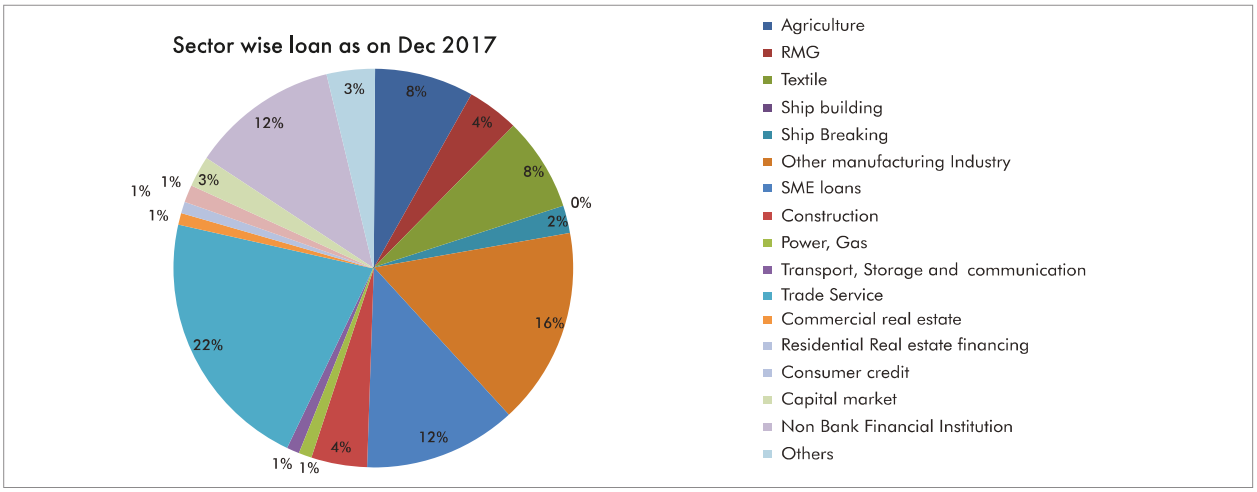
Credit Concentration Risk

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

Sector wise loans and advances 2018



Sector wise loans and advances 2017



Credit Risk Mitigation

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

Collateral

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

When determining security, bank is guided by following factors:

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)

As a result of our concerted efforts, Non-performing Loans (NPL) as percentage of total loans decreased in 2018 compared with previous year. NPL in the banking industry has increased as a large amount of loans, restructured earlier under special arrangements, re-entered into adverse classification categories. NPL, as a percentage of Total Loans and Advances, was 1.15% at the end of 2018; decreasing from 1.68% of 2017.

Market Risk Management

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

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

Value at Risk Approach (VaR)

The Bank uses historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. VaR measures the expected loss of a financial position over a given holding period for a specific confidence level. Market risk exposures for the Bank's overnight foreign exchange positions are monitored using VaR methodology. MDB uses a 1 day, 95% VaR for overnight foreign exchange positions to reflect that the daily loss will not exceed the benchmark limit. Currently banks proprietary equity holding is BDT181.2 million at market price as on 31st of December 2018.

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

Interest Rate Risk in Banking Book

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

RSA RSL Gap

In BDT Crore as on 31-Dec-2018

Particulars	<1M	1-3M	3-6M	6-12M	1-5Y	5>
Rate Sensitive Asset (RSA)	445.9	844.2	725.9	340.4	1,043.5	688.4
Rate Sensitive Liability (RSL)	513.5	1,072.7	637.0	515.5	605.8	60.3
Net Gap	(67.6)	(228.4)	88.9	(175.1)	437.7	628.1
Cumulative Gap	(67.6)	(296.0)	(207.1)	(382.2)	55.5	683.5

Loss on NII from Adverse Movement of Interest Rate	1 month	3 Months	1 Year
1% Adverse Movement of Interest Rate	0.0563	0.74	3.82
2% Adverse Movement of Interest Rate	0.113	1.48	7.64

Liquidity Risk Management

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

Liquidity gap analysis (contractual) as on 31st of December 2018

In BDT Crore

Particulars	Up to 1 month	1-3 months	3-6 months	6-12 Months	1-2 Years	2-3 years	3-5 Years	5-7 years	7-10 year	10 years>	TOTAL
Total Assets	739	765	762	420	163	256	646	394	136	159	4439
Total liabilities	581	1754	209	544	209	166	271	26	34	645	4439
Net Liquidity gap	158	-989	553	-124	-46	90	375	368	102	-486	0
Cumulative gap	158	-831	-278	-402	-448	-358	17	385	487	-	-

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 2018	Position as of 31 Dec 2018
Liquid Asset to Total Assets	>30.00%	25.50 %
Gross Loan to customer deposit	<=85.00%	88.05 %
Liquidity Coverage Ratio	>=100.0%	171.70 %
Cash Reserve Requirement	>= 5.50 %	5.62 %
Statutory Liquidity Require	>=13.00%	20.64 %
Leverage Ratio	>3.00%	13.00%
Net Stable Funding Ratio	>=100.00%	115.27 %

Basel III Implementation

Following guidelines are issued by the Central Bank of Bangladesh on the implementation of the Basel III Liquidity Coverage Ratio (LCR), the Bank shows comfortable ratios in the observation period for LCR requirements as per December 2018 reporting.

Liquidity Coverage Ratio	Minimum Limit: 100%	Position as per Dec 2018 reporting: 171.70%
Leverage	Minimum Limit: >3.00%	Actual as on 31 December 2018: 13.59%

Operational Risk Management

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

Insurance

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

Business Continuity

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

Outsourcing

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

Compliance Risk

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

Business/Strategy Risk

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

Information Technology and Communication Risk

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

Reputational Risk

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

Stress Testing

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

Stress Testing Methodology and Results

The Bank uses a number of sensitivity tests to measure the impact on the value of its portfolios due to extreme market movements, applying low, moderate and high impact shocks on hypothetical scenarios. Management reviews the outcomes of the stress tests and where necessary, determines appropriate mitigating actions such as limiting exposures or reviewing and changing risk limits in order to manage the risks induced by potential stresses. Stress tests scenarios are recommended by Risk Management Division (RMD) and reviewed by the management risk committee before perusal of Board Risk Management Committee. Summary of stress test result as on December 31, 2016 is given below:

Credit Risk

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

i. Increase in NPL: This individual shock explains the impact if a portion of performing loan directly downgrades to Bad & Loss category that requires 100% loan loss provision. Levels of shock are: 3%, 9% and 15%.

ii. Increase in NPL due to large top borrowers: Default of large borrowers can create significant impact on the bank. This indicator explains the impact of three standard events; default of 3 top borrowers, top 7 borrowers, and top 10 borrowers directly to "Bad & Loss" category.

iii. Fall in the forced sale value of mortgaged collateral: This measures that the loss bank could suffer from the event of decrease in market value of Land & Building mortgaged with the bank as collateral. Standard levels of shock are applied @10%, 20% and 40%.

iv. Negative shift in NPL Category: This shock indicator measures additional requirement of loan loss provision due to negative shift of a portion of non-performing loan to the next worst category. For example, Special Mention to Sub Standard, Sub Standard to Doubtful and Doubtful to Bad & Loss. Applied levels of shock are 5%, 10% and 15%.

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

Interest Rate Risk

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

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

Exchange Rate Risk

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

Equity Price risk

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

Liquidity Risk

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

Combined Shock

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

Credit Shock under Basel III

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

Way Forward

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

Basel II & III approaches

Risk Type	Approaches prescribed by Basel II	Approaches adopted by MDB	Future plan
Credit Risk	1. Standardized Approach 2. Internal Rating Based (foundation) approach 3. Internal Rating Based (advanced approach)	Standardized Approach	Investment in credit risk management solution will be planned in line with the road map of Central Bank.
Market Risk	1. Standardized Measurement Method 2. Internal Models Approach	Standardized Measurement Method	Continuation of Standardized Measurement Method since trading book is small and mostly made of plain vanilla products.
Operational Risk	1. Basic Indicator Approach 2. The Standardized Approach 3. The Advanced Measurement Approach	Basic Indicator Approach	Continue with Basic Indicator Approach. Capacity building in Operational Risk Management will be emphasized.

The Emergence of BASEL III

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

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

Basel III proposals have five main objectives

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

The Expansion of Basel II to Basel III

Key Components	Particulars	BASEL II	BASEL III
Capital	Common Equity Capital	2% of RWA	4.5% of RWA (Min)
	Tier 1 capital	4% of RWA	6.0% of RWA (Min)
	Tier 2 capital	4% of RWA	4% (Max) of RWA
	Tier 3 capital	2% of RWA	Nil
	Minimum total capital plus conservation buffer	10.00%	12.50%
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		$\geq$ 100%
	Net Stable Funding Ratio		$\geq$ 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). Stock surplus (share premium) resulting from the issue of instruments included Common Equity Tier 1. Retained Earnings: Accumulated and other comprehensive income and other disclosed reserves. Common shares issued by consolidated subsidiaries of the bank and held by third parties (i.e. minority interest) that meet the criteria for inclusion in common Equity Tier 1 capital. Regulatory adjustments applied in the calculation of Common Equity Tier 1capital	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). Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital. Instruments issued by consolidated subsidiaries of the bank and held by 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 Regulatory adjustments applied in the calculation of additional Tier 1 capital	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 in Additional Tier 2 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 1capital. Certain loan loss provisions; and Regulatory adjustments applied in the calculation of Tier 2 Capital.

b. Leverage Ratio

The committee is introducing a leverage ratio which simply measures the ratio of capital to total assets.

The leverage Ratio addresses the build-up of excessive leverage in the financial system. 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.

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).

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.	$LCR = \frac{\text{Stock of high quality liquid assets}}{\text{Net cash outflows over 30 days}} \geq 100\%$

Net Stable Funding Ratio (NFSR)

NFSR 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.	$NSFR = \frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$

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 enhancedinvestment to re-build and re-store buffer.

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

The Roadmap

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

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

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

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

1. Introduction:

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

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

2. Disclosure Policy

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

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

3. Board overview

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

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

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

4. Scope of Application

Qualitative disclosure

a)	The name of the top corporate entity in the group to which this guidelines applies.	Midland Bank Limited

b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	Midland Bank Limited has no subsidiary as of December 31, 2017. **A brief description of the Bank and its subsidiaries are given below:** **Midland Bank Limited (MDB):** Midland Bank Limited ("the Bank") was incorporated on March 20, 2013 as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka-1212. The Company was also issued Certificate of Commencement of Business on the same day. It started commercial banking operation on June 20, 2013 through opening first branch at Dilkusha Commercial Area in the name 'Dilkusha Corporate Branch.' Presently, the number of branches stood at 30 (thirty) including 15 rural branches along with 29 agent banking booth covering commercially important locations of the country. The principal activities of the Midland Bank Limited (MDB) are to provide all types of commercial banking services to customers through its branches, Corporate units and SME Center in Bangladesh. The Bank also entitled to provides money market operations, investment in merchant banking activities, financial intermediary services and any related financial services
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not Applicable

5. Capital Structure

Qualitative disclosure

a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in **Tier 1** or in **Tier 2**.	As per the guidelines of Bangladesh Bank, **Tier-1 Capital of MDB** consists of (i) Fully Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings. **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.

In BDT Million

b)	**The amount of Tier-1 capital with separate disclosure of:**	**Solo**
	I. Fully Paid up capital	5274.72
	II. Non repayable share premium account	-
	III. Statutory reserve	781.11
	IV. General reserve	-
	V. Retained earnings	425.52
	VI. Minority interest in subsidiaries	-
	VII. Non-cumulative irredeemable preference shares	-
	VIII. Dividend equalization account	-
	Sub-Total (A)	**6481.35**
c)	**The total amount of Tier 2 capital (B)**	**460.92**
d)	Other deductions from capital	-
e)	**Total eligible capital (A+B)**	**6942.27**

6. Capital Adequacy

Qualitative disclosure

a)	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	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. The Bank has maintained capital adequacy ratio on the basis of "Solo" is **19.33%** against the minimum regulatory requirement of **11.875%.** Tier-I capital adequacy ratio for "Solo" is **18.05%** as against the minimum regulatory requirement of **7.875%.** 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.

Quantitative disclosure — In BDT Million

		Particulars	Solo
b)		Capital requirement for credit risk	3184.12
c)		Capital requirement for market risk	94.41
d)		Capital requirement for operational risk	312.35
e)		Total and Tier-1 capital ratio: • For the consolidated group; and • For stand alone	- 93.36%
		Minimum capital requirement (10% of RWA or BDT 400 crore, whichever is higher)	4,000.00
		Total Risk Weighted Assets (RWA)	35908.76
		Total and Tier-1 Capital Ratio:	
		Total CRAR	**19.33%**
		Tier-1 CRAR	18.05%
		Tier-2 CRAR	1.28%

7. Credit Risk

Qualitative disclosure

a)	**The general qualitative disclosure requirement with respect to credit risk, including:**	
	i) Definitions of past due and impaired (for accounting purposes);	With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phase wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow: **Continuous & Demand Loan are classified as:** ➢ **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. **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:** ➢ **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". **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:** ➢ **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". **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:** ➢ **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". 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)".**
	ii) Description of approaches followed for specific and general allowances and statistical methods.	The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances on the basis of Bangladesh Bank guidelines issued from time to time:

Particulars	Rate
On unclassified small enterprise financing (SME)	0.25%
On unclassified general loans and advances including housing finance	1%
On interest receivable on loans	1%
On off-balance sheet exposures	1%
On unclassified loans for professionals to set-up business and loans to share business	2%
On unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs	5%
On unclassified Short Term Agricultural and Micro Credits	2.50%
On Special Mention Account (SMA) except Short Term Agricultural and Micro Credits	0.25% to 5%
Specific provision:	
On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits	20%
On doubtful loans and advances (DF) other than Short Term Agricultural and Micro Credits	50%
On bad / loss loans and advances (BL)	100%
On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits	20%
On doubtful loans and advances (DF) other than Short Term Agricultural and Micro Credits	50%
On doubtful short term Agricultural and Micro Credits	5%

Quantitative disclosure

b) Total gross credit risk exposures broken down by major types of credit exposure.

Total gross credit risk exposures broken down by major types of credit exposure of the Bank:

Particulars	In BDT Million
Term Loan	10311.45
Overdraft	7733.73
Time Loan	7399.88
Cash Credit	1844.78
Loan Against Trust Receipts (LTR)	1271.74
Consumer Loan	629.64
Payment Against Documents (PAD)	0
Agricultural Credit	1236.34
EDF Loan	372.80
Packing Credit	58.48
Staff Loan	124.73
Other Loans & Advances	22.77
Bill purchased/discounted-Inland	59.69
Bill purchased/discounted-Foreign	8.67
Total	**31074.67**

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	25569.60
Chittagong Zone	4457.14
Rajshahi Zone	95.70
Khulna Zone	23.65
Sylhet Zone	8.85
Sub-Total	**30154.94**
Rural:	
Dhaka Zone	655.29
Chittagong Zone	73.50
Rajshahi Zone	105.25
Mymensingh	85.69
Sub-Total	**919.73**
Grand Total (Urban + Rural)	**31074.67**

d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.

Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:

Particulars		In bdt million
A. Agriculture, fishing, and forestry		**1212.37**
B. Trade & commerce		**7602.78**
Retail trading	731.95	
Wholesale trading	4790.92	
Export financing	64.65	
Import financing	1257.31	
Lease finance	139.90	
Others	618.04	
C. Construction (commercial real estate, construction and land development loans):		**978.35**
Residential real estate	97.68	
Commercial real estate	273.26	
Infrastructure development	385.62	
Others	221.79	
D. Transport		**52.24**
E. Consumer financing		**690.43**
Loans for the purchase of flats or other single-family dwellings	245.92	
Loans for the purchase of motorized personal transport	108.37	
Loans for the purchase of durable consumption goods	173.03	
Credit card loans	163.07	
Other personal loans		

		F. Loans to financial institutions		5505.12
		Loans to nbfis	2976.05	
		Loans to merchant banks and brokerage houses	679.11	
		Other, including loans to microfinance institutions and ngos	1849.96	
		Miscellaneous	602.12	
		G. Industry		14428.47
		Rmg	680.75	
		Textile	2452.93	
		Food and allied industries	585.13	
		Chemical, fertilizer, etc.	153.30	
		Cement and ceramic industries	356.69	
		Ship breaking industries	599.67	
		Other manufacturing or extractive industries	4878.49	
		Service industries (the total here would be identical to the total from line b3)	1093.09	
		Others	3628.42	
		Grand total		31,071.88

e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:

Particulars	In BDT Million
Repayable on Demand	1239.90
Up to 1 month	2888.50
Not more than 3 months	5139.60
More than 3 months but less than 1 year	13107.81
More than 1 year but less than 5 years	8687.87
More than 5 years	8.20
Total	**31071.88**

f) **By major industry or counterparty type:**

i) Amount of impaired loans and if available, past due loans, provided separately;

The amount of classified loans and advances of the Bank are given below as per Bangladesh Bank guidelines.

Particulars	
Continuous Loans & Advances	104.62
Demand Loans & Advances	80.61
Term Loans & Advances	173.47
Short Term Agro Credit and Micro Credit	00
Total	**358.70**

ii) Specific and general provisions; and

Specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposures, interest on receivable, diminution in value of investment and other assets-suspense of the Bank according to the Bangladesh Bank guidelines.

Particulars	In BDT Million
Provision on classified loans and advances	148.19
Provision on unclassified loans and advances	417.71
Provision on Off-balance sheet exposures	42.20
Provision for diminution in Investments	16.27
Provision against Other Asset	0.98
Total	**625.35**

	iii) Charges for specific allowances and charge-offs during the period.	During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances, off-balance sheet exposure, interest on receivable, diminution in value of investment and other assets (suspense) of the Bank as per Bangladesh Bank guidelines.

Particulars	In BDT Million
Provision on classified loans and advances	(36.45)
Provision on unclassified loans and advances	163.06
Provision on Off-balance sheet exposures	(8.47)
Provision for diminution in Investments	16.27
Provision against Other Asset	0.78
Total	135.19

g) Gross Non Performing Assets (NPAs).

Non Performing Assets (NPAs) to Outstanding loans and advances.

Movement of Non Performing Assets (NPAs).

Particulars	In BDT Million
Opening balance	457.60
Addition/adjustment during the year	(83.34)
Closing balance	**374.26**

Movement of specific provisions for NPAs.

Particulars	In BDT Million
Opening balance	184.64
Provisions made/ during the period	
Transferred from unclassified loan & advances	(36.45)
Write-off	-
Write-back of excess provisions	-
Closing Balance	**148.19**

8. Equities: Disclosures for Banking Book Positions

Qualitative disclosure

a)	**The general qualitative disclosure requirement with respect to equity risk, including:**	
	• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Investment in equity securities are broadly categorized into two parts: i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). ii) Unquoted securities are categorized as banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held for maturity (HFM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.
	• 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.	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. 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.

In BD 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.	197.40	181.20
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		21.28
d)	• Total unrealized gains (losses)		(16.20)
	• Total latent revaluation gains (losses) of T-bills/bonds		5.30
	• Any amounts of the above included in Tier-2 capital.		0.34
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		18.12
	• General Market Risk		18.12

9. 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.	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). To evaluate the impact of interest rate risk on the net interest margin, Prime Bank monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to re pricing. Re pricing refers to the point in time when adjustments of interest rates on assets and liabilities occur owing to new contracts, renewal of expiring contracts or that a contract specifies a floating rate that adjusts at fixed time intervals. A maturity mismatch approach is used to measure Midland Bank's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are re priced in a given period. With a positive mismatch, a rise in market interest rates will have a positive effect on the bank's earnings. On the other hand, a negative mismatch, where more liabilities are re priced than assets in a given period, means a drop in earnings if interest rates had increased. The table presented below showing the Interest Rate Risk Analysis of Midland Bank Limited. The analysis shows that Bank may have a negative earnings impact of Taka 0.32 million in the first quarter which has also negative amounting Tk. 7.55 million in the second quarter. In the third and fourth quarter, the total year-to-date accumulated earnings impact has also been negative (Taka 16.40 and 46.15 million respectively). The rule of thumb suggests that quarterly gaps, causing an earnings impact of 10% of the Bank's average quarterly operating profit for each 1% change in interest rates, should be carefully handled by the Bank's Management. The last row of the following table reveals that earnings impact on Midland Bank's average quarterly operating profit is not significant and remains within the acceptable limit as prescribed by Bangladesh Bank.

Interest Rate Risk Analysis (for 1% change in the market rate of interest)

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).	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
		A. Rate Sensitive Assets	13,406.10	7,154.80	2,608.78	748.83
		B. Rate Sensitive Liabilities	13,537.30	8,598.80	2,229.91	2,571.24
		GAP (A-B)	(131.20)	(1,400)	(378.87)	(1822.41)
		Cumulative GAP	(131.20)	(1531.20)	(1152.33)	(2974.74)
		Adjusted Interest Rate	1%	1%	1%	1%
		Changes (IRC)				
		Quarterly earnings impact (Cum. GAP*IRC)	(0.32)	(7.55)	(8.52)	(29.75)
		Cumulative earnings impact to date	(0.32)	(7.87)	(16.40)	(46.15)
		Earning impact / Average quarterly Operating profit	-0.05%	-1.27%	-2.64%	-7.43%

10. Market Risk

Qualitative disclosure

a)	i) Views of Board of Directors (BOD) on trading or investment activities.	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: i. Interest rate risk ii. Equity position risk iii. Foreign exchange (including gold) position risk throughout the Bank's balance sheet and iv. Commodity risk.
	ii) Methods used to measure Market risk.	**Measurement Methodology:** As Banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the Banks for using Standardized Approach for credit risk capital requirement for Banking book and Standardized (rule based) Approach for market risk capital charge in their trading book. 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. In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately. 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.: 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.	To mitigate the several market risks, the Bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices / polices and risk management prudential limits are adhere to. The Treasury Division are taking following measures to minimize the several market risks: i) **Foreign exchange risk management:** it is the risk that the Bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report prepare for each currency. ii) **Equity Position Risk:** Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation to the share investment portfolios are done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration: a) Security of Investment b) Fundamentals of securities c) Liquidity of securities d) Reliability of securities e) Capital appreciation f) Risk factors and g) Implication of taxes etc.

Quantitative disclosure

b)		**The capital requirements for:**	**Solo**
		• Interest rate risk	24.00
		• Equity position risk	36.24
		• Foreign exchange risk and	34.17
		• Commodity risk	-
		Total Capital Requirement	**94.41**

11. Operational Risk

Qualitative disclosure

a)	i) Views of BOD on system to reduce Operational Risk	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes see documented, authorization as independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the group stays in line which industry best practice and takes account or lessons learned from publicized operational failures within the financial services industry. 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. 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.

ii) Performance gap of executives and staffs.

Human Resources

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

Our HR mission is to be the employer of choice in the financial sector where the employee will work with pride and pleasure. MDB believes that Human Resource Development is a continual process and the output of the development helps the organization to meet the objective and long term vision of the organization. The Bank recruits people from all sections of the society based on their competencies. We highly emphasize on attitude driven talent acquisition process because we don't offer merely a job for the employees but we are highly conscious to shape their career and make them confident for the best fit of the next role. The main motto of Human Resources Management Division is to hike the service excellency curve for the internal and external customers of the Bank. The Management team of the Bank with their talent & skill has now been working for business excellence of the Bank with new pledge based on professionalism, team work, strong bondage of interpersonal relationship with good governance. The new economies with increased global, regional and local competition coupled with socio-economic sensitivity have created enormous challenges in organization like private commercial Banks. To cope with new challenges, our strategic approach is to make the techy so that they can cope technology based environment. Thus we thrive for caring our people so that they can positively contribute in the profitability curve of the organization.

Workforce Diversity:

MDB believes that organization's success and competitiveness depends upon its ability to embrace workforce diversity and realize the benefits. With that believe, MDB tries to handle workforce diversity in an efficient way so that MDB can increase adaptability, broader service range, recognize variety of viewpoints, manage more effective execution. As on 31 December 2016, workforce diversity is furnished below:

Age Group	Male	Female	Total
Above 50 years	8	1	9
30-50 years	368	33	401
Below 30 years	127	34	161
Total	503	68	571

iii) Potential external events

Risk factors/Potential external events:

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:

- **General business and political condition**

  MDB's performance greatly depends on the general economic conditions of the country. The effect of recession is still unfolding which may result to slow down in business environment. Political stability is must for growth in business activities.

- **Changes in credit quality of borrowers**

  Risk of deterioration of credit quality of borrowers is inherent in Banking business. This could result due to global economic crisis and supply side distortion. The changes in the import prices affected the commodity sectors and ship breaking industry. Deterioration in credit quality requires provisioning.

- **Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions**

  MDB is subject to regulations and compliance of regulation is must. Changes in policies with regard to interest rates, pricing have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect the performance. Changes in provisioning requirement will also affect the performance of the Bank.

		• Implementation of Basel-III Basel-III is fully effective from 2015 and MDB needs to be complied with respect to credit risk management, its supervision and establishment of effective internal control. The grading of the borrowers and its link with capital requirement may slow down the credit expansion. The establishment of effective control requires more investment in technology and operating expenses are likely to increase. •Changes in market conditions Changes in market conditions particularly interest rates on deposits and volatility in Foreign Exchange market is likely to affect the performance of the Bank. Depositors are becoming increasingly price sensitive and any unilateral upward change by a Bank will exert pressure on interest rate structure of the Banking sector. It is feared that wage earners remittances may decline due to fall in job opportunity in international market. Unless offset by export performances, there may be pressure in the Foreign Exchange market. • The risk of litigation In the ordinary course of business, legal actions, claims by and against the Bank may arise. The outcome of such litigation may affect the financial performance of the Bank. • Success of strategies MDB is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.
	iv) Policies and processes for mitigating operational risk.	Midland Bank limited (MDB) has formed a separate 'Risk Management Division' under Chief Risk Officer to ensure following things: • 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 are also to be reviewed: ❖ Operational Risk ❖ Market Risk ❖ Liquidity Risk ❖ Reputation risk ❖ Insurance Risk ❖ Sustainability Risk • Setting the portfolio objectives and tolerance limits/parameters for each of the risks; • Formulation of strategies and different models in consistency with risk management policy based on IT Policy and in house IT support which can measure, monitor and maintain acceptable risk levels of the Bank; • Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank. • Ensure compliance with the core risks management guidelines at the department level, and at the desk level; • The unit will work under Bank's organizational structure and suggest to the CEO to take appropriate measures to overcome any existing and potential financial crisis; • Analysis of self resilience capability of the Bank; • Initiation to measure different market conditions, vulnerability in investing in different sectors;

		• The unit will also work for substantiality of capital to absorb the associated risk in banking operation. **Activities undertaken by "Risk Management Division" since inception and recent approaches** • Risk Management Division of MDB is currently arranging monthly/ as or when required meeting on various issues to determine strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the Bank. Minutes of each meeting is submitted to Bangladesh Bank on monthly basis; • Besides, Risk Management Report and Comprehensive Risk Management Report (CRMR) have also been prepared on the basis of monthly and semi-annually respectively which addressing different areas of risk and their mitigating tools & techniques guided by the members of Risk Management Division; • In order to perform the risk management function smoothly, RMD had invited all the Operational Divisions vide letter to the Head of respective Divisions to form an internal committee along with defined duties of concerned officials. It is to be noted here that due to continuous and successful persuasion, all the Operational Divisions have formulated and established internal risk management committees. Stress Testing in MDB: 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: • Interest rate; • Forced sale value of collateral; • Non-performing loans (NPLs); • Share prices; and • Foreign exchange rate. The stress testing based on the financial performance of the Bank as on December 31, 2017 has also been completed which shows that the Bank has adequate capital to absorb minor, moderate and major level of shocks. However, in case of combined major shocks, some additional capital shall be required.
	v) Approach for calculating capital charge for operational risk.	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 · (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: K = [(GI 1 + GI2 + GI3) α]/n Where- K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should: i). be gross of any provisions; ii). be gross of operating expenses, including fees paid to outsourcing service providers; iii). exclude realized profits/losses from the sale of securities held to maturity in the Banking book; iv). exclude extraordinary or irregular items; v). exclude income derived from insurance.

Quantitative disclosure

In BDT Million

		Particulars	Solo Basis
	b)	The capital requirement for operational risk	312.35

12. Liquidity Risk

Qualitative disclosure

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

a)	i) Views of BOD on system to reduce Liquidity Risk	Liquidity risk arises when the Bank cannot maintain or generate sufficient funds to meet its payment obligations as they fall due or can only do so at a material loss. This can arise when counterparties who provide funding to the Bank withdraw or do not roll over a line of funding or as a result of a general disruption in financial markets which lead to normal liquid assets becoming illiquid. The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the RMC of the Board also reviews the liquidity position while reviewing the risk status report on quarterly basis. Upon reviewing the overall liquidity position along with the outlook of MDB funding need, investment opportunity, market/industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates polices etc. The Board of MDB always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.
	ii) Methods used to measure Liquidity risk.	**Measurement Methodology:** The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods/tools to measure the liquidity position/risk of MDB LCR or Liquidity Coverage Ratio is a new liquidity standard introduced by the Basel Committee. 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. The equation: $$LCR = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$ Definitions for the LCR: The calculation of the LCR requires three important quantities to be defined:
	iii) Liquidity Risk Management system.	In MDB, at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director along with other senior management. Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc. Apart from the above, Financial Administration Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.

	iv) Policies and processes for mitigating liquidity risk.	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. The Treasury Division are taking following measures to minimize the several market risks: 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 extrem events.

Quantitative disclosure BDT in Million

b)		Solo
	• Liquidity Coverage Ratio	The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2018 was as under: Particulars / Ratio (BB requirement: 100%; MDB's position: 171.70%)
	• Net Stable Funding Ratio (NSFR)	The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of Midland Bank Limited as of 31 December 2018 was as under: Particulars / Ratio (BB requirement: 100%; MDB's position: 115.27%)
	• Stock of High quality liquid assets	As stipulated by BB vide DOS Circular Letter No. 1 dated 1st January 2015, the Stock of High Quality Liquid Assets (SHQLA) of Midland Bank Limited as of 31 December 2018 was as under: 7766.86
	• Total net cash outflows over the next 30 calendar days	4523.51
	• Available amount of stable funding (ASF)	35737.14
	• Required amount of stable funding (RSF)	31002.63

13. Leverage Ratio

Qualitative disclosure

a)	i) Views of BOD on system to reduce excessive leverage	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: a) constrain build-up of leverage in the banking sector which can damage the broader financial system and the economy; and b) reinforce the risk based requirements with an easy to understand and a non-risk based measure. The Board of Directors of MDB primarily views on the growth of On-balance and Off-balance sheet exposures commensurate with its expected growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth. At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset-liability gap within the tolerable limit

	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	A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level. 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. $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$

Quantitative disclosure

BDT in Million

b)

Solo

- Leverage Ratio

Leverage Ratio (LR) under Basel III of Midland Bank Limited as of 31 December 2018 was as under:

Particulars	Ratio	
	BB requirement	MDB's position
Leverage Ratio	3%	13.59%

- On balance sheet exposure

Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of Midland Bank Limited as of 31 December 2018 was as under:

Particulars	Amount
Total On Balance Sheet Assets [A]	45750.80
less: Total Specific Provision [B]	148.19
Total Adjusted On Balance Sheet exposure [A-B]	45602.61

- Off balance sheet exposure

2077.17

- Total exposure

Total Exposures for calculating Leverage Ratio under Basel III of Midland Bank Limited as of 31 December 2018 was as under:

Particulars	Amount
Total On Balance Sheet Exposures [A]	45602.61
Total Off-Balance Sheet Exposures [B]	2077.17
less: Total Deduction/ Regulatory adjustments [C]	0.00
Total Adjusted exposure [A+B-C]	47679.78

14. Remuneration

Qualitative disclosure

a)	a) Information relating to the bodies that oversee remuneration.	i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy/policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank The Bank has approved pay scale approved by the Board of Directors. Employee type in MDB is Regular & Contractual.
		ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director & CEO of the Bank along with other members of top executive management (Additional Managing Directors) and the Heads of different functional divisions of Head Office. Head of Human Resources Division acts as the Member Secretary of the MANCOM of MDB. There is a pay scale approved by the competent authority where the salaries and increments are fixed designation wise and the same is followed accordingly.

		iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
		iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
		v) A description of the scope of the bank's remuneration policy (e.g by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'Employee benefits' by regions. However, variation in remuneration is in practice based on nature of Job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule.
		vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	We consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of MDB
	b) Information relating to the design and structure of remuneration processes.	i) An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on
		ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that was made.	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration and its associated matters from time to time.

		iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
	c) Description of the ways in which current and future risks are taken into account in the remuneration processes.	i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit/default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.
		ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines/segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
		iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
		iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2018 that could the affect the remuneration.

	d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	i) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target/budget for each year for the Bank and business lines/segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
		ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her/his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent.
		iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/scorecard
	e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. Annual Increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate/individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule.
		ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
	f) Description of the different forms of variable remunerati on that the bank	i) An overview of the forms of variable remuneration offered (i.e. Cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. Direct credit to the employee Bank account and/or Payment Order/Cheque), as the case may be, as per rule/practice.

	utilizes and the rationale for using these different forms.	ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	The following variable remuneration has been offered by MDB to its employees: **Annual Increment** Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to Midland Bank values.

Quantitative disclosure

BDT in Million

		Solo
b)	Number of meetings held by the main body overseeing remuneration and remuneration paid to its member.	No such meeting as there is no designated remuneration committee. HR Division is assigned to initiate any change proposal on remuneration as per the Human Resource Management Policy of the bank and get necessary approval from BoD.
	Number of employees having received a variable remuneration award.	460
	Number of guaranteed bonuses awarded.	2 festival bonuses
	Total amount of guaranteed bonuses awarded.	31.78
	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.	
	Breakdown of amount of remuneration awards for the financial year to show:	<table><tr><th></th><th>BDT in Million</th></tr><tr><td>Fixed</td><td>473.87</td></tr><tr><td>Variable</td><td>17.52</td></tr><tr><td>Deferred</td><td>Nil</td></tr><tr><td>Non-deferred.</td><td>Nil</td></tr><tr><td>Different forms used (cash, shares and share linked instruments, other forms).</td><td>Cash</td></tr></table>
	Total amount of outstanding deferred remuneration	Nil
	Total amount of retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil
	Total amount of reductions during the financial year due to ex post explicit adjustments.	Nil
	Total amount of reductions during the financial year due to ex post implicit adjustments	Nil

MDB Photo Gallary



Mrs. Nilufer Zafarullah, Chairman of the Bank presiding over the 4th Annual General meeting at Westin Hotel, Dhaka.



Mrs. Nilufer Zafarullah, Chairman presiding over the Board Meeting of the Bank.

MDB Photo Gallery



Mr. Rezaul Karim, Chairman of the Board Executive Committee (EC) presiding over a Meeting.



Dr. Kazi Shahidullah, Ex-Chairman of the Board Audit Committee (BAC) presiding over a Meeting.



Mr. Ahsan Khan Chowdhury, Chairman of the Board Risk Management Committee (BRMC) presiding over a Meeting.

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director and CEO, Chairman of the Management Committee (MANCOM) presiding over a Meeting.



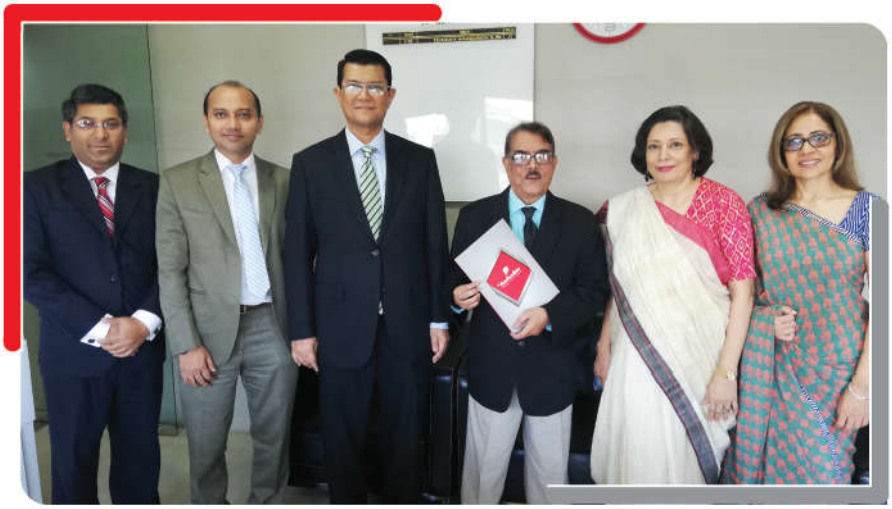


Mr. Md. Ahsan-uz Zaman, Managing Director and CEO, Chairman of the Asset Liability Committee (ALCO) presiding over a Meeting.

Mrs. Nilufer Zafarullah, Chairman of the Bank handing over the Cheque for financial assistance to Shishu Bikash Kandro of Zonta Club Dhaka III.



MDB Photo Gallery



Mr. M Moniruzzaman Khandaker, Founder Chairman of the Bank handing over the cheque for financial assistance to Ambassador Nasim Firdaus, President of Bangladesh Alliance for Women Leadership (BDAWL).



Mr. M Moniruzzaman Khandaker, Founder Chairman of the Bank cuts a cake on the occasion of the Bank's 05th Anniversary of the Bank.



Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates a Branch of the Bank at Paragram, Nawabganj.

MDB Photo Gallery

Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates a Branch of the Bank at Mirpur, Dhaka.





Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates a Branch of the Bank at Foyla Bazar, Bagerhat.

Mrs. Nilufer Zafarullah, Chairman of the Bank formally inaugurates a Branch of the Bank at Maligram, Bhanga. Faridpur.



MDB Photo Gallery



Md.Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates a Branch of the Bank at Islampur, Dhaka.



Md. Ahsan-uz Zaman, Managing Director of the Bank along with A.H.M. Khairuzzaman Liton, Mayor of Rajshahi City Corporation formally inaugurates a Branch of the Bank at Rajshahi Sadar, Rajshahi.



Md. Ahsan-uz Zaman, Managing Director presides over the half-yearly Branch Managers' Business Review Meeting 2018 of Corporate Banking Division of the Bank.

MDB Photo Gallery

Md. Ahsan-uz Zaman, Managing Director presides over the Town Hall Meeting of the Bank.





Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Sabgram Union, Bogura.

Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Nimgachi Union, Bogra.



MDB Photo Gallery

Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Amtoli Bazar, Shibgonj Sadar Union, Bogura.





Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Guzia Bazar, Shibgonj Sadar Union, Bogura.

Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Shaghata Upozila, Gaibandga.



MDB Photo Gallery



Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Khulna Sadar, Khulna, Lakshmipur.



Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. formally inaugurates an Agent Banking Centre of the Bank at Rupsha Upozila, Khulna.



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

MDB Photo Gallery



Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd. distributes blankets among the winter affected poor people of the country.



Mr. Md. Ahsan-uz Zaman, Managing Director & CEO of Midland Bank, Mr. M Motiur Rahman, Managing Director of KABL, Mr. Nazmul Haque, Director (Investment) & Head of Advisory, IDCOL, Mr. Mahmudul Alam, Managing Director & CEO of UCL, Mr. Rathin Kumar Paul, Deputy General Manager, Sustainable Finance Department, Bangladesh Bank, Mr. Tika R. Limbu, Unit Head, Project Administration Unit, ADB, Mr. Zhou Yong Xu, Managing Director, Huanggang Huayao Zhongyang Kiln Company Ltd present at the Financial Closer Ceremony syndicated term loan facility favoring Kushiyara Auto Bricks Limited.



Md. Ahsan-uz Zaman, Managing Director & CEO of Midland Bank participated at the School Banking Conference 2018

MDB Photo Gallery

Md. Ridwanul Hoque, EVP & Head of Retail Distribution of Midland Bank Ltd. and Md. Al-Amin, Director, Sales & Marketing of The Westin, Dhaka signed the agreement on behalf of their respective organization for special discount to enjoy buy-one-get-one free buffet meal from The Westin Dhaka for MDB credit and debit card holders.





Mr. Md. Ridwanul Hoque, EVP & Head of Retail Distributions of MDB and Mr. Sohail Majid, Director, Marketing & Sales of Regent Airways signed the agreement on behalf of their respective organizations for EMI facility up to 6 months at 0% interest, while purchasing holiday packages and tickets from Regent Airways for international and local destinations for MDB credit card holders.

Md. Ridwanul Hoque, EVP & Head of Retail Distributions of MDB and Mr. Mahbub-Ur-Rahman Shajib, Director (Operations) of Butterfly Marketing Limited (BML) signed the agreement on behalf of their respective organizations for EMI facility up to 12 months at 0% interest while purchasing electronic goods from BML Outlets nationwide for MDB credit card holders.



MDB Photo Gallery



Md. Ridwanul Hoque, EVP & Head of Retail Distributions of Midland Bank Ltd. and Mr. Kelly Lewis, General Manager of Hotel Amari Dhaka signed the agreement on behalf of their respective organization to enjoy buy-one-get-one free buffet meal from Amari Dhaka for MDB credit card holders.



Mr. Md. Ridwanul Hoque, EVP & Head of Retail Distributions of Midland Bank and Dr. M Easin Ali, Chairman & Chief Consultant of Dhaka City Physiotherapy Hospital & Rehabilitation Center signed the MoU on behalf of their respective organizations for attractive discount in treatment services for both in-patient and out-patient from Dhaka City Physiotherapy Hospital & Rehabilitation Centerfor MDB credit card holders.



Mr. Md. Shaiful Alam Chowdhury, SVP and Cluster Head, Chittagong of MDB and Syed Jalal Ahmed Rumman, Managing Partner of Hemmer Strength signed the MoU on behalf of their respective organizations for EMI facility up to 12 months at 0% interest while purchasing various packages from Hammer Strengthfor MDB credit and debit card holders.

MDB Photo Gallery

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd inaugurates the training programme titled "Foundation Training Programme"





Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd delivering speech in the training programme titled "Foundation Course"

Mr. Md. Ahsan-uz Zaman, Managing Director of Midland Bank Ltd, along with Md. Zahid Hossain, SEVP & Head of Corporate Banking Division and Tapash Chakraborti, SAVP & Head of Human Resources Division participated closing ceremony of the training programme titled "Foundation Course"



Bank Financed Projects

Bengal FlexiPak Ltd.





Magnum Steel Industries Ltd.

Ifad Autos Ltd.



Bank Financed Projects

Fair Electornics Limtied (Samsung)





iBMS Technology Bangladesh Ltd.

Kushiyara Auto Bricks Ltd. (under construction project site)



Sustainability Report

Sustainability

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. 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's Approach to Sustainability

Being a responsible partner of the society and economy MDB thrives to contribute towards attaining sustainable development goals (SDGs) e.g. end poverty and hunger, ensure access to safe water, affordable/reliable energy for all, promote sustainable and inclusive economic and industrial growth, recycling program etc. Midland Bank firmly believes in good corporate citizenship and helping clients and other key stakeholders achieve sustainable success. Three key elements mold the central theme of sustainability:

Entrepreneurship

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

Stewardship

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

Inclusion

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

MDB Sustainability Model

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

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

Fairness in Banking

MDB is bent on providing simple, accessible and innovative solutions to our customers in response to their requirements. Banking is

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central to the daily lives of almost everyone, and it's important that we understand their needs. Bank has taken various initiatives to proactively identify people who may get into financial difficulty so we can work with customers to improve their situation. We have reviewed our rates structure (both corporate and retail) as we aim to place customers at the heart of our business decision.

Supportive Engagement

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

An Admired Employer

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

Safe Banking Approach

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

Citizenship and Environmental Concern

As a growing organization we have a responsibility to manage our internal and external impacts. A core part of this is the way we govern our environmental, social and ethical risks, not only within our own operations, but also in relation to companies we lend to. In 2019, the bank will strengthen its environmental and social risk management system in line with regulatory guidelines.

Financial Inclusion

Multitudes of people across the country still remain unbanked or have limited access to banking services. MDB remains committed to agricultural and rural credit (micro finance) as a means of increasing financial inclusion in the country. We intend to support this sector by providing a range of financial services to microfinance institutions (MFIs) as well as through our own branch network. Small and Medium Enterprises plays crucial role in generating jobs and economic growth in Bangladesh. During 2018, a good total of 236 MSME entrepreneurs were added to SME client base bringing the total to 586 and disbursed a sum of BDT 2750.10 million which consolidated our SME portfolio with BDT 4602.10 million outstanding at the year-end. To improve the gender balance in SME finance, we closed the year with BDT 654.60 million loan disbursement on account of total 11,418 women entrepreneurs (directly through Bank to 33 number of women entrepreneurs and indirectly through MFIs to 11,385 number of women entrepreneurs). We continued to explore new ways of increasing financial outreach.

Combating Financial Crime and Money Laundering Risk

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

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

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

Suspicious Transaction Reporting (STR) and KYC procedure are tools; Bank is presently executing to prevent financial crimes and money laundering. Our core fraud combating units are security, compliance and internal audit, IT security,

human resource, and risk management unit. These units are working together to strengthen fraud prevention management system in the bank.

Promoting Sustainable Finance

Steps are taken to introduce green banking products which can in some way or other contribute to the reduction of carbon emissions. Our green finance priorities include ETP, modernization of brick kiln by advanced technology, Bio-gas Plant, Solar Power System and other renewable energy sectors. In our attempt for green finance in 2018, we have disbursed a sum of BDT 98.20 million to a number of 08 Zig Zag on account of eco-friendly Brick Kilns and BDT 150.00 million in Auto Tunnel Kiln. Besides, specific environment risk management plan and guidelines are in place with the Bank.

We spent an amount of BDT 5.00 million in various CSR activities in Bangladesh in 2018. To keep our commitment afloat for SME business, woman entrepreneur finance, agri farms, we have made necessary restructuring in our operations, launched campaign for SME promotion, participated in SME fairs, added and upgraded delivery channels and build alliance with various banks and micro finance organizations for a nationwide banking outreach. We have designed new products for various segments in the community for wider financial inclusion and took up promotional initiatives in the market. Our costs in sustainability build-up are taking an upturn every year and we are expecting their positive reflection in our present and future well-being. Furthermore, the Bank made considerable investment to strengthen capacity and preparedness to combat money laundering and terrorist financing in the field of manning & training, software development, building liaison & awareness, etc. to ensure regulatory compliance. Around the year 2018, we actively pursued the expansion of our business with particular focus on greater welfare of the economy.

Contribution to Government Exchequer

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

MDB for Inclusive Growth

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

MDB has decided to increase lending target to small and medium enterprises. The Bank is targeting SME finance to the undeniable but underserved segment of the economy. To this effect, the Bank finance to micro and small enterprises, manufacturing sector and women entrepreneurs is getting momentum. New strategy has been set out to expanded cluster base financing program. MDB disbursed BDT 654.60 million in loans to Women Entrepreneurs in the calendar year 2018. Bangladesh Bank refinance for SE and Women Entrepreneurs has enabled the Bank to open up a soft loan window for small sized business and women owned projects. The Bank is committed to the implementation of statutory codes of practice on business lending within agreed timeframes.

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

Green Banking: Towards Sustainable Banking

Green Vision:

Even though banks out its operations directly do not contribute to the cause of pollution of environment but it has got the huge opportunity to contribute, to promote and activate the green concept i.e. making the environment greener in its own way. Bank takes counter party risks in extending the finances to different trading and industrial concerns as they finance so banks virtually as lender take their stake in businesses of the borrowers. It is conceivable that bank as financial intermediaries have the capacity and ability to impress upon the owners of the business to adopt green practice in their operation to avoid the situation wherein there financed projects create cause of concern for environmental pollution or contamination. A green Bank takes into consideration all sorts of social and environmental factors to merge into a long run sustainable financial gain shared by all of the earth inhabitants. Green Banking initiatives have been undertaken by global communities to reduce environmental degradation, lessening carbon emission and reduce utilization of non-renewable resources for the protection of future generations from its impact. Green finance as a branch of green banking makes significant contribution towards transition to resource efficient and low carbon regime i.e. green industry and green economy in general. Investment in greener and sustainable projects offers continuing multiple economic, social and environmental benefits.

Concepts of Green Banking:

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

MDB Green Banking Policy:

As part of fulfillment of its obligation to the society Midland Bank Ltd in its incipient period had taken measures to formulate policy guidelines for green banking in accordance with the instruction and relevant guidance given by Bangladesh Bank. Since, we are well aware of our responsibilities towards the society to encourage adaption of green banking practices across the broad segments of the clienteles. In our appraisal process of any project finance as part of due diligence, we intend to ensure that red category manufacturing concern become greener one by its operation, by adopting appropriate technology and factoring them into the estimated project cost of the promoters.

Green Activities of MDB:

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

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

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

Environmental Risk Management:

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

In-house green banking development:

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

Electricity Consumption

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

Fuel Consumption

- Ensuring economic use of fuel by buying energy efficient vehicles to reduce gas and petroleum consumption.

Paper Consumption

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

Water Consumption

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

Others

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

Green Reporting and Disclosure:

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

MDB Green Report Card 2018:

[Fig. In BDT Million]

SL	Particulars	Total		Remarks
		No. of Projects	Amount	
A	Introducing Green Finance			Policy formulation is under process
01	Effluent Treatment Plant (ETP)			
02	Bio-gas Plant			
03	Solar Panel system/Renewal Energy Plant			
04	Hybrid Hoffman Kiln (HHK)			
05	Auto Tunnel Kiln	01	150.00	
06	Green Finance at reduced rate of interest			
07	Others (if any) Zig Zig Brick Project	08	98.20	
	Total			
B	Online Banking			
01	No. of ADCs (own ATM & ADM)	32		
02	Shared ADCs	8,100		
03	No. of Branches with online coverage	30		
04	No. of total accounts	97,631		
05	No. of accounts facilitated with internet banking	3,682		
06	No. of accounts facilitated with Mobile/SMS Banking	55,403		
C	Awareness Building			
01	Training Programs on Green Banking (In-house)	-		
02	Participants in the Training	-		
D	Disclosure			
01	Website	Yes		
02	Annual Report	Yes		
03	Preparation of Green Banking & Sustainability Report Others (if any)	Yes		
E	Sector Specific Environment Policy			
01	Formulation of Sector Specific Environment Policy			
	(Under phase)			
	Others (if any)			
F	Green Strategic Planning			
01	Formulation of Green Strategic Planning			
02	Formulation of Bank's Specific Environment Risk			
03	Management Plan & Guideline Others (if any)	Yes		

Corporate Social Responsibility (CSR)

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 formed a dedicated Sustainable Financial 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, Sustainable Financial Unit proposed budgetary allocations for CSR programmes annually for approval of the Board of the Bank; the Board approved allocations by appropriations from annual post tax net profits.

The Board of Directors of the Bank approved Tk.50,00,000.00 for Annual CSR Activities 2018 of Midland Bank Limited.

The Bank donated 15000 pcs of blankets to Prime Minister Relief Fund, amounting Tk.41,83,471.00 in January, 2018 as commitment for the year 2017, which subsequently adjusted from board allotted annual CSR fund of Tk. 50,00,000.00 for the year 2018 and included in the CSR activities in 2017. As such, available CSR fund for the year 2018 was Tk.8,16,529.00.

Considering above the CSR fund as well as to meet up time to time urgent requirements of CSR activities, duly approve by the Board, total distribution status of the Annual CSR activities of the Bank as on 31st December 2018 are as furnished below:

Sl No.	Particulars of allocation and status of distribution of CSR Fund 2018		
	Particulars	Amount In BDT	Area of allocation
1.	Donation to Chand Tara Mosque	2,00,000.00	Other
2.	Donation to Bangladesh Alliance for Women Leadership (BDAWL)	2,00,000.00	Training
3.	Distribution of bicycle among the female students	1,50,000.00	Education
4.	Sponsorship in monthly Braille newspaper –"DristiBejoee" published by Bangladesh Disabled Development Trust	59,896.00	Education
5.	Distribution of Blankets among the cold stricken people of the country through Bank's Branches	2,06,633.00	Digester Management
6.	*Donating of 15000 blankets to Prime Minister Relief Fund	*41,83,471.00	Digester Management
	Total	50,00,000.00	

* Previous year's commitment which was included in the CSR activities in 2017.

Based on the above CSR activities, ratio wise distributions of the fund in 2018 are as follows:

Figure in BDT

Area of allocation	Education	Healthcare	Others	Total
Distributed amount as on 31.12.2018	4,09,896.00	0.00	4,06,633.00	8,16,529.00
Ratio of Annual CSR distribution	50.20%	0.00%	49.80%	100%

Financial Statements-2018



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.

As Midland Bank Limited runs on Centralized Banking Model, the Bank has producedtimely and effective policies, circulars and manuals in such a way that the adequate control in all its operational and business functions are established and risk tolerance level can be maintained at an accepted level.The policies and manuals are all approved by the Board after being reviewed in lien with relevant practice and regulatory requirements of various segments of businesses and operations. 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. As per Bangladesh Bank BRPD Circular No.11, dated 27 October 2013, a 5(Five) member Board Audit Committee (BAC) was last reconstituted in the 80th Board Meeting dated 20.12.2018 with the inclusion of an independent director in the committee. 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



Nilufer Zafarullah
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 year2018 have been prepared using appropriate accounting policies, consistently applied, and supported by reasonable and prudent judgment and estimates and in compliance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bank Company Act 1991 (amended upto 2018), 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. TheCommittee has made an independent assessment of the financial reporting system of the Bank and confirmed that the financial statements for the year ended on 31 December 2018 have been prepared in compliance with relevant accounting principles and regulatory requirements. The Committee also discussed and exchanged views with the representatives of external auditors and reviewed the financial statements and recommended to the Board of Director for consideration and approval of these financial statements for year ended on 31 December 2018.

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 internal and external use are in accordance with relevant accounting principles and regulatory requirements.

On behalf of the Board of Directors



Nilufer Zafarullah
Chairman

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

[As per condition No. 1(5)(xxvi) of the Corporate Governance Code]

Annexure-A

The Board of Directors
Midland Bank Limited
N.B. Tower
40/7 North Avenue
Gulshan-2, Dhaka-1212

Date : 29 April 2019

Subject: Declaration on Financial Statements for the year ended on 31.12.2018

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin Dated 03 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

(1) The Financial Statements of Midland Bank Limited Limited for the year ended on 31 December 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;

(2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;

(3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;

(4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;

(5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and

(6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

(i) We have reviewed the financial statements for the year ended on 31 December 2018 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 collectively present 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 in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,

Md. Zahirul Islam, FCA
Chief Financial Officer (CFO)

Md. Ahsan-uz Zaman
Chief Executive Officer (CEO)

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Midland Bank Limited (the "Bank"), which comprise the balance sheet as at 31 December 2018 and profit and loss account, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies, other explanatory notes and annexures thereto.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters	Our response to key audit matters
Measurement of provision for loans, advances and leases	
The process for estimating the provision for loans, advances and leases portfolio associated with credit risk is significant and complex. For the individual analysis for large exposure, provisions calculation consider the estimates of future business performance and the market value of collateral provided for credit transactions. For the collective analysis of exposure on portfolio basis, provision calculation and reporting are manually processed that deals with voluminous databases, assumptions and estimates.	We tested the design and operating effectiveness of key controls focusing on the following: • Credit appraisal, loan disbursement procedures, monitoring and provisioning process; • Identification of loss events, including early warning and default warning indicators; • Reviewed quarterly Classification of Loans (CL); Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following: • Reviewed the adequacy of the general and specific provisions in line with related Bangladesh Bank guidelines;

At year end the Bank has reported total gross loans, advances and leases of Tk 31,074,667,795 (2017: Tk 27,295,604,708) and provision for loans and advances of Tk 566,611,854 (2017: Tk 439,964,251).	• Assessed the methodologies on which the provision amounts are based, recalculated the provisions and tested the completeness and accuracy of the underlying information; • Evaluated the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines. • Finally, compared the amount of provision requirement as determined by Bangladesh Bank inspection team to the actual amount of provision maintained
See note no 7 and 13.01 to the financial statements	

Valuation of treasury bill and treasury bond	
The classification and measurement of T-Bill and T-Bond require judgment and complex estimates. In the absence of a quoted price in an active market, the fair value of T-Bills and T-Bonds is determined using complex valuation techniques which may take into consideration direct or indirect unobservable market data and complex pricing models which require an elevated level of judgment.	We assessed the processes and controls put in place by the Bank to identify and confirm the existence of treasury bills and bonds. We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the treasury bills and bonds valuation processes, including controls over market data inputs into valuation models, model governance, and valuation adjustments. We tested a sample of the valuation models and the inputs used in those models, using a variety of techniques, including comparing inputs to available market data. Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note no 6 to the financial statements	

Impairment assessment of unquoted investments	
In the absence of a quoted price in an active market, the fair value of unquoted shares and bonds, especially any impairment is calculated using valuation techniques which may take into consideration direct or indirect unobservable market data and hence require an elevated level of judgment.	We have assessed the processes and controls put in place by the Company to ensure all major investment decisions are undertaken through a proper due diligence process We tested a sample of investments valuation as at 31 December 2018 and compared our results to the recorded value. Finally we assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.
See note no 6 to the financial statements	

IT systems and controls	
Our audit procedures have a focus on IT systems and controls due to the pervasive nature and complexity of the IT environment, the large volume of transactions processed in numerous locations daily and the reliance on automated and IT dependent manual controls.	We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. We tested the Bank's periodic review of access rights and reviewed requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Legal and regulatory matters	
We focused on this area because the Bank operate in a legal and regulatory environment that is exposed to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may be difficult to predict. These uncertainties inherently affect the amount and timing of potential outflows with respect to the provisions which have been established and other contingent liabilities. Overall, the legal provision represents the Bank's best estimate for existing legal matters that have a probable and estimable impact on the Bank's financial position.	We obtained an understanding, evaluated the design and tested the operational effectiveness of the Bank's key controls over the legal provision and contingencies process. We enquired to those charged with governance to obtain their view on the status of all significant litigation and regulatory matters. We enquired of the Bank's internal legal counsel for all significant litigation and regulatory matters and inspected internal notes and reports. We assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information. We also assessed the Bank's provisions and contingent liabilities disclosure.

Reporting on other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements of the Bank in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Company Act, 1991 and the 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules 1987, the Bank Company Act, 1991 and the rules and regulations issued by Bangladesh Bank, we also report that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;

(ii) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the financial statements and considering the reports of the Management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the financial statements and internal control:

(a) internal audit, internal control and risk management arrangements of the Bank as disclosed in the financial statements appeared to be materially adequate;

(b) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental committed by employees of the Bank;

(iii) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appeared from our examination of those books;

(iv) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(v) the balance sheet and profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;

(vi) the expenditures incurred were for the purpose of the Bank's business for the year;

(vii) the financial statements have been drawn up in conformity with prevailing rules, regulations and accounting standards as well as related guidance issued by Bangladesh Bank;

(viii) adequate provisions have been made for loans and advances and other assets which are in our opinion, doubtful of recovery;

(ix) the information and explanations required by us have been received and found satisfactory;

(x) we have reviewed over 80% of the risk weighted assets of the Bank and spent over 1750 person hours; and

(xi) Capital to Risk-weighted Asset Ratio (CRAR) as required by Bangladesh Bank has been maintained adequately during the year.

Hoda Vasi Chowdhury & Co

Hoda Vasi Chowdhury & Co
Chartered Accountants

Dhaka, April 29, 2019

Midland Bank Limited
Balance Sheet
As on December 31, 2018

Property and Asset	Notes	2018 BDT	2017 BDT
Cash	3.00	2,292,735,352	2,389,298,936
In Hand (Including Foreign Currency)		537,125,798	349,765,072
With Bangladesh Bank and its agent Bank (including Foreign Currency)		1,755,609,554	2,039,533,864
Balance with other Banks & Financial Institutions	4.00	3,482,296,019	4,958,952,464
In Bangladesh		3,135,976,178	4,626,308,045
Outside Bangladesh		346,319,841	332,644,418
Money at Call and Short Notice	5.00	419,500,000	160,000,000
Investments	6.00	6,725,589,819	5,777,444,855
Government		5,474,145,273	4,461,557,055
Others		1,251,444,546	1,315,887,799
Loans and Advances	7.00	31,074,667,795	27,295,604,708
Loans, Cash Credit, Overdrafts, etc.		31,006,317,308	27,213,998,989
Bills Purchased and Discounted		68,350,487	81,605,719
Fixed Asset including Premises, Furniture & Fixtures	8.00	282,766,522	199,342,151
Other Asset	9.00	1,460,660,249	1,168,088,256
Non-Banking Asset	10.00	12,585,359	-
Total Property and Asset		45,750,801,115	41,948,731,369
Liabilities and Capital			
Borrowing from other Banks, Financial Institutions & Agents	11.00	1,539,729,140	312,581,754
Deposit and Other Accounts	12.00	35,592,171,735	34,240,234,843
Current Deposit & Other Accounts		3,344,923,396	3,651,631,011
Bills Payable		181,932,507	166,777,070
Short Notice Deposit		4,462,893,385	2,407,269,499
Savings Deposit		2,512,749,839	2,051,850,811
Fixed Deposit		22,331,840,918	23,220,175,452
Deposit Scheme		2,757,831,690	2,742,531,001
Other Liabilities	13.00	2,132,257,460	1,543,928,746
Total Liabilities		39,264,158,335	36,096,745,342
Capital/Shareholders' Equity			
Paid up Capital	15.00	5,274,720,000	4,795,200,000
Statutory Reserve	16.00	781,105,865	559,840,988
Revaluation Reserve on Investment in Securities	17.00	5,297,777	15,956,791
Retained Earnings	18.00	425,519,138	480,988,247
Total Shareholders' Equity		6,486,642,780	5,851,986,027
Total Liabilities and Shareholders' Equity		45,750,801,115	41,948,731,369

Midland Bank Limited

Balance Sheet

As on December 31, 2018

Off-Balance Sheet Items	Notes	2018 BDT	2017 BDT
Contingent Liabilities	19.00		
Acceptance and endorsements		832,047,100	1,539,124,236
Letter of Guarantee		1,896,198,899	1,877,260,025
Irrevocable Letter of Credit		1,492,020,869	1,141,357,031
Bills for Collection		663,774,741	509,272,161
Other Contingent Liabilities		-	-
Other Commitments		4,884,041,609	5,067,013,454
Documentary credits and short term trade related transactions		-	-
Forward asset purchased and forward deposit placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Liabilities against forward Purchase and Sale		-	-
		-	-
Total Off Balance Sheet Items including Contingent Liabilities		4,884,041,609	5,067,013,454

The annexed notes form an integral part of these accounts

Managing Director & CEO | Director | Director | Vice Chairman

Signed as per annexed report on even date

Dhaka, April 29, 2019

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Midland Bank Limited

Profit and Loss Account

For the Period ended December 31, 2018

Particulars	Notes	2018 BDT	2017 BDT
Interest Income	21.00	3,760,222,065	2,816,989,608
Less: Interest Paid on Deposit and Borrowing, etc.	22.00	(2,547,464,459)	(2,042,076,672)
Net Interest Income		1,212,757,605	774,912,936
Income from Investment	23.00	630,102,202	963,667,348
Commission, Exchange and Brokerage	24.00	321,077,265	242,541,015
Other Operating Income	25.00	68,103,572	50,231,311
Total Operating Income		1,019,283,039	1,256,439,674
Less: Operating Expenditure		2,232,040,645	2,031,352,610
Salary and Allowances	26.00	489,901,467	408,959,405
Rent, Tax, Insurance, Electricity	27.00	230,270,138	199,132,346
Legal Expense	28.00	643,091	1,119,598
Postage, Stamps and Telephone	29.00	15,956,370	13,105,546
Printing, Stationery, Advertisement	30.00	36,096,037	25,851,300
Managing Director's Remuneration	26.01	15,750,000	14,076,559
Directors' Fee	31.00	1,968,800	2,640,400
Audit Fee	32.00	356,500	356,500
Depreciation on and Repair to Bank's Property	33.00	77,938,201	78,722,691
Other Expenditure	34.00	121,647,474	91,605,424
Total Operating Expenses		990,528,078	835,569,769
Profit Before Provision		1,241,512,567	1,195,782,841
Provision for Loans, Advances & Off Balance Sheet			
General Provision	35.00	163,059,920	33,564,153
Specific Provision		(36,451,221)	112,174,280
Provision for Off Balance Sheet Exposures		(8,467,466)	14,623,894
Provision for diminution in Investment in shares		16,267,311	-
Provision against Other Asset		779,638	132,344
Total Provision		135,188,182	160,494,671
Profit Before Tax		1,106,324,385	1,035,288,170
Less: Provision for Tax	36.00	456,008,617	343,453,795
Current Tax		446,775,333	371,600,975
Deferred tax		9,233,284	(28,147,180)
Net Profit After Tax		650,315,768	691,834,375
Retained Surplus Brought Forward	18.01	1,468,247	1,211,507
Appropriation:		651,784,015	693,045,881
Transferred to Statutory Reserve	37.00	221,264,877	207,057,634
Transferred to CSR Fund	38.00	5,000,000	5,000,000
		226,264,877	212,057,634
Retained Surplus, Carried Forward		425,519,138	480,988,247
Earnings Per Share	39.00	1.23	1.31

The annexed notes form an integral part of these accounts

Managing Director & CEO | Director | Director | Vice Chairman

Signed as per annexed report on even date

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, April 29, 2019

Midland Bank Limited
Statement of Cash Flow
For the Period ended December 31, 2018

	Notes	2018 BDT	2017 BDT
A) Cash Flow From Operating Activities:			
Interest Received		4,383,528,070	3,841,980,986
Interest Paid on Deposits, Borrowings, etc.		(2,365,852,230)	(1,923,024,531)
Dividend Income		18,632,820	20,057,949
Fees & Commission Income		321,077,265	242,541,015
Recoveries of Loans previously written off		-	-
Cash Paid to Employees as Salaries and Allowances		(505,651,467)	(423,035,964)
Income Tax Paid		(336,105,309)	(326,249,540)
Cash Received From Other Operational Income		66,203,573	50,231,311
Cash Paid for Other Operational Expenses		(416,928,448)	(349,771,641)
Cash Flow From Operating Activities Before Changes in Net Current Asset		1,164,904,274	1,132,729,584
Changes in Net Current Asset :			
Investment in Treasury Bond		(1,023,148,231)	323,696,041
Loans & Advances		(3,779,063,087)	(6,250,711,740)
Other Asset		22,478,508	(117,378,789)
Non-Banking Assets		(12,585,359)	-
Bank Deposit		518,002,328	2,201,077,673
Customers' Deposit		652,322,335	5,244,177,473
Borrowing from Other Banks, Financial Institutions & Agents		1,227,147,386	(1,958,796,461)
Other Liabilities		1,365,199	1,185,671
Net Cash Flow From Operating Activities		(2,393,480,922)	(556,750,132)
B) Cash Flow From Investing Activities:		(1,228,576,647)	575,979,452
Investments in Shares & Bonds		64,443,253	(361,876,649)
Proceeds from Sale of Fixed Assets		1,900,000	-
Purchase of Fixed Asset		(151,387,635)	(26,197,000)
Net Cash Flow From Investing Activities		(85,044,382)	(388,073,650)
C) Cash Flow From Financing Activities:			
Receipts from Issue of Capital		-	-
Dividend Paid		-	
Net Cash Flow From Financing Activities		-	-
D) Net Increase in Cash and Cash Equivalents		(1,313,621,029)	187,905,803
E) Effect of Changes of Exchange Rates on Cash and Cash Equivalents		-	
F) Opening Cash and Cash Equivalents		7,508,389,300	7,320,483,498
Closing Cash and Cash Equivalents (D+E+F)		6,194,768,271	7,508,389,300
The above closing Cash and Cash Equivalents include:			
Cash in Hand		537,125,798	349,765,072
Balance with Bangladesh Bank and its Agent Bank		1,755,609,554	2,039,533,864
Balance with Other Banks & Financial Institutions		3,482,296,019	4,958,952,464
Money at Call and Short Notice		419,500,000	160,000,000
Prize Bond		236,900	137,900
		6,194,768,271	7,508,389,300
Net Operating Cash Flow Per Share		-2.33	1.09

The annexed notes form an integral part of these accounts

Managing Director & CEO

Director

Director

Vice Chairman

Dhaka, April 29, 2019

Signed as per annexed report on even date

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Midland Bank Limited

Statement of Changes in Equity

For the Period ended December 31, 2018

Particulars	Paid-up Capital	Statutory Reserve	Revaluation Surplus on Investments	Retained Earnings	Total
	BDT	BDT	BDT	BDT	BDT
Balance as at January 01, 2018	**4,795,200,000**	**559,840,988**	**15,956,791**	**480,988,247**	**5,851,986,027**
Stock Dividend	479,520,000	-	-	(479,520,000)	-
Revaluation Reserve transferred during the period	-	-	(10,659,014)	-	(10,659,014)
Net Profit for the year after tax	-	-	-	650,315,768	650,315,768
Appropriation made during the period	-	221,264,877	-	(221,264,877)	-
Transfer to CSR	-			(5,000,000)	(5,000,000)
Balance as at December 31, 2018	**5,274,720,000**	**781,105,865**	**5,297,777**	**425,519,138**	**6,486,642,780**
Balance as at December 31, 2017	**4,795,200,000**	**559,840,988**	**15,956,791**	**480,988,247**	**5,851,986,027**

The annexed notes form an integral part of these accounts

Managing Director & CEO | Director | Director | Vice Chairman

Dhaka, April 29, 2019

Midland Bank Limited

Liquidity Statement

For the Period ended December 31, 2018

Particulars	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	BDT	BDT	BDT	BDT	BDT	BDT
ASSET :						
Cash in hand & Balance with Bangladesh Bank	2,191,461,461	-	-	-	101,273,891	2,292,735,352
Balance with other Banks and Financial Institutions	1,660,800,000	1,336,500,000	484,996,019	-	-	3,482,296,019
Money at Call & Short notice	419,500,000	-	-	-	-	419,500,000
Investments	236,900	30,200,000	292,800,000	1,735,900,000	4,666,452,919	6,725,589,819
Loans and Advances	4,128,400,000	5,139,600,000	13,110,600,000	8,687,867,795	8,200,000	31,074,667,795
Fixed Asset	-	-	-	185,143,710	97,622,812	282,766,522
Other Asset	-	-	-	-	1,460,660,249	1,460,660,249
Non-Banking Asset	-	-	-	-	12,585,359	12,585,359
Total Asset	8,400,398,361	6,506,300,000	13,888,396,019	10,608,911,505	6,346,795,230	45,750,801,115
LIABILITIES :						
Borrowing From Other Banks, Financial Institutions & Agents	1,253,200,000	98,400,000	111,000,000	77,129,140	-	1,539,729,140
Deposit and Other Account	4,211,200,000	10,379,300,000	11,706,500,000	8,691,771,735	603,400,000	35,592,171,735
Provision & Other Liabilities	3,268,567	65,035,420	5,366,529	56,173,183	2,002,413,761	2,132,257,460
Total Liability	5,467,668,567	10,542,735,420	11,822,866,529	8,825,074,058	2,605,813,761	39,264,158,335
Net Liquidity	2,932,729,794	(4,036,435,420)	2,065,529,490	1,783,837,447	3,740,981,470	6,486,642,780

The annexed notes form an integral part of these accounts

Managing Director & CEO | Director | Director | Vice Chairman

Dhaka, April 29, 2019

1. The Bank and its activities

1.1.1 Midland Bank Limited (MDB)

Midland Bank Limited ("the Bank") was incorporated on 20 March 2013 as a Public Limited Company in Bangladesh under Companies Act, 1994 with the registered office at N.B. Tower (Level 6 to 9), 40/7 North Avenue, Gulshan-2, Dhaka1212. The Company was also issued Certificate of Commencement of Business on the same day. It started commercial banking operation on 20 June 2013 through opening first branch at Dilkusha Commercial Area in the name 'Dilkusha Corporate Branch.' Presently, the number of branches stood at 30 (Thirty) including 15 (Fifteen) rural branches, 32 ATMs and 30 Agent Banking Centers covering commercially important locations of the country.

1.1.2 Principal activities

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

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

2.1 Basis of accounting

2.1.1 Statement of compliance

The financial statements of the Bank have been prepared for the year ended on 31 December 2018 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 (amended up to 2018), BRPD Circular # 14, dated 25 June 2003 and DFIM Circular # 11, dated 23 December 2009, other Bangladesh Bank Circulars, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act 1994, and other laws and rules applicable in Bangladesh. In case where the requirements of Bangladesh Bank differ with those of BAS/BFRS, the requirements of Bangladesh Bank have been applied. Adequate disclosures have been given for any material departures from the requirements of BFRS.

2.1.2 Use of estimates and judgments

In preparation of the financial statements, management required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed considering business realities on a going concern basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant areas where estimates and judgments have been applied are to calculate provision for loans and advances as per Bangladesh Bank guidelines.

2.1.3 Consistency

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

2.1.4 Foreign Currency Transaction

a) Functional and presentation of currency

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

b) Foreign currencies translation

Foreign currency transactions are converted into equivalent BDT using the prevailing exchange rates on the dates of respective transactions as per "BAS21 "The Effects of Changes in Foreign Exchange Rates". Foreign currency balances held in US Dollar are converted into BDT at weighted average rate of inter-bank market as published by Bangladesh Bank on the closing date of every month. Balances held in foreign currencies other than US Dollar are converted into equivalent US Dollar at buying rates of New York closing of the previous day and converted into BDT equivalent.

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

c) Commitments

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

d) Translation gains and losses

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

2.1.5 Statement of cash flows

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

2.1.6 Statement of changes in equity

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

2.1.7 Liquidity statement

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

i) Balance with other Banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity terms.

ii) Investments are on the basis of their respective maturity.

iii) Loans and advances are on the basis of their repayment schedules.

iv) Fixed assets are on the basis of their useful lives.

v) Other assets are on the basis of their realization / amortization.

vi) Borrowing from other banks, financial institutions and agents are on the basis of their maturity/repayment terms.

vii) Deposits and other accounts are on the basis of their maturity terms and past trend of withdrawal by the depositors.

viii) Provisions and other liabilities are on the basis of their payment/adjustments schedule.

ix) Other long term liabilities are on the basis of their maturity term.

2.1.8 Reporting Period

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

2.1.9 Offsetting

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

2.2 Significant Accounting Policies

Assets and basis of their valuation

2.2.1 Cash and cash equivalents

Cash and cash equivalents include notes and coins in 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 andadvances

a) Loans and advances are stated in the balance sheet on gross basis.

b) Loans and advances are broadly classified under the heads of Continuous, Demand, Term and Short term Agriculture and Micro Credit. Continuous and Demand loans are accounted undercapitalized method, where interest accrues ondaily basis and applied to loan account quarterly, except EMI loan of which interest are being charged on due date and interest of staff loan are being charged to staff loan account yearly.

c) Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realized from borrowers(note #12).Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate memorandum accounts.

d) Commission and discounts on bills purchased and discounted are recognized at the time of realization.

e) Provision for loans and advances is made on the basis of year-end review by the management following instructions contained in Bangladesh Bank BCD Circular no. 34, dated 16 November 1989, BCD Circular no. 20, dated 27 December 1994, BCD Circular no. 12, dated 4 September 1995, BRPD Circular no. 16, dated 6 December 1998, BRPD Circular no. 9, dated 14 May 2001, BRPD Circular no.02, February 2005, BRPD Circular no. 09, August 2005, BRPD Circular no. 17, dated 06 December 2005, BRPD circular no.32, dated 27 October 2010, BRPD Circular no.14, dated September 23, 2012, BRPD Circular no.19, dated December 27, 2012, BRPD Circular no 05, dated May 29, 2013 and BRPD Circular no 16, dated 18 November, 2014, BRPD circular No. 1 (20 February 2018)

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

Particulars	Rate (%)
General provision:	
On unclassified general loans and advances, including Short Term Agricultural and Micro Credits	1%
On unclassified small enterprise financing (SME).	0.25%
On interest receivable on loans.	1%
On off-balance sheet exposures.	1%
On unclassified loans for housing finance, loans for professionals to set-up business and loans to share business.	2%
On unclassified consumer financing other than housing finance, loan for professionals and loans for BGs/MBs/SDs.	5%
On unclassified Short Term Agricultural and Micro Credits.	2.50%
On Special Mention Account (SMA) except Short Term Agricultural and Micro Credits.	0.25% to 5%
Specific provision:	
On substandard loans and advances (SS) other than Short Term Agricultural and Micro Credits.	20%
On doubtful loans and advances (DF)other than Short Term Agricultural and Micro Credits.	50%
On bad / loss loans and advances (BL), including Short Term Agricultural and Micro Credits.	100%
On substandard and doubtful short term Agricultural and Micro Credits (SS & DF).	5%

f) Loans and advances are written off to the extent that

a) There is no realistic prospect of recovery.

b) Against which legal cases are pending for more than five years as per guidelines of Bangladesh Bank. These write off, however, will not undermine / affect the claim amount against the borrower. The Bank has no write off loan as on 31 December 2018.

g) Amount receivable on credit cards are included in advances to customers at the amount expected to be fully recovered.

As per Bangladesh Bank circular issued time to time, a general provision at 0.25% to 5% has to maintain under different categories of unclassified loan and advances (Standard/SMA/Off-balance sheet exposures, etc.) as stated above. However, such general provision cannot satisfy the conditions imposed by IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). At the year end on 31 December 2018, the Bank has maintained an amount of BDT 566.61 million in the Balance Sheet under the head of other liabilities, as against BDT 565.61 million of regulatory requirement(note # 7.09).

2.2.3 Investment

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

Valuation methods of investment used are:

i) Held To Maturity (HTM)

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity. Initially these investment are recorded at cost. Subsequently, at each year end, these investments are measured at amortized cost. Any increase or decrease in the value of such investment is recognized in shareholders' equity and profit and loss account respectively.Investment (HTM) is shown in the financial statements(note # 6).

ii) Held For Trading (HFT)

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

iii) REPO and Reverse REPO

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

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

Value of investments has been calculated as follows:

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

iv) **Investment in listed/quotedsecurities**

These securities are bought and held primarily for the purpose of selling them in future or hold for dividend income. These are reported at cost. Unrealized gains are not recognized in the profit and loss account. But provision for diminution in value of investment is provided in the financial statements where market price is below the cost price of investment as per Bangladesh Bank guidelines (note # 6.2).

v) **Investment in unquoted securities**

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

vi) **Investment in subsidiary**

Investment in subsidiary is accounted for under cost method of accounting in the Bank's financial statements in accordance with BFRS 10 (Consolidated Financial Statements). Accordingly, investment in subsidiaries are stated in the Bank's balance sheet at cost, less impairment loss, if any. MDB has no subsidiary company as of 31 December 2018.

2.2.4 **Property, Plant and Equipments**

As per BAS 16 Property, Plant & Equipments are recognized, if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the assets can be reliably measured.

a) All fixed assets are stated at cost less accumulated depreciation as per BAS16 "Property, Plant andEquipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost for bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

b) The Bank recognises in the carrying amount of an item of property, plant and equipment the cost ofreplacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged off as revenue expenditure in the period in which it is incurred.

c) Revaluation of Land and Building: As per Bangladesh Accounting Standard (BAS16) 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. MDB did not revalued of its assets since of its inception.

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

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

e) For addition during the year, depreciation is charged for the remaining days of the year and for disposal depreciation is charged up to the date of disposal.

f) On disposal of fixed assets, the cost and accumulated depreciation are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sale proceeds (BAS 36).

g) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets have been capitalized as part of the cost of the asset as per BAS23.

h) Leasehold properties are recorded at present value of minimum lease payments or fair market value, whichever is lower as per the provisions of BAS17. The carrying value of leasehold properties is amortized over the remaining lease term or useful of leasehold property, whichever is lower.

2.2.5 Intangible assets

i) An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably (BAS 38).

ii) Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost, less accumulated amortization/depreciation and any impairment losses.Initial cost comprises license fees paid at the time of purchase and other directly attributable expenditures that are incurred in customizing the software for its intended use.

iii) Expenditure incurred on software is capitalized only when it enhances and extends the economic benefits of computer software beyond their original specifications and lives and such cost is recognized as capital improvement and added to the original cost of software.

iv) Software is amortized using the straight line method over the estimated useful life of 5 (five) years commencing from the date of the application software is available for use over the best estimate of its useful economic life.

v) Preliminary Exposes: If the entity has made a prepayment for the start-up, and pre-operating costs [IAS 38.69], that prepayment expensesarerecognized as an asset until the entity receives the related goods or services [IAS 38.70].

2.2.6 Impairment of assets

The carrying amounts of Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss is recognized in the profit and loss account, if the carrying amount of an asset exceeds its recoverable amount (BAS 36). Due

relocation of Uttara Branch, anamount of BDT 3.04 million has been impaired and charged to profit and loss account during the year 2017.

2.2.7 Investment properties

i) Investment property is held to earn rentals or for capital appreciation or both and the future economicbenefits 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 thedate 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 finalizes yet and all other financial assets, fees and other unrealized income receivable, advance for operating and capital expenditures and stocks of stationery and stamps, etc.

2.2.9 Receivables

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

2.2.10 Inventories

Inventories measured at the lower of cost and net realizable value as per BAS 2 “Inventories”.

2.2.11 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 BAS17 "Leases".

Bank as lessor

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

Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payment. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. The Bank has no finance lease or operating lease during the reporting period 2018.ases.

2.2.12 Non-banking assets

Non-banking assets are acquired on account of failure of a borrower to repay the loan on time after receiving the decree from the honorable court regarding the right and title of the mortgage property. MDB filed an Artha Rin suit bearing # 539/2017, dated 02.03.2017 against one default customer, A/C: Al-Fahad Air Ticketing & Medical Tourism Limited. The Bank has been awarded the ownership of the mortgage properties according to the verdict of the honorable court in accordance with section 33(5) of “Artharin Adalat-2003”.The honorable court also order to charge unapplied interest until fully recovery of the loan by selling the mentioned collateral land. The value of the collateral land has been determined at BDT 14.54 millionon the basis of valuation report on an independent valuer.Subsequent approval taken from the Board of Directors of MDB, the full amount of loan BDT 12.59 million (market value of the property at BDT 14.54 million) transferred to Non-Banking Assets of the Bank,which will continue to sustain in Bank’s Balance Sheet until sale/disposal of the said property acquired by the Bank u/s 33(5) of the Arta Rin Adalat Ain 2003 as mortgagee Bank.

2.3.7 Borrowings from other Banks, Financial Institutions and Agents

Borrowed funds include call money deposits, borrowings, re-finance borrowings and other term borrowings from Banks, Financial Institutions and Agents. These are stated in the balance sheet at amounts payable. Interest paid/payable on these borrowings is charged to the profit & loss account. Disclosures of borrowings against Repo are shown in (notes- 11, 13 and 22.02).

2.4 Basis for valuation of liabilities and provisions

2.4.1 Provision for Current Taxation

Current tax is the amount of income tax 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 and latest Finance Act and related SROs 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(s) for which assessment has not been yet finalized. On the other hand, the tax provision (estimated as per BAS 12, provision of latest Finance Act, related SROs/ Guidelines, etc., issued by National Board of Revenue-NBR) are recognized as tax liability under the group head of other liability for the year (s) for which assessment has not been yet finalized.

2.4.2 Deferred Taxation

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

2.4.3 Benefits to the Employees

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of Bangladesh Accounting Standard19, "Employee Benefit". Bases of computing the retirement benefit schemes operated by the Bank are outlined below:

i) Provident Fund

Provident Fund (PF) benefits are given to the permanent members of the PF of the Bank in accordance with Bank's Service Rules. Accordingly, a Trust Deed and Provident Fund Rules were prepared and 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 of the Bank (03 members from the Board of Directors and 03 members from management). All confirmed employees of the Bank are contributing 10% of their basic salary as subscription to the Fund. The Bank also contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis as per audited financial statements of the Fund.

ii) Gratuity Fund

The Bank operates a Gratuity Fund Scheme on "Continuing Fund Basis", in respect of which provision is made annually which is covering all its eligible employees in accordance with Bank's Service Rules. The Bank preparedthe Trust Deed and Gratuity Fund Rules and get approval from the Commissioner of Income Tax as a recognized Gratuity Fund within the meaning of Para 2,3 & 4, read with the provisions of Part C of the First Schedule of Income Tax Ordinance 1984. The Fund is

operated by a Board of Trustees consisting six members of the Bank (03 members from the Board of Directors and 03 members from management). Valuation of Gratuity scheme has been made to assess the adequacy of the liabilities provided for the scheme as per BAS19 "Employees Benefit".

iii) **Employees' Social Security Superannuation Fund**

Midland Bank Employees' Social Security Superannuation Fund is subscribed by monthly contribution of the employees. The Bank also contributes to the fund in accordance with Bank Service Rules. The fund has been established to provide medical support and coverage in the event of accidental death or permanent disabilities of the employees. Retirement benefits are also provided from this fund.

iv) **Performance Bonus**

The Bank is giving performance/incentive bonus to the employees in every year. This bonus amount is being distributed among the employees based on their performance. The bonus amount is paid annually upon finalization of the Annual Accounts.

2.4.4 Contingent Asset and Contingent Liability

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

2.4.5 Provision for Off-balance Sheet Exposures

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 14, dated 23 September 2012, MDB has beenmaintaining1% provision against off-balance sheet exposures.

2.4.6 Provision for Nostro Accounts

As per instruction contained in the circular letter no. FEPD (FEMO) / 01 / 2005-677, dated 13 September 2005, issued by Foreign Exchange Policy Department of Bangladesh Bank, provision is to be maintained on the un-reconciled debit balance of NostroAccountsmore 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 on unclassified loan and advances (Standard & SMA) is recognised on an accrual basis. Interest income on classified loan and advances (SS & DF only) is credited to interest suspense account with actual receipt of interest therefrom credited to income as and when received as per instruction contained in BRPD circular # 14, dated September 23, 2012, BRPD circular # 19, dated December 27, 2012 and BRPD circular # 16, dated November 18, 2014.

ii) If the Loans and Advances classified as Bad Loss (BL), interest ceases to apply and recorded in a memorandum account.

iii) Dividend income is recognized at the time when it is realized.

iv) Dividend income on preference shares is recognized on accrual basis.

v) Income on investments is recognized on accrual basis. Capital gain on investment in shares is also included in investment income. Capital gain is recognized when it is realized.

vi) Commission and discount on bills purchased and discounted are recognized at the time of realization.

2.4.8 Fees and Commission Income

Fess and commission income arises on services provided by the Bank are recognized as and when

received. Commission charged to customers on Letters of Credit (L/C) and Letters of Guarantee (L/G) is credited to income at the time of effecting the transaction.

2.4.9 Interest Paid and Other Expenses

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

2.4.10 Dividend Payments

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

2.4.11 Earnings Per Share (EPS)

The company calculates earnings per share (EPS) in accordance with BAS 33 "Earnings Per Share (EPS)" which has been shown on the face of Profit and Loss Account. Earnings per share (EPS) has been calculated by dividing the net profit after tax by the total number of ordinary shares outstanding at the end of the reporting year. Details are shown in note # 39to the financial statements.

i) Basic Earnings Per Share

This represents earnings for the year attributable to ordinary shareholders. Net profit after tax has been considered as fully attributable to the ordinary shareholders. Basic earnings per share is calculated by dividing net profit after taxby the total weighted average number of ordinary shares outstanding at end of the reportingyear.

ii) Diluted Earnings Per Share

No diluted earnings per share are required to be calculated for the period 2018, as there was no element or scope for dilution during the period under review. However, EPS is restated for the comparative years, if it requires as per BAS 33 "Earnings pershare (EPS)".

2.4.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged as per BAS 24 "Related Party Disclosures", Bangladesh Bank and Bangladesh Securities & Exchange Commission (BSEC) guidelines. Details of Related party transactions have been disclosed in note # 42.

2.4.13 Event after the reporting period

Where necessary, all the material events after the balance sheet date have been considered and appropriate adjustment/disclosures have been made in the financial statements as per BAS 10 "Event after the reporting period". The only material event after the balance sheet date is: The Board of Directors recommended stock divided @ 8% for the financial year 2018, in its 84th Board Meeting held on 29 April 2019.

2.5 Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB)has rated the Bank based on 31 December 2018 with "A3" (pronounced as A three) in the long Term and ST 2 for the Short Term. The date of rating was June 28, 2018.

Year	Long term rating	Short term rating	Out Look
2017 (valid upto 30 June 2019)	"A3"	"ST 2"	Developing

Midland Bank Limited has been rated as "A3" (pronounced as A three) in the long Term and ST2 for the Short Term by Credit Rating Agency of Bangladesh Limited (CRAB)based on audited financials of the FY2017 and other available information up to the date of rating declaration. Bank's outlook status has graduated to Developing from Stable.The rating reflects the strengths of the company which is backed by a strong team of management, growth in the non-interest income, deposits and investments, adequate capital coverage with high Tier1 capital, improved asset quality and well controlled of liquidity position.

2.6 Risk Management

Bank's business decisions contain an element of risk. Therefore, understanding and managing risk isfundamental to a Bank's strategic planning and decision making process. MDB's risk management stance is to proactively assist the business in delivering superior and sustainable value to shareholders. The Bank's capacity to identify, assess and mitigate the risks it faces is essential for a growing bank which has completed three years of operations. Establishing strong corporate governance and risk management culture are foundations for graceful existence. MDB's risk management framework has remained resilient throughout 2017, amidst a challenging macroeconomic environment and fierce competition. Over the past year, the Bank has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting an integrated risk management policy, improved watch-listing of customers, streamlining reporting of past due contracts, and strengthening compliance risk management. Midland Bank Limited (MDB) established its risk management culture and governance structure followingcentral bank guidelines; which is discussed below in short.

i) Credit Risk Management

Credit risk can be defined as the risk of a potential loss to the Bank when a borrower or counterparty iseither unable or unwilling to meet its financial obligations. Granting loans and advances is the core Corporate Banking, MSMEs & ECSP and Retail loans and advances. Given the scale and materiality of Bank's loan book, managing the credit quality of the lending portfolio is a key focus area with the objective of minimizing probable losses and maintaining credit risk exposure within acceptable parameters. The Bank's credit portfolio is now slightly concentrated on top 10 borrowers but fairly diversified on major business segments. Enhancement of capacity and logistics to increase exposure on retail and small business is focused for diversification of portfolio and better risk-return tradeoffs.

In determining single borrower / large loan limit, instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank and regulatory policies. Loans are classified as per Bangladesh Bank guidelines. Concentration of single borrower / large loan limit is shown in note # 7.07.The Bank provides provisions against outstanding loans and advances in accordance with Bangladesh Bank guidelines. Loan loss provisions both on unclassified and classifiedloans are shown in note # 13.1.

ii) Credit Risk Management Policy

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

iii) Credit Rating Models

Bank uses a numerical grading system for all corporate and SME clients other than small segmentcustomers. 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 of indicates degree of lending risk of a borrower in descending order, while 6 to 8 grades are assigned to default borrowers. Lower grade number indicates higher creditworthiness and lower likelihood of default. There is a regulatory restriction on lending new large loan customers (exposure on which customer is 10% or more than banks capital), if its CRG is 4 (marginal) or below. It is also Bank's internal policy that CRG of a borrower has to be 'Acceptable3' 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 or MANCOM.

iv) **Credit Concentration Risk**

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

v) **Credit Risk Mitigation**

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

Collateral:

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

a) The ownership and title to the security must be good and mortgageable wherever applicable and should be free of any defects, disputes and other encumbrances.

b) Such security must always have a stable minimum value.

c) The Bank should be in a position to realize such security in the event of default in the manner applicable, without difficulty.

Non-Performing Loans (NPL)

During the year ended on 31 December 2018, Non-performing Loans (NPL) as percentage of total loans stood at 1.15 percentage. However, the amount of Default Loans did not changed significantly. Domestic financial and banking sector were stable, but NPL in the banking industry has increased and expected to increase more if a large amount of loans, restructured earlier under special arrangements, re-entered into adverse classification

categories. NPL, as a percentage of total Loans and Advances, was 1.20 percentage at the end of 2018 upward from 1.68 percentage in 2017.

vi) **Liquidity Risk**

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

vii) **Market Risk Management**

Market Risk is the risk that changes in equity, bond and commodity prices, as well as movementsin 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.

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

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

a) **Foreign Exchange Risk**

Foreign exchange risk is defined as the potential change in earnings due to change in marketprice of foreign exchange. The foreign exchange risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. To Control risk, bank always keep its unhedged net open position within stipulated limit set by central bank.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and outstanding entry beyond 30 days is reviewed by the management for its settlement. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

b) **Interest Rate Risk in Banking Book**

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

c) **Equity Risk**

Equity risk arises from movement in market value of equities held. The risks are monitored byInvestment Committee under a well-designed policy framework. The market value of equities is determined lower than the cost price at the balance sheet date (Note # 6.2).

d) **Value at Risk Approach**

The Bank uses historical Value-at-Risk (VaR) approach to derive quantitative measures for market risk under normal conditions. VaR measures the expected loss of a financial position over a given holding period for a specific confidence level. Market risk exposures for the Bank's overnight foreign exchange positions are monitored using VaR methodology. MDB uses a 1 day, 95% VaR for overnight foreign exchange positions to reflect that the daily loss will not exceed the benchmark limit.

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

iii) **Money Laundering Risk**

AML Risk is one of the 6 (Six) Core Risks in banking business. In order to mitigate the risk, AML & CFT Policies of the Bank have been revised every year in terms of Anti Money Laundering Prevention Acts and Anti-Terrorist Acts duly approved by the Board. Besides, Board of Directors andtop management and 394 Executives / Officers have been brought under Training on AML / CFT issues with a view to increase their knowledge and awareness. System Check Inspection of the branches has been continued to develop the compliance status on AML & CFT matters of the Branches. Connectivity with go AML 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 withTerrorist Activities during opening of new accounts / reviewing of existing accounts.

Designation of Anti Money Laundering Compliance Officer (AMLCO):

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

iv) Operational Risk Management (ORM)

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

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

v) 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.

vi) Internal Control and Compliance Risk:

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

The objective of Internal Audit is to examine and evaluate all activities of the bank according to appropriate best business practice recommendations as outlined in the Internal Policy and Procedures as well as in the regulators' guidelines. Internal Audit performs analysis of the

effectiveness of the reviewed activities, evaluates the quality of the risk management and control systems and processes and provides recommendations for potential improvements.

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

Compliance Department" is to ensure compliance of irregularities / lapses mentioned in the Internal and External audit reports within stipulated time frame and to analyze data / information collected from various Branches / Divisions / Departments and assesses the risk of individual Branch / Division / Department. ICCD has already started to conduct IS/IT audit in the Branches and Head Office IT Division. ICCD has a Risk Based Audit (RBA) Format for Branches and separate RBA formats for major operative Divisions / Departments of Head Office. ICCD conducted Risk Based Audit in 21 Branches and 22 Head Office Divisions in 2017. ICCD has revised its policy documents named Internal Control and Compliance policy and procedures -2017. A comprehensive Internal Control Manual named "Internal Control and Compliance Division (ICCD)'s Standard Operating Procedure - June 2017" has already been approved by the management. Considering present CBS in the bank, ICCD also took initiative to strengthen its 'IT/IS Audit' function by building capacity of the employees of the Division and trying to recruit some highly expert & certified IT auditors from other Banks / organizations. ICCD has planned to excel its monitoring activities on the operations of Branches and Head Office Divisions using technology. Management has also got serious view to ensure proper manpower for ICCD to meet up the upcoming challenges in the near future.

vii) Audit Committee Disclosures

The Board Audit Committee (BAC) of Midland Bank Limited was formed by the Board of Directors in its 15th Meeting held on April 26, 2014 in compliance with Bangladesh Bank's BRPD circular No.11, Dated: October 27, 2013.

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

Details of the committee are given below:

SL No.	Name	Status with the Bank	Status with the Committee
01.	Mr. Mahbubul Hady Fazle Rab	Independent Director	Chairman
02.	Dr. Kazi Shahidullah	Director	Member
03.	Al-haj Mohammed Issa Badsha	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.

During the year 2018, the Audit Committee of the Board conducted 4 (four) meetings in which

the following important issues were discussed / reviewed:

a) Review of Annual Financial Statements 2018 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2018.

b) Recommendation regarding appointment/re-appointment of External Auditor(s) of the Bank for the period upto 6th Annual General Meeting.

c) Review and recommend for the approval of Internal Control and Compliance Policies and Procedures–March 2018 updated in light with Bangladesh Bank ICC guideline.

d) Review and recommend for approval of ICCD activity plan for the year-2019.

e) Review and submit a compliance report to the Board of Directors on quarterly basis on regularization of the omission, fraud and forgeries (if any), and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities.

f) Review the performance of ICCD in 2018, half yearly in 2018 and submit the evaluation reportrelating to Internal and External Auditor of the Bank to the Board.

g) Review the summary of audit findings by internal auditors and recommend the management for rectification.

h) Review the highlight of all Bangladesh Bank Inspection reports and recommend the managementfor rectification.

i) Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.

j) Follow up of implementation status of meeting decisions taken by BAC.

k) Review of quarterly and half-yearly un-audited financial statements in 2018.

l) Review of annual integrated health report–2017.

m) Review of certificate of Management Committee (MANCOM) regarding the effectiveness ofInternal Control Policy, Practice and Procedure.

n) Review of Bangladesh Bank's Circular on Self-Assessment of Anti-Fraud Internal Controls.

o) Review of the quarterly report of Loan Documentation Checklist (LDCL) placed by ICCD.

p) Review of list of approvals taken as Credit Policy exception.

q) Review of Bangladesh Bank comprehensive Inspection report and compliance thereof.

Roles and Responsibilities of Committee

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

a) Internal Control
b) Financial Reporting
c) Internal Audit
d) External Audit
e) Compliance with existing laws and regulations
f) Miscellaneous

Meetings of the BAC

Bangladesh Bank suggested Banks to hold at least 4 meetings in a year. In the year 2018, the BAC of MDB managed to hold 04 (four) meetings and had detailed discussions and review session with the Head of Internal Control & Compliance, External Auditors etc., and Bangladesh Bank Auditors regarding theirfindings, observations and remedial suggestions on issues of Bank affairs that need improvement. The BAC instructed management to follow those remedial suggestions and monitored accordingly.

Major areas focused by BAC in 2018 meetings:

- Review of Annual Financial Statements 2018 submitted by the External Auditor of the Bank and exchanging views with the Management and the External Auditors before finalization of Financial Statements 2018.
- Recommendation regarding appointment of External Auditor(s) of the Bank for the period

upto 6th Annual General Meeting.

- Review and recommend for the approval of Internal Control and Compliance Policies and Procedures–March 2018 updated in light with Bangladesh Bank ICC guideline.
- Review and recommend for approval of ICCD activity plan for the year-2018.
- Review and submit a compliance report to the Board of Directors on quarterly basis on regularization of the omission, fraud and forgeries (if any), and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities.
- Review the performance of ICCD in 2017, half yearly in 2018 and submit the evaluation report relating to Internal and External Auditor of the Bank to the Board.
- Review the summary of audit findings by internal auditors and recommend the management for rectification.
- Review the highlight of all Bangladesh Bank Inspection reports and recommend the management for rectification.
- Review all Internal Audit and Inspection reports submitted to the Board Audit Committee.
- Follow up of implementation status of meeting decisions taken by BAC.
- Review of quarterly and half-yearly un-audited financial statements in 2018.
- Review of annual integrated health report–2017.
- Review of certificate of Management Committee (MANCOM) regarding the effectiveness of Internal Control Policy, Practice and Procedure.
- Review of compliance status of "Time Bound Action Plan" for non-complied items of Quarterly Statement of Self-Assessment of Anti-Fraud Internal Control.
- Review of Bangladesh Bank's Circular on Self-Assessment of Anti-Fraud Internal Controls. Review of the quarterly report of Loan Documentation Checklist (LDCL) placed by ICCD.
- Review of list of approvals taken as Credit Policy exception.
- Review of Bangladesh Bank comprehensive Inspection report and compliance thereof.

xiii) Risk Management Committee Disclosures

The Board of Directors constituted with the following 5 (Five) members Risk ManagementCommittee of the Board, the third Committee of the Board besides the Executive Committee and the Audit Committee

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

Sl No.	Name	Status with Bank	Status with Committee
i)	Mr. Ahsan Khan Chowdhury	Director	Chairman
ii)	Mr. Mohammad Jamal Ullah	Director	Member
iii)	Mr. Ferdous Ara	Director	Member
iv)	Mrs. Shahnaj Praveen	Director	Member
v)	Mr. Md. Rokonuzzaman Sarker	Director	Member

Risk Management Committee Disclosures

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

- Review of Capital to Risk Weighted Asset Ratio (CRAR), Stress testing, Duration gap for each quarter.
- Review of Risk Appetite statement for the year 2017
- Review of Comprehensive Risk Management Rating
- Review of Internal Capital Adequacy Assessment Process (ICAAP) along with supplementary documents for 2016 and revised ICAAP 2015
- Review of risk management status of the Bank such as credit risk, market risk, operational risk, liquidity risk, reputational risk, residual risk, concentration risk, ALM risk, AML risk, Forex risk, Internal control and compliance risk, ICT risk etc.
- Maturity bucket mismatch in respect to rate sensitive asset and liability, cash inflow and outflow specially MCO in 1 month bucket to be maintained within the regulatory limit i.e. 19%.
- Business units & CRMD to be taken effective steps for having adequate securities against loan & advances, especially top-borrowers
- Concerned divisions and RM are advised to pursue the respective default clients get their loan regularized.
- Retail is advised to reduce dependency on top depositors and core depositors to be encouraged. Management is also advised to collect core deposit through arranging campaign in various college and university. In addition to that some collection booth would be set up in suburban area in test basis for augmenting core deposits which lead to reduce high cost deposit.
- All sorts of rating (ECAI & EnvR) to be automated within shortest possible time as well as RMs' will be notified before the expiration of rating through pop-up notification.
- To adequately deal with the persistent threat of cyber-attacks, DRS & BCP to be operational within shortest possible time. All measures to be taken to safeguard the Bank from insider computer intrusion and wire fraud.
- Corporate business unit to keep an eye on large loan and mix the portfolio accordingly.
- Concerned divisions and respective RMs to make their best efforts to recover the defaults loans.

i) Directors' responsibility on financial statements

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

ii) Memorandum items

Memorandum items are maintained to have control over all items of importance and for suchtransactions 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.

iii) 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 economicenvironment 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.

iv) **Compliance report on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)**

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). While preparing the financial statements, Midland Bank applied all the applicable BAS and BFRS as adopted by ICAB. Details are given below:

Name of the BAS / BFRS	BAS /BFRS	Status of compliance
Presentation of Financial Statements	BAS1	Applied
Inventories	BAS2	Applied
Statement of Cash Flow	BAS 7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	BAS 8	Applied
Events after the Reporting Period	BAS 10	Applied
Construction Contracts	BAS 11	N/A
Income Taxes	BAS 12	Applied
Property, Plant and Equipment	BAS 16	Applied
Leases	BAS 17	Applied
Revenue	BAS 18	Applied
Employee Benefits	BAS 19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	BAS 20	N/A
The Effects of Changes in Foreign Exchange Rates	BAS 21	Applied
Borrowing Costs	BAS 23	Applied
Related Party Disclosures	BAS 24	Applied
Accounting and Reporting by Retirement Benefit Plans	BAS 26	*N/A
Separate Financial Statements	BAS 27	N/A
Investments in Associates & Joint Ventures	BAS 28	N/A, MDB does not have any such relationship
Financial Reporting for Hyperinflationary Economics	BAS 29	N/A
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.

Name of the BAS / BFRS	BAS /BFRS	Status of compliance
Earnings per share	BAS 33	Applied
Interim Financial Reporting	BAS 34	Applied
Impairment of Assets	BAS 36	Applied
Provisions, Contingent Liabilities and Contingent Assets	BAS 37	Applied to the extent of compliance with BRPD Circular no. 5 dated 5 June 2006 and BRPD Circular no. 14 September 2012
Intangible Assets	BAS 38	Applied
Financial Instruments: Recognition and Measurement	BAS 39	Applied to the extent of compliance with BRPD Circular no. 14 dated June 2003, DOS Circular no. 5 dated 26 May 2008 and DOS Circular no. 5 dated 28 January 2009.
Investment Property	BAS 40	N/A
Agriculture	BAS 41	N/A
Bangladesh Financial Reporting Standards (BFRS):		
First time adoption of Bangladesh Financial Reporting Standards	BFRS 1	N/A
Share Based Payment	BFRS 2	N/A
Business Combinations	BFRS 3	N/A
Insurance Contracts	BFRS 4	N/A
Non-current Assets Held for Sale and Discontinued Operations	BFRS 5	N/A
Exploration for and Evaluation of Mineral Resources	BFRS 6	N/A
Financial Instruments: Disclosures	BFRS 7	Applied to the extent of compliance with core risk management guideline of BB.
Operating Segments	BFRS 8	Applied
Financial Instruments	BFRS 9	BFRS 9 will be replaced of BAS 39 on or before January 01, 2018.
Consolidated Financial Statements	BFRS 10	N/A
Joint arrangements	BFRS 11	N/A
Disclosure of interest in other entities	BFRS 12	N/A
Fair value measurement	BFRS 13	Applied
Regulatory Deferral Accounts	BFRS 14	N/A
Revenue from Contracts with Customers	BFRS 15	Will be replaced of BAS 11 & 18 on or before January 01, 2018.

N/A=Not Applicable

- 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 firsttime of the financial year ended 31 December 2017 that have a significant impact on the Bank.

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

The Bank has consistently applied the accounting policies as set out in Note 2 to all periods presented inthese financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2017 have been considered. However, these amendments have not material impact on the financial statements of the Bank. In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

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

a) BFRS 9 Financial Instruments

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

b) BFRS 15 Revenue from Contracts with Customers

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

c) IFRS 16 Leases

IFRS 16, issued in January 2016 replaces existing leases guidance and effective for reporting period

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

d) IFRS 17 Insurance Contracts

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

Difference between BAS / BFRS and Bangladesh Bank Regulation

The financial statements of the Bank have been prepared up to 31 December 2016 under the historical cost basis, except for certain investments which are stated at fair / market value, in accordance with the First Schedule (Section 38) of the Bank Companies Act 1991, BRPD Circular # 14, dated 25 June 2003 and DFIM Circular # 11, dated 23 December 2009, other Bangladesh Bank Circulars, Bangladesh Accounting Standards ("BAS") and Bangladesh Financial Reporting Standards ("BFRS") adopted by the Institute of Chartered Accountants of Bangladesh ("ICAB"), the Companies Act 1994, and other laws and rules applicable in Bangladesh. In case, any requirement of provisions and circulars issued by central bank differs with those of other regulatory bodies, the provisions and circulars issued by Bangladesh Bank shall prevail.

In order to comply with the rules and regulations of Bangladesh Bank, MDB departed from those contradictory requirements of BFRSs, which are disclosed below.

1) **Presentation of Financial Statements**

BFRS: As per BAS 1 financial statements shall comprise statement of financial position, comprehensive income statement, changes in equity, cash flows statement, adequate notescomprising summary of accounting policies and other explanatory information. As per para 60 ofBAS 1, the entity shall also present current and non-current assets and current and non-currentliabilities as separate classifications in its statement of financial position.

Bangladesh Bank: The presentation of the financial statements in prescribed format (i.e. balance sheet, profit and loss account, cash flows statement, changes in equity, liquidity statement) and certain disclosures therein are guided by the 'First Schedule' (section 38) of the Bank Company Act 1991 (amendment upto 2013) and BRPD circular no. 14 dated 25 June 2003 and subsequent guidelines of BB. In the prescribed format there is no option to present assets and liabilities under current and non-current classifications.

2) **Investment in Shares and Securities**

BFRS/BAS: As per requirements of BAS 39 investment in shares and securities generally falls eitherunder "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year-end is taken to profit and loss account or revaluation reserve, respectively.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment otherwise investments are recognized at cost.

3) **Revaluation Gain / Loss on Government Securities**

BFRS/BAS: As per requirement of BAS 39 where securities fall under the category of Held forTrading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortized cost method and interest income is recognized through the profit and loss account.

Bangladesh Bank: HFT securities are revalued on the basis of mark to market on weekly basis and any gains on revaluation of securities which have not matured at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities whichhave not matured at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured at the balance sheet date are amortized at the year end and any losses are recognized through profit and loss account and gains on amortization are recognized in other reserve as part of equity.

4) **Provision on Loans and Advances**

BFRS/BAS: As per BAS 39 an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank: As per BRPD circular No.14, 23 September 2012, BRPD circular No. 19, 27 December 2012, BRPD circular No. 05, 29 May 2013 and BRPD circular No. 16,18 November 2014, a general provision at 0.25% to 5% under different categories of unclassified loans (good / standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no. 10, dated 18 September 2007 and BRPD circular no. 14, dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

5) **Recognition of Interest in Suspense**

BFRS/BAS: Loans and Advances to customers are generally classified as 'loans and receivables' asper BAS 39 and interest income is recognized through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognized in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank: As per BRPD circular no. 14, dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognized as income, rather the corresponding amount needs to be credited to an "Interest Suspense Account", which is presented as liability in the balance sheet.

6) **Other Comprehensive Income**

BFRS/BAS: As per BAS 1 Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank: Bangladesh Bank has issued templates for financial statements which is applicable for all Banks. The templates of financial statements issued by Bangladesh Bank do not include the Other Comprehensive Income, nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such, the Bank does not prepare other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

7) **Financial instruments – Presentation and Disclosure**

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in BAS 39. As such, full disclosure and presentation requirements of BFRS 7 and BAS 32 cannot be made in the financial statements.

8) **REPO Transactions**

BFRS/BAS: When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset, or a similar asset, at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the entity's financial statements. This transaction will be treated as loan and the difference between the selling price and repurchase price will be treated as interest expense.

Bangladesh Bank: As per BPRD guidelines, when a Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset, or a similar asset, at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions, and the financial assets are de-recognized in the seller's book and recognized in the buyer's book.

9) **Financial Guarantees**

BFRS/BAS: As per BAS 39, financial guarantees are contracts that require an entity to makespecified 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 guaranteeliabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin. 1% provision is maintained on such off balance sheet items as per guidelines of Bangladesh Bank.

10) **Cash and Cash Equivalent**

BFRS/BAS: Cash and cash equivalent items should be reported as cash item as per BAS 7.

Bangladesh Bank: Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet, and treasury bills, prize bonds are shown in investments.

11) **Non-banking asset**

BFRS/BAS: No indication of Non-banking asset is found in any BFRS/BAS.

Bangladesh Bank: As per BRPD 14, there must exist a face item named Non-banking asset.

12) **Cash Flow Statement**

BFRS/BAS: The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD 14, cash flow statement has been guided by the Bangladesh Bank which is the mixture of direct and indirect method.

13) **Balance with Bangladesh Bank: (Cash Reserve Requirement-CRR)**

BFRS/BAS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

14) **Presentation of Intangible Asset**

BFRS/BAS: An intangible asset must be identified,recognized, and disclosure must be given as per BAS 38.

Bangladesh Bank: There is no regulation for intangible assets in BRPD 14.

15) **Off-balance sheet items**

BFRS/BAS: There is no concept of off-balance sheet items in any BFRS / BAS. Hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. Letter of credit, Letter of guarantee, etc.) must be disclosed separately on the face of the balance sheet and 1% provision has to be maintained on it as guided by regulator.

16) **Disclosure of Appropriation of Profit**

BFRS/BAS: There is no requirement show appropriation of profit on the face of income statement.

Bangladesh Bank: As per BRPD 14, an appropriation of profit should be disclosed separately on the face of the profit and loss account.

17) **Loans and Advances Net of Provision**

BFRS/BAS: Loans and advances should be presented net of provision.

Bangladesh Bank: As per BRPD 14, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

18) **Recovery of written of loans**

BFRS/BAS: As per BAS 1 an entity shall not offset assets and liabilities, or income and expenses, unless required or permitted by BFRS/BAS. The recovery of written off loans should be charged to the profit and loss account as per BAS 18.

Bangladesh Bank: As per BRPD 14, recoveries of amount previously written off should be adjusted with specific provision on loans and advances.

19) **Uniform Accounting Policy**

BFRS/BAS: As per Para 19 of BFRS 10, a company shall prepare financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

BSEC: the bank has to keep adequate provision on diminution value of investments and certain provision made on impairment of client margin loan, (if any).

2.7 **General**

a) **Function and presentation of currency**

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

b) **Comparative information**

Comparative information in respect of the previous year has been presented from the financial statements audited by current year auditors for the period ended on December 31, 2017. Figures of previous year have been rearranged whenever necessary to confirm the current year / period presentation.

c) **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.

d) **Approval of financial statements**

These financial statements have been prepared by the management, audited by the external & regulatory auditors, thereafter approved by the Board of Directors of the Bank in its 82ndBoard meeting held on 28 February 2019.

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		2018 BDT	2017 BDT
3.00	**Cash**		
	In Hand (Including foreign currency) (Note # 3.01)	537,125,798	349,765,072
	Balance with Bangladesh Bank and its Agent Bank (Note # 3.02)	1,755,609,554	2,039,533,864
		2,292,735,352	2,389,298,936
3.01	**In Hand (Including foreign currency)**		
	Local Currency	519,592,271	338,621,053
	Foreign Currency	17,533,527	11,144,019
		537,125,798	349,765,072
3.02	**Balance with Bangladesh Bank and its Agent Bank**		
	With Bangladesh Bank		
	Local Currency	1,654,319,969	2,007,199,965
	Foreign Currency	101,273,891	32,323,999
	With Sonali Bank (as agent of Bangladesh Bank-Local Currency)	15,694	9,900
		1,755,609,554	2,039,533,864

3.03 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 25 & 33 of The Bank Companies Act, 1991 and MPD Circular No. 01 & DOS Circular No. 01 dated April 03, 2018 & January 19, 2014, respectively.

The Cash Reserve Requirement (CRR) on the Bank's Time and Demand Liabilities at the rate of 5.5% on fortnightly cumulative average basis and minimum CRR 5% on daily basis, have been calculated and maintained with the Bangladesh Bank in Current Account (Ref: MPD Circular # 01, Dated April 03, 2018) and 13% Statutory Liquidity Ratio, excluding CRR, on the same liabilities has also been maintained in the form of Treasury Bills, Bonds, Foreign Currency with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the statutory requirement.

a) Cash Reserve Requirement (CRR)

Maintained Reserve	1,651,190,510	1,996,628,710
Required Reserve	(1,612,245,300)	(1,845,116,350)
Surplus/(Deficit)	38,945,210	151,512,360

b) Statutory Liquidity Ratio (SLR)

Maintained Reserve	6,050,231,331	4,962,834,487
Required Reserve	(3,810,761,620)	(3,690,232,690)
Surplus/(Deficit)	2,239,469,711	1,272,601,797
Actual Reserve held	7,662,476,631	6,807,950,837
Total Required Reserve	(5,423,006,920)	(5,535,349,040)
Surplus/(Deficit)	2,239,469,711	1,272,601,797

c) Components of Statutory Liquidity Ratio (SLR)

Cash in Hand	537,125,798	349,765,072
Balance with Bangladesh Bank	-	-
Balance with Sonali Bank	15,050	-
Excess Reserve of CRR	38,945,210	151,512,360
Government Securities	5,474,145,273	4,461,557,055
	6,050,231,331	4,962,834,487

4.00	**Balance with other Banks and Financial Institutions**			
	In Bangladesh		3,135,976,178	4,626,308,045
	Outside Bangladesh		346,319,841	332,644,418
			3,482,296,019	4,958,952,464
4.01	**In Bangladesh**	Transaction Currency		
	Current Account			
	Standard Bank Ltd.	BDT	14,055	15,435
	Sonali Bank Ltd.	BDT	35,116,387	34,505,039
	Janata Bank Ltd.	BDT	59,550	12,072,700

			2018 BDT	2017 BDT
	Agrani Bank Ltd.	BDT	4,215,574	52,580,774
	Rupali Bank Ltd.	BDT	293,958	27,300,131
	Trust Bank Ltd.	BDT	1,864,111	2,188,273
	The Premier Bank Ltd.	BDT	6,618,605	501,977
			48,182,240	129,164,329
	Special Notice Deposit			
	Mercantile Bank Ltd.	BDT	54,221,797	23,536,976
	Prime Bank Ltd.	BDT	608,236	599,348
	Eastern Bank Ltd.	BDT	3,072,218	3,007,393
			57,902,251	27,143,717
	Fixed Deposits Receipt (FDR)			
	Fas Finance & Investment Ltd.	BDT	175,000,000	200,000,000
	First Finance Ltd.	BDT	140,000,000	320,000,000
	National Bank Of Pakistan	BDT	700,000,000	700,000,000
	Premier Leasing & Finance Ltd.	BDT	608,391,687	600,000,000
	Phoenix Finance & Investments Ltd.	BDT	220,000,000	400,000,000
	Bangladesh Finance & Investment Company Ltd.	BDT	140,000,000	200,000,000
	International Leasing & Financial Services Ltd.	BDT	331,500,000	500,000,000
	Fareast Finance & Investment Limited	BDT	295,000,000	400,000,000
	IPDC Finance Limited	BDT	100,000,000	-
	Uttara Finance and Investment Ltd.	BDT	100,000,000	-
	Prime Finance & Investment Ltd.	BDT	20,000,000	100,000,000
	Lanka Bangla Finance Ltd.	BDT	-	600,000,000
	CUC Finance Ltd.	BDT	100,000,000	200,000,000
	Industrial and Infrastructure Development Finance Company Ltd.	BDT	100,000,000	100,000,000
	NRB Commercial Bank Ltd.	BDT	-	150,000,000
	Sub total		3,029,891,687	4,470,000,000
			3,135,976,178	4,626,308,045
4.02	**Outside Bangladesh (NOSTRO Accounts)**	Transaction Currency		
	in current account			
	AB Bank, Mumbai Branch	US$	5,390,635	52,498,672
	United Bank of India	US$	2,656,251	2,298,293
	Axix Bank Limited	US$	21,363,785	17,631,566
	National Bank of Pakistan, Tokyo Japan	JPY	72,654	334,524
	Mashreq Bank Psc, NY	US$	80,963,789	205,468,815
	Mashreq Bank Psc, United Kingdom	GBP	214,703,753	310,811
	Mashreq Bank Psc, United Kingdom	EURO	1,178,349	12,533,710
	Kookmin Bank, South Korea	US$	2,166,349	9,788,987
	Habib American Bank, NY	US$	13,299,024	18,666,705
	NIB Bank, Pakistan	US$	4,072,674	12,937,175
	Aktif Yatirim Bank	EURO	452,578	175,160
			346,319,841	332,644,418
	Details of NOSTRO accounts are shown in Annexure A			
4.03	**Maturity grouping of Balance with other Banks and Financial Institutions**			
	On Demand		1,660,800,000	1,459,000,000
	Less than three months		1,336,500,000	3,400,000,000
	More than three months but less than one year		484,996,019	99,952,464
	More than one year but less than five years		-	-
	More than five years		-	-
			3,482,296,019	4,958,952,464
5.00	**Money at Call and Short Notice**		419,500,000	160,000,000
			419,500,000	160,000,000
6.00	**Investments**			
	Government(Note # 6.01)		5,474,145,273	4,461,557,055
	Others(Note # 6.02)		1,251,444,546	1,315,887,799
			6,725,589,819	5,777,444,855

		2018 BDT	2017 BDT
	i) Investment Classified as per Bangladesh Bank Circular		
	Held to Maturity (HTM)	4,616,295,640	4,026,423,907
	Held for Trading (HFT)	857,612,733	434,995,248
	Prize Bond	236,900	137,900
	Other Investments	1,251,444,546	1,315,887,799
	ii) Investment Classified as per Nature	6,725,589,819	5,777,444,855
6.01	Government Securities		
	Treasury Bills (at present value)		
	Un-encumbered		
	28 days	-	-
	91 days	-	-
	182 days	-	-
	364 days	-	-
	5 Years	-	-
	Sub-total	-	-
	Encumbered		
	91 days	-	-
	182 days	-	-
	364 days	-	-
	Sub-total	-	-
	Total Treasury Bill	-	-
	Treasury Bonds		
	Un-encumbered		
	2 Years	-	-
	5 Years	58,948,117	59,823,006
	10 Years	3,496,521,176	2,598,787,866
	15 Years	1,033,654,867	1,053,797,773
	20 Years	884,784,213	749,010,511
	Sub-total	5,473,908,373	4,461,419,155
	Encumbered		
	2 Years	-	
	5 Years	-	
	10 Years	-	
	15 Years	-	
	20 Years	-	
	Sub-total	-	-
	Total Treasury Bond	5,473,908,373	4,461,419,155
	Reverse Repo	-	-
	Prize Bonds (at face value)	236,900	137,900
	Sub Total	5,474,145,273	4,461,557,055
6.02	Other Investments		
	Shares in quoted companies Details shown in Annex B	197,444,547	147,887,799
	Shares in unquoted companies (at face value) :		
	Regent Energy & Power Ltd.(Preference Share)	60,000,000	90,000,000
	Union Capital Ltd. (Preference Share)	20,000,000	30,000,000
	Bond , Debenture & Commercial Papers:	80,000,000	120,000,000
	Convertible Coupon Bond-BSRM	44,000,000	88,000,000
	AB Bank Subordinated Bond	120,000,000	160,000,000
	Trust Bank Subordinated Bond	150,000,000	200,000,000
	UCB Subordinated Bond	160,000,000	200,000,000
	SIBL Subordinated Bond	200,000,000	200,000,000
	Standard Bank Subordinated Bond	200,000,000	200,000,000
	Commercial Paper-Zaber & Zubair Fabrics Ltd	100,000,000	-

	2018 BDT	2017 BDT
	974,000,000	1,048,000,000
Sub Total	1,251,444,547	1,315,887,799
Total	6,725,589,819	5,777,444,855

6.03 Assets pledged as security for liabilities as at December 31, 2018 is BDT 0.00 of Treasury Bill and Bond against Re-Purchase Agreement. Details are as under:

(a) i. Disclosure regarding outstanding Repo as at December 31, 2018

Counter Party Name		Agreement Date	Reversal Date	Amount
		-	-	-
Total				-

ii. There is no outstanding Reverse Repo as at December 31, 2018 with the Bank.

(b) Disclosure regarding overall transaction of Repo for the year 2018

Particulars		Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year
Securities sold under Repo:				
i) with Bangladesh Bank		330,000,000	1,619,690,294	40,912,042
ii) with Other Banks & Financial Institutions		145,283,020	1,340,475,727	482,702,134
Securities purchased under reverse Repo:				
i) with Bangladesh Bank		-	-	-
ii) with Other Banks & Financial Institutions		-	-	-

6.04 Maturity grouping of Investment as follows

On Demand	236,900	137,900
Up to one month	-	70,000,000
Less than three months	30,200,000	10,000,000
More than three months but less than one year	292,800,000	179,300,000
More than one year but less than five years	1,735,900,000	1,970,800,000
More than five years	4,666,452,919	3,547,206,955
	6,725,589,819	5,777,444,855

7.00 Loans and Advances

Loans, Cash Credits, Overdrafts, etc. (Note # 7.01.01)	31,006,317,308	27,213,998,989
Bills Purchased and Discounted (Note # 7.01.02)	68,350,487	81,605,719
Total Loans and Advances	31,074,667,795	27,295,604,708

7.01 Loans, Cash Credits, Overdrafts, etc.

In Bangladesh		
Term Loan	10,311,448,684	9,702,431,559
Overdraft	7,733,728,022	6,417,809,107
Time Loan	7,399,877,295	4,632,810,030
Cash Credit	1,844,775,742	1,507,599,367
Trust Receipt	1,271,740,916	1,891,639,870
Consumer Loan	629,636,267	586,181,829
Payment Against Documents(PAD)	2,235	-
Agricultural Credit	1,236,338,713	2,117,406,392
EDF Loan	372,799,725	136,086,520
Packing Credit	58,475,087	79,067,942
Staff Loan	124,726,817	140,617,711
Other Loans and Advances	22,767,805	2,348,662
	31,006,317,308	27,213,998,989
Outside Bangladesh	-	-
	31,006,317,308	27,213,998,989

7.02 Bill Purchased and Discounted

Payable in Bangladesh	59,685,124	58,549,323
Payable outside Bangladesh	8,665,363	23,056,396
	68,350,487	81,605,719

		2018 BDT	2017 BDT
7.03	**Net Loans & Advances**		
	Gross Loans & Advances (Note # 7)	31,074,667,795	27,295,604,708
	Less:		
	Classified Loans & Advances (Note # 7.08)	374,264,773	457,579,924
	Interest Suspense (Note # 13.04)	31,626,194	26,176,658
	Provision for Loans & Advances-General Provision (Note # 13.01)	418,381,765	255,321,845
	Total	824,272,732	739,078,427
	Net Loans & Advances	30,250,395,063	26,556,526,281
7.04	**Maturity Grouping of Loans and Advances**		
	On Demand	1,239,900,000	2,427,047,000
	Up to one month	2,888,500,000	1,650,253,000
	Not more than three months	5,139,600,000	3,893,600,000
	More than three months but less than one year	13,110,600,000	10,981,300,000
	More than one year but less than five years	8,687,867,795	8,339,004,708
	More than five years	8,200,000	4,400,000
		31,074,667,795	27,295,604,708
7.05	**Maturity grouping of Bills Purchased and Discounted**		
	Within one month	21,600,000	32,700,710
	More than one but not more than three months	39,800,000	41,800,009
	More than three months but less than six months	6,950,487	7,105,000
		68,350,487	81,605,719
7.06	**Concentration of Loans and Advances**		
a)	Loans and Advances to Institutions in which the Directors of the Bank have interest (Note # 42)	110,327,759	195,575,458
b)	Advances to Managing Director & other Senior Executives	124,726,817	140,617,711
c)	**Advances to Industries:**		
	Agriculture	1,212,371,663	2,094,946,831
	RMG	1,418,290,810	1,559,667,366
	Textile	3,037,330,353	2,104,163,992
	Ship Breaking	538,883,849	654,088,861
	Other Manufacturing industry	6,545,949,589	7,193,782,134
	SME loans	1,247,670,753	347,953,846
	Transport, Storage and Communication	52,240,899	12,731,626
	Trade Service	5,010,954,547	4,098,132,808
	Commercial real estate financing	27,310,435	90,325,329
	Residential real estate financing	9,980,733	10,969,025
	Consumer credit	685,837,792	583,343,370
	Capital Market	679,112,084	697,660,414
	NBFIs	2,976,048,400	3,279,577,916
	Others	7,397,631,314	4,232,068,021
		30,839,613,219	26,959,411,539
		31,074,667,795	27,295,604,708

7.07 Details of Large Loan

Number of borrowers with outstanding amount of loans exceeding 10% of total capital of the Bank and classification status thereof. Total capital of the Bank is BDT 694.22 crore as at December 31, 2018 (BDT 614.27 crore in 2017)

Number of Clients	22	32
Outstanding Advances (BDT)	13,274,519,881	4,1316,273,280

Client wise details are given below

Sl	Name of the clients	Status	Outstanding (BDT)		Total 2018 (BDT)	Total 2017 (BDT)
			Funded	Non - Funded		
1	Adex Group	UC	619,447,974	225,071,540	844,519,515	1,032,645,581
2	Navana Group	UC	-	-	-	393,978,740
3	Nitol-Niloy Group	UC	865,622,148	-	865,622,148	701,671,428
4	Abdul Monem Group	UC	-	-	-	157,200,000
5	Noman Group	UC	-	-	-	598,800,000
6	Kazi Firms Group	UC	-	-	-	103,525,639
7	Zon Ron Group	UC	403,962,026	785,890,260	1,189,852,286	1,062,738,807
8	Rangs Group	UC	678,174,667	135,314,999	813,489,666	641,951,350
9	Abul Khair Group	UC	6,674,601	11,375,526	18,050,127	365,904,590
10	GPH Group	UC	793,022,398	15,540,367	808,562,765	493,678,373

					2018 BDT	2017 BDT
11	Pride Group	UC	752,510,585	59,044,434	811,555,019	759,891,858
12	Energypac Group	UC	734,807,701	211,546,445	946,354,146	604,426,025
13	Alliance Group	UC	528,206,071	656,851	528,862,922	196,058,040
14	Anwar Group	UC	706,882,902	2,082,961	708,965,863	618,298,366
15	BD Group	UC	925,078,801	5,967,700	931,046,501	838,900,000
16	Confidence Group	UC	695,571,938	173,010,228	868,582,166	-
17	Florance Group	UC	123,482,629	26,129,033	149,611,662	272,904,774
18	ACI Group	UC	276,005,676	42,952,156	318,957,832	504,601,834
19	Star Ceramics Ltd.	UC	-	-	-	162,743,797
20	Intramex Group	UC	-	-	-	302,536,240
21	Baizid Group	UC	541,610,009	138,171,850	679,781,858	456,702,566
22	Mir Group	UC	257,631,203	-	257,631,203	644,200,000
23	Kabir Group	UC	-	-	-	560,000,000
24	Bay Leasing & Investment Ltd.	UC	-	-	-	558,200,000
25	MSA Group	UC	579,814,093	232,084,126	811,898,219	794,472,379
26	EXPO Group	UC	263,279,172	374,105,528	637,384,700	358,968,823
27	Saiham Group	UC	183,033,028	75,660,049	258,693,077	184,747,973
28	Spectra Engineers Ltd.	UC	198,095,995	12,159,600	210,255,595	177,400,000
29	Standard Asiatic Oil Company Ltd.	UC	12,097,742	-	12,097,742	112,100,000
30	Sajeeb Group	UC	578,396,133	24,348,735	602,744,868	477,026,098
Total			10,723,407,494	2,551,112,388	13,274,519,881	14,136,273,280

7.08 Classification of Loans and Advances

Unclassified (UC)		
Standard	30,630,707,349	26,697,626,256
Special Mention Account (SMA)	69,695,608	140,398,528
Sub total	30,700,402,958	26,838,024,784
Classified		
Substandard	55,075,935	41,488,215
Doubtful	9,731,066	47,589,318
Bad & Loss	309,457,771	368,502,390
Sub total	374,264,773	457,579,924
Total	31,074,667,795	27,295,604,708

7.09 Details of Required Provision for Loans and Advances

Particulars	Provision Rate	Provision for 2018	
		Required	Maintained
Unclassifed (UC)			
Standard	0.25%,1%, 2% & 5%	416,852,233	417,385,390
Special Mention Account (SMA)	0.25%,1%, 2% & 5%	996,375	996,375
Sub total		**417,848,608**	**418,381,765**
Classifled			
Substandard	5% & 20%	1,940,792	1,940,792
Doubtful	5% & 50%	2,707,806	2,707,806
Bad loan	100%	143,542,587	143,542,587
Sub total		**148,191,185**	**148,191,185**
Total		**566,039,793**	**566,572,950**
Excess/(short) Provision as on December 31, 2018			**533,157**

7.10 Details of Required Provision for Off Balance Sheet Items

Required Provision for Off- Balance Sheet Exposures	42,202,669	50,670,135
Total Provision maintained	42,202,669	50,670,135
Excess/(Short) Provision	-	-

7.11 Suit filed by the Bank

Number of Suits filed	24	10
Suit Amount	965,424,441	326,871,804

7.12 Geographical location wise loans and advances

Inside Bangladesh	31,074,667,795	27,295,604,708
Urban		

	2018 BDT	2017 BDT
Dhaka Division	25,569,606,061	22,270,313,419
Chittagong Division	4,457,138,134	4,059,982,401
Khulna Division	23,646,954	-
Rajshahi Division	95,695,792	72,849,910
Mymensingh	-	-
Barisal Division	-	-
Sylhet Division	8,848,506	-
Rangpur Division	-	-
Sub-Total	30,154,935,448	26,403,145,730
Rural		
Dhaka Division	655,291,629	686,048,480
Chittagong Division	73,500,795	33,886,259
Khulna Division	-	-
Rajshahi Division	105,247,395	113,464,475
Mymensingh	85,692,528	59,059,765
Barisal Division	-	-
Sylhet Division	-	-
Rangpur Division	-	-
Sub-Total	919,732,347	892,458,978
Outside Bangladesh	-	-
	31,074,667,795	27,295,604,708

7.13 Particulars of loans and advances

(i)	Loans & Advances considered good in respect of which the bank is fully secured	14,880,100,000	13,716,511,116
(ii)	Loans & Advances considered good against which the bank holds no security other than the debtors' personal guarantee	16,194,567,795	13,579,093,592
(iii)	Loans & Advances considered good and secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors	-	-
(iv)	Loans adversly classified, provission not maintained thereagainst	-	-
		31,074,667,795	27,295,604,708
(v)	Loans & Advances due by directors or officers of the bank or any of them either separately or jointly with any other persons (Note # 7.06.a&b)	235,424,5 7	336,193,169
(vi)	Loans & Advances due from companies or firms in which the directors of the bank are interested as directors, partners or managing agents or, in case of private companies, as members	-	-
(vii)	Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the bank or any of them either separately or jointly with any other persons	-	-
(viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	-	-
(ix)	Due from other banking companies	-	-
(x)	Amount of classified loans on which interest has not been charged:		
	a. i) (Decrease)/Increase in provision,	(36,451,221)	112,174,280
	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' (Note # 7.09)	143,542,587	162,384,582
	c. Interest creditable to the interest suspense A/c;	31,626,194	26,176,658
(xi)	Cumulative amount of loans written-off	-	-
(xii)	Amount of loans written-off during the year	-	-
(xiii)	The amount of written off loan for which law suit has been filed	-	-

8.00 Fixed Asset including Premises, Furniture & Fixture

Property, Plant & equipment		
Computer and Peripherals	173,445,719	85,360,785
Furniture & Fixture	149,477,046	137,155,515
Office Equipment	124,744,732	100,823,963
Motor Vehicles	29,900,856	29,266,445
Books	20,260	20,260
Intangible Assets	40,580,530	19,104,540
Total Value at Cost	518,169,143	371,731,508
Less: Accumulated Depreciation (Annex C)	(235,402,621)	(172,389,358)
Book value at the end of the year 2018	282,766,522	199,342,151

		2018 BDT	2017 BDT
	Details are shown in Annex C		
9.00	**Other Assets**		
	Classification of Other Assets		
	A) Income generating Other Assets	-	-
	B) Non-Income generating Other Assset		
	Advance Rent	97,671,680	91,995,070
	Interest Accrued on Investment but not collected & other income receivable	175,554,430	184,729,248
	Dividend Receivable	5,323,611	7,985,417
	Advance Income Tax (Note # 9.01)	1,033,527,524	697,422,216
	Suspense Account (Note # 9.02)	42,174,344	28,538,709
	Advance Subscription	1,164,828	1,719,656
	Prepaid Insurance	3,360,584	9,185,308
	Stationery, Stamps, Printing materials in stock etc.	3,040,169	3,778,343
	Sundry Assets (Note # 9.03)	62,728,866	103,526,468
	Stamp in Hand	874,374	1,877,400
	Branch Adjustment (Note # 9.04)	-	-
	Deferred Tax Assets (Note # 9.05)	26,041,841	35,275,124
	Exchange House	9,197,998	2,055,297
	Clearing House and BFTN Adjustment	-	-
		1,460,660,249	1,168,088,256
	Total Other Assets	1,460,660,249	1,168,088,256
9.01	**Advance Income Tax**		
	Opening Balance	697,422,216	371,172,676
	Less: Adjustment made during the year	-	-
	Add: Payment during the year	336,105,309	326,249,540
	Closing Balance	1,033,527,524	697,422,216
9.02	Suspense account represents advance paid for opening of new branches, equipment for head office, PSP, BSP, etc, awating for adjustment.		
9.03	**Sundry Assets**		
	Security Deposit	2,254,123	1,522,078
	Stock of Assets	-	88,300,067
	Receivable from Brokerage House	1,582,269	10,578,142
	Sundry Debtors	53,995,873	30,000
	Prepaid Interest	2,276,462	-
	Prepaid Furniture Allowance	2,620,140	3,096,181
		62,728,866	103,526,468

9.04 Branch Adjustment (net)

Entries	No. of Entries Outstanding as on 31-12-2018	BDT	BDT
Debit entries	-	-	-
Credit entries	-	-	-
	-	-	-

9.05	**Deferred tax asset/ (liability)**		
	Opening Balance	35,275,123	7,127,943
	Add: Deferred tax Income	(9,233,284)	28,147,180
	Less: Deferred tax Expenses	-	-
	Closing Balance	26,041,839	35,275,123
9.05.01	**Computation of deferred tax**		
	Accounting written down value- Fixed Assets	282,766,522	199,342,151
	Less: Tax base written down value- Fixed Assets	288,191,127	212,269,959
	Taxable/(deductable) temporary difference	(5,424,605)	(12,927,808)
	Book value - Gratuity provision	66,260,000	75,260,000
	Less: Tax base - Gratuity provision	2,239,700	-
	Deductable temporary difference	64,020,300	75,260,000
	Net deductable temporary difference	69,444,905	88,187,808
	Effective tax rate	37.50%	40.00%
	Deferred Tax Assets	26,041,839	35,275,123

		2018 BDT	2017 BDT
	Deferred Tax (Expenses)/Income		
	Closing Deferred Tax Assets	26,041,839	35,275,123
	Opening Deferred Tax Assets/(Liability)	35,275,123	7,127,943
	Deferred Tax (Expenses)/Income	(9,233,284)	28,147,180
9.06	**Classification of Other Asset**		
	Unclassified	1,458,836,285	1,167,955,912
	Substanderd	-	-
	Doubtful	1,823,964	-
	Bad/Loss	-	132,344
		1,460,660,249	1,168,088,256
10.00	**Non-Banking Assets**	12,585,359	-
	Land at cost (market value of the land at BDT 14.54 million)	12,585,359	-

MDB filed an Artha Rin suit bearing # 539/2017, dated 02.03.2017 against one default customer, A/C: Al-Fahad Air Ticketing & Medical Tourism Limited. The Bank has been awarded the ownership of the mortgage properties according to the verdict of the honorable court in accordance with section 33(5) of "Artharin Adalat-2003". Subsequent approval taken from the Board of Directors of MDB, the full amount of loan BDT 12.56 million (market value of the property at BDT 14.54 million) transferred to Non-Banking Assets of the Bank, which will continue to sustain in Bank's Balance Sheet until sale/disposal of the said property acquired by the Bank u/s 33(5) of the Arta Rin Adalat Ain 2003 as mortgagee Bank.

11.00	**Borrowing From Other Banks, Financial Institutions & Agents**		
	In Bangladesh	1,539,729,140	312,581,754
	Outside Bangladesh	-	-
		1,539,729,140	312,581,754
11.01	**In Bangladesh**		
	Borrowing from Banks	1,121,834,700	150,000,000
	IFIC Bank Ltd.	200,000,000	-
	Sonali Bank Ltd.	100,000,000	-
	Janata Bank Ltd.	120,000,000	100,000,000
	Rupali Bank Ltd.	650,000,000	-
	Commercial Bank of Ceylon	51,834,699	-
	Meghna Bank Ltd.	-	50,000,000
	Repo of Treasury Bill/Bond		
	Bangldesh Bank (LS)	-	-
	Refinance from Bangladesh Bank	70,065,997	65,642,640
	Borrowing From Bangladesh Bank (EDF)	347,828,443	96,939,113
	Total	1,539,729,140	312,581,754
11.02	**Security against Borrowing from other Banks, Financial Institutions and Agents**		
	Secured	-	-
	Unsecured	1,539,729,140	312,581,754
		1,539,729,140	312,581,754
11.03	**Maturity Grouping of Borrowing From other Banks, Financial Institutions & Agents**		
	On Demand	1,070,000,000	150,000,000
	Up to one month	183,200,000	36,000,000
	Not more than three months	98,400,000	25,400,000
	More than three months but less than one year	111,000,000	75,300,000
	More than one year but less than five years	77,129,140	25,881,754
	More than five years	-	-
		1,539,729,140	312,581,754
12.00	**Deposits and Other Accounts**		
	From Banks	4,619,099,745	4,101,097,417
	From Customers (Note # 12.02.02)	30,973,071,990	30,139,137,426
		35,592,171,735	34,240,234,843

		2018 BDT	2017 BDT
12.01	**Customer Deposits and Other Accounts**		
	Current Deposits & Other Accounts		
	Current Deposits	2,634,186,681	2,038,818,758
	Foreign Currency Deposits	180,912,616	1,090,363,447
	Sundry Deposits	529,824,099	522,448,806
		3,344,923,396	3,651,631,011
	Bills Payable		
	Payment Order Issued	181,932,507	166,777,070
	Pay Slip Issued	-	-
	Demand Draft Payable	-	-
		181,932,507	166,777,070
	Short Notice Deposit	4,462,893,385	2,407,269,499
	Savings Deposit	2,512,749,839	2,051,850,811
	Fixed Deposit	22,331,840,918	23,220,175,452
	Deposit Schemes		
	MDB Super Monthly Savings	1,074,383,165	713,781,659
	MDB Double Benefit	941,223,548	1,160,827,870
	MDB Family Support	636,215,059	866,458,184
	MDB Corporate Support	41,365,810	1,005,810
	MDB Shikhsha Sanchay Scheme	1,778,968	457,478
	MDB Millionaire Savings Scheme	34,837,884	-
	MDB Kotipoti	17,461,746	-
	MDB Platinum Savings Scheme	5,886,420	-
	MDB Traveller's Savings Scheme	4,679,089	-
		2,757,831,690	2,742,531,001
	Total	35,592,171,735	34,240,234,843
12.02	**Maturity grouping of Deposit and Other Accounts**		
	On Demand	339,500,000	205,200,000
	Repayable within one month	3,871,700,000	7,498,200,000
	More than one month but within three months	10,379,300,000	12,759,400,000
	More than three months but within one year	11,706,500,000	7,038,300,000
	More than one year but within five years	8,691,771,735	5,477,300,000
	More than five year but within ten years	603,400,000	1,261,834,843
		35,592,171,735	34,240,234,843
12.02.01	**Maturity grouping of Deposit from Banks**		
	On Demand	-	-
	Repayable within one month	-	-
	More than one month but within three months	4,619,099,745	4,101,097,417
	More than three months but within one year	-	-
	More than one year but within five years	-	-
	More than five year but within ten years	-	-
		4,619,099,745	4,101,097,417
12.02.02	**Maturity grouping of Deposit from Customers**		
	On Demand	339,500,000	205,200,000
	Repayable within one month	3,871,700,000	7,498,200,000
	More than one month but within three months	5,760,200,255	8,658,302,583
	More than three months but within one year	11,706,500,000	7,038,300,000
	More than one year but within five years	8,691,771,735	5,477,300,000
	More than five year but within ten years	603,400,000	1,261,834,843
		30,973,071,990	30,139,137,426
12.03	**Demand & Time Deposits**		
	a) Demand Deposits	3,753,003,389	4,003,074,654
	Current Deposits	2,634,186,681	2,038,818,758
	Savings Deposits (9% of total savings deposits)	226,147,486	184,666,573
	Foreign Currency Deposits (non interest bearing)	180,912,616	1,090,363,447

		2018 BDT	2017 BDT
	Sundry Deposits	529,824,099	522,448,806
	Bills Payable	181,932,507	166,777,070
	b) Time Deposits	**31,839,168,347**	**30,237,160,189**
	Saving Deposits (91% of total savings deposits)	2,286,602,354	1,867,184,238
	Fixed Deposits	22,331,840,918	23,220,175,452
	Short Notice Deposits	4,462,893,385	2,407,269,499
	Deposit Under Schemes	2,757,831,690	2,742,531,001
	Total Demand & Time Deposits (a+b)	**35,592,171,735**	**34,240,234,843**
12.04	**Sectorwise Deposits**		
	Government	2,344,382,692	1,933,985,301
	Deposit Money at Banks	4,619,099,745	4,101,097,417
	Other Public Organisations	3,515,245,925	5,681,934,726
	Foreign Currency	13,112,616	1,090,363,447
	Private Organisations	25,100,330,756	21,432,853,952
		35,592,171,735	**34,240,234,843**
13.00	**Other Liabilities**		
	Provision for Loans and Advances (Note # 13.01)	566,572,950	439,964,251
	Provision for Outstanding debit entries inNOSTRO Account	-	-
	Provision for Off Balance Sheet Items (Note # 13.02)	42,202,669	50,670,135
	Provision for Other Assets	911,982	132,344
	Provision for Income Tax (Note # 13.03)	1,382,726,160	945,950,826
	Interest Payable on Borrowings	3,268,567	2,312,086
	Audit fee Payable	356,500	356,500
	Accrued Expenses	64,678,920	67,410,020
	Corporate Social Responsibility (CSR) Payable	5,366,529	6,166,729
	Interest Suspense (Note # 13.04)	31,626,194	26,176,658
	Provision for diminution in Investment in Shares & Debentures (Annexure B)	16,267,311	-
	Other Liabilities	8,279,678	4,789,196
		2,132,257,460	**1,543,928,746**
13.01	**Provision for Loans and Advances**		
	For Unclassified		
	Opening Balance	255,321,845	221,757,692
	Add: Provision made during the year	163,059,920	33,564,153
	Less: Provision transferred to Classified Loans and Advances	-	-
	Closing Balance	**418,381,765**	**255,321,845**
	For Classified		
	Opening Balance	184,642,406	72,468,126
	Add: Provision made during the year	(36,451,221)	112,174,280
	Less. Adjustment during the year	-	-
	Less: Loan written off during the year	-	-
	Closing Balance	**148,191,185**	**184,642,406**
		566,572,950	**439,964,251**
13.02	**Provision for Off Balance Sheet Items**		
	Opening Balance	50,670,135	36,046,241
	Add: Provision made during the year	(8,467,466)	14,623,894
	Less: Provision transferred to Loans and Advances	-	-
	Closing Balance	**42,202,669**	**50,670,135**
13.03	**Provision for Income Tax***		
	Opening Balance	945,950,826	574,349,851
	Less: Adjustment made during the year	-	-
	Add: Provision made during the year (Note # 36)	446,775,333	371,600,975
	Closing Balance	**1,392,726,160**	**945,950,826**
	*Income tax provision has been made as per Income Tax Ordinance 1984 and as amended for the time being .		
13.04	**Interest Suspense Account**		
	Opening Balance	26,176,658	15,561,542
	Add: Addition during the year	26,518,706	19,507,486
	Less: Written off during the year	-	-
	Less: Recovery during the year	(21,069,170)	(8,892,370)
	Closing Balance	**31,626,194**	**26,176,658**

	2018 BDT	2017 BDT
14.00 Shareholders' Equity		
Paid up Capital (Note # 15.02)	5,274,720,000	4,795,200,000
Statutory Reserve (Note # 16)	781,105,865	559,840,988
Revaluation Reserve on Investment in Securities (Note # 17)	5,297,777	15,956,791
Retained Earnings (Note # 18)	425,519,138	480,988,247
	6,486,642,781	5,851,986,027
15.00 Capital		
15.01 Authorized Capital		
1,000,000,000 ordinary shares of BDT 10 each	10,000,000,000	10,000,000,000
15.02 Issued, subscribed and Paid-up Capital		
527,472,000 Ordinary shares of BDT 10 each issued by cash	5,274,720,000	4,795,200,000
	5,274,720,000	4,795,200,000

15.03 The break up of Issued, Subscribed and Paid-up Capital is as follows

	December 31, 2018		
	No. of shares	Value of shares In BDT	% of share holding
Sponsors	527,472,000	5,274,720,000	100.00%
Financial Institutions	-	-	0.00%
General	-	-	0.00%
	527,472,000	5,274,720,000	100%

15.04 Capital to Risk Weighted Asset Ratio (CRAR)

In terms of section 13 (2) of Bank Company Act 1991 and Bangladesh Bank BRPD circular no # 35, dated December 29, 2010, required capital of the Bank at the close of business as on December 31, 2018 was @11.857% of Risk Weighted Asstes at BDT 35,908,763,832 or BDT 4,000,000,000, whichever is higher as against available core capital BDT 6,481,345,003 and supplementary capital of BDT 460,924,434 making a total capital of BDT 6,942,269,437, thereby showing a surplus capital of BDT 2,678,103,732. Details are given below:

	2018 BDT	2017 BDT
Total risk weighted assets	35,908,763,832	29,213,077,460
Required Capital :11.857% of total risk weighted asseta, or BDT 4,000 million, whichever is higher	4,264,165,705	4,000,000,000
Actual capital maintained		
Core Capital (Tier-I capital)		
Paid up Capital	5,274,720,000	4,795,200,000
Statutory Reserve	781,105,865	559,840,988
Retained Earnings	425,519,138	480,988,247
	6,481,345,003	5,836,029,235
Deduction from Tier - I (Core Capital)		
Short fall provision required against investment is share	-	-
Sub-Total	6,481,345,003	5,836,029,235
Supplementary Capital (Tier-II capital)		
General Provision including Off Balance Sheet items	460,584,434	305,991,980
Revaluation Reserve on Investment in Securities	340,000	680,000
Sub-Total	460,924,434	306,671,980
Total Capital (Tier-I+Tier-II)	6,942,269,437	6,142,701,215
Surplus	2,678,103,732	2,142,701,215
Capital to Risk Weighted Asset Ratio (CRAR)	19.33%	21.03%

Particulars	Required	2018	2017
Particulars		Held	Held
Tier-I	7.875%	18.05%	19.98%
Tier-II	4.00%	1.28%	1.05%
Total	11.875%	19.33%	21.03%

16.00 Statutory Reserve		
Opening Balance	559,840,988	352,783,354
Add: Transferred during the year (20% on profit before tax)	221,264,877	207,057,634
Closing Balance	781,105,865	559,840,988

		2018 BDT	2017 BDT
17.00	**Revaluation Reserve on Investment in Securities**		
	Opening Balance	15,956,791	249,877,044
	Add: Addition during the year	134,053,796	134,053,796
	Less: Adjustment of Revaluation Reserve	(144,712,810)	(367,974,048)
	Closing Balance	5,297,777	15,956,791
18.00	**Retained Earnings**		
	Opening Balance	480,988,247	476,411,507
	Add: Profit made during the year	650,315,768	691,834,375
	Less: Transferred to Statutory Reserve	(221,264,877)	(207,057,634)
	Less: Transferred to CSR	(5,000,000)	(5,000,000)
	Less: Dividen paid	(479,520,000)	(475,200,000)
	Closing Balance	425,519,138	480,988,247
18.01	**Retained Surplus Brought Forwarded**		
	Opening Balance	480,988,247	476,411,507
	Less: Dividend paid	(479,520,000)	(475,200,000)
	Closing Balance	1,468,247	1,211,507
19.00	**Contingent Liabilities**		
19.01	**Acceptance and endorsements**		
	Foreign	72,595,835	153,652,450
	Local	739,395,022	1,329,925,653
	EPZ	20,056,244	55,546,134
		832,047,100	1,539,124,236
19.02	**Letter of Guarantee**		
	Foreign	32,130,460	148,728,193
	Local	1,864,068,440	1,728,531,833
		1,896,198,899	1,877,260,025
19.02.01	**Letter of Guarantee**		
	Money for which the Bank is contingently liable in respect of guarantees given favoring to :		
	Directors	370,012	-
	Government	-	-
	Bank and other Financial Institutions	-	-
	Others	1,895,828,887	1,877,260,025
		1,896,198,899	1,877,260,025
19.03	**Irrevocable Letter of Credit**		
	Letter of Credit (Sight)	4,341,705	5,360,222
	Letter of Credit (Back to Back/Deferred)	551,825,329	504,843,725
	Letter of Credit (Cash & Others)	935,853,835	631,153,084
		1,492,020,869	1,141,357,031
19.04	**Bills for Collection**		
	Foreign Bill Collection	258,379,925	188,592,439
	Local/Inland Bill Collection	405,394,815	320,679,722
		663,774,741	509,272,161
		4,884,041,609	5,067,013,454
20.00	**Income Statement**		
	Income		
	Interest, Discount and Similar Income	4,374,353,252	3,765,300,813
	Dividend income	15,971,015	15,356,143
	Fee, Commission and Brokerage	51,138,969	54,703,929
	Gain less losses arising from dealing securities	-	-
	Gain less losses arising from investment securities	-	-
	Gain less losses arising from dealing in foreign currencies	269,938,296	187,837,086
	Income from non Banking Assets	-	-
	Other Operating Income	68,103,572	50,231,311
	Profit less losses on Interest Rate Changes	-	-
		4,779,505,104	4,073,429,282
	Expenses		

		2018 BDT	2017 BDT
	Interest, Fee and Commission	2,547,464,459	2,042,076,672
	Losses on Loans and advances	-	-
	Administrative expenses	505,651,467	423,035,964
	Other operating expenses	416,928,448	349,771,641
	Depreciation on Banking Assets	67,948,163	62,762,163
		3,537,992,537	2,877,646,441
	Operating profit	1,241,512,567	1,195,782,841
21.00	**Interest Income**		
	Loans and Advances (Note # 21.01)	3,257,476,257	2,345,374,671
	Money at Call and Short Notice	5,659,805	5,622,395
	Balance with Other Banks and Financial Institutions (Note # 21.02)	495,406,669	465,212,383
	Bangladesh Bank Foreign Currency Clearing Account	1,679,334	780,159
		3,760,222,065	2,816,989,608
21.01	**Interest on Loans and Advances**		
	Term Loan	1,178,738,477	813,495,209
	Overdraft	871,541,984	499,031,781
	Time Loan	603,550,064	546,941,592
	Cash Credit	223,114,443	125,684,433
	Trust Receipt	187,131,150	181,387,856
	Consumer Loan	80,612,412	56,055,700
	Payment Against Documents (PAD)	1,360,402	28,219
	Agricultural Credit	76,342,203	95,841,105
	EDF Loan	3,676,368	3,435,982
	Packing Credit	5,333,871	5,471,965
	Staff Loan	7,195,314	7,686,550
	Other Loans and Advances	6,545,820	4,982,900
	Bill Purchased and Discounted	12,333,749	5,331,379
		3,257,476,257	2,345,374,671
21.02	**Interest on Balance with other Bank and Financial Institution**		
	Interest on Balance with other Bank in Bangladesh	492,635,400	463,967,063
	Interest on Balance held with outside Bangladesh	2,771,269	1,245,320
		495,406,669	465,212,383
22.00	**Interest Paid on Deposits & Borrowings, etc.**		
	Interest on Deposits and Other Accounts (Note # 22.01)	2,083,110,663	1,748,469,849
	Interest on Borrowings from other Banks and Financial Institutions	464,353,796	293,606,823
		2,547,464,459	2,042,076,672
22.01	**Interest on Deposits and Other Accounts**		
	Current Deposit	175,114,848	221,426,815
	Special Notice Deposit	106,929,575	50,674,191
	Savings Deposits	70,065,601	55,089,824
	Fixed Deposits	1,449,140,460	1,145,246,890
	Deposit Scheme	281,860,179	276,032,129
		2,083,110,663	1,748,469,849
22.02	**Interest on Borrowings from other Banks and Financial Institutions**		
	Call Deposits	32,892,384	62,465,351
	Local Bank Account	404,497,354	195,421,422
	Repurchase agreement (REPO)	22,597,172	32,178,293
	Refinance	4,285,517	3,541,758
	Bangladesh Bank	81,370	-
		464,353,796	293,606,823
23.00	**Income from Investments**		
	Interest on Treasury Bills, Bonds, Reverse Repo	461,348,301	496,893,978
	Amortisation of Securities	(19,804,143)	(32,511,104)
	Interest on Commercial Paper	105,797,605	96,272,066
	Gain/(Loss) on Investment in shares of quoted companies	21,277,704	50,442,565
	Gain on Govt. Security Trading (Note # 23.01)	45,511,720	337,213,700
	Dividend on Investment in Shares	15,971,015	15,356,143
		630,102,202	963,667,348
23.01	**Gain on Govt. Security Trading**		

		2018 BDT	2017 BDT
	Gain on Govt. Security Trading	167,171,395	507,255,586
	Loss on Govt. Security Trading	(121,659,675)	(170,041,886)
		45,511,720	337,213,700
24.00	**Commission, Exchange and Brokerage**		
	Commission (Note # 24.01)	51,138,969	54,703,929
	Exchange(Note # 24.02)	269,938,296	187,837,086
	Brokerage	-	-
		321,077,265	242,541,015
24.01	**Commission**		
	Letter of Guarantee	13,399,871	13,014,924
	Letter of Credit	22,227,295	21,589,270
	Acceptance of Bills	8,579,847	16,057,369
	Export Bills	2,697,061	2,363,339
	PO, DD & TT	546,153	496,389
	OBC/IBC	305,917	285,294
	Underwriting Commission on Treasury Bill/Bond	1,552,775	399,205
	POS/Easy Pay Commission	1,830,049	498,138
		51,138,969	54,703,929
24.02	**Exchange**		
	Exchange Gain	299,747,860	232,255,050
	Less: Exchange Loss	(29,809,564)	(44,417,965)
		269,938,296	187,837,086
25.00	**Other Operating Income**		
	Postage Charge Recoveries	1,027,008	1,230,270
	Telephone & Telegram Charge Recoveries	-	200
	VISA Charge	14,043,710	6,167,092
	Service and other Charges	24,874,378	20,358,873
	SWIFT Charge Recoveries	4,144,642	4,501,739
	Charges Against Cards	1,820,948	1,302,406
	Locker Rent	298,000	233,400
	Miscellaneous Earnings	16,468,706	14,015,951
	LC Charges	5,426,181	2,421,381
		68,103,572	50,231,311
26.00	**Salary & Allowances**		
	Basic Salary	201,064,407	169,880,524
	Allowances	232,849,276	203,452,802
	Bonus	47,019,028	13,908,755
	Gratuity	(8,633,200)	6,500,000
	Provident Fund	17,601,956	15,217,323
		489,901,467	408,959,405
26.01	**Managing Director's Remuneration**		
	Basic	9,000,000	7,754,839
	Allowances	3,350,000	3,246,237
	Festival Bonus	1,500,000	1,300,000
	Incentive Bonus	1,000,000	1,000,000
	Providend Fund	900,000	775,484
		15,750,000	14,076,559
27.00	**Rent, Tax, Insurance, Electricity, etc.**		
	Office Rent	155,987,369	137,602,439
	Rates & Taxes	22,435,491	20,106,783
	Insurance	30,143,240	24,378,426
	Power, Electricity etc	21,704,039	17,044,698
		230,270,138	199,132,346
28.00	**Legal Expenses**		
	Legal Expenses	643,091	1,119,598
		643,091	1,119,598

		2018	2017
		BDT	BDT
29.00	**Postage, Stamps & Telephone, etc**		
	Postage, Stamp & Courier Service	3,122,703	1,918,108
	Fax & Internet	2,800	6,650
	On-line and Connectivity Charges	10,063,811	8,310,360
	Telephone	2,767,056	2,870,427
		15,956,370	13,105,546
30.00	**Printing, Stationery, Advertisement, etc.**		
	Printing & Stationery	21,995,302	10,840,349
	Computer Stationery	3,641,026	3,284,557
	Publicity & Advertisement	10,459,709	11,726,395
		36,096,037	25,851,300
31.00	**Directors' Fees**		
	Meeting Fees	1,968,800	2,640,400
		1,968,800	2,640,400
	Each Director was paid BDT 8,000/-(excluding VAT) per meeting per attendance		
32.00	**Audit Fee**		
	Audit Fee	356,500	356,500
		356,500	356,500
33.00	**Depreciation on & Repairs to Bank's property**		
	a) Depreciation :		
	Tangible Assets	61,905,803	59,123,010
	Computer and Peripherals	22,467,010	18,398,652
	Furniture & Fixture	13,642,461	14,429,608
	Office Equipment	21,058,034	20,766,264
	Motor Vehicles	4,735,002	5,524,519
	Books	3,298	3,967
	Intangible Assets	6,042,360	3,639,153
	Total Depreciation	**67,948,163**	**62,762,163**
	b) Repairs on Bank's property	9,990,038	15,960,528
		77,938,201	78,722,691
34.00	**Other Expenditures**		
	Security & Auxiliary Service	52,385,006	42,939,476
	Office Cleaning & Maintenance	154,722	106,631
	Car Expense	4,444,608	4,778,464
	Entertainment	8,631,032	8,314,505
	Travelling	3,336,018	2,783,594
	Conveyance	3,354,718	3,054,325
	Newspaper & Magazines	270,329	159,374
	Q-Cash, ATM Cards, VISA Cards	7,409,010	5,862,043
	Medical Expenses	290,258	617,995
	Training Expenses	497,957	1,244,534
	Bank Charges	5,444,352	3,924,199
	AGM Expenses	338,512	249,439
	Business Development Expense	8,107,932	4,676,897
	Subscription & Donation	1,794,558	1,680,223
	Miscellaneous Expenses	25,188,462	11,213,724
		121,647,474	91,605,424
35.00	**Provision Against Loans and Advances**		
	Provision for Unclassified Loans and Advances	163,059,920	33,564,153
	Provision for Classified Loans & Advances	(36,451,221)	112,174,280
	Provision for Off Balance Sheet Items	(8,467,466)	14,623,894
	Provision for Other Assets	779,638	132,344
	Provision for diminution value in Investments	16,267,311	-
	Total amount of provision made during the year	135,188,182	160,494,671

	2018 BDT	2017 BDT
36.00 Provision for Tax		
Current Tax	446,775,333	371,600,975
Deferred Tax* (Note # 9.05.01)	9,233,284	(28,147,180)
Total	456,008,617	343,453,795

* Deferred tax has been calculated as per BAS 12 "Income Taxes" and it is the timing differences arising between the carrying value of gratuity liability & fixed assets.

37.00 Statutory Reserve		
Transferred during the year (20% on Profit before tax)	221,264,877	207,057,634
	221,264,877	207,057,634
38.00 Provision for CSR		
Corporate Social Responsibility (CSR) activities	5,000,000	5,000,000
	5,000,000	5,000,000
39.00 Earnings Per Share (EPS)*		
Net Profit After Tax	650,315,768	691,834,375
Number of Ordinary Shares outstanding as on 31 December 2018	527,472,000	527,472,000
Earnings Per Share (EPS)	1.23	1.31

*Earnings per share has been calculated in accordance with BAS 33 "Earnings Per Share (EPS)." The EPS for the financial year 2017 has been adjusted (net profit after tax of 2017 divided by number of outstanding shares held on 31 December 2018).

40.00 Received from Other Operational Income		
Postage Charge Recoveries	1,027,008	1,230,270
Telephone & Telegram Charge Recoveries	-	200
VISA Charge	14,043,710	6,167,092
Service and other Charges	24,874,378	20,358,873
SWIFT Charge Recoveries	4,144,642	4,501,739
Charges against cards	1,820,948	1,302,406
Locker Rent	298,000	233,400
Miscellaneous Earnings	14,568,706	14,015,951
LC Charges	5,426,181	2,421,381
	66,203,572	50,231,311
41.00 Payment for Other Operational Expenses		
Rent, Tax, Insurance, Electricity	230,270,138	199,132,346
Legal Expense	643,091	1,119,598
Postage, Stamps, Telegram & Telephone	15,956,370	13,105,546
Audit fee	356,500	356,500
Printing, Stationery, Advertisement	36,096,037	25,851,300
Directors' Fee	1,968,800	2,640,400
Repair & Maintenance	9,990,038	15,960,528
Other Expenditure	121,647,474	91,605,424
	416,928,448	349,771,641

42.00 Related party transaction disclosures of the Bank

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

ii) Significant contracts where Bank is a party and wherein Directors have interest during the year 2018:

Name of the party	Relationship		Nature of transaction	Amount

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

iv) Related Party Transaction:

Name	Relationship	Nature of Transaction	CL Status	Limit	Amount Outstanding Loan
Kazi Shayan Ekramullah	Family member of Mr. Kazi	Credit Card	UC	500,000	21,507
A.K.M Badiul Alam	Director	Credit Card	UC	500,000	-
Md. Wahid Miah	Director	Credit Card	UC	500,000	44,148
Md Jahangir Miah	Family member of Mr. Wahid Miah,	Credit Card	UC	500,000	-
Abdul Momin Mondol	Sponsor Shareholder	Credit Card	UC	500,000	-
Md Rokonuzzaman Sarkar	Director	Credit Card	UC	500,000	153,248
Nilufer Zafarullah	Chairman	Credit Card	UC	500,000	236,136
Anushka Mehreen Zafar	Sponsor Shareholder	Credit Card	UC	500,000	275,696
Kazi Omar Zafar	Director	Credit Card	UC	500,000	439,409
Zobaida Mahaboob Latif	Family member of Mr. Kazi	Credit Card	UC	500,000	-
Kazi Shahidullah	Director	Credit Card	UC	500,000	-
Salma Badsha	Family member of Mr. Mohammed	Credit Card	UC	500,000	-
Ahsan Khan Chowdhury	Director	Credit Card	UC	500,000	28,471
Mohammed Issa Badsha	Director	Credit Card	UC	500,000	-
Master Abul Kashem	Vice-Chairman	Credit Card	UC	500,000	-
Mohammed Jamal Ullah	Director	Credit Card	UC	500,000	105,399
Abdul Mojid Mondol	Family member of Mr. Abdul Momin	Credit Card	UC	500,000	-
Md Rezaul Karim	Director	Credit Card	UC	500,000	-
Md. Kamal Hossain	Director	Credit Card	UC	500,000	-
Susmita Sompa	Family member of Mrs. Shahnaj	Credit Card	UC	500,000	-
Shahnaj Parveen	Director	Credit Card	UC	500,000	-
Scherezad Joya Monami Latif	Sponsor Shareholder	Credit Card	UC	500,000	-
Sabiha Mahboob	Sponsor Shareholder	Credit Card	UC	500,000	62,158
Abdullah Ahmed Yousuf	Sponsor Shareholder	Credit Card	UC	500,000	-
Kazi Raihan Zafar	Sponsor Shareholder	Credit Card	UC	500,000	483,828
Kazi Zafar Ullah	Sponsor Shareholder	Credit Card	UC	500,000	-
Mumtahina Issa	Family member of Mr. Mohammed	Credit Card	UC	500,000	28,783
Mutaffin Issa	Family member of Mr. Mohammed	Credit Card	UC	500,000	158,693
Tazkia Labeeba Karim	Family member of Mr. MD Rezaul	Credit Card	UC	500,000	11,269
Najmun Nahar	Family member of Mr. Md. Kamal	Credit Card	UC	500,000	6,342
Md.Zahid Miah	Family member of Mr. Wahid Miah,	Credit Card	UC	500,000	-
M/S Musa & Issa Brothers	Al-haj Mohammed Issa Badsha, Director	Guarantee	Not expired	370,012	370,012

As unclassified exposure, general provision made against credit card and guarantee. 100% margin is kept in the form of FDR against guarntee concern to director.

v) Lending policies to related parties: Lending to related parties is affected as per requirement of section 27(1) of the Bank company Act 1991. Loans and advances to concern related to directors:

Name	Relationship	Nature of Transaction	CL Status	Limit	Outstanding Loan Amount
CVC Finance Limited	Family member of Mrs. Lutfa Begum, Director	Term Loan	UC	150,000,000	108,270,776
Southeast University	Mr. Md Rezaul Karim, Director	Overdraft	UC	108,000,000	1,895

vii) Business other than Banking business with any related concern of the Directors as per section 18(2) of the Bank Company Act 1991: Lease agreement made with the Director

Name	Nature of Transaction	Name of Party	Amount
Mrs. Nilufer Zafarullah, Director	Office Rent	Hong Kong Shanghai Tower	27,945,036
Mrs. Lutfa Begum, Director	Office Rent	Helal Tower	1,351,572
Mrs. Lutfa Begum, Director	ATM Rent	Hazrat Amanat Shah Spinning Mills Ltd	Free of Cost
Mr. A. K. M Badiul Alam, Director	ATM Rent	KASBA Tower	Free of Cost
Mr. A. K. M Badiul Alam, Director	ATM Rent	MAA Tower	Free of Cost
Mr. Rezaul Karim,Director	Collection Booth	Southeast University	Free of Cost

viii) Investment in securities of Directors and their related concern — Nil

		2018	2017
43.00	**Number of employees and support staffs**		
	Employee		
	Regular employee	429	411
	Contractual employee	142	92
		571	503
	Support staff		
	Security	272	235
	Messenger and cleaning staff	111	107
		383	342
		954	845

44.00 **Others**

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

44.02 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.

44.03 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 | Vice Chairman

Dhaka, April 29, 2019

Annexure A

Balance with other Banks- Out Side Bangladesh (NOSTRO Account)

Currency wise position and Exchange rate applied for conversion of Balance with other Banks in Foreign Currency into Local currency as on December 31, 2018

Name of the Bank	Account Type	Currency	2018			2017		
			Foreign Currency Amount	Exchange Rate	Amount in BDT	Foreign Currency Amount	Exchange Rate	Amount in BDT
AB Bank, Mumbai Branch	CD	US$	64,251	83.90	5,390,634.57	634,809	82.70	52,498,672
United Bank of India	CD	US$	31,660	83.90	2,656,250.51	27,791	82.70	2,298,293
Axix Bank Limited	CD	US$	254,634	83.90	21,363,785.05	213,199	82.70	17,631,566
National Bank of Pakistan, Tokyo Japan	CD	JPY	96,078	0.76	72,654.18	458,378	0.73	334,524
Mashreq Bank Psc, NY	CD	US$	965,003	83.90	80,963,789.46	2,484,508	82.70	205,468,815
Mashreq Bank Psc, United Kingdom	CD	GBP	2,024,239	106.07	214,703,753.02	2,805	110.80	310,811
National Australian Bank, Melbourne	CD	AUD			-	-		-
Mashreq Bank Psc , United Kingdom	CD	EURO	12,368	95.28	1,178,349.16	127,369	98.40	12,533,710
Commerz Bank-Frankfurt	CD	EURO			-	-	98.40	-
Kookmin Bank, South Korea	CD	US$	25,821	83.90	2,166,349.18	118,367	82.70	9,788,987
Habib American Bank, NY	CD	US$	158,510	83.90	13,299,024.24	225,716	82.70	18,666,705
NIB Bank, Pakistan	CD	US$	48,542	83.90	4,072,673.80	156,435	82.70	12,937,175
Aktif Yatirim Bank	CD	EURO	4,750	95.28	452,578.14	1,780	98.40	175,160
					346,319,841			332,469,258

Midland Bank Limited

Annexure B

Investment in Quoted Share of the Bank

As at December 31, 2018

Sl#	Name of the Company	Face Value Per Share	No. of Shares	Cost Holding	Average Cost	Quoted rate per Share as on December 31, 2018	Market Value as at December 31, 2018
Quoted:							
1	ACI	10	20,493	9,737,129	475.14	326.20	6,684,817
2	ACFL(Aman Cotton)	10	7,846	313,840	40.00	42.10	330,317
3	ACMELAB	10	25,000	2,916,000	116.64	85.90	2,147,500
4	BBSCABLES	10	23,000	2,381,302	103.53	96.30	2,214,900
5	BRACBANK	10	164,718	12,748,315	77.39	72.70	11,974,999
6	BXPHARMA	10	25,000	2,822,500	112.90	79.10	1,977,500
7	CONFIDCEM	10	81,329	13,334,317	163.96	179.40	14,590,423
8	EXIMBANK	10	60,000	966,000	16.10	11.80	708,000
9	FAREASTLIF	10	12,680	810,371	63.91	63.20	801,376
10	GLAXOSMITH	10	2,000	3,291,400	1,645.70	1,450.20	2,900,400
11	GP	10	63,697	28,496,729	447.38	367.30	23,395,908
12	GREENDELT	10	44,009	2,691,364	61.15	65.00	2,860,585
13	IBP	10	3,239	29,450	9.09	31.10	100,733
14	IDLC	10	40,000	3,106,405	77.66	69.70	2,788,000
15	IFADAUTOS	10	34,840	3,926,238	112.69	108.40	3,776,656
16	INTRACO	10	266		-	26.80	7,129
17	IPDC	10	46,084	1,825,522	39.61	38.10	1,755,800
18	KTL	10	11,070	100,640	9.09	25.30	280,071
19	LRGLOBMF1	10	96,650	782,865	8.10	6.90	666,885
20	MLDYEING	10	4,229	35,242	8.33	29.70	125,601
21	MPETROLEUM	10	50,000	9,848,389	196.97	188.60	9,430,000
22	NAHEEACP	10	35,000	2,195,500	62.73	58.40	2,044,000
23	NLI FIRST MF	10	408,381	6,031,069	14.77	13.00	5,308,953
24	OLYMPIC	10	25,000	5,262,972	210.52	216.20	5,405,000
25	PRIMEBANK	10	165,000	4,245,000	25.73	18.10	2,986,500
26	RENATA	10	5,175	4,925,457	951.78	1,141.60	5,907,780
27	SAIFPOWER	10	150,000	3,257,035	21.71	21.00	3,150,000
28	SEBL1STMF	10	900,000	12,554,641	13.95	12.20	10,980,000
29	SHAHJABANK	10	7,145	210,303	29.43	27.60	197,202
30	SHASHADNIM	10	53,500	3,406,848	63.68	60.50	3,236,750
31	SILVAPHL	10	9,194	91,940	10.00	30.10	276,739
32	SINGERBD	10	58,372	12,912,699	221.21	221.2	12,911,886
33	SKTRIMS	10	5,546	50,420	9.09	46.3	256,780
34	SOUTHEASTB	10	157,544	2,831,237	17.97	15.6	2,457,686
35	SQURPHARMA	10	77,602	21,150,681	272.55	254.2	19,726,428
36	UPGDCL	10	57,000	18,116,342	317.83	290.7	16,569,900
37	VFSTDL	10	4,222	38,386	9.09	57.8	244,032
Total				**197,444,547**			**181,177,236**

Cost of the Securities	197,444,547
Market Value of the Securities	(181,177,236)
Diminution value in Investments	**16,267,311**

Midland Bank Limited

Fixed Asset Schedule

As at December 31, 2018

Annexure-C

Asset Category	Cost					Depreciation				Written down value as at 31.12.2018
	Balance as at 01.01.2018	Addition during the year	Adjustment/ Disposal	Balance as at 31.12.2018	Rate	Balance as at 01.01.2018	Charged for the year	Adjustment/ Disposal	Balance as at 31.12.2018	
	BDT	BDT	BDT	BDT		BDT	BDT	BDT	BDT	BDT
Computer & Peripherals	85,360,785	88,084,934	-	173,445,719	20%	48,949,676	22,467,010	-	71,416,686	102,029,034
Furniture & Fixture	137,155,515	12,321,531	-	149,477,046	10%	38,211,773	13,642,461	-	51,854,234	97,622,812
Office Equipment	100,823,963	23,920,769	-	124,744,732	20%	55,305,413	21,058,034	-	76,363,447	48,381,285
Motor Vehicles	29,266,445	5,584,411	(4,950,000)	29,900,856	20%	19,265,622	4,735,002	(4,950,000)	19,050,624	10,850,232
Books	20,260	-	-	20,260	20%	13,919	3,298	-	17,217	3,043
Tangible Fixed Assets	352,626,968	129,911,645	(4,950,000)	477,588,613		161,746,403	61,905,803	(4,950,000)	218,702,206	258,886,407
Intangible Assets	19,104,540	21,475,990	-	40,580,530	20%	10,658,055	6,042,360	-	16,700,415	23,880,115
Total 2018	371,731,508	151,387,635	(4,950,000)	518,169,143		172,404,458	67,948,163	(4,950,000)	235,402,621	282,766,522
Total 2017	345,534,508	26,197,000	-	371,731,508		109,627,195	62,762,163	-	172,389,357	199,342,151

Annexure D

Sl.	Name of the Directors of the Bank	Status with MDB	Entities where they have interest	Designation
1	Mrs. Nilufer Zafarullah	Chairman	Hong Kong Shanghai Manjala Textiles Ltd.	Director
2	Master Abul Kashem	Vice Chairman	1. Mother Steel & Oxygen Limited 2. Mother Steel Limited 3. MAK Corporation 4. Master Steel Re-Rolling Mills 5. AIBL Capital Market Services Ltd.	1. Chairman 2. Managing Director 3. Proprietor 4. Proprietor 5. Shareholder
3	Dr. Kazi Shahidullah	Director	Hong Kong Shanghai Manjala Textiles Ltd.	Director
4	Mr. Kazi Omar Zafar	Director	1. Kalypso Ltd. 2. Hong Kong Shanghai Manjala Power Ltd. 3. Hong Kong Shanghai Manjala Textiles Ltd.	1. Chairman 2. Managing Director 3. Director
5	Mr. Mohammed Jamal Ullah	Director	1. Silver Dal Mills Ltd. 2. Ishfar Oil Mills Ltd. 3. Shezad Food Products Limited 4. Silverbell Properties Limited 5. Asia Insurance Limited 6. Bismillah Store	1. Managing Director 2. Managing Director 3. Managing Director 4. Managing Director 5. Director 6. Proprietor
6	Mr. Al-haj Mohammed Issa Badsha	Director	1. Badsha Group 2. Azan Limited 3. Zuma Enterprise 4. M.M Enterprise 5. Musa & Issa Bros	1. Managing Director 2. Managing Director 3. Proprietor 4. Proprietor 5. Proprietor
7	Mr. Ahsan Khan Chowdhury	Director	1. Advance Personal Care Limited 2. Agricultural Marketing Company Limited 3. Banga Agro Processing Limited 4. Banga Bakers Limited 5. Banga Millers Limited 6. Chorka Fashions Limited 7. Chorka Textile Limited 8. Habiganj Agro Limited 9. Habiganj Textile Limited 10. Mymensingh Agro Limited 11. Natore Agro Limited 12. Natore Dairy Limited 13. PRAN Agro Limited 14. PRAN Agro Business Limited 15. PRAN Beverage Limited 16. PRAN Confectionary Limited 17. PRAN Dairy Limited 18. PRAN Exports Limited 19. PRAN Foods Limited 20. Packmat Industries Limited 21. Sylvan Agriculture Limited 22. Sun Basic Chemicals Limited 23. Sylvan Technologies Limited 24. Sylvan Poultry Limited 25. Banga Trading House Limited 26. Rangpur Foundry Limited 27. Accessories World Limited 28. Gonga Foundry Limited 29. Get Well Limited	1. Director 2. Chairman 3. Director 4. Director 5. Director 6. Director 7. Director 8. Director 9. Chairman 10. Director 11. Director 12. Director 13. Director 14. Director 15. Director 16. Director 17. Director 18. Director 19. Director 20. Director 21. Director 22. Director 23. Chairman 24. Director 25. Director 26. Chairman 27. Managing Director 28. Director 29. Director

Annexure D

Sl.	Name of the Directors of the Bank	Status with MDB	Entities where they have interest	Designation
			30. Trade Environment Limited 31. AKC (Pvt.) Limited 32. AKC Management Limited 33. Allplast bangladesh Limited 34. Banga Building Materials Limited 35. Banga Plastic International Limited 36. Habiganj Ceramics Limited 37. Habiganj Glassware Limited 38. Multi-Line Industries Limited 39. RFL Construction Limited 40. RFL Electronics Limited 41. RFL Exports Limited 42. Rangpur Metal Industries Limited 43. RFL Plastics Limited 44. Durable Plastics Limited 45. Habiganj Metal Industries Limited 46. Logi-Care Overseas Limited 47. Bangladesh Lift Industries Limited 48. Property Development Limited 49. Career Builders Limited	30. Director 31. Managing Director 32. Chairman 33. Director 34. Director 35. Director 36. Director 37. Director 38. Director 39. Director 40. Director 41. Director 42. Director 43. Director 44. Director 45. Director 46. Director 47. Director 48. Director 49. Director
8	Mr. Md. Wahid Miah	Director	1. Al-Haj Karim Textiles Ltd. 2. Abdul Karim Ltd. 3. Jobaida Karim Jute Mills Limited 4. Wahid Construction Ltd 5. Karim Shipping Lines Limited 6. Karim Asphalt & Ready Mix Ltd. 7. Karim Energy Limitrd 8. Karim LP Gas Ltd. 9. Hypoid Composite Knit Ltd. 10. Karim Jute Spinners Ltd. 11. M/s Wahid Miah 12. Karim Trading 13. Jobaida Filling Station 14. J.K Filling Station 15. Karim Filling Station 16. Karim Shipping Lines	1. Managing Director 2. Managing Director 3. Managing Director 4. Managing Director 5. Managing Director 6. Managing Director 7. Managing Director 8. Managing Director 9. Director 10. Director 11. Proprietor 12. Proprietor 13. Proprietor 14. Proprietor 15. Proprietor 16. Proprietor
9	Mr. Rezaul Karim	Director	1. Bangla Tel Ltd. 2. Jibondhara Solutions Ltd. 3. BD Link Communications Ltd. 4. Islami Commercial Insurance Co. Ltd. 5. Kohinoor Chemical Co. (BD) Ltd. 6. Reedisha Knitex Ltd. 7. Reedisha Textipe Ltd. 8. Reedisha Spinning Ltd. 9. PA Knit Composite Ltd. 10. Reedisha Printing and Packaging Ltd. 11. Reedisha Trading & Distribution Co. 12. Reedisha Blended Yarn Ltd. 13. Reedisha Food & Beverage Ltd. 14. Chartered Life Insurance Co. Ltd.	1. Chairman 2. Chairman 3. Chairman 4. Vice Chairman 5. Managing Director 6. Managing Director 7. Managing Director 8. Managing Director 9. Managing Director 10. Managing Director 11. Managing Director 12. Managing Director 13. Managing Director 14. Director
10	Mr. A.K.M. Badiul Alam	Director	1. Garments Export Village Ltd. 2. Power Vantage Wear Ltd. 3. Amranet Ltd. 4. Bravo Apparel Manufacturer Ltd. 5. Shahjibazar Power Co. Ltd. 6. Eden Multicare Hospital Ltd. 7. Zenith Islami Life Insurance Ltd. 8. Tiger Tours Ltd. 9. International Holding Ltd. 10. Imperial Capital Ltd. 11. Petromax Refinery Ltd.	1. Chairman 2. Chairman 3. Chairman 4. Chairman 5. Director 6. Director 7. Director 8. Director 9. Director 10. Director 11. Director

Sl.	Name of the Directors of the Bank	Status with MDB	Entities where they have interest	Designation
11	Mr. Md. Kamal Hossain	Director	1. That's It Sportswear Ltd 2. Ha-Meem Travel Limited 3. Explore Lingerie Limited 4. Fauji Chatkal Limited 5. M H Sports Wear Limited 6. M H Design Limited 7. MH Jute Mills Limited 8. Modern Cargo Carrier Limited	1. Executive Director 2. Shareholder 3. Shareholder 4. Shareholder 5. Shareholder 6. Shareholder 7. Shareholder 8. Shareholder
12	Mrs. Shahnaj Parveen	Director	1. Refat Garments Ltd. 2. Bango Engineering Co. Ltd. 3. Next Collection Ltd. 4. Next Garments Ltd.	1. Executive Director 2. Executive Director 3. Shareholder 4. Shareholder
13	Mrs. Lutfa Begum	Director	1. Hazrat Amanat Shah Spinning Mills Ltd. 2. Amanat Shah Weaving Processing Ltd. 3. Standard Company Ltd. 4. Hazrat Amanat Shah Securities Ltd. 5. Amanat Shah Fabrics Ltd. 6. M/s Goldenaize Enterprise	1. Director 2. Director 3. Director 4. Director 5. Director 6. Proprietor
14	Mr. Rokonuzzaman Sarker	Director	Beq Knit Limited	Executive Director
15	Mr. Kamal uddin Ahmed		1. Kamal Yarn Limited 2. Badsha Textiles Ltd. 3. Badsha Accessories Ltd 4. Pioneer Denim Fashion Limited 5. Pioneer Knitwears (BD) Ltd. 6. Pioneer Denim Limited	1. Director 2. Director 3. Director 4. Director 5. Director
16	Mahbubul Hady Fazle Rab	Independent Director	RAB Consulting FZE,RAK,UAE	Proprietor

Midland Bank Limited

Name of the directors and their Shareholding Position as on 31 December 2018

Annexure - E

Sl.	Name of the Director	Status with MDB	No. of Shareholding	%
1	Mrs. Nilufer Zafarullah	Chairman	5,274,720	1.00%
2	Master Abul Kashem	Vice Chairman	24,420,000	4.63%
3	Mr. Kazi Omar Zafar	Director	10,549,440	2.00%
4	Dr. Kazi Shahidullah	Director	1,318,680	0.25%
5	Reedisha Knitex Ltd. (Rep. by: Mr. Rezaul Karim)	Director	26,373,600	5.00%
6	That's It Sportswear Ltd. (Rep. by: Mr. Md. Kamal Hossain)	Director	26,373,600	5.00%
7	Refat Garments Ltd. (Rep. by: Mrs. Shahnaj Parveen)	Director	26,373,600	5.00%
8	Hazrat Amanat Shah Spinning Mills Ltd. (Rep. by: Mrs. Lutfa Begum)	Director	26,373,600	5.00%
9	Garment Export Village Ltd. (Rep. by: Mr. A.K.M. Badiul Alam)	Director	26,373,600	5.00%
10	Beq Knit Ltd. (Rep. by: Mr. Md. Rokonuzzaman Sarker)	Director	25,054,920	4.75%
11	Badsha Textiles Ltd. (Rep. by: Mr. Kamal uddin Ahmed)	Director	26,373,600	5.00%
12	Mr. Mohammed Jamal Ullah	Director	21,203,600	4.02%
13	Al-haj Mohammed Issa Badsha	Director	1,100,000	0.21%
14	Mr. Ahsan Khan Chowdhury	Director	26,373,600	5.00%
15	Mr. Md. Wahid Miah	Director	26,373,600	5.00%
16	Mr. Mahbubul Hady Fazle Rab	Independent Director	-	0.00%

Midland Bank Limited

Financial Highlights

For the Period ended December 31, 2018

Annexure - F

SLNo.	Items	2017	2016
1	Paid up Capital	5,274,720,000	4,795,200,000
2	Total Capital	6,942,269,437	6,142,701,216
3	Surplus in Capital Fund	2,678,103,732	2,142,701,216
4	Total Asset	45,750,801,115	41,948,731,370
5	Total Deposit	35,592,171,735	34,240,234,843
6	Total Loans and Advances	31,074,667,795	27,295,604,708
7	Total Contingent Liabilities	4,884,041,609	5,067,013,454
8	Lending-Deposit Ratio	87.31%	79.72%
9	Classified Loans as % of Total Loans and Advances	1.20%	1.68%
10	Profit After Provision and Tax	650,315,768	691,834,375
11	Total Classified loans and advances	374,269,837	457,579,924
12	Total Provision Maintained against Classified Loans	148,191,185	184,642,406
13	Surplus/(deficit) in Provision against Classified Loans	-	-
14	Cost of Fund	8.75%	7.64%
15	Earning Asset	40,981,468,954	37,401,777,684
16	Non-Interest Earning Asset	4,769,332,161	4,546,953,685
17	Return on Investments (ROI)	10.03%	11.82%
18	Return on Asset (ROA)	1.42%	1.65%
19	Income from Investment	630,102,202	963,667,348
20	Earnings per Share (BDT)	1.23	1.31
21	Net Income per Share (BDT)	1.23	1.31
22	Price-Earning Ratio (Times)	N/A	N/A

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 1st year), and free internet banking.

RMG Star Savings Account

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

MDB Interest First

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

MDB Millionaire Savings Scheme (New)

It is a monthly deposit scheme which will earn the account holders BDT 1 Million (before tax) after a certain period. The scheme is offered with a wide range of tenure flexibility (from 3 years to 20 years) to meet varied customer needs. This scheme will be very much helpful to implement a future plan successfully by small savings by the depositors.

MDB Kotipoti (New)

It is a monthly deposit scheme which will earn the account holders BDT 10 Million (before tax) after a certain period. The scheme is offered with a wide range of tenure flexibility (from 3 years to 20 years) to meet varied customer needs. This scheme will be very much helpful to implement any big future plan successfully by small savings by the depositors.

MDB Platinum Savings Scheme (New)

It is a monthly deposit scheme which will earn the account holders BDT 100 Million (before tax) after a certain period. The scheme is offered with a wide range of tenure flexibility (from 3 years to 20 years) to meet varied customer needs. This scheme will be very much helpful to implement any future project successfully by the depositors.

MDB Traveller's Savings Scheme (New)

It is a short term deposit scheme product designed to facilitate the customers to accumulate fund and plan for a family vacation with the maturity amount after maturity of the scheme. The matured amount ranges from BDT 100,000 (One Lac Taka) to 500,000 (Five Lac Taka) (before Tax) and shall be transferred to a complimentary MDB Prepaid Card which shall additionally carry various benefits to make it an attractive package for the customer. The scheme is offered up to two years tenure flexibility to meet varied customer needs.

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 tenure is from minimum 1 year to maximum 5 years. Cash securities include Midland Bank Fixed Deposits, Midland Bank savings scheme, Wage Earner Development Bonds, US Dollar Bonds (US Dollar Investment Bond and US Dollar Premium Bond) issued by Midland Bank Ltd.

MDB Personal Loan

MDB Personal Loan is an all-purpose loan which does not require any collateral. Customers can obtain maximum of BDT 10 lac loan (based on their respective monthly income level) in a hassle free manner. Customers also have the option to select flexible tenure of 1 year to 5 years based on their requirements. With attractive interest rate and quick processing time, MDB Personal Loan brings peace of mind to the customers.

MDB Car Loan

MDB Car Loan allows for purchase of brand new or reconditioned cars with maximum loan amount of BDT 40 lac and flexible tenure of 1 year to 5 years. MDB offers competitive interest rate and quick processing time for the loan. Customers can enjoy the freedom of driving their own cars with MDB Car Loan and add value to their lifestyle.

MDB Home Loan

MDB offers MDB Home Loan that suits all home financing needs. Whether it is for apartment purchase, home construction, extension or renovation, MDB Home Loan is the ideal solution. Maximum loan amount of MDB Home Loan is BDT 1.20 crore and maximum loan tenure is 25 years. Customers can experience and cherish their desired home with MDB Home Loan.

MDB Amar Bari

It is a specially designed Home Loan product targeting mainly the semi-urban and rural customers for Home Construction, Renovation or Extension & Completion, Home Loan Take Over for own or rental purpose (for Residential Use only). The income requirements are low and the tenure has been restricted to 10 years with the flexibility of early settlement without any additional fees. The maximum loan amount under the facility is BDT 50 lac.

MDB Earnest Money Financing (New)

It is a specific form of payment order financing as earnest money for bidding/participating in any official procurement process to determine the applicant's genuine willingness to participate in the procurement and complete the work if awarded.

CARD PRODUCTS

MDB Visa Credit Cards

MDB Visa dual currency Platinum and Gold Cards are accepted globally at all merchant outlets and restaurants displaying Visa Logo. Moreover, customers can enjoy discountand EMI at 0% interest facility at discount partners and EasyPay merchants respectivelyusing MDB Credit Cards. Some of the salient features include complimentary credit card – no annual fee for the first year, card cheque, insta-loan against unused balance, fund transfer from credit card account to any bank account instantly, retail transaction conversion and accepting payment through BEFTN to pay monthly credit card bill amount without visiting a branch.

MDB Visa Debit Card

MDB Visa Debit card is for everyday use- it's for shopping, paying utility bills, online purchasing, topping up your mobile, withdrawing cash, filling up the car and many more.

Visa Debit card is accepted anywhere in Bangladesh and it allows you access to your account to withdraw cash or pay for goods and services.

MDB Visa Prepaid Card

MDB Prepaid Card, denominated either in local currency or in US dollar, available at the counter of all branches of Midland Bank Limited. This is a dual currency card, meaning it is accepted in abroad too to make foreign trip hassle-free and convenient. This prepaid card can be used to withdraw cash and make purchase over millions of merchant establishments displaying Visa logo. It gives 24-hour access to cardholder's money. Cardholder can top-up this card from any branches of Midland Bank Limited.

MDB Card Cheque

Our Card Cheque scheme adds convenience to your needs, where the chequebook comes as free with 1% processing fee, and 45 days interest free repayment period.

MDB SERVICES

Internet Banking

Our famous internet banking service, midland online, comes with variety of features which adds convenience to your needs. You can view all your accounts with a single login and can make fund transfers in-between your accounts. You can also transfer money to any Bank account at your convenience at any time leveraging electronic fund transfer (BEFTN) and through National Payment Switch Bangladesh (NPSB). The same can be done through real-time -gross-settlement (RTGS) without having any concern on cyber security. All your activities on midland online are supported by two factor authentication (2FA). Our midland online service is completely free.

SMS /Alert Banking

Our SMS banking service keeps you abreast of any activity, debit or credit, in your accounts.

Locker Service

We safeguard your valuables like confidential documents or jewelries or gold ornaments. Our locker service is available in selected branches.

24/7 Contact Centre

We are always there for you, day or night, 24/7. Our Contact Centre specialists are always a call away for your important queries, or when you want to block your account in a situation when you have lost your debit or credit card.

Corporate Website

We keep our website always up-to-date with vital information, including branch details and the services they provide.

Bills Pay and BRTA Booth

Our competent branch personnel are trained to welcome you to pay your various bill (WASA, DESCO, Titas Gas, REB or DPDC for example). A few branches also accept motor vehicle fees and charges. Additionally, we have deployed a collection booth of BRTA fees for your convenience.

MDB Service Network

Branches

Sl.	Branch Name	Address	Branch Manager
1	Dilkusha Corporate Branch	Chini Shilpa Bhaban (1st floor), 3, Dilkusha C/A, Dhaka 1000 Email: hob.dilkusha@midlandbankbd.net PABX: 09666-410901	Mr.Faisal Ahmed, SAVP 01985700356,01714359203 Email: faisal.ahmed@midlandbankbd.net PABX: 09666-410901 Ext.901-356
2	Principal Branch	Hong Kong Shanghai Tower (Ground & 1st floor), Plot 106, Road 11, Block C, Banani, Dhaka 1213 Email: hob.principal@midlandbankbd.net PABX: 09666-410902	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167,01715011650 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167
3	Agrabad Branch	As- Salam Tower (1st floor), 57, Agrabad C/A, Chattogram Email: hob.agrabad@midlandbankbd.net PABX: 09666-410903	Mr. Md. Shaiful Alam Chowdhury, SVP Phone: +8801973423777,01713423777 Email: shaiful.alam@midlandbankbd.net PABX: 09666-410903 Ext.903-127
4	Mirzapur Bazar Branch	Mannan Plaza (1st floor), Mirzapur Bazar, Bhawal, MirzapurSadar, Gazipur Email: hob.mirzapur@midlandbankbd.net PABX: 09666-410904	Mr. Md. Mafizul Islam Khokon, FAVP Phone: 01985700486,01755583993 Email: mafizul.islam@midlandbankbd.net PBX: 09666-410904 Ext.904-486
5	Panchar Branch	Dia-Moni Plaza (1st floor), Panchar, Shibchar, Madaripur Email: hob.panchar@midlandbankbd.net PABX: 09666-410905	Mr. Abul Kalam, JAVP Phone: 01985700764,01716479404 Email: abul.kalam@midlandbankbd.net PBX: 09666-410905 Ext.905-764
6	Uttara Branch	ABC Heritage (Ground floor), Plot 2 & 4, Jashim Uddin Avenue, Sector 3, Uttara Model Town, Dhaka 1230 Email: hob.uttara@midlandbankbd.net PABX: 09666-410906	Mr. Md. Shakhawat Hossain, AVP Phone: +8801985700047,01717667203 Email: shakhawat.hossain@midlandbankbd.net PBX: 09666-410906 Ext.906-047
7	Aganagar Branch	Maksuda Garden City (2nd floor), Aganagar, South Keranigonj, Dhaka Email: hob.aganagar@midlandbankbd.net PABX: 09666-410907	Md. Shagedur Rahman, SEO Phone: 01985700331,01717018502 Email: shagedur.rahman@midlandbankbd.net PBX: 09666-410907 Ext.907-331
8	Dhanmondi Branch	Green Rowshanara Tower (2nd Floor), House# 755(Old), 55(New),Satmasjid Road, Dhanmondi, Dhaka 1205 Email: hob.dhanmondi@midlandbankbd.net PABX: 09666-410908	Mr. A.H.M. Gazzali, FAVP Phone: 01985700483,01711058469 Email: ahm.gazzali@midlandbankbd.net PBX: 09666-410908 Ext.908-483
9	Hemayetpur Branch	Diamond Tower (1st floor), Hemayetpur, Singair Road, Savar, Dhaka Email: hob.hemayetpur@midlandbankbd.net PABX: 09666-410909	Mr. Md. Abdullah, JAVP Phone: 01985700541,01956685532 Email: md.abdullah@midlandbankbd.net PBX: 09666-410909 Ext.909-541

MDB Service Network

Branches

Sl.	Branch Name	Address	Branch Manager
10	Zirabo Branch	Razzak Commercial Complex, Zirabo, Ashulia, Savar, Dhaka Email: hob.zirabo@midlandbankbd.net PABX: 09666-410910	Mr. Md. Nazmul Haque, FAVP Phone: 01985700308,01712752405 Email: md.nazmulhaque@midlandbankbd.net PABX: 09666-410910 Ext.910-308
11	Gulshan Branch	NB Tower, Level 5, 40/7 North Avenue, Gulshan 2, Dhaka 1212 Email: hob.gulshan@midlandbankbd.net PABX: 09666-410911	Mr. Md. Rashed Akter, SAVP Phone: 01985700357,01841939394 Email: rashed.akter@midlandbankbd.net PBX: 09666-410911 Ext.911-357
12	Panchrukhi Branch	Panchrukhi Bazar, Araihajar, Narayanganj Email: hob.panchrukhi@midlandbankbd.net PABX: 09666-410912	Mr. Md. Rozdar Ali, AVP Phone: 01985700241,01724953076 Email: rozdar.ali@midlandbankbd.net PBX: 09666-410912 Ext.912-241
13	Kamarpara Branch	JomJom Tower, Kamarpara School Road, Dhaka Email: hob.kamarpara@midlandbankbd.net PABX: 09666-410913	Mr. Lutfor Rahman, FAVP Phone: 01985700443,01612031128 Email: l.rahman@midlandbankbd.net PBX: 09666-410913 Ext.913-443
14	Narsingdi Branch	Helal Tower, First & second floor, 211 ShahidShorwadi Park Road, Narshingdi Email: hob.narsingdi@midlandbankbd.net PABX: 09666-410914	Mr. Sudipto Roy Chowdhury, AVP Phone: 01985700235,01713385170 Email: sudipto.roy@midlandbankbd.net PABX: 09666-410914 Ext.914-235
15	Narayanganj Branch	55/A, Ground Floor, Tanbazar, Narayanganj Email: hob.narayanganj@midlandbankbd.net PABX: 09666-410915	Mr. Mostofa Maynul Hasan, AVP Phone: +8801985700057,01914064738 Email: mostofa.maynul@midlandbankbd.net PBX: 09666-410915 Ext.915-057
16	Valuka Branch	Jamirdia, Masterbari, Valuka, Mymensingh Email: hob.valuka@midlandbankbd.net PABX: 09666-410916	Mr. Mohammad Faruq Ur Rahman, FAVP Phone: 01985700307,01715186240 Email: faruq.rahman@midlandbankbd.net PBX: 09666-410916 Ext.916-307
17	CDA Avenue Branch	EVE's Centre (1st floor) A 1/47 P, East Nasirabad, Panchlaish, Chattogram Email: hob.cda@midlandbankbd.net PABX: 09666-410917	Mr. Md. Salah Uddin, CSM Phone : +8801985700320 Email: uddin@midlandbankbd.net PBX: 09666-410917, Ext. 917-320
18	Mokamtola Branch	Majeda Plaza (1st floor), Talukdar Market, Mokamtola, Shibganj, Bogura Email: hob.mokamtola@midlandbankbd.net PABX: 09666-410918	Mr. Md. Rezaul Huq, FAVP Phone: 01985700269,01718527925 Email: rezaul.huq@midlandbankbd.net PBX: 09666-410918 Ext.918-269
19	Chowdhuryhat Branch	Abdul Rashid Market (1st & 2nd floor) Chowdhuryhat , Hat Hajari, Chattogram Email: hob.chowdhuryhat@midlandbankbd.net PABX: 09666-410919	Mr. Syed Mohammed Omar, AVP Phone: 01985700355,01819863857 Email: syedmohammed.omar@midlandbankbd.net PBX: 09666-410919 Ext.919-355

MDB Service Network

Branches

Sl.	Branch Name	Address	Branch Manager
20	Bogura Branch	Amicus Plaza, 1st floor, Shahid Abdul JabbarSarak, JoleshwariTola, BoguraEmail: hob.bogra@midlandbankbd.net PABX: 09666-410920	Mr. Md. Ahsan Habib, FAVP Phone: 01985700302,01711107239 Email: ahsan.habib@midlandbankbd.net PBX: 09666-410920 Ext.920-302
21	Dalal Bazar Branch	Montazpatwary Mansion (1st floor), LakshmipurSadar, Lakshmipur Email: hob.dalalbazar@midlandbankbd.net PABX: 09666-410921	Asaduzzaman Khan, JAVP Phone: 01985700461,01708737900 Email: asaduzzaman.khan@midlandbankbd.net PBX: 09666-410921 Ext.921-461
22	Sylhet Branch	M.S Tower (1st Floor), Mirboxtola, Chowhatta, Sylhet Mail:hob.sylhet@midlandbankbd.net PABX: 096 66 410 922	Mr. Ahbab Ahmed Jaigirder, AVP Phone: 01985700647,01717130877 Email: ahbab.jaigirder@midlandbankbd.net PBX: 09666-410922 Ext.922-647
23	Khulna Branch	Tayamun Centre (1st Floor), 181/1 Jessore Road, Khulna Mail:hob.khulna@midlandbankbd.net PABX:096 66 410 923	Mr. Md. Monowar Hossain, FAVP Phone: 01985700672,01717456443 Email: monowar.hossain@midlandbankbd.net PBX: 09666-410923 Ext.923-672
24	Sompara Bazar Branch	Islam Plaza (1st & 2nd Floor), School Road, Sompara Bazar, Chatkhil, Noakhali Mail:hob.sompara@midlandbankbd.net PABX:096 66 410 924	Md. Syful Alam, FAVP Phone: 01985700671,01912225850 Email: syful.alam@midlandbankbd.net PBX: 09666-410924 Ext.924-671
25	Paragram Branch	West Paragram Bazar, Nawabganj, Dhaka (Right side of Singair Road) Mail: hob.paragram@midlandbankbd.net PABX:096 66 410 925	Mr. Md. Tahidul Amin Mojumder, FAVP Phone: 01985700697,01828058652 Email: tahidul.amin@midlandbankbd.net PBX: 09666-410925 Ext.925-697
26	Mirpur Branch	Hyperion Rose, Holding No-61/1-2, Block-B, Road No-4, Ward No-2,Section-12, Pallabi, Dhaka Mail: hob.mirpur@midlandbankbd.net PABX: : 096 66 410 926	Rashid-Un-Nabi, SEO Phone: 01985700193,01611183896 Email: rashid.nabi@midlandbankbd.net PBX: 09666-410926 Ext.926-193
27	Foyla Bazar, Branch	98/1 Haji Market, Bara Nawabpur, Faylabazar, Ujalkur, Rampal, Bagerhat Mail: hob.foylabazar@midlandbankbd.net PABX: : 096 66 410 927	Md. Hachibur Rahman, Officer Phone: 01985700649,01917617605 Email: hachibur.rahman@midlandbankbd.net PBX: 09666-410927 Ext.927-649
28	Maligram Branch	Vashra, Maligram, Deora, Bhanga, Faridpur Mail: hob.maligram@midlandbankbd.net PABX: : 096 66 410 928	Mr. Md. Arifuzzaman, JAVP Phone: +8801985700141,+8801710966955 Email: md.arifuzzaman@midlandbankbd.net PBX: 09666-410928 Ext.928-141
29	Rajshahi Branch	Rahamania Tower, Holding-57,58 & 60, Ganok Para, Station Road, Ward-12, P.S.-Boalia, Dist- Rajshahi Mail:hob.rajshahi@midlandbankbd.net PABX: : 096 66 410 929	Mr. Kudrat-E-Khoda Md. Samiul Karim, AVP Phone: 01711951247, Email: samiul.karim@midlandbankbd.net PBX: 09666-410929 Ext.929-312
30	Islampur Branch	Emon Tower, Holding-61, Islampur Road, Ward-36, P.S.-Kotowali, Dist- Dhaka Mail: hob.islampur@midlandbankbd.net PABX: : 096 66 410 930	Ha-Mim Muhammad Molla, AVP Phone: 01985700527,01712611775 Email: muhammad.molla@midlandbankbd.net PBX: 09666-410930 Ext.930-527

Agent Banking Centres:

Sl.	Agent Name	Address	Key Person
1	United Social Human Advancement (USHA) Foundation	DighiBorabo, Jatramura, Upazilla: Rupganj, District: Narayanganj	Mr. Tajul Islam Executive Director, USHA Foundation Phone: 01932299501 Email:ushafoundation047@gmail.Com
2	SachatanShahajj oSangstha (SSS)	Narayanpur Bus Stand , Union: Narayanpur, Upazilla: Belabo, District: Narshingdi	Ms. Jesmin Rashid Executive Director, SachatanShahajjoSangstha Phone: 01711612752 Email: sssngo98@gmail.Com
3	Society For Family Happiness And Prosperity (FHP)	Dorikandi, Bajitpur Bazar Upazilla: Bajitpur, District: Kishoregonj	Krishna Chandra Das Executive Director, Society For Family Happiness And Prosperity Phone: 01733063300 Email: fhp_society@yahoo.com
4	M/S. Robin Traders	Mostail Bazar, Joka, Union: 7no. khotta Para, Upazilla: Shahjahanpur, District: Bogura	Mohammad Ahsan Robin Propritor, M/s. Robin Traders, Phone: 01716509522 Email:mostailbazarmdbagent@gmail.com
5	M/S. MozaddediyaEntr eprise	Moshipur Bazar, Moshipur Union: Garadho Upazilla: Shahjadpur, District: Sirajganj	Md.Iqbal Hossain Propritor, M/S. MozaddediyaEntreprise Phone: 01725487885 Email: iqbalmipmdb@gmail.com
6	M/S. Prapti Dairy Farm	Dhunot Bazar, Dhunat Officer Para, Upazilla: Dhunat District: Bogura	Md. Shaha Ali Proprietor, M/S. Prapti Dairy FarmPhone: Phone: 01755574168 Email: mdbdhunotbazar@gmail.com
7	Coastal Association For Social Transformation (COAST) Trust	Vill: Tarabganj Union: 9 No.Tarabganj Upazilla: Kamalnagar, District: Laxmipur	Rezaul Karim Chowdhury Executive Director, COAST Trust Phone: 01711529792 Email: reza.coast@gmail.com
8	M/S ROSE TILES	Joly Plaza 1st floor, Nirala More Upazilla: Khulna Sadar, District: Khulna	Md. Selim Ahmed Proprietor, M/S. Rose Tiles Phone: 01718452076
9	Deshbondhu Solar and Electronics	Vill: Guzia, Union: 8 no Shibganj Sadar Union, Upazilla: Shibganj, District: Bogura	Md. Zahangir Alam Proprietor, Deshbondhu Solar & Electronics Phone: 01957786427 Email:amdzahanggiralam259@gmail.com
10	M/S Zahid Enterprise	48/01 LobonchoraNodirTir Upazilla: Khulna Sadar, District: Khulna	Md. Zahidur Rahman Proprietor, Zahid Enterprise Phone: 01711874955 Email: zahident1979@gmail.com
11	Z & X Associates	Vill: Palora, Union: Betila-Mitora Upazilla: Manikganj Sadar, District: Manikganj	Abdul Latif Bhuiyan Proprietor, Z & X Associates Phone: 01987111666 Email: zaman.ewubd@gmail.com

Agent Banking Centres:

Sl.	Agent Name	Address	Key Person
12	VILLAGE ASSOCIATION FOR SOCIAL DEVELOPMENT (VASD)	Vill: Dholla, Union: Dholla Upazilla: Shingair District: Manikganj	MasumaSamad Executive Director, Village Association for SocialDevelopment (VASD) Phone: 01711563174 Email: vasd1995@yahoo.com
13	Sarker Apparels Food & Trading Limited	65/3, KODOMTOLA, BASABO P.S: SABUJBAG, District: Dhaka	Md. Showkat Hossain Sarker Managing Director, Sarker Apparels Food & Trading Limited Phone: 01753655430 Email: showkathossain23@gmail.com
14	M.B Automobiles	Vill: PuratonTearyganj, Union: 19 No Tearyganj Upazilla: Lakshmipur Sadar District: Lakshmipur	Mohammad Masudur Rahman Proprietor, M.B Automobiles Phone: 01741882854 Email: masudur017@gmail.com
15	Ogrozatra Private Limited	Vill: Jumarbari, Union: 8 No Jumarbari, Upazilla: Saghata, District: Gaibandha	Shamoli Begum Chairman, Ogrozatra Private Limited Phone: 01799485217 Email: jdarsns@gmail.com
16	MASTER & SONS	Oddirgola Bazar, Sabgram, Bogura Sadar, Bogura	Md. Shafiullah Sarker Proprietor, M/S. Master & Sons Phone: 01740929769 Email: alronpublicschool@gmail.com
17	M/S Forid Traders	Vill: Sonahata Bazar, Union: Nimgachi, Upazilla: Dhunot, District: Bogura	Md. Faridul Islam Proprietor, M/S Forid Traders Phone: 01781372544 Email: fi847922@gmail.com
18	M/S K.H Enterprise	Vill: Narayanpur, Union: Narayanpur, Upazilla: Belabo, District: Narshingdi	Md Khairul Hasan Proprietor, M/S K H Enterprise Phone: 01712922140 Email: khenterprise75@gmail.com
19	Mehjabin Traders	Vill: LemubariNotun Hat, Balirtek Road Union: Betila-Mitora, Upazilla: Manikganj Sadar District: Manikganj	Sumon Ahmed Proprietor, Mehjabin Traders Phone: 01715743856 Email: sumonahmed270@gmail.com
20	Deshbondhu Solar and Electronics	Vill: Amtoli, Union: 8 no Shibganj Sadar Union Upazilla: Shibganj, District: Bogura	Md. Zahangir Alam Executive Director, Deshbondhu Solar & Electronics Phone: 01957786427 Email:amdzahanggiralam259@gmail.com
21	Raju Poultry Firm	Vill:ShingherChor, Union: Belfulia Upazilla: Rupsha, District: Khulna	Md. Abdul Hakim Shah Proprietor, M/S. Raju Poultry Farm Phone: 01711840936 Email: eee.rayhan@gmail.com
22	M/S Shikder Fisheries	Vill:Churkhai Bazar, Union: 12 No. Vhabkhali, Upazilla: Mymensing Sadar, District: Mymensing	S.M. Ahad Ullah Proprietor, M/S ShikderFisharies Phone: 01612248939 Email: ahadullah7@gmail.com

Agent Banking Centres:

Sl.	Agent Name	Address	Key Person
23	M/S Khan Traders	Vill: Vhaduria, Union: 06 No.Vhaduria,Upazilla: Nowabganj, District: Dinajpur	Md. Sirajul Islam Khan Propritor, M/S. Khan Traders Phone: 01785217414
24	BASTOB-Initiative For People's Self-Development	Vill: Malumghat Bazar, Union: Dulahazra, Upazilla: Chokoria, District: Cox's Bazar	Ruhi Das Executive Director, BASTOB-Initative for Peoples Self-Development Phone: 01713004009
25	Janani Traders	Vill: Fotehpur Bazar, Union: Chandhor,Upazilla: Shingair, District: Manikganj	Muhammad Delowar Hossain Proprietor, Janani Traders Phone: 01771519880 Email: delowarm52@gmail.com
26	Ma Enterprise	Vill: Chanderchor Bazar, Union: Upazilla: Shibchor, District: Madaripur	Mir Kamruzzaman Proprietor, Ma Enterprise Phone: 01732661451
27	Wali Enterprise	Vill: Shibchor Bazar, Union: Nimgachi, Upazilla: Shibchor, District: Madaripur	Md Waliul Haque Proprietor, Wali Enterprise Phone: 0176211112
28	M/S Shiza Enterprise	58 Shajuddin Sorker Road, Hosen Market, Tongi, Gazipur	Abida Sultana Proprietor, M/S Shiza Enterprise Phone: 0171918068
29	Z. R Corporation	01 No. Kalma Bazar, Savar, Dhaka.	RubinaYesmin Proprietor, Z.R Corporation Phone: 01700711549
30	Sowrov Traders	37 Siddique Bazar Thana: Bongshal, District: Dhaka	Md. Shaiful Islam Propritor: Sowrov Traders 37, Siddique Bazar, Bongshal, District: Dhaka. Mobile: 01911340868 Email: sowrovtraders@gmail.com

Collection Booths:

SL	Name of Collection Booth	Address	Contract Person of the booth
01	BRTA Collection Booth	DC Office, Bogura	Mr. Md. Ahsan Habib, FAVP Phone: 01985700302,01711107239 Email: ahsan.habib@midlandbankbd.net PABX: 09666-410920 Ext.920-302
02	Southeast University Fees Collection Booth -1	251/A & 252, Tejgaon I/A Dhaka -1215	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167,01715011650 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167
03	Fees Collection Booth	Narsingdi Powrashava, Narsingdi	Mr. Sudipto Roy Chowdhury, AVP Phone: 01985700235,01713385170 Email: sudipto.roy@midlandbankbd.net PABX: 09666-410914 Ext.914-235
04	Southeast University Fees Collection Booth -2	House # 64,Road # 18, Black-3, Banani Dhaka-1213	Mr. Md. Shafiqul Islam, VP Phone: +8801985700167,01715011650 Email: shafiqul.islam@midlandbankbd.net PABX: 09666-410902 Ext.902-167

MDB Service Network

ATMs/ Fast Tracks

Sl No.	ATM/Fast Track Name	ATM/Fast Track Address
1	Onsite ATM-Agrabad Branch	As- Salam Tower (1st Floor), 57, Agrabad C/A, Chattogram
2	Onsite ATM-CDA Avenue Branch	EVE's Centre (1st floor) A 1/47 P, East Nasirabad, Panchlaish, Chattogram
3	Onsite ATM-Chowdhuryhat Branch	Abdul Rashid Market (1st & 2nd floor) Chowdhuryhat, Hat Hajari, Chattogram
4	Onsite ATM-Dalal Bazar Branch	Montazpatwary Mansion (1st floor) , Lakshmipur Sadar, Lakshmipur
5	Onsite ATM-Sompara Bazar Branch	Islam Plaza (1st & 2nd Floor), School Road, Sompara Bazar, Chatkhil, Noakhali
6	Onsite ATM-Aganagar Branch	Maksuda Garden City (2nd Floor), Aganagar, South Keranigonj, Dhaka
7	Onsite ATM-Dhanmondi Branch	Green Rowshanara Tower (2nd Floor), House # 755 (Old), 55(New), Satmasjid Road, Dhanmondi, Dhaka 1205
8	Onsite ATM-Gulshan Branch	NB Tower, Level-5, 40/7 North Avenue, Gulshan-2, Dhaka-1212
9	Onsite ATM-Hemayetpur Branch	Diamond Tower (1st Floor), Hemayetpur, Singair Road, Savar, Dhaka
10	Onsite ATM-Kamarpara Branch	JomJom Tower, Kamarpara School Road, Turag, Dhaka
11	Onsite ATM-Maligram Branch	Vashra, Maligram, Deora, Bhanga, Faridpur
12	Onsite ATM-Mirpur Branch	Hyperion Rose, Holding No-61/1-2, Block-B, Road No-4, Ward No-2,Section-12, Pallabi, Dhaka
13	Onsite ATM-Mirzapur Bazar Branch	Mannan Plaza (1st Floor), Mirzapur Bazar, Bhawal, MirzapurSadar, Gazipur
14	Onsite ATM-Narayanganj Branch	55/A, Ground Floor, Tanbazar, Narayanganj.
15	Onsite ATM-Narshingdi Branch	Helal Tower, First & second floor, 211 ShahidShorwadi Park Road, Narshingdi
16	Onsite ATM-Panchar Branch	Dia-Moni Plaza (1st Floor), Panchar, Shibchar, Madaripur
17	Onsite ATM-Panchrukhi Branch	Panchrukhi Bazar, Araihajar, Narayanganj
18	Onsite ATM-Paragram Branch	West Paragram Bazar, Nawabganj, Dhaka (Right side of Singair Road)
19	Onsite ATM-Principal Branch	Plot No.106, Road No.11, Banani, Dhaka
20	Onsite ATM-Uttara Branch	ABC Heritage (Ground Floor), Plot 2 & 4, Sector 3, Jashimuddin Avenue, Uttara Model Town, Dhaka
21	Onsite ATM-Valuka Branch	Jamirdia, Masterbari, Valuka, Mymensingh
22	Onsite ATM-Zirabo Branch	Razzak Commercial Complex, Zirabo, Ashulia, Savar, Dhaka
23	Onsite ATM-Foyla Bazar Branch	98/1 Haji Market, Bara Nawabpur, Faylabazar, Ujalkur, Rampal, Bagerhat
24	Onsite ATM-Khulna Branch	Tayamun Centre (1st Floor), 181/1 Jessore Road, Khulna
25	Onsite ATM-Bogra Branch	Amicus Plaza, 1st floor, Shahid Abdul Jabbar Sarak, Joleshwaritola, Bogura
26	Onsite ATM-Mokamtola Branch	Majeda Plaza (1st floor), Talukdar Market, Mokamtola, Shibganj, Bogura
27	Onsite ATM-Sylhet Branch	M.S Tower (1st Floor), Mirboxtola, Chowhatta, Sylhet
28	Offsite ATM-Amanat Shah	Hazrat Amanat Shah Spining Mills Ltd., Vatara, Panchdona, Narshingdi
29	Offsite ATM-Amtranet Savar	Amtranet Limited, Kasba Tower, Rajashon Industrial Area, Savar, Dhaka
30	Offsite ATM-Amtranet Tongi	Amtranet- Maa Tower, KBM Road, Tongi Industrial Area, Gazipur
31	Onsite ATM-Rajshai Branch	Rahamania Tower, Holding-57,58 & 60, Ganok Para, Station Road, Ward-12, P.S.-Boalia, Dist- Rajshahi
32	Onsite ATM-Islampur Branch	Emon Tower, Holding-61, Islampur Road, Ward-36, P.S.-Kotowali, Dist - Dhaka

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

Head Office: N.B. Tower (Level: 6 to 9), 40/7 North Avenue, Gulshan 2, Dhaka 1212, Bangladesh
PABX: (+88) 09666 410 999, Fax: (+88) 02 883 7735, SWIFT: MDBLBDDH
Email: info@midlandbankbd.net, Web: www.midlandbankbd.net
Contact Centre: 16596, (+88) 096 170 16596, (+88) 096 110 16596

