

# Directors' Report



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## Dear Stakeholders,

The Board of Directors welcome you all in the 9th 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 on December 31, 2021. 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 Economic Outlook

Global growth is expected to decelerate from 5.50% in 2021 to 4.10% in 2022 and 3.20% in 2023, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. A number of headwinds weigh on the recovery in emerging market and developing economies (EMDEs) vis-à-vis advanced economies, including lower vaccination rates, tighter fiscal and monetary policies, and more persistent scarring from the pandemic. Consequently, while output and investment in advanced economies are projected to return to pre-pandemic trends next year, they will remain markedly below in EMDEs. The global outlook faces significant downside risks, including further Omicron-driven economic disruptions, additional supply bottlenecks, a de-anchoring of inflation expectations, and financial stress. Given limited policy space in EMDEs to support activity if needed, these downside risks increase the possibility of a hard landing. The ongoing slowdown and multiple downside risks underscore the need for concerted international action and the need to implement a comprehensive set of national policy responses. Global cooperation needs to be strengthened to achieve equitable vaccine distribution, improve debt sustainability, and tackle climate change. EMDE policy makers also face the challenges of inflationary pressures, spillovers from prospective advanced-economy monetary tightening, and constrained fiscal space. Over the longer term, policy makers will need to pursue decisive policy actions that mitigate vulnerabilities to commodity shocks, reduce income and gender inequality, and enhance preparedness for health- and climate-related crises.

## Global Economic Prospects: East Asia and the Pacific

Growth in East Asia and Pacific (EAP) rebounded to an estimated 7.10% in 2021, but the speed of recovery differed considerably among countries. In China, GDP expanded by an estimated 8% in 2021, led by manufacturing and exports. This was about 2% higher than the country's trend growth rate, but 0.50% less than projected in June'21 reflecting faster than expected withdrawal of macroeconomic support and regulatory tightening. Growth in the region excluding China also recovered in 2021, but by a modest 2.50%-1.50% slower than projected in June'21 and about half the trend growth rate, reflecting the severe COVID-19 resurgence in mid 2021. A series of significant disruptions caused by the pandemic resulted in weaker-than-expected growth in several large economies in 2021. The damage to activity from the lockdowns and extended border closures was especially evident in

tourism-dependent economies where the projected recovery was insufficient to restore output to its pre-pandemic level in 2019. Activity was also disrupted in some cases by natural disasters, including the effects of severe cyclones (the Philippines, the South Pacific islands). Following fiscal tightening and the imposition of property and financial market curbs in the first half of 2021, fiscal and monetary policies were eased in China in the second half of last year to stabilize activity. In the rest of the region, the recovery has gained momentum on stronger domestic activity, as social distancing measures eased and vaccination rollouts accelerated. Goods export growth softened as global growth and trade peaked amid persistent supply disruptions. Services trade remained subdued, reflecting remaining travel restrictions amid a resurgence of the pandemic. EAP countries, especially the ones reliant on inflows from Australia, New Zealand, and the United States (Fiji, the Solomon Islands, Tonga, the Philippines), have continued to benefit from resilient flow of remittances.

Downside risks to the regional outlook predominate. The share of vaccinated people in many economies in the region is expected to surpass 70% by mid-2022, but the region is vulnerable to renewed outbreaks of COVID-19. Mobility restrictions in the context of pandemic resurgence, incomplete vaccinations, and inadequate testing especially in the face of the highly transmissible Omicron variant, may disrupt the recovery of the tourism and travel industry and weigh on consumer confidence. Financial risks. (Source: World Bank, published on January 2022).

## Economy of Bangladesh

The Economy of Bangladesh is characterised as a developing market economy. It is the 42nd largest in the world in nominal terms or at current prices, and 30th largest by purchasing power parity; international dollars at current prices. It is classified among the Next Eleven emerging market middle income economies and a frontier market. In the first quarter of 2019, Bangladesh's was the world's seventh fastest-growing economy with a real GDP or GDP at constant prices annual growth rate of 8.30%. Dhaka and Chittagong are the principal financial centres of the country, being home to the Dhaka Stock Exchange and the Chittagong Stock Exchange. The financial sector of Bangladesh is the third largest in the Indian subcontinent. Bangladesh is one of the fastest growing economies in the world as well as the fastest growing economy in the South Asia.

In the decade following 2004, Bangladesh averaged a GDP growth of 4.50%. This growth had been largely driven by its exports of readymade garments, remittances and the domestic agricultural sector. The country has pursued export oriented, with its key export sectors include textiles, shipbuilding, fish and seafood, jute and leather goods. It has also developed self-sufficient industries in pharmaceuticals, steel and food processing. Bangladesh's telecommunication industry has witnessed rapid growth over the

years, receiving high investment from foreign companies. Bangladesh also has substantial reserves of natural gas and is Asia's seventh largest gas producer. Offshore exploration activities are increasing in its maritime territory in the Bay of Bengal. It also has large deposits of limestone [40]. The government promotes the Digital Bangladesh scheme as part of its efforts to develop the country's growing information technology sector.

Bangladesh is strategically important for the economies of Nepal and Bhutan, as Bangladeshi seaports provide maritime access for these landlocked regions and countries. China also views Bangladesh as a potential gateway for its landlocked southwest, including Tibet, Sichuan and Yunnan.

Bangladesh is a member of the D-8 Organization for Economic Cooperation, the South Asian Association for Regional Cooperation, the International Monetary Fund, the World Bank, the World Trade Organization and the Asian Infrastructure Investment Bank. The economy faces challenges of infrastructure bottlenecks, bureaucratic corruption, and youth unemployment (Source: Wikipedia).

### Developments in the Bangladesh Economy

Despite repeated waves of the COVID-19, Bangladesh economy has managed to return to the recovery phase aided by appropriate policies and 28 stimulus packages.

### Growth Performance

After recent rebasing from FY06 to FY16, BBS has calculated real GDP growth rate at 6.94% for FY21, which was 3.45% in FY20. Agriculture sector contributed 12.07% to GDP in FY21 and growth of this sector declined from 3.42% in FY20 to 3.17% in FY21. During this period growth of all sub-sectors of agriculture decelerated. Forest and related services growth slowed by the highest extent among all agricultural sub-sectors, to 4.98% in FY21 from 5.34% in FY20.

Industrial sector contributed 36.01% percent to GDP, and grew by 10.29% in FY21, higher than 3.61% in FY20. This growth was mainly supported by growth of manufacturing; mining and quarrying; electricity, gas, steam and air conditioning supply; and water supply, sewerage and waste management. On the other hand, the construction sub-sector recorded a lower growth of 8.08 percent compared to that of the previous year.

Services sector accounted for the largest share of GDP. In FY21, 51.92% of GDP came from this sector, which was 52.54% in FY20. Service sector grew by 5.73% in FY21, much higher than 3.93% growth in FY20. Almost all components of services sector- such as, public administration and defense; wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; transportation and storage; and accommodation and food service activities experienced higher growth in FY21 than those of the previous year.

### Savings and Investment

An expansion of investment in FY21 from the last year, total investment as percentage of GDP decreased to 31.02% in FY21 from 31.31% in FY20. Over the same period, the ratios of public investment to GDP stood at 73.2% registering a 3 basis points increase and private investment to GDP decreased to 23.70% from 24.02%.

### Consumer Price Inflation

During the first four months of FY21, twelve-month average CPI inflation experienced an upward trend and reached to 5.77% in October 2020. Afterwards it started to decrease gradually and came down to 5.56% in June 2021, which was lower than 5.65% in June 2020. Although inflation decreased by 0.09%, it exceeded the targeted ceiling of 5.40% in FY21. This lower general CPI inflation was the result of lowering non-food inflation. Food inflation increased while non-food inflation decreased in FY21 compared to the same period of the previous year.

### Money and Credit Developments

In FY21, Bangladesh Bank's monetary and financial policies continued to prioritise economic recovery from the COVID-19 pandemic, while ensuring stable production growth and maintaining price stability. During this period, monetary policy aimed at ensuring adequate measures for complementing recovery process of the economy and inflation targets. As a result of policy initiatives taken by the government of Bangladesh and Bangladesh Bank, economy witnessed a strong recovery track during the first three quarters of FY21. However, due to increased rate of Coronavirus infection and associated containment measures, the recovery process became weaker in the last quarter. While the country was dealing with the first wave of the pandemic, Bangladesh Bank reduced repo rate by 50 basis points to 4.75% in July 2020 from 5.25%. Meanwhile, CRR on bi-weekly average and daily basis were kept unchanged at 4.00% and 3.50%, respectively in FY21. Due to BB's expansionary and accommodative monetary policy stance, broad money (M2) growth accelerated in FY21 to 13.61% from 12.66% in FY20 but remained slightly short of the FY21 monetary policy programmed ceiling of 15.00%.

Domestic credit grew by 10.32%, lower than the targeted growth of 17.38% for FY21 and even lower than the actual growth of 13.66% in FY20, mainly caused by the substantial decrease of credit flow to both the public and private sectors from the banking system because of the pandemic situation of COVID-19. Private sector credit grew by 8.37% in FY21, much lower than the targeted growth of 14.80% for FY21 and actual growth of 8.61% in FY20. However, the lower growth in credit to private sector might be attributed from the uncertainties created by COVID-19 along with banks' adherence towards quality credit.

Reserve Money (RM) grew by 22.41%, higher than the programmed growth of 13.50% for FY21, and much higher than the actual growth of 15.67% recorded in FY20. Reserve money growth exceeded the programmed level mainly because of higher growth of net foreign assets (NFA) than targeted growth.

At the end of FY21, the weighted average interest rate on bank advances decreased to 7.33% from 7.95% in FY20. The weighted average interest rate on deposits decreased to 4.13% at the end of FY21 from 5.06% at the end of FY20. According to Export Promotion Bureau (EPB) data, FY21 export earnings increased by 15.10%, while in the preceding year export earnings shrank by 16.90%. Import (f.o.b) increased by 19.7% in FY21 against 8.60% decline in FY20. Import as percentage of GDP stood at 14.60% in FY21, while it was 13.60% in FY20.

## Review of Business

### Principal activities of the Bank:

The principal activities of the Bank are to provide wide range of financial products (loans and deposits) and services that includes all kinds of Conventional and Islamic banking services to its customers. It offers commercial banking, consumer banking, trade services, cash management, treasury, cottage micro small and medium enterprises (CMSMEs), retail, debit/credit cards services and clearing services to its customers. These activities are conducted through its Branches, Sub- branches, Agent Banking Centers (ABCs), Collection Booths and Alternative Delivery Channels (ATM booths, Internet Banking, Debit/Credit/Prepaid Cards, etc.) across the country. MDB digital banking service is the Bank's flagship product to provide internet based banking solutions. MDB online banking facilities like fund transfer to utility bills payment, buying air tickets, paying bills of mobile phones, credit cards, and insurance premiums and then tracking of accounts and even shopping from over 200 retailers. MDB digital banking service is integrated with bKash, ROCKET and NAGAD payment system as well. The Bank also provides Off-shore banking services through its Off-shore Banking Unit (OBU) and Islami banking services through its Islamic Banking Window (MDB Saalam).

### 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 & Fee based income).
- ❖ Maintain adequate level of liquidity by minimizing Asset-Liability mismatch.
- ❖ Increase inward remittance through expansion of domestic networks for the beneficiaries through strategic alliances and introducing new products to attract NRB customers.
- ❖ Extend banking services to un-banked and under banked people for inclusive growth.
- ❖ Improve IT infrastructures for developing new IT based products and services.
- ❖ Maintain strong capital base and strengthen Internal Capital Adequacy Assessment Process (ICAAP) by accelerating borrowers' rating and concentrating on lending portfolio having lower capital charge.
- ❖ Improve human resources management system to motivate and retain the workforce and transform into human assets through appropriate and extensive training and learning culture.
- ❖ Strengthen internal control & compliance and monitoring thereon.
- ❖ Introduce in-depth research for developing brand strategy to create an optimum brand value.
- ❖ Control of cost 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 2021, the number of branches stood at 35 (16 Urban and 19 Rural), 13 Sub Branches, 51 ATMs, 100 Agent Banking Centers (ABCs) and 7 Bill Collection Booths covering commercially important locations across the country. The Management foresees to open another 2 Urban Branches, 2 Rural Branches, 5 Sub-Branches, and 100 Agent Banking Centers under the Agent banking license in the forthcoming year 2022.

### Islami Banking Window (MDB Saalam)

The Bank obtained permission for Islami Banking Windows (IBW) from Bangladesh Bank. Islami banking windows (MDB Saalam) after getting approval from Bangladesh Bank launched on 23 April 2020. The Bank is operating its Islami banking under one window in Gulshan Branch, Dhaka. Through the IBW, the Bank extends all types of Islami shariah compliant finances like lease, hire purchase shirkatul melk (HPSM), bai muazzal, household scheme, etc. and different types of deposits like mudaraba/manarah savings deposits, mudaraba/manarah term deposits, al-wadeeah current deposits, monthly/quarterly profit paying scheme, etc. Separate financial statements of Islami banking window are shown in Annexures G.

## Off-shore Banking Unit (OBU)

Off-shore Banking Unit (OBU) after getting approval from Bangladesh Bank launched its operation on 20 June 2020. It is a separate business unit of the Bank, operates its business through a separate counter at Head Office, as governed under the rules and guidelines vide Bangladesh Bank's letter reference no. BRPD (P 3) 744 (101)/2010-4129 dated 10 November 2009 and a Policy for Off-shore banking operation issued by Bangladesh Bank through BRPD circular no. 02 dated 25 February 2019 and BRPD circular letter no. 09 dated 27 May 2019. It gives loans (on and off-balance sheet exposures) and takes deposits in freely convertible foreign currencies to and from person/institution not resident in Bangladesh and Type-A (wholly foreign owned) units in EPZs in Bangladesh. It also gives long term loans to industrial units outside EPZs and Type-B and Type-C industrial units within the EPZs subject to compliance by the industrial units with the guidelines of Bangladesh Investment Development Authority (BIDA) and Bangladesh Bank. Besides, this unit provides bill discounting/financing facilities accepted by Authorised Dealer (AD) in Bangladesh against usance LCs in accordance with Bangladesh Bank (BB) guidelines. Separate financial statements of Off-shore banking unit have been disclosed in Annexures H.

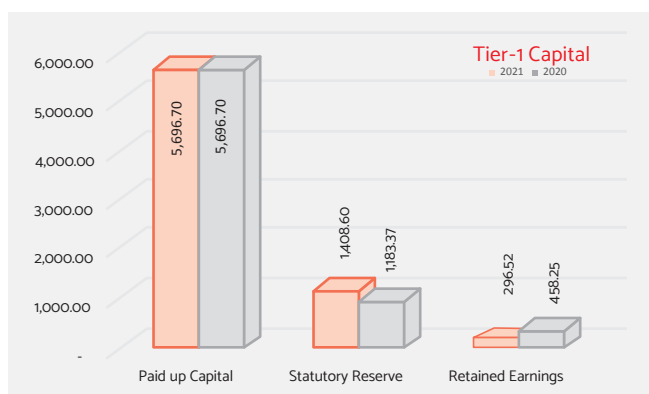
## Capital Strength (Capital to Risk Weighted Assets Ratio-CRAR)

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 7,404 million at the end of 2021 from BDT 7,614 million in 2020. The Capital to Risk Weighted Assets of the Bank increased to BDT 51,240 million in 2021 from BDT 45,800 million in 2020. As a result, Capital to Risk Weighted Assets Ratio (CRAR) reported to 15.87% in 2021, against regulatory requirement of 12.50% under Basel-iii regime including 2.50% capital buffer.

The following table represents the Tier-1 capital (core capital) and Tier-2 (supplementary capital) of the Bank as per BASEL-III Capital Accord.

### Core Capital (Tier- 1)

Particulars	in BDT Million		% of Growth in 2021 over 2020
	December 2021	December 2020	
Paid-up Capital	5,696.70	5,696.70	0.00%
Statutory Reserve	1,408.60	1,183.36	19.03%
Retained Earnings	296.52	458.25	(35.29%)
Intangible Assets	(22.00)	(25.15)	(12.52%)
<b>Sub-Total (A)</b>	<b>7,379.82</b>	<b>7,313.16</b>	<b>0.91%</b>

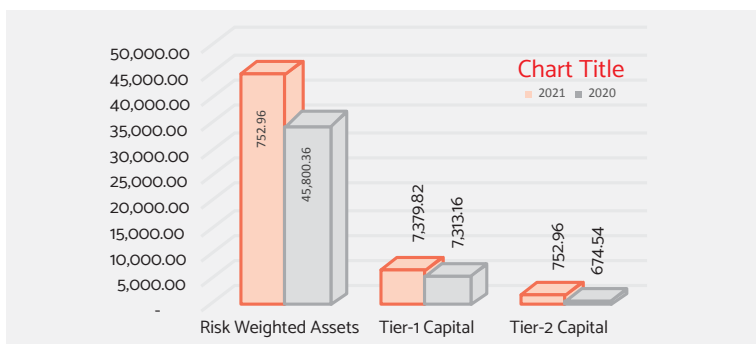


### Supplementary Capital (Tier- 2)

Particulars	in BDT Million		% of Growth in 2021 over 2020
	December 2021	December 2020	
General Provision	752.96	674.54	11.62%
Securities Revaluation Reserve	-	-	-
<b>Sub-Total (B)</b>	<b>752.96</b>	<b>674.54</b>	<b>11.62%</b>
<b>Sub-Total (A)</b>	<b>8,132.78</b>	<b>7,987.70</b>	<b>1.82%</b>

## Capital to Risk Weighted Assets Ratio (CRAR)

Particulars	in BDT Million		% of Growth in 2021 over 20 20
	December 2021	December 2020	
Total Risk Weighted Assets	51,240	45,800	11.88%
Tier-I (Core) Capital Ratio	14.40%	15.97%	(1.57%)
Tier-II (Supplementary) Capital Ratio	1.47%	1.47%	(0.00%)
Capital to Risk Weighted Asset Ratio (CRAR) (Minimum Requirement is 12.50%)	<b>15.87%</b>	<b>17.44%</b>	<b>(1.57%)</b>



## Financial Performance of MDB

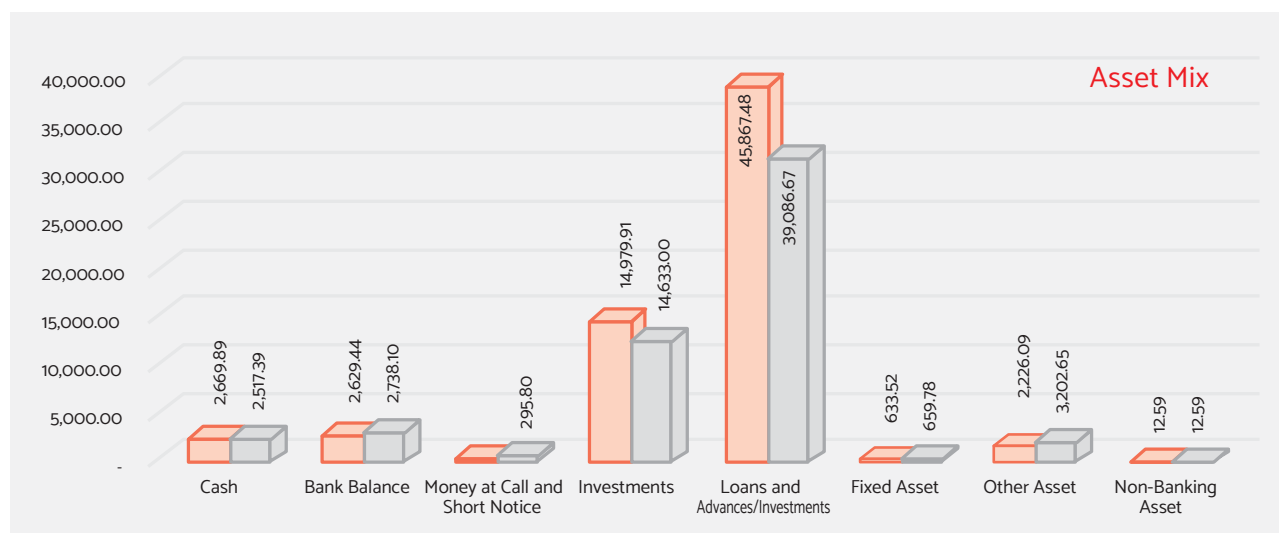
### ❖ Balance Sheet

Particulars	in BDT Million		% of Growth in 2021 over 20 20
	December 2021	December 2020	
Cash and Bank Balances	5,299.33	5,551.29	(4.54%)
Investments	14,979.91	14,633.00	2.37%
Loans & Advances	45,867.48	39,086.67	17.35%
Fixed Assets	633.52	659.78	(3.98%)
Other Assets	2,226.09	3,202.65	(30.49%)
Non-banking Assets	12.58	12.58	0.00%
<b>Total Assets</b>	<b>69,018.91</b>	<b>63,145.97</b>	<b>9.30%</b>
Borrowings from other Banks, Financial Institutes and Agents	5,949.30	6,074.71	(2.06%)
Deposits and Other Accounts	50,730.04	45,067.57	12.56%
Other Liabilities	4,935.31	4,389.72	12.43%
Capital/Shareholders' Equity	7,404.26	7,613.97	(2.75%)
<b>Total Liabilities</b>	<b>69,018.91</b>	<b>63,145.97</b>	<b>9.30%</b>

### ❖ Assets

Total Assets of the Bank stood at BDT 69,018.91 million in 2021 compared to BDT 63,145.97 million in 2020, i.e., growth up by 9.30% over 2020. During the year 2021, Loans & Advances growth was 17.35% and Investment in Govt. Treasury bills/bonds and others increased by 2.37% over the previous year 2020. Fixed assets decreased by 3.98% over 2020, due to amortisation of fixed assets and no remarkable assets were procured during the reporting year.

On the other hand, the growth of deposits was at 12.56%, but shareholders' equity declined by 2.75% over 2020, due to increase of corporate tax liability since core business income increased during the year. The flow in assets was evident in the increase of Loans and Advances, 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 and SLR purpose with Bangladesh Bank in accordance with Bangladesh Bank guideline.



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

#### ❖ Cash in hand

Cash in hand balance stood at BDT 2,669.89 million in 2021 compared to BDT 2,517 million in 2020, i.e., 6.06% growth over 2020.

#### ❖ Balance with other Banks, Financial Institutions and Its Agents

The aggregate position of cash at Banks and NBFIs, including call money was BDT 2,629.44 million in 2021, compared to BDT 3,033.90 million in 2020, i.e., 13.33% behind over 2020, due to encashment of matured placement fund with other Banks and NBFIs for keeping ADR and wholesale borrowing limit in line with regulatory guideline.

#### ❖ Investments

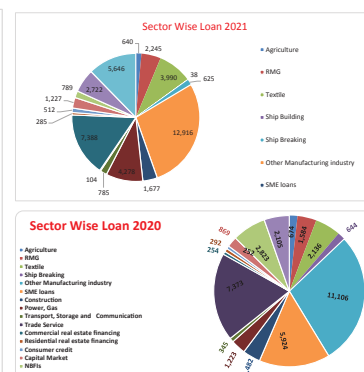
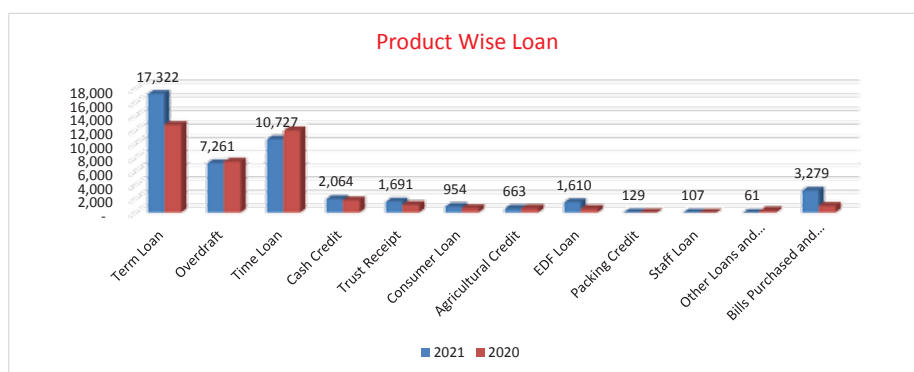
During the year ended on December 31, 2021, the investment increased by 2.37% to BDT 14,979.91 million in 2021 from BDT 14,633 million in 2020. Bank's investment comprises of government securities of BDT 12,361.07 million and others investment of BDT 2,618.84 million (investment in debenture, corporate bond, etc.). Investment in government securities decreased by BDT 1,191.55 million over 2020, due to encashment of Treasury bills/bonds during the year.

#### ❖ Loans and Advances

Loans and Advances was at BDT 45,867.48 million in 2021 compared to BDT 39,086.67 million in 2020, i.e. representing a growth up by 17.35% year-on-year basis. Yield on loans and advances decreased to 7.69% in 2021 from 9.04% in 2020, due to decrease the lending rate in single digit, i.e. @ 9% effective from April 2020, as well as increasing NPL during the year. Non-performing Loans (NPLs) increased to BDT 1455.00 million in 2021 from BDT 453 million in 2020, i.e., NPLs ratio increased to 3.17% in 2021 from 1.16% in 2020.

Concentration of loans and advances was well diversified details of which are explained in the financial statements (note # 07). Strategic focus on no-compromise with asset quality from the onset of our journey has been pursued in every standard of credit management. Based on contractual maturity terms 63.26% of the current loan portfolio will be matured less than one year, 33.53% will be matured more than one year, but less than 5 years and rest 3.21% will be matured more than 5 years (note # 7.04). Bank's Advance to Deposit Ratio (ADR) at the end of 2021 increased to 83.54% from 82.01% in 2020, marking an efficient mobilization of fund and equity in the most liquid banking industry in Bangladesh during the reporting period.





#### ❖ Fixed Assets and Other Assets

The aggregate amount of written down value of fixed assets of the Bank stood at BDT 633.52 million in 2021, compared to BDT 659.78 million in 2020 (note # 8), demonstrating negative growth of 3.98%, due to amortization of assets, as well as no significant fixed assets procured during the reporting year. On the other hand, other assets comprises of advance income tax, advance office rent, accrued interest on investment, etc., amounted to BDT 2,226.09 million in 2021, compared to BDT 3,202.65 million in 2020 (note # 9B), showing declined of 30.49% over 2020.

#### ❖ Non-Banking Assets

The Bank filed 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 MDB 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 on 31 December 2016. The honorable court also order to charge unapplied interest until full 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 full loan amount of BDT 12.56 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 (note # 10). As per Bangladesh Bank Guideline, 100% provision has been maintained against this asset during 2021.

#### ❖ Total liabilities other than shareholders' equity

Total liabilities excluding shareholders' equity of the Bank registered growth of 10.95% with a total volume of BDT 61,614.65 million in 2021 against BDT 55,532 million in 2020. Core Deposits of the Bank increased by 12.56% to BDT 50,730.04 million in 2021 from BDT 45,067.57 million in 2020.

#### ❖ 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, 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. During the year 2021, Borrowings of the Bank decreased by 2.06% to BDT 5,949.30 million in 2021 from BDT 6,074.71 million in 2020 (note # 11).

#### ❖ Deposits

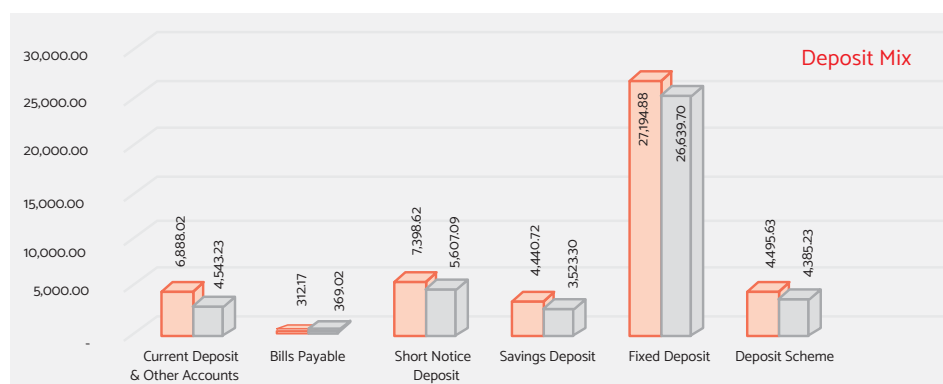
Customer Deposits are core source of funding for commercial Banks. To scout the new customers, it was really challenging, being a fourth generation Bank in the industry. However, we were able to manage efficient mobilization of deposit mix. The success was well supported by expansion of Branch Network, ATM Booths, Agent Banking Centers (ABCs), Collection Centers, Central Liabilities Team, Islami Banking Services through all of our Branch Networks and introduction of various rewarding deposit products, competitive interest rates and excellent customer services. Business promotion continued through liability campaign carried out by Retail and Institutional 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 50,730.04 million in 2021 with a growth of 12.56% compared to BDT 45,067.57 million in 2020 (note # 12). Cost of deposit and cost of fund stood at 4.17% and 5.69% in 2021, respectively as against 6.14% and 7.77% in 2020, respectively. 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 2021, MDB's deposit blend was stable with No-cost and Low- cost Deposits was at 37.53% of total Deposits, Fixed Deposits to total Deposits was at 53.61% and Scheme Deposits to total Deposits was at 8.86%. A wide range of liability products are now available at MDB to meet variant needs of deposit clients of which are:

Deposit Mix	Outstanding Amount (in BDT Million)		% of Growth in 2021 over 20 20	Deposit Mix (%)	
	2021	2020		2021	2020
Current Deposits	6,888.02	4,543.23	51.61%	13.58%	10.08%
Bills Payables	312.17	369.02	-15.41%	0.62%	0.82%
Short Notice Deposits	7,398.62	5,607.09	31.95%	14.58%	12.44%
Saving Deposits	4,440.72	3,523.30	26.04%	8.75%	7.82%
Fixed Deposits	27,194.88	26,639.70	2.08%	53.61%	59.11%
Scheme Deposits	4,495.63	4,385.23	2.52%	8.86%	9.73%
<b>Total Deposits</b>	<b>50,730.04</b>	<b>45,067.57</b>	<b>12.56%</b>	<b>100.00%</b>	<b>100.00%</b>



## ❖ Equity

The shareholders' equity stood at BDT 7,404.26 million in 2021 compared to BDT 7,613.97 million in 2020, i.e., 2.75% behind of 2020. Statutory reserve was up by BDT 225.23 million to BDT 1,408.60 million in 2021 against BDT 1,183.37 million in 2020, i.e., 19.03% up over 2020, while retained earnings decreased by BDT 161.73 million to BDT 296.52 million in 2021, as against BDT 458.25 million in 2020, i.e., 35.29% behind of 2020, due to increase of corporate tax liability since core business income increased during the year, as well as increasing specific provision for classified a large loan customer A/C: Sinha Spinning was classified as DF, but we have more than 100% collateral coverage and we are expecting to fully realised outstanding loan amount by sell out of its collateral securities (54 lacs of shares of Lafarge Holcim Bangladesh).

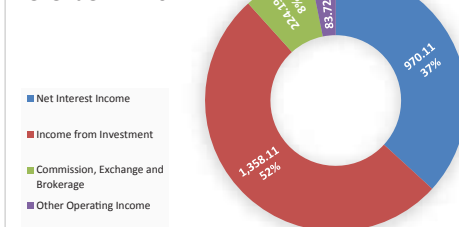
## Income Statements

### ❖ Operating profit and Net profit after tax

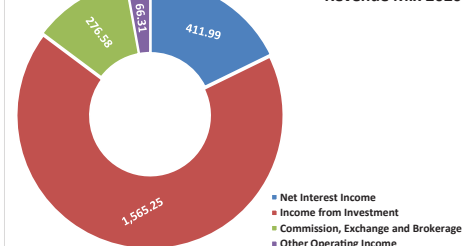
The Bank registered operating profit before tax and provision of loans BDT 1,570.90 million in 2021 against BDT 1,217.83 million in 2020, representing growth up by 28.99% over 2020. On the other hand, net profit after tax decreased by 21.69% to BDT 514.02 million in 2021 from BDT 656.36 million in 2020. due to increase of corporate tax liability since core business income increased during the year, as well as increasing specific provision for classified loans and advances. As a result, EPS stood at BDT 0.90 from BDT 1.15 in 2020 and corresponding ROA during the period declined to 0.78% in 2021 from 1.13% in 2020 and ROE also decreased to 6.81% from 8.96% in 2020. Besides NAV per share stood at BDT 13.00 against 13.37 in 2020. Details of net profit after tax given as under:

Particulars	BDT in Million		% of Growth in 2021 over 2020
	2021	2020	
Interest income	3,232.76	3,160.18	2.30%
Interest paid	(2,262.66)	(2,748.19)	(17.67%)
<b>Net interest income</b>	<b>970.10</b>	<b>411.99</b>	<b>135.47%</b>
Investment income from Dividend	1,358.11	1,565.25	(13.23%)
Commission, fees and brokerage, etc.	224.19	276.58	(18.94%)
Other operating income	83.72	66.31	26.26%
<b>Net operating income</b>	<b>2,636.12</b>	<b>2,320.13</b>	<b>13.62%</b>
Operating expenses	(1,065.22)	(1,102.30)	(3.36%)
<b>Net operating profit before provision and tax</b>	<b>1,570.90</b>	<b>1,217.83</b>	<b>28.99%</b>
Provision on Loans and Advances	(444.74)	(257.86)	72.47%
<b>Net Profit before tax</b>	<b>1,126.17</b>	<b>959.97</b>	<b>17.31%</b>
Provision for corporate tax	(612.15)	(303.61)	101.62%
<b>Net Profit after tax</b>	<b>514.02</b>	<b>656.36</b>	<b>-21.69%</b>
Earnings per share (EPS)	0.90	1.16	(21.69%)

Revenue Mix 2021



Revenue Mix 2020



#### ❖ Net Interest Income

The interest income on loans and advances increased by BDT 72.58 million to BDT 3,232.76 million in 2021 against BDT 3,160.18 million in 2020, i.e., 2.30% growth up over 2020, due to increase of interest spread of 63 basis points over 2020, as well as increasing the Loans portfolios by BDT 6,780.81 million during the financial year.

On the other hand, interest paid on deposit & borrowings decreased by BDT 485.53 million to BDT 2,262.66 million from BDT 2,748.19 million in 2020, i.e., reduced by 17.67% over 2020, due to reduction of cost of deposit by 1.97% over 2020, despite our deposit & borrowings increased by BDT 5,537.06 million over 2020. As a result, net interest income increased by BDT 558.11 million to BDT 970.10 million in 2021 from BDT 411.99 million in 2020, i.e., growth up by 135.47% over 2020.

#### ❖ Operating Expenses

Operating expenses of the Bank decreased by BDT 37.28 million to BDT 1,065.22 million in 2021 compared from BDT 1,102.30 million in 2020, i.e., decreased by 3.36% over 2020, due to strictly control the cost to face the Covid-19 pandemic, since increasing the branch networks and expansion of business activities during the year.

By and large, Bank's administrative expenses remained steady during 2021 and other operational cost also kept in control during reporting period. However, a prudent management of expenses and cost-control are our relentless concern and we put in practice of our commitment to fair expenses in all banking operations under a strong accounts and auditing system.

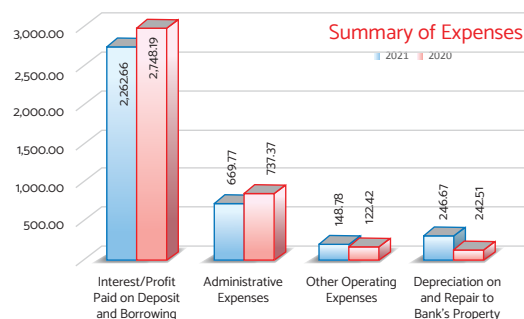
#### ❖ HR Productivity

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

Particulars	2021	2020	% of Growth in 2021 over 2020
Number of regular employee (excluding contractual employees in 2021 and 2020 were 225 and 202, respectively)	486	454	7.05%
in BDT Million			
Operating income per employee	5.42	5.11	6.07%
Operating expenses per employee	2.19	2.43	(9.88%)
Operating profit before provision and tax per employee	3.23	2.68	20.52%
Net profit after tax per employee	1.06	1.45	(26.90%)

#### ❖ General provision against Unclassified Loans (UCL)

General provision against UCLs (Standard & SMA) was BDT 643.11 million in 2021 against BDT 589.64 million in 2020 (note # 13.01). General provision increased by 53.47 million over the last same corresponding year, due to increase of loans portfolio to BDT 45,867.48 million in 2021 from BDT 39,086.67 million in 2020, as well as released of general provision for classification of a large loan A/C: Sinha Spinning as DF during the year. The Bank also maintained general provision against off-balance sheet exposures of BDT 109.85 million in 2021, compared to BDT 84.90 million in 2020 (note # 13.03) 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 2021, Bank's specific provision increased by BDT 260.14 million to BDT 454.69 million compared to BDT 194.56 million in 2020, due to classified some default accounts including a large loan a/c, so that NPL ratio increased to 3.17% in 2021 from 1.16% in 2020 (note # 13.01).

#### ❖ Provision for investment in Shares/Debentures:

General provision against investment in Shares/Debentures was BDT 133.71 million in 2021 compared to BDT 68.11 million in 2020. The provision increased by 65.60 million over the last same corresponding period, due to increases the overdue of treasury investment during the year, as such additional provision has been kept as a matter of regulatory compliance.

#### ❖ Special general provision COVID-19 against Unclassified Loans (UCL)

In order to strengthen the financial base and increasing shock absorbing capacity of Banks, BB instructed to keep 1.00% to 2.00% Special General Provision COVID-19 on all unclassified loans including SMA loans. As of December 2021, it was stood at BDT 186.29 million against BDT 160.09 million in 2020. This provisioning amount has to be kept in a separate head in the Balance Sheet and cannot be transferred to income account until further instruction issue by BB in this regard (note # 13.02).

#### ❖ Net profit after tax:

As per Income Tax Ordinance 1984 and Finance Act 2021, the Bank has to made adequate provision of current tax and deferred tax. As such, we have made a provision of BDT 612.15 million in 2021 against BDT 303.61 million in 2020. After making appropriate provision of tax, net profit after tax stood at BDT 514.02 million in 2021, compared to BDT 656.36 million in 2020, representing 21.69% declined over 2020. The significant growth in net profit after tax during the period is largely due to increase the volume of taxable core business income as well as increasing specific provisioning requirement of BDT 181.19 million for the accounts classified.

#### ❖ 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 has kept adequate statutory reserve as guided by Bank Company Act and the accumulated amount of statutory reserve at the end of 2021 stood at BDT 1,408.60 million, compared to BDT 1,183.37 million in 2020, i.e., increased by BDT 225.23 million, or 19.03% growth over 2020.

#### ❖ Key Financial Ratios of the Bank:

Particulars	in BDT Million	
	2021	2020
ROE -Return on average equity	6.85%	8.96%
ROA -Return on average assets	0.78%	1.13%
Cost to income ratio	40.41%	47.51%
Capital to Risk Weighted Assets Ratio (CRAR)	15.87%	17.44%
Advance Deposit Ratio (AD Ratio)	83.62%	82.01%
Non -Perform ing Loans (NPLs) Ratio	3.17%	1.16%
Earnings per share (EPS) in BDT	0.90	1.15
Net Asset Value per Share (NAV) in BDT	13.00	13.37

### ❖ Appropriation of Profit

Profit after tax (PAT) stood at BDT 514.02 million at the end of 2021, compared to BDT 656.36 million in 2020. Profit available for distribution among the shareholders is BDT 296.12 million after a mandatory transfer to statutory reserve of BDT 225.23 million, i.e., 20% on profit before tax, BDT 5.00 million for Corporate Social Responsibility (CSR) and BDT 5.14 million for Startup Fund, i.e., 1% of net profit after tax. The Board of Directors in its 122nd meeting held on April 24, 2021 recommended 5.00% cash dividend for the financial year 2021 which will be reviewed and approved by the shareholders in its next 9th Annual General Meeting (AGM).

### ❖ Summary of appropriation of profit

Particulars	in BDT Million		% of Growth in 2021 over 2020
	2021	2020	
Profit after tax (PAT)	514.02	656.36	(21.69%)
Retained earnings brought forward from previous year	17.87	6.38	180.09%
<b>To be appropriated</b>	<b>531.89</b>	<b>662.74</b>	<b>(19.74%)</b>
Transfer to statutory reserve	(225.23)	(191.99)	17.31%
Transfer to CSR	(5.00)	(19.06)	(73.77%)
Transfer to Startup Fund	(5.14)	(6.56)	(21.65%)
<b>Distributable profit for the financial year 2021</b>	<b>296.52</b>	<b>445.13</b>	<b>-33.08%</b>
Paid up capital	5,696.70	5,696.70	0.00%
Dividend Payout Ratio ( 7.50% cash dividend paid for the FY 2020)	5.20%	7.81%	-2.59%

## 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.

## 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 (Fifteen) Nostro Accounts in four major international currencies and ACU currency and 101 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).

Credit, Green Marketing, E-Signatures, Solar Use, Bio-Gas, afforestation.

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.

### Money laundering and Terrorist Financing

Money Laundering (ML) and Terrorist Financing (TF) are global phenomena, apparent in almost every part of the world. ML and TF are components of terrorist activity which threatens a country's financial sector reputation as well as its national security. Emerging sophisticated techniques of moving illicit money have compelled financial intermediaries including MDB to make compliance programs more rigorous. To stave off the risk of financial crime, MDB focused on training of 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.

### Maturity Analysis

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	32,796	22,556	5,790	61,142
Non-interest earning assets	4,904	1,311	1,662	7,877
<b>Total assets</b>	<b>37,700</b>	<b>23,867</b>	<b>7,452</b>	<b>69,019</b>
Interest bearing liabilities	35,557	18,417	771	54,744
Non-Interest bearing liabilities	2,091	1,706	3,072	6,869
<b>Total liabilities</b>	<b>37,648</b>	<b>20,122</b>	<b>3,842</b>	<b>61,613</b>
<b>Maturity Gap</b>	<b>51</b>	<b>3,745</b>	<b>3,610</b>	<b>7,406</b>

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

### Green Banking

Green Banking 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 Kiln, 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

### Corporate Social Responsibility (CSR)

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 Midland Bank donated to Father of the Nation Bangabandhu Sheikh Mujibur Rahman Memorial Trust for establishing Bangabandhu Corner, Bangabandhu Chair and for Celebrating of Mujib Barsha. Considering the pandemic situation, the Bank donated to Prime Minister's Relief Fund for sourcing/procurement of Personal Protective Equipment (PPE), Coronavirus Testing Kit and Respiratory equipment supplying for health care purpose. Considering flood, Bank donated to "Prime Minister's Relief Fund" for flood affected people of the country for emergency healthcare. Bank also distribute bicycles among the female school going students in the country and also distribute of Blankets among the

winter affected poor peoples in the rural area of the country. The Bank conducted various CSR activities during the year 2021 (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 2021 (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 the Board, Executive Committee, Risk Management Committee and Audit Committee as per regulatory guidelines are shown in note # 31. The Managing Director & CEO was paid salaries and allowances as per approval of the Board of Directors as well as Bangladesh Bank are shown in note # 26.01.

### Accounting Records

The Directors of the Bank are accountable for maintaining adequate accounting records and effective system of risk management as well as preparation of financial statements including relevant schedules as per regulation. 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 IFRS/IAS

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, International Financial Reporting Standards (IFRS)/ International Accounting Standards (IAS) and in the manner as required by the Company Act, 1994. The Directors are also responsible for designing, implementing and maintaining internal control relevant to preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in this context.

### Internal Control

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

### Standard Reporting

The financial statements have been prepared in accordance with Bangladesh Bank guidelines, International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) 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 International Accounting Standards (IAS-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. IAS-1 requires Management to make an assessment of an entity's ability to continue as a going concern. If Management has significant concerns about the entity's ability to continue as a going concern, the uncertainties must be disclosed. If Management concludes that the entity is not a going concern, it means that assets will be recognized at amount which is expected to be realized from its sale rather than from its continuing use in the ordinary course of business. Assets are valued for their individual worth rather than their value as a combined unit. Liabilities shall be recognized at amounts that are likely to be settled.

### Internal Control Environment

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

### Supplier Payment Policy

The Bank has developed and implemented a set of vendor's payment policy in its procurement policy and procedures duly approved by the Board of Directors. Before processing any payment, 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 2021. During the year, earning per share (EPS) stood at BDT 0.90 against BDT 1.15 in 2020, Return on Equity (ROE) at 6.85% against 8.96% in 2020, Return on Average Assets (ROA) stood at 0.78%, against 1.13% in 2020 and Net Assets Value per share (NAV) stood at BDT 13.00 compared to BDT 13.37 in 2020.

### 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 2021, a total 13 meetings of the Board of Directors were held.

### Appointment of Auditors

A Qasem & Co., Chartered Accountants had conducted the audit of the Bank for the financial year 2021. They have completed 3rd term (three years). As such, they are not eligible for re-appointment for conducting audit for the FY 2022 as per guidelines set Bangladesh Bank. The Board of Directors in its 122<sup>nd</sup> meeting held on April 24, 2022 recommended to appoint Hoda Vasi Chowdhury & Co., Chartered Accountants as external auditors of the Bank for conducting the audit of the Bank for the financial year 2022. Shareholders of the Bank may approve the appointment of Hoda Vasi Chowdhury & Co., Chartered Accountants in its 9<sup>th</sup> AGM to conduct the audit of the Bank for the FY 2022.

### Annual General Meeting (AGM)

The schedule of 9<sup>th</sup> 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 122<sup>nd</sup> meeting held on April 24, 2022 to be placed before the shareholders of the Bank in the 9<sup>th</sup> AGM for review and approval.

### Outlook of Financial Year 2022

The Management of MDB is conscious of the aftermath of the effect of withdrawal of policy of deferral of further classification if the clients pay 15% of their dues which was ended on December 31, 2021 and single digit interest rate capping effective from 1st April 2020. In this respect, management will operate in a compliant manner as usual taking the prudent guidance of the Honourable Board of Directors to address the situations after December 31, 2021. However, MDB has gained resilience to absorb any sudden shock of deposit outflow by huge improvement in the deposit mix. At present, 54.44% of total deposit consists of individual deposits, retail and small deposits base. Back in 2013, the nine fourth generation Banks initially offered long term loans and advances from short term deposits that they acquired. This approach however



caused stress in one new generation Bank that failed to maintain liquidity when irregularities came to surface and eventually had to be reconstituted through government intervention. It is our immense pleasure that MDB has come through the phases by strengthening and diversifying its deposit mix and enhancing corporate governance and maintaining rigorous compliance.

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 2022.

### Acknowledgements

I would like to draw conclusion by expressing my debt of gratitude on behalf of my colleagues of the Board to all our stakeholders, patrons, business partners and our most valued clienteles as without their support and patronization as well inspiration it would not have been possible for us to make progress/headway whatever extent we have attained so forth. In the same breath, 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 precious guidelines, advice and relentless support. 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 virtue of the dedicated effort of our professional management team we will surely succeed to reach our cherished destination that is to turn Midland Bank into the one of the finest financial institutions with resilient financial footing with sound fundamentals.

On behalf of the Board of Directors



**Nilufer Zafarullah**  
Chairman