

Directors' Report



Directors' Report

Dear Stakeholders,

The Board of Directors welcome you all in the 11th 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, 2023. In this report, we have endeavored to give highlights of the global economy along with how we experienced the swings on our domestic economic frontier.

Global Economy 2023

The global economy continues to confront the challenges of persistent inflation and subdued growth prospects. GDP growth has been stronger than expected so far in 2023, but is now moderating as the impact of tighter financial conditions, weak trade growth and lower business and consumer confidence is increasingly felt. Financial conditions are restrictive, with forward-looking real interest rates having generally risen further in recent months. Activity has slowed in interest-sensitive sectors, particularly housing markets, and in economies reliant on bank-based finance, especially in Europe. Heightened geopolitical tensions are also again adding to uncertainty about the near-term outlook. Headline inflation has fallen in almost all economies, easing pressures on household incomes, but core inflation remains relatively high.

Global GDP growth is projected to ease to 2.70% in 2024, from 2.90% this year, before edging up to 3.00% in 2025 as real income growth recovers and policy interest rates start to be lowered. A growing divergence across economies is expected to persist in the near term, with growth in the emerging-market economies generally holding up better than in the advanced economies, and growth in Europe being relatively subdued compared to that in North America and the major Asian economies. Annual consumer price inflation in the G20 economies is projected to continue easing gradually as cost pressures moderate, declining to 5.80% and 3.80% in 2024 and 2025 respectively, from 6.20% in 2023. By 2025, inflation is projected to be back on target in most major economies.

Risks to the near-term global outlook remain tilted to the downside. Heightened geopolitical tensions due to the conflict of Israel and Hamas are a key near-term concern, particularly if the conflict were to broaden. This could result in significant disruptions to energy markets and major trade routes, and additional risk repricing in financial markets, that would slow growth and add to inflation. Headwinds from rising trade restrictions, inward-looking policies and the restructuring of global value chains are also contributing to the uncertain outlook for global trade, which is a key concern given the importance of trade for productivity and development. Continuing cost pressures, renewed rises in energy and food prices, or signs of an upward drift in inflation expectations could compel central banks to keep policy rates higher for longer than expected, potentially generating additional stress in financial markets. Conversely, the impact of higher interest rates and tighter

credit standards could prove stronger than anticipated, leading to a more severe slowdown in spending, rising unemployment and higher bankruptcies. Tighter-than-expected global financial conditions would also intensify financial vulnerabilities, including in emerging-market and developing economies, and add to debt-servicing pressures in lower-income countries. On the upside, the global economy and financial markets have so far proved relatively resilient to the tightening of monetary policy, and inflation could return to target without a marked growth slowdown or a sharp rise in unemployment. A continuation of this pattern would imply better-than-expected growth in 2024 while inflation eases. Growth would also be stronger if households were willing to spend excess savings accumulated during the pandemic, but inflation persistence might also be prolonged.

[Source: OECD Economic Outlook, Volume 2023 Issue 2]

Macroeconomic Situation: Bangladesh Context

Bangladesh's post pandemic recovery faces continued headwinds. Real GDP growth slowed to 5.80% in FY23, down from 7.10% in the previous year. The introduction of a multiple exchange rate regime in September 2022 disincentivised foreign exchange inflows, leading to a financial account deficit.

Executive Summary

This paper briefly presents the macroeconomic trends of Bangladesh since the 1970s. The analyses presented in the paper provide first hand information about the potentials as well as the constraints and challenges for the economy. The macroeconomic fundamentals are as follows:

Real Sector

- ❖ The GDP growth rate of Bangladesh started picking up since the 1990s and over the last 5 (five) years has maintained a growth rate of around 6%. It is recognized that the economy has the potential to grow at an even higher growth rate if the growth constraints such as poor governance, rampant corruption, infrastructure bottlenecks, underdeveloped financial markets and failure to attract FDI are removed.
- ❖ Over time, there has been structural transformation in the economy with a shift from predominantly agriculture-led economy towards industry-led economy; the contribution of agricultural sector to GDP was 38% in early 70s but declined to 21% in 2007-08, while the contribution of industrial sector increased from 15% to 30% during the same period of time.
- ❖ Investment remained stagnated until the 1980s but started picking up since early 1990s, mainly attributable to the openness of economy and the introduction of a liberal policy environment; creating increased opportunities for private investment. The investment-to-GDP ratio during 2006-2008 period stood at around 24% of GDP, but it

should in the neighbourhood of 30% in order for the economy to reach two-digit growth trajectory.

- ❖ About 75% of the population lives in rural areas, out of which 44% live below the poverty line. Therefore, investment in agriculture and rural economy needs to be high on the development agenda.
- ❖ The policy biases in the distribution of public resources have created disparity between the eastern and the western regions of the country. Appropriate policy intervention is needed to correct the imbalance.
- ❖ During the last three years, the national savings grew to 28.6% on an average. The mobilisation of domestic resources and the transforming of national savings into investible surplus are critical for the continued growth of the economy.
- ❖ The inflation for the first time touched double-digit in 2007-08 mainly due to supply shocks arising from substantial increases in the international prices of fuel, fertilizer and food items as well as natural calamities caused by cyclone SIDR and floods. However, in the recent months the inflation rate has come down and in December '08 it stood at 6.03% on point to point basis.

Fiscal Sector

- ❖ Over time, the average Revenue-to-GDP ratio improved gradually and increasing to 10.8% during the 2006-2008 period from 7.5% in 1973-1980 period. However, the Revenue-to-GDP ratio of Bangladesh still remains one of the lowest in the world and even lower compared to that of Nepal.
- ❖ There have been structural changes in the revenue structure replacing pre-dominance on customs duties by income taxes and VAT.
- ❖ As a percent of GDP, public expenditures increased from about 10% in 1972-73 to a peak of about 18% in 1999-00. The ratio declined to 13% in 2003-04 and remained under 14% to 2006-07. In 2007-08, it increased to 16%. The expenditure-to-GDP ratio in Bangladesh lags behind compared to other developing countries, as in the case for the revenue-to-GDP ratio.
- ❖ Over the years, expenditure on subsidies and current transfers, pay and allowances, interest payments and goods and services has increased gradually. However, the rate of increase in expenditure on subsidies and current transfers, interest payments and goods and services is much higher than others particularly from 2005-06 onwards.
- ❖ Over the years, the share of subsidy among different sectors/areas have changed significantly, with increased focus in the area of fertilizer.
- ❖ The fiscal deficit has remained within a tolerable limit. In 2007-08, the budget deficit stood at 4.9% of GDP including BPC liabilities and 3.5% of GDP excluding BPC liabilities.
- ❖ The budget allocation for the social safety net

programmes increased from 8.4% to 16.9% of total budget during 2004-05 to 2008-09.

Monetary and Financial Sector

- ❖ Financial deepening measured by the ratio of broad money to GDP increased steadily from 11.5% in 1973-74 to 46% in 2007-08 implying that the economy is being increasingly monetized.
- ❖ Private sector credit as percent of GDP grew to 35% in 2007-08 compared to only about 3% in 1973-74.
- ❖ The share of private sector credit to total domestic credit increased from 24% in 1973-74 to 74% in 2007-08.
- ❖ Time deposit increased from 40% to 76% from 1973-74 to 2007-08.
- ❖ Market Capitalization of all shares and debentures listed in the Dhaka Stock Exchange stood at 14.6% of GDP by June 2008 compared to 8.7% of GDP at June 2007.

Development of Government Bond Market

Government has initiated reforms in the area of Debt Management since 2005. It has enacted the Bangladesh Government Treasury Bonds (BGTB) Rules, 2003 under which treasury bonds are being marketed on a regular basis. Development of a primary market for buying and selling of government bonds of varying maturity (5 years, 10-year, 15-year and 20-year) to raise funds from the domestic market is one of the significant achievements of these reform initiatives.

External Sector

- ❖ Average export growth increased to around 18% in the 2006-2008 period from 7% in 1981-1985 period.
- ❖ In the total export basket, RMG accounts for 76%, Frozen Food 4%, Jute and Jute Goods 3%, Leather and Leather Goods 2% and others 15%.
- ❖ The import items include capital machinery (36%) and major primary goods (17%).
- ❖ Remittances from expatriate Bangladeshi workers stood at US\$ 7.9 billion in 2007-08 reflecting 32.4% increase over the previous year representing about 10% of GDP.
- ❖ FDI as percent of GDP shows a decreasing trend and stood at 7% during 2007-08.
- ❖ Foreign Exchange Reserve stood at US\$ 5.6 billion as on February 3, 2009.

Recent Global Financial Crisis: Bangladesh Context

The global financial crisis triggered by US subprime mortgage debacle in 2007 severely affected the world economy putting it into a recession. The possible areas that could affect the economy of Bangladesh include exports, remittances and foreign investment. The real impact is however, not visible at this stage. The degree of such impact will depend on how deep and prolonged the recession is.

Challenges and Policy Responses

In order to face the identified challenges, the new government

needs to come up with a set of appropriate policy interventions. The challenges identified and the suggested policy responses are categorized in three groups:

1. Immediate challenges and policy responses
2. Short and mid-term challenges and policy responses
3. Long-term challenges and policy responses

Immediate Challenges and Policy Responses

- ❖ Ensure effective market monitoring, removal of market barriers for key essential commodities.
- ❖ Rationalize and prioritize projects and maximize ADP implementation.
- ❖ Operationalise Agricultural Endowment Fund and Climate Change Fund.
- ❖ Increase domestic revenue mobilization through the expansion of tax-net.
- ❖ Expedite recent initiatives for power generation.
- ❖ Boost up energy sector through Public-Private Partnership (PPP).
- ❖ Diversify exports in terms of both regions and items.
- ❖ Ensure smooth supply of fertilizer at a reasonable price.
- ❖ Ensure food security.
- ❖ Expedite implementation of the 100 days Employment Generation Scheme.
- ❖ Ensure early implementation of ongoing reform programs in Public Financial Management, Insurance Sector, Financial sector and other relevant areas.
- ❖ Expand credit support to SME, IT, Agriculture and rural economy.
- ❖ Check any sort of manipulation in the capital markets.
- ❖ Ensure proper utilization of IT Equity Fund.

Short and Medium-term Challenges and Policy Responses

- ❖ Minimise the losses of and subsidies to SOEs.
- ❖ Maintain a tolerable limit of budget deficit.
- ❖ Maintain stability in the financial markets.
- ❖ Ensure proper policy intervention in terms of resource allocation to mitigate regional disparity, especially modernization of Mongla Port to utilize its full potential.
- ❖ Improve quality of education both at secondary and tertiary level.
- ❖ Establish a Skill Development Foundation to provide training to enhance the skill base of the prospective expatriate workers.
- ❖ Strengthen Bangladesh Bureau of Statistics (BBS) to enhance its capacity to provide real sector data.
- ❖ Widen the coverage of Medium Term Budget Framework (MTBF) to all ministries/ divisions

Long-term Challenges and Policy Responses

- ❖ Ensure good governance to accelerate economic growth.
- ❖ Restructure civil service to ensure a well-balanced ratio of officers and staff within the government.

- ❖ Restructure government institutions to support ongoing reform agenda.
- ❖ Establish venture capital through Public-Private Partnership (PPP) to promote IT sector to realize the vision of Digital Bangladesh.
- ❖ Manage the risks of climate change.
- ❖ Expand communication network particularly railways and water ways.
- ❖ Develop comprehensive land use and land management policy including planned township.
- ❖ Explore natural gas and increase its supply.
- ❖ Reduce regional disparity

[Source: Ministry of Finance, Finance Division, <https://mof.portal.gov.bd>, executive summary]

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 Centres (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, Nagad and Upay 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 PLC. 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 2023, the number of branches stood at 39 (19 Urban and 20 Rural), 19 Sub Branches, 65 ATMs, 127 Agent Banking Centres (ABCs) and 9 Bill Collection Booths covering commercially important locations across the country. The Management foresees to open another 1 Urban Branch, 1 Rural Branch, 10 Sub-Branches, 50 Agent Banking Centres in the coming year 2024.

Islami Banking Window (MDB Saalam)

The Bank obtained permission for two (2) Islami Banking Windows (IBW) from Bangladesh Bank. Islami banking windows (MDB Saalam) after getting approval from Bangladesh Bank was 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 Islamic 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 Islamic banking windows 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, operating 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 of 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.

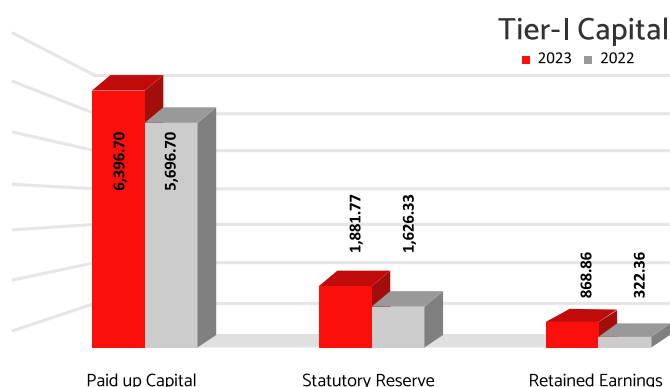
Capital Strength (Capital to Risk Weighted Assets Ratio-CRAR):

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 9,150.66 million at the end of 2023 from BDT 7,646.54 million in 2022. The Capital to Risk Weighted Assets of the Bank reached to BDT 53,122.65 million in 2023 from BDT 55,257.43 million in 2022. As a result, Capital to Risk Weighted Assets Ratio (CRAR) reported to 17.28% in 2023, 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- I)

Particulars	In BDT Million		% of Growth in 2023 over 2022
	December 2023	December 2022	
Paid-up Capital	6,396.70	5,696.70	12.29%
Statutory Reserve	1,881.77	1,626.33	15.71%
Retained Earnings	868.86	322.35	169.54%
Intangible Assets	(52.20)	(14.78)	253.18%
Deferred Tax adjustment	(516.13)	-	100.00%
Sub -Total (A)	8,579.00	7,630.60	12.43%

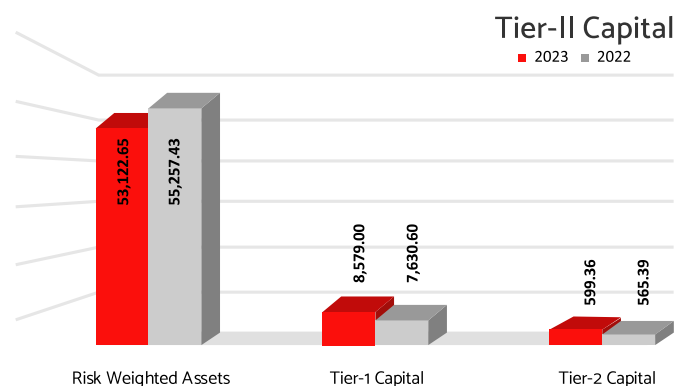


Supplementary Capital (Tier- II)

Particulars	In BDT Million		% of Growth in 2023 over 2022
	December 2023	December 2022	
General Provision	599.36	565.40	6.01%
Securities Revaluation Reserve	-	-	0.00%
Sub -Total (B)	599.36	565.40	6.01%
Total (A+B)	9,178.36	8,196.00	11.99%

Capital to Risk Weighted Assets Ratio (CRAR)

Particulars	In BDT Million		% of Growth in 2023 over 2022
	December 2023	December 2022	
Total Risk Weighted Assets	53,122.65	55,257.43	-3.86%
Tier -I (Core) Capital Ratio	16.15%	13.81%	2.34 %
Tier -II (Supplementary) Capital Ratio	1.13%	1.02%	0.11 %
Capital to Risk Weighted Asset Ratio (CRAR) Minimum Requirement is 12.50%	17.28%	14.83%	2.45 %



FINANCIAL PERFORMANCE OF MDB

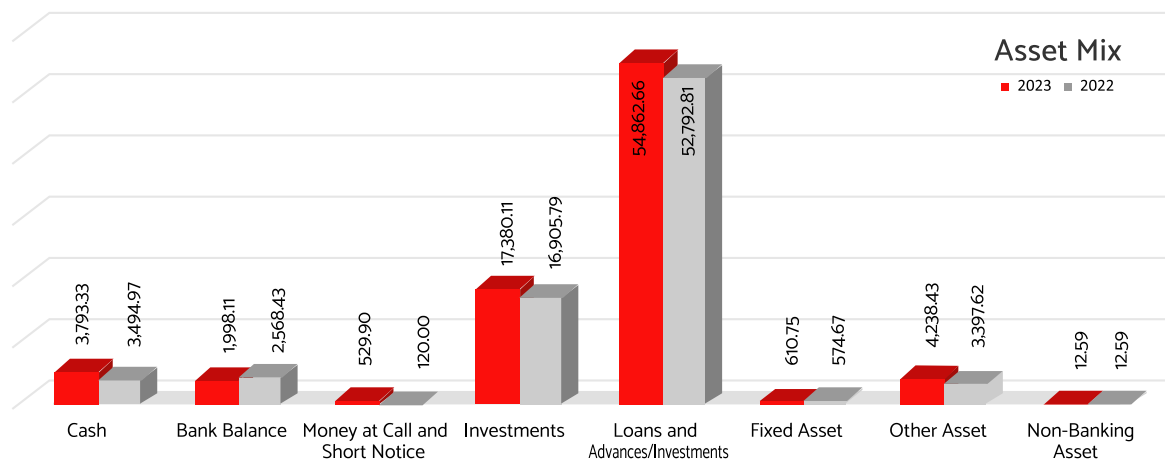
BALANCE SHEET

Particulars	In BDT Million		% of Growth in 2023 over 2022
	December 2023	December 2022	
Cash and Bank Balances	6,321.34	6,183.39	2.23%
Investments	17,380.10	16,905.79	2.81%
Loans & Advances	54,862.66	52,792.81	3.92%
Fixed Assets	610.75	574.67	6.28%
Other Assets	4,238.43	3,397.62	24.75%
Non-banking Assets	12.59	12.59	0.00%
Total Assets	83,425.87	79,866.87	4.46%
Borrowings from other Banks, Financial Institutes and Agents	6,317.17	8,243.23	-23.37%
Deposits and Other Accounts	60,302.72	57,763.01	4.40%
Other Liabilities	7,655.32	6,214.09	23.19%
Capital/Shareholders' Equity	9,150.66	7,646.54	19.67%
Total Liabilities	83,425.87	79,866.87	4.46%

Assets

Total Assets of the Bank stood at BDT 83,425.87 million in 2023 compared to BDT 79,866.87 million in 2022, i.e., growth up by 4.46% over 2022. During the year 2023, Loans & Advances growth was 3.92% and Investment in Govt. Treasury bills/bonds and others increased by 2.81% over the previous year 2022. Fixed assets increased by 6.28% over 2022, due to remarkable amount of fixed assets were procured during the reporting year. The flow in assets was evident in the increase of Loans and Advances, fixed assets and liquid assets as maintained by the Bank.

On the other hand, the growth of deposits was at 4.40% and shareholders' equity grew by 19.67 over 2022. The growth of deposit was used for funding credit growth, as well as holding of securities for CRR and SLR purpose with Bangladesh Bank in accordance with Bangladesh Bank guideline. Shareholders' equity increased remarkable because of BDT 700 million capital was injected through Initial Public Offering (IPO), as well as retained earnings also increased during the year.



❖ **Cash in hand**

Cash in hand balance stood at BDT 3,793.33 million in 2023 compared to BDT 3,494.97 million in 2022, i.e., 8.54% growth over 2022.

❖ **Balance with other Banks, Financial Institutions and its Agents**

The aggregate position of cash at Banks and NBFIs, including call money was BDT 1,998.11 million in 2023, compared to BDT 2,568.43 million in 2022, i.e., 22.20% behind from 2022, due to encashment of matured placement fund with other Banks and NBFIs for keeping ADR and wholesale borrowing limit in line with regulatory guideline.

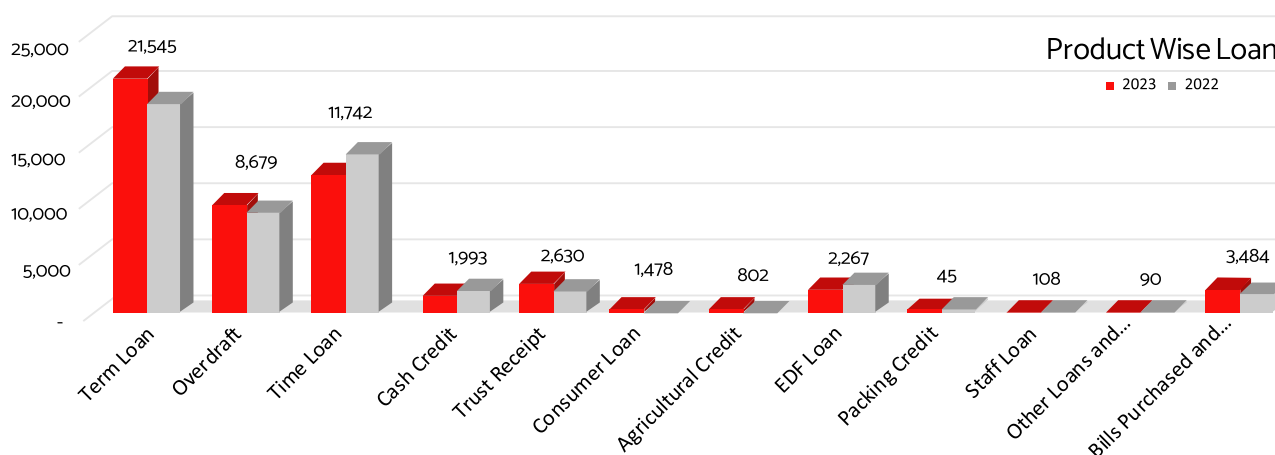
❖ **Investments**

During the year ended on December 31, 2023, the investment increased by 2.81% to BDT 17,380.10 million in 2023 from BDT 16,905.79 million in 2022. Bank's investment comprises of government securities of BDT 13,889.64 million and others investment of BDT 3,490.46 million (investment in debenture, corporate bond, etc.). Investment in government securities increased by BDT 474.31 million over 2022, due to fresh investment in Treasury bills/bonds during the year.

❖ **Loans and Advances**

Loans and Advances stood at BDT 54,862.66 million in 2023 compared to BDT 52,792.81 million in 2022, i.e. representing a growth up by 3.92% year-on-year basis. Yield on loans and advances increased to 8.34% in 2023 from 7.47% in 2022, due to rise in lending rate during the year. Non-performing Loans (NPLs) increased to BDT 2,091.60 million in 2023 from BDT 1,469.70 million in 2022, i.e., NPL ratio increased to 3.81% in 2023 from 2.78% in 2022, due to three major Institutional Banking Loans were classified during the year.

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 53.54% of the current loan portfolio will be matured less than one year, 27.24% will be matured more than one year, but less than 5 years and rest 19.22% will be matured more than 5 years (note # 7.04). Bank's Advance to Deposit Ratio (ADR) at the end of 2023 increased to 84.51% from 81.64% in 2022, marking an efficient mobilization of fund and equity in the most liquid banking industry in Bangladesh during the reporting period within the guideline of Bangladesh Bank.



❖ Fixed Assets and Other Assets

The aggregate amount of written down value of fixed assets of the Bank stood at BDT 610.75 million in 2023, compared to BDT 574.67 million in 2022 (note # 8), demonstrating growth of 6.28%, due to procured/amortization of assets during the reporting year. On the other hand, other assets comprise of advance income tax, advance office rent, accrued interest on investment, etc., amounted to BDT 4,238.43 million in 2023, compared to BDT 3,397.62 million in 2022 (note # 9B), showing grew up by 24.75% over 2022.

❖ 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 and 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 “Artha Rin Adalat-2003”. The honorable court also orders to charge unapplied interest until full recovery of the loan by selling the mentioned collateral land. The value of the collateral land has been determined at BDT 14.54 million on 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 Artho Rin Adalat Ain 2003 as mortgagee Bank and 100% provision has been kept against the said non-banking assets as per guidance of Central Bank.

❖ 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 2023, borrowings of the Bank decreased by 23.37% to BDT 6,317.17 million in 2023 from BDT 8,243.23 million in 2022 (note # 11).

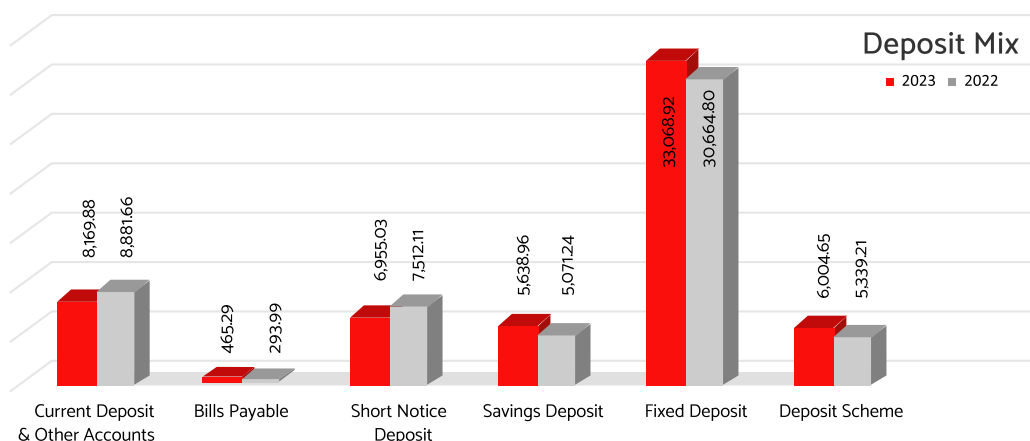
❖ Deposits

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 60,302.72 million in 2023 with a growth of 4.40% compared to BDT 57,763.01 million in 2022 (note # 12). Cost of deposit and cost of fund stood at 5.44% and 6.95% in 2023, respectively as against 5.01% and 6.38% in 2022, respectively. The strong customer-based deposits comprise of individual, corporation, small & medium size enterprises, NBFIs, government entities, NGOs, autonomous bodies and others.

During the financial year 2023, MDB’s deposit blend was stable with no-cost and low- cost Deposits, which was at 37.67% of total Deposits, Fixed Deposits to total Deposits was at 53.09% and Scheme Deposits to total Deposits was at 9.24%. 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 2023 over 2022	Deposit Mix (%)	
	2023	2022		2023	2022
Current Deposits	8,169.88	8,811.66	-8.01%	13.55%	15.38%
Bills Payables	465.29	293.99	58.27%	0.77%	0.51%
Short Notice Deposits	6,955.03	7,512.11	-7.42%	11.53%	13.01%
Saving Deposits	5,638.96	5,071.24	11.19%	9.35%	8.78%
Fixed Deposits	33,068.91	30,664.80	7.84%	54.84%	53.09%
Scheme Deposits	6,004.65	5,339.21	12.46%	9.96%	9.24%
Total Deposits	60,302.72	57,763.01	4.40%	100.00%	100.00%



❖ Total liabilities other than shareholders' equity

Total liabilities excluding shareholders' equity of the Bank registered growth of 17.21% with a total volume of BDT 74,275.21 million in 2023 against BDT 72,220.34 million in 2022. Core Deposits of the Bank increased by 4.40% to BDT 60,302.27 million in 2023 from BDT 57,763.01 million in 2022.

❖ Shareholders' Equity

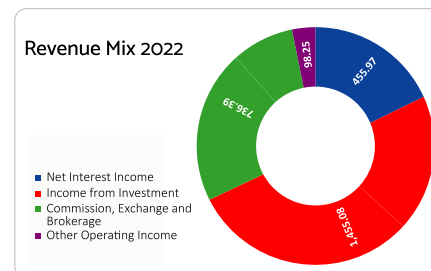
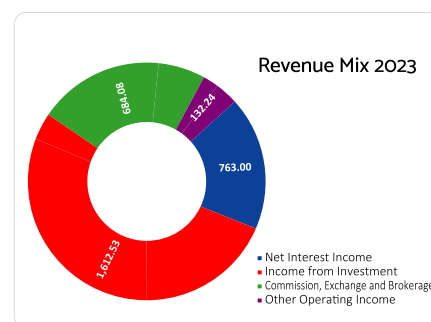
The shareholders' equity stood at BDT 9,150.66 million in 2023 compared to BDT 7,646.53 million in 2022, i.e., up by 19.67% over 2022. Statutory reserve was increased by BDT 15.71% to BDT 1,881.77 million in 2023 against BDT 1,626.33 million in 2022, while retained earnings increased by 169.53% to BDT 868.86 million in 2023, as against BDT 322.35 million in 2022.

Income Statements

❖ Operating profit and Net profit after tax

The Bank reported operating profit before tax and provision of loans BDT 1,743.00 million in 2023 against BDT 1,526.73 million in 2022, representing 14.17% growth over 2022. On the other hand, net profit after tax increase by 101.63% to BDT 1,133.11 million in 2023 from BDT 561.97 million in 2022, due to increasing net interest income by 67.34%, as well as increase of deferred tax income on specific provision against loans and advances during the year. As a result, EPS increased by 101.14% to BDT 1.77 in 2023 against BDT 0.88 in 2022 and corresponding ROA during the period grew to 1.39% in 2023 from 0.75% in 2022 and ROE also grew to 13.49% in 2023 from 7.47% in 2022. Besides NAV per share grew to BDT 14.31 in 2023 against 11.95 in 2022, i.e., grew by 19.75% year on year basis.

Particulars	BDT in Million		% of Growth in 2023 over 2022
	2023	2022	
Interest income	4,503.46	3,657.21	23.14%
Interest paid	(3,740.46)	(3,201.24)	16.84%
Net interest income	763.00	455.97	67.34%
Investment income from Dividend	1,612.53	1,455.08	10.82%
Commission, fees and brokerage, etc.	684.07	736.38	-7.10%
Other operating income	132.14	98.26	34.48%
Total operating income	3,191.74	2,745.69	16.25%
Operating expenses	(1,448.74)	(1,218.96)	18.85%
Net operating profit before provision	1,743.00	1,526.73	14.17%
Provision on Loans and Advances	(465.80)	(438.09)	6.33%
Net Profit before tax	1,277.20	1,088.64	17.32%
Provision for corporate tax	(144.09)	(526.67)	-72.64%
Net Profit after tax	1,133.11	561.97	101.63%
Earnings per share (EPS)	1.77	0.88	101.14%



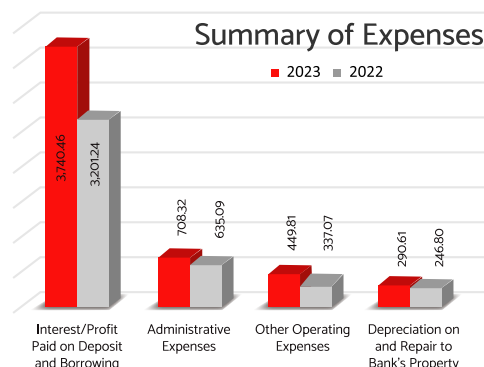
❖ Net Interest Income

The interest income on loans and advances increased by BDT 846.24 million to BDT 4,503.46 million in 2023 against BDT 3,657.21 million in 2022, i.e., 23.14% growth up over 2022, due to increase loan portfolio by BDT 2,069.85 million as well as rise in yield rate by 0.87 basis point over 2022.

On the other hand, interest paid on deposit & borrowings increased by BDT 539.21 million to BDT 3,740.46 million in 2023 from BDT 3,201.24 million in 2022, i.e., up by 16.84% over 2022, due to rise in cost of deposit by 0.43% over 2022, as well as volume of deposit increased by BDT 2,539.71 million over 2022. As a result, net interest income increased by BDT 307.03 million from BDT 455.97 million in 2022 to BDT 763.00 million in 2023, i.e., growth up by 67.34% over 2022.

❖ Operating Expenses

Operating expenses of the Bank increased by BDT 229.78 million to BDT 1,448.74 million in 2023 compared from BDT 1,218.96 million in 2022, i.e., increased by 18.85% over 2022, due to increasing the branch networks and expansion of business activities during the year. By and large, Bank's administrative expenses remained steady during 2023 and other operational cost also were kept in control during reporting period. However, a prudent management of expenses and cost-control are our relentless concern and we commit to the practice of fair expenses in all banking operations under a strong accounts and auditing system.



❖ HR Productivity

The proficiency of the employee's contributed to the growth is evident from the following table:

Particulars	2023	2022	% of Growth in 2023 over 2022
Number of regular employees' contribution (excluding contractual employees in 2023 and 2022 were 292 and 239, respectively)	515	488	5.53 %
In BDT Million			
Operating income per employee	6.20	5.63	10.12 %
Operating expenses per employee	2.81	2.50	12.40 %
Operating profit before provision and tax per employee	3.38	3.12	8.33 %
Net profit after tax per employee	2.20	1.15	91.30 %

❖ General provision against Unclassified Loans (UCL)

General provision against UCLs (Standard & SMA) was BDT 494.57 million in 2023 against BDT 452.40 million in 2022 (note # 13.01). General provision increased by 42.17 million over the last same corresponding year, due to increase of loans by BDT 2,069.85 million over 2022. The Bank also maintained general provision against off-balance sheet exposures of BDT 104.79 million in 2023, compared to BDT 112.99 million in 2022 (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 2023, Bank's specific provision increased by BDT 494.12 million to BDT 1,448.79 million in 2023 from BDT 954.67 million in 2022, due to classification of some default loan accounts during the year, so that NPL ratio stood at 3.81% in 2023 against 2.78% in 2022 (note # 13.01).

❖ Provision for investment in Shares/Debentures:

General provision against investment in Shares/Debentures/Commercial Papers was BDT 161.81 million in 2023 compared to BDT 242.94 million in 2022. The provision decreased by 81.13 million over the last same corresponding period, due to transferred/realised/regularised the overdue of treasury investment during the year, in line regulatory guideline (note # 13.00).

❖ 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 2023, it was stood at BDT 112.32 million against BDT 170.87 million in 2022. 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 2023, the Bank has to make adequate provision of current tax and deferred tax. As such, we have made a provision of BDT 144.09 million in 2023 against BDT 526.67 million in 2022 (note # 36.00). After making appropriate provision of tax, net profit after tax stood at BDT 1,133.31 million in 2023, compared to BDT 561.96 million in 2022, representing 101.63% growth over 2022. The significant growth in net profit after tax during the period is largely due to adjustment of BDT 546.02 million of deferred tax income on specific provision in line with regulatory guideline as well as increased our net interest income by 67.34% over 2022 and ultimately it was added with our net profit during the period.

❖ **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 before tax (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 2023 stood at BDT 1,881.77 million, compared to BDT 1,626.33 million in 2022, i.e., increased by 15.71% over 2022.

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

Particulars	In BDT Million	
	2023	2022
ROE -Return on average equity	13.49%	7.47%
ROA -Return on average assets	1.39%	0.75%
Cost to income ratio	45.39%	44.40%
Capital to Risk Weighted Assets Ratio (CRAR)	17.28%	14.83%
Advance Deposit Ratio (AD Ratio)	84.51%	81.71%
Non -Performing Loans (NPLs) Ratio	3.81%	2.78%
Earnings per share (EPS) in BDT	1.77	0.88
Net Asset Value per Share (NAV) in BDT	14.31	11.95

❖ **Appropriation of Profit**

Profit after tax (PAT) stood at BDT 1,133.11 million at the end of 2023, compared to BDT 561.96 million in 2022. Profit available for distribution among the shareholders is BDT 325.57 million after a mandatory transfer to statutory reserve of BDT 255.44 million, i.e., 20% on profit before tax, BDT 11.33 million for Startup Fund, i.e., 1% of net profit after tax and adjustment of deferred tax BDT 543.30 million. The Board of Directors in its 153rd meeting held on April 28, 2024 recommended 5.00% cash dividend for the financial year 2023 which will be reviewed and approved by the shareholders in its next 11th Annual General Meeting (AGM).

❖ **Summary of appropriation of profit**

Particulars	In BDT Million	
	2023	2022
Profit after tax (PAT)	1,133.11	561.96
Retained earnings brought forward from previous year	2.52	11.68
To be appropriated	1,135.63	573.64
Transfer to statutory reserve	-255.44	-217.73
Transfer to CSR	-	-27.95
Transfer to Startup Fund	-11.33	-5.62
Retained Surplus	868.86	322.34
Adjustment of deferred tax	543.30	-
Net Distributable Profit	325.56	322.34
Paid-up Capital	6,396.70	6,396.70
Dividend payout Ratio	5.09%	5.04%

- ❖ We may pay dividend after adjustment of deferred tax income on provision for classified loans & advances as per BRPD circular 11 dated 12 December 2011.
- ❖ CSR expenses for the year 2023 reported in other expenses note # 34.

Human Resources

Human Resources Management Division aims to build strong, dedicated, skilled and professional human capital base for the Bank, hence contributing to 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 employees and help them to utilize their talent properly towards achieving individual development and organizational goals. This Bank has 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 employees will work with pride and pleasure. MDB believes that Human Resource Development is a continuous 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 in offering a better career and make them confident and best fit of the next role. The main motto of Human Resources Management Division is to enhance 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 organizations 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 to care for our people, so that they can grow as future leaders of the Bank. Also we fostered a work environment to attract, develop and retain quality manpower to ensure 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 17 (Seventeen) 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).

Maturity Analysis

Assets	Below 1 Year	1-5 Year	Above 5 Year	Total
Interest earning assets	32,869	21,098	18,805	72,773
Non-interest earning assets	3,985	3,004	3,664	10,653
Total assets	36,855	24,102	22,469	83,426
Interest bearing liabilities	46,795	15,966	3,859	66,620
Non-Interest bearing liabilities	321	2,169	5,166	7,655
Total liabilities	47,116	18,135	9,024	74,275
Maturity Gap	(10,261)	5,967	13,445	9,151

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 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.

Corporate Social Responsibility (CSR)

Initiated by Bangladesh Bank (BB) in 2008, the Corporate Social Responsibility (CSR) mainstreaming campaign in Bangladesh's financial sector has entrusted all Banks and Financial Institutions into a broad range of direct and indirect CSR engagements including humanitarian relief and disaster response, widening of advancement opportunities for disadvantaged population segments with support in areas of healthcare, education and training, 'greening' initiatives to prevent environmental degradation, and so forth.

With a view to the above, a CSR Policy of Midland Bank PLC. was earlier approved by the Board of Directors of the Bank in February 2015. The Sustainable Finance Department of Bangladesh Bank in January 2023 introduced a new Policy Guidelines on CSR for the Bank. Also, Policy on CSR needs to be reviewed/updated considering recent financial developments and changes in the global economy to generalize, emphasize and organize CSR activities for the environmental, social, equitable and sustainable development of the country.

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 started CSR activities at the time of its inauguration. During the financial year 2023, the Bank spent an amount of BDT 2,78,41,218 for annual CSR activities (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 provides guidance and direction to the Board and Management. Another committee- Risk Management Committee analyzes Bank's core risks. For an effective control system, Internal Control & Compliance Division (ICCD) and Board Audit Committee functions 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 reflects 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 workplace, enhancing the marketplace, support to the community and fortification of the environment. As a socially conscious and responsible corporate body, MDB is committed to 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 2023 (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 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 PLC. 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 Operating 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 maximize 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 2023. During the year, earning per share (EPS) stood at BDT 1.77 against BDT 0.88 in 2022, Return on Equity (ROE) at 13.49% in 2023 against 7.47% in 2022, Return on Average Assets (ROA) stood at 1.39% in 2023, against 0.75% in 2022 and Net Assets Value per share (NAV) stood at BDT 14.31 compared to BDT 11.95 in 2022.

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 2023, a total 14 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 2023. They have completed 2nd term (2nd year). As per Bangladesh Bank's guideline regarding list of Audit Firms (Chartered Accountants)

eligible for auditing banks and financial companies (updated as on 05.02.2024), maximum number of statutory audit in banks and finance companies in a financial year is 06 (six) and Hoda Vasi Chowdhury & Co., Chartered Accountants express their unwillingness to conduct audit for the FY 2024. Appointment of new auditor for the FY 2024 is under process.

Annual General Meeting (AGM)

The schedule of 11th 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 153rd meeting held on April 28, 2024 to be placed before the shareholders of the Bank in the 11th AGM for review and approval.

Outlook of Financial Year 2023

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, 2023 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, 2023. However, MDB has gained resilience to absorb any sudden shock of deposit outflow by huge improvement in the deposit mix. At present, 38.61% 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 2023.

Related Party Transaction

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 operating 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 IAS 24 Related party disclosure, Bangladesh Bank & BSEC guidelines. The Bank in its ordinary course of business undertook financial transactions with some entities or persons that fall within the definition of 'Related Party' as

contained in IAS 24 (Related Party Disclosures) and relevant provisions of Bank Company Act 1991 and Bangladesh Bank BRPD Circular No. 12 dated 15 June 2022. Details of the related party transactions have been disclosed in Annexure – D, Annexure - E and note no. 44 of the FS 2023.

Maintaining Proper Books of Account

The company has attentively maintained proper books and records in accordance with the stipulations outlined in the Companies Act of 1994, the Securities Laws of Bangladesh, and other relevant laws.

Key Operating and Financial Data

On pages 14 and 15, there is a comprehensive overview summarizing key operating and financial data spanning the last 05 (five) years. This short but detailed presentation gives a good look at how the company has been doing. It helps shareholders make smart decisions and plan for the future because it gives them important information about the company's direction.

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 clients, 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), Dhaka Stock Exchange (DSE), Chattogram Stock Exchange (CSE), 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 hardwork, 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 In-Sha-Allah by the grace of the Almighty and by virtue of the dedicated effort of our professional management team will be successful in reaching our cherished destination that is to turn Midland Bank into the one of the finest financial institution with resilient financial footing and sound fundamentals.

On behalf of the Board of Directors,



Nilufer Zafarullah
Chairman