

Strictly Private & Confidential

INFORMATION MEMORANDUM

**Non-convertible Subordinated Floating Rate Bond of
BDT 3,000 Million for Mercantile Bank Limited**



Issuer: Mercantile Bank Limited

Head Office: Mercantile Bank Limited, 61 Dilkusha C/A, Dhaka 1000, Bangladesh

Trustee: Prime Insurance Company Limited

Type of Security: Unsecured Subordinated Floating Rate Bond

Total Face Value: Up to BDT 3,000 Million

Face Value of Each Bond is: BDT 10,000,000

Issue Price of Each Bond is: BDT 10,000,000

Number of Securities: 300

Total Issue Amount: BDT 3,000,000,000

Coupon Rate/discount rate and YTM: Floating

Issue Date of IM: _____

Credit Rating status of the issue:

Long-Term Rating:, Short-Term Rating:, Outlook:

“If you have any query about this document, you may consult the issuer and the trustee.”

Mandated Lead Arranger

Standard Chartered Bank





ARRANGER'S DISCLAIMER

Mercantile Bank Limited (the "**Issuer**") has authorized Standard Chartered Bank ("**Standard Chartered**" or the "**Arranger**") to distribute this Information Memorandum in connection with the proposed transaction outlined in it (the "**Transaction**") and the bond proposed to be issued in the Transaction (the "**Bond**").

"**Standard Chartered Bank**" means Standard Chartered and any group, subsidiary, associate or affiliate of Standard Chartered and their respective directors, representatives or employees and/or any persons connected with them.

Nothing in this Information Memorandum constitutes an offer of securities for sale in the United States or any other jurisdiction where such offer or placement would be in violation of any law, rule or regulation.

The Issuer has prepared this Information Memorandum and the Issuer is solely responsible for its contents. The Issuer will comply with all laws, rules and regulations and has obtained all regulatory, governmental and corporate approvals for the issuance of the Bond. All the information contained in this Information Memorandum has been provided by the Issuer or is from publicly available information, and such information has not been independently verified by the Arranger. No representation or warranty, expressed or implied, is or will be made, and no responsibility or liability is or will be accepted, by the Arranger or its affiliates for the accuracy, completeness, reliability, correctness or fairness of this Information Memorandum or any of the information or opinions contained therein, and the Arranger hereby expressly disclaim, to the fullest extent permitted by law, any responsibility for the contents of this Information memorandum and any liability, whether arising in tort or contract or otherwise, relating to or resulting from this Information Memorandum or any information or errors contained therein or any omissions there from. By accepting this Information Memorandum, you agree that the Arranger will not have any such liability.

You should carefully read and retain this Information Memorandum. However, you are not to construe the contents of this Information Memorandum as investment, legal, accounting, regulatory or tax advice, and you should consult with your own advisors as to all legal, accounting, regulatory, tax, financial and related matters concerning an investment in the Bond.



CONTACT LIST

STANDARD CHARTERED BANK

Md. Maroof Ur Rahman Mazumder

Executive Director & Head of Capital Markets,
Bangladesh

Level 3, 67 Gulshan Avenue, Dhaka - 1212

Phone : +880 2 8811310, +880 2 8811368

Fax : +880 2 8818235

Mobile : +880 171 3009646

E-mail : md-marroofur.rahman@sc.com

Tajruba Dilshad

Associate Director, Capital Markets, Bangladesh

Level 3, 67 Gulshan Avenue, Dhaka - 1212

Phone : +880 2 8811310, +880 2 8811368

Fax : +880 2 8818235

Mobile : +880 197 1481923

E-mail : tajruba.dilshad@sc.com

Muhit Rahman

Managing Director & Head of Financial Institutions,
Bangladesh

Level 4, 67 Gulshan Avenue, Dhaka - 1212

Phone : +880 2 8833003 ext. 4499

Mobile : +880 181 9258248

E-mail : muhit.rahman@sc.com

Kazi Ziaul Islam

Executive Director & Head, Banks, Financial
Institutions

Level 4, 67 Gulshan Avenue, Dhaka - 1212

Phone : +880 2 8833003 ext. 4427

Mobile : +880 181 9267890

E-mail : kazi-ziaul.islam@sc.com

MERCANTILE BANK LIMITED

Mati Ul Hasan

Additional Managing Director &
Chief Risk Officer

Head Office, 61 Dilkusha C/A, Dhaka 1000

Phone : +880 2 9559333 ext: 199, 95611440

Mobile : +880 171 3063922

Email : matiul@mbld.com

Ashim Kumar Saha

Senior Executive Vice President &
Head of Treasury Division

Head Office, Eunoos Center (Level 14), 52-53 Dilkusha
C/A, Dhaka 1000

Phone : +880 2 9559333 ext: 226, 9571312

Mobile : +880 178 7681255

Email : ashim.saha@mbld.com

Mohammad Tarek Parvez Khan

Assistant Vice President &
Chief Dealer, Treasury Division

Head Office, Eunoos Center (Level 14), 52-53 Dilkusha
C/A, Dhaka 1000

Phone : +880 2 9559333 ext: 331, 9571312

Mobile : +880 175 5590887

Email : tarekmbld@gmail.com



LETTER OF AUTHORITY

Mr. Md. Maroof ur Rahman Mazumder
Executive Director & Head of Capital Markets
Standard Chartered Bank
67, Gulshan Avenue
Gulshan, Dhaka-1212

Dear Sir,

We refer to the Subordinated Floating Rate Bond Issue of BDT 3,000 million (the "Bonds") which, you (the Arranger) is arranging at our request, the principal terms and conditions of which are set forth in the attached Information Memorandum (the "Information Memorandum"):

Mercantile Bank Limited (the "Issuer"), the undersigned, confirms that:

- a) Except as otherwise provided in the Information Memorandum, all the information contained therein relating to the company and its business has been provided to you by us;
- b) We confirm that we are fully responsible for all material statements, facts and opinions in the Information Memorandum.
- c) To the best of our knowledge the Information Memorandum does not omit any fact in the context of the proposed facility although the Information Memorandum does not purport to be all the information which investors may require in order to evaluate the issuer's business.
- d) The forecasts contained in the Information Memorandum were made after due and careful consideration on our part based on the best information available to us and we consider them fair and reasonable on the circumstances now prevailing; and
- e) The information (including forecast) in the Information Memorandum fairly represents the basis on which the Issuer and its shareholders are proceeding with the business.

The issuer does not however make any express or implied representation of warranty as to the fairness, accuracy; or completeness of the information (including statements of opinion) or forecasts. Appropriate warranties or other undertakings in relation to the information and forecasts will be given on the bond documents and no representations or warranties other than those specially set forth on the bond documents shall be deemed to be given to any party.

We hereby request and authorize you to distribute this Information Memorandum to prospective investors who may subscribe the Bonds. We understand that as per local practice, no confidentiality agreement will be signed between the Arranger and the prospective participants (including their relevant staff members and board of directors) to whom the Information Memorandum shall be placed and we confirm our consent to the distribution of "Information Memorandum" and other relevant documents to prospective investors distributed in this manner.

Yours Sincerely,
Sd/-

Kazi Masihur Rahman
Managing Director & CEO
Mercantile Bank Limited



2. TABLE OF CONTENTS

Sl. No.	Content	Page No.
3	Report to Eligible Investor	6
4	Risk Factors and Management's Perception about the Risks	7
5	Details of the Utilization of the Proceeds	11
6	Features of the Debt Security to be Issued	12
7	Description of Collateral Security and Type of Charges to be Created against Issue	15
8	Rights & Obligations of the Issuer	16
9	Rights & Obligations of the Trustee	20
10	Rights & Obligations of Eligible Investors	23
11	Description of the Issuer: Mercantile Bank Limited	24
12	Audited Financial Statements as of 30 September 2017 of the Issuer, Mercantile Bank Limited	42
13	Brief Overview and Comparative Financial Statements	47
14	Ratios for the Last Three Accounting Years	51
15	Credit Rating Report of the issue	52
16	Description of the Trustee	53
17	Modus Operandi of the Issue and Termination and Final Settlement	57
	Annexure 1: Audited Financial Statements as of 30 September 2017	
	Annexure 2: Credit Rating Report of the Issue	



3. REPORT TO THE ELIGIBLE INVESTORS

Issuer has authorized Standard Chartered Bank (“**Standard Chartered**” or the “**Arranger**”) to distribute this Information Memorandum in connection with the proposed transaction outlined in it (the “**Transaction**”) and the bond proposed to be issued in the Transaction (the “**Bond**”).

“**Standard Chartered Bank**” means Standard Chartered and any group, subsidiary, associate or affiliate of Standard Chartered and their respective directors, representatives or employees and/or any persons connected with them.

Nothing in this Information Memorandum constitutes an offer of securities for sale in the United States or any other jurisdiction where such offer or placement would be in violation of any law, rule or regulation.

The Issuer has prepared this Information Memorandum and the Issuer is solely responsible for its contents. The Issuer will comply with all laws, rules and regulations and has obtained all regulatory, governmental and corporate approvals for the issuance of the Bond. All the information contained in this Information Memorandum has been provided by the Issuer or is from publicly available information, and such information has not been independently verified by the Arranger. No representation or warranty, expressed or implied, is or will be made, and no responsibility or liability is or will be accepted, by the Arranger or its affiliates for the accuracy, completeness, reliability, correctness or fairness of this Information Memorandum or any of the information or opinions contained therein, and the Arranger hereby expressly disclaim, to the fullest extent permitted by law, any responsibility for the contents of this Information memorandum and any liability, whether arising in tort or contract or otherwise, relating to or resulting from this Information Memorandum or any information or errors contained therein or any omissions there from. By accepting this Information Memorandum, you agree that the Arranger will not have any such liability.

You should carefully read and retain this Information Memorandum. However, you are not to construe the contents of this Information Memorandum as investment, legal, accounting, regulatory or tax advice, and you should consult with your own advisors as to all legal, accounting, regulatory, tax, financial and related matters concerning an investment in the Bond.



4. RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS

RISK MANAGEMENT

Risk is defined by Issuer as risk of potential losses or foregone profits that can be triggered by internal and external factors. Therefore, the objectives of risk management are identification of potential risks in our operations and transactions, in our assets, liabilities, income, cost and off-balance sheet exposures and independent measurement and assessment of such risks and taking timely and adequate measures to manage and mitigate such risks within a risk-return framework. A summarized position of various inherent and potential risks, The Issuer is facing, while conducting its business and operations and steps taken by the Bank to effectively manage and mitigate such risks by management of Issuer.

A. INTEREST RATE RISKS

Interest rate risk is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk. The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected.

Management's Perception

Mercantile Bank Limited addresses its Interest Rate Risk in an efficient and effective manner. Interest rate risk management strategies of the Bank include Market Trend Analysis, Interest Rate Sensitivity Analysis and Gap Analysis. Asset Liability Committee (ALCO) in its regular monthly meeting analyzes the interest rate sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liabilities and take decision for necessary adjustment with the market dynamics and taking into consideration of predictable events that may impinge on the money market scenario.

B. EXCHANGE RATE RISKS

Foreign exchange risk is the potential loss arising from changes in foreign currency exchange rate in either direction. Assets and liabilities denominated in foreign currencies generally entail foreign exchange risks.

Management's Perception

Mercantile Bank Limited has adopted a prudent policy guideline with a view to reducing the foreign exchange risk. We have segregated treasury operations by materializing the back office and front office concept to separate the responsibilities towards reinforcement of the process in line with the prudential guidelines prescribed by the Bangladesh Bank. Front office is responsible for currency transactions and preparation of deals in accordance with the market trend. Back Office verifies the deals, monitors the limits and settles the transactions independently. All foreign exchange transactions are revalued at Market-to-Market basis in conformity with Bangladesh Bank Guidelines. All Nostro accounts are reconciled on monthly intervals and in the process it is ensured through the oversight of senior management that no entries remain un-responded beyond the specific time threshold.



C. NON-REPAYMENT RISKS

Non-repayment risk arises when an executed transaction is not settled as the standard settlement system. Non-repayment risk addresses to the risk when it is not fulfills its contractual obligations (payment or received), but the counterparty fails or defaults to do the same. Although Bank gets high credit rating standards among local private commercial banks in Bangladesh for the last five consecutive years which denotes very strong capacity to meet their financial commitments i.e. MBL always maintained strong capacity in repaying all its obligations to the depositors and lenders, In rare case, it is possible that the bank may fail to repay its obligations arising from the bonds to be issued in extreme unusual cases. In the event of default the investors might suffer from financial loss.

Management's Perception

The management of the Bank appreciating the magnitude and impact of non-repayment risk has put in place proper system and process to measure and monitor risk emphasizing on early alertness to arrest any deterioration of the quality of assets. At the same time, the management stay focused on reinforcing drive for recovery of non-performing loans (NPL)/impaired assets. Apart from the above, the management attaches utmost importance for exercising due diligence in the selection/appraisal process of the borrowers for strict avoidance of booking any non creditworthy/unviable propositions in the business portfolio. In credit risk management, MBL always prioritizes to ensure compliance with all prescribed prudential guidelines on the credit risk management as part of imparting inclusive risk management culture for the Bank

D. PREPAYMENT, CALL OR REFUNDING RISKS

The risk associated with the early unscheduled return of principal on a fixed-income security. This risk may exist in a bond that has prepayment, call or refunding option.

Early unscheduled return of principal of the Bond is not allowed, so the bondholders will not be exposed to prepayment or call or refunding risks associated with investing in the Bonds.

Management's Perception

To mitigate the prepayment, call or refunding risk additional charge of 1% to 2% is imposed over the normal interest/coupon rate.

E. SECURITY RISKS

Collateral Security Risk pertains from the adverse changes in the value of collaterals securing the credit exposure of the Bank and it takes the worst turn in case of default situation, In banking arena, components of security risk are more related with the operational part i.e. failure of system, process, procedure or occurrence of any other incident due to supervisory lapses on the part of management.

Since this bond is fully unsecured, non-convertible Tier II subordinated Bond. Specific assets are not being pledged against this bond. In the event of any insolvency proceedings (whether voluntary or involuntary) occurring in relation to the Issuer the payment obligations under this Bond in relation to the principal and any accrued interest in relation to the Bond shall be subordinated to the payment obligations of all Senior Indebtedness, and no amount shall be payable to the Bondholders in respect of the principal or any accrued interest in relation to the Bond until all claims in respect of Senior Indebtedness admitted in such insolvency proceedings have been satisfied.



Management's Perception

As part of risk mitigation the management attaches importance on strengthening supervisory control and oversight over the functionaries of the Bank to avert the risk of any breakdown in the process. Besides, realizing the added importance of securing the data/information due measures have been initiated to keep the servers well protected by restraining the access other than the authorized person. We have already shifted the 'Disaster Recovery Center' to the place a distance by 20 kilometer in compliance with the prudential directives to the effect.

F. LIQUIDITY RISKS

Liquidity risk is the risk that we may not meet our financial obligation as they become due. Liquidity risks also include our inability to liquidate any asset at reasonable price in a timely manner. It is the policy of the Bank to maintain adequate liquidity at all times in both local and foreign currencies. Liquidity risks are managed on a short, medium and long term basis. There are approved limits for credit / deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market to ensure that loans and investments are funded by stable sources, maturity mismatches are within limits and that cash inflow from maturities of assets, customer deposits in a given period exceeds cash outflow by a comfortable margin even under a stressed liquidity scenario.

Management's Perception

Liquidity Risk pertains from the Balance Sheet itself and the management focuses on alignment and realignment of the Assets and Liabilities in a prudent manner as part of mitigation of liquidity crunch. The management also focuses on ensuring compliance of the regulations and guidelines with respect to loan-able fund criteria and at the same time stresses on building up proper and sustainable deposits base by lessening reliance on cooperative deposits. Moreover, management has formulated a 'liquidity contingency plan' approved by the Board of Directors in order to avert any unwarranted risk

G. MANAGEMENT RISKS

Management risk refers to the chance of bank management's inefficiency or under performance in the existing management team or departure of any key person as well as absence of the appropriate successors to take over the responsibility and manage the overall affairs of the Bank in an efficient manner which will finally affect the shareholders.

Management's Perception

Mercantile Bank Limited has well established management structure with diverse knowledge, skills, experience and expertise in core area of banking operation in its bid to attain optimal utilization of available resources. We also constantly endeavor to streamline the corporate Governance as it is a value laden concept which requires infusion of coherence among the stake holders by removing the conflict of interest. Our Board is very much alive to the element of 'Good Governance' and accordingly they provide strategic policy direction for smooth operation of the Bank by activating the professional team under the active leadership of the Managing Director & CEO.



H. OPERATIONAL RISKS

Operational risk is the risk of loss resulting from inadequacy or failure of internal processes, systems and people or from external events. Operational risks including internal control and compliance risk. The Bank operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country. Potential external events and related downside risk.

Management's Perception

Board of Directors and Senior Management of Mercantile Bank Limited has established an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls. Senior management transforms the strategic direction given by the Board through operational risk management policy. In addition, the management has focused on reinforcement of segregation of responsibilities and establishing accountability as well as transparency in its different spheres of business activities.

I. BUSINESS RISKS

Business risk covers the risk of losses arising from lower non-interest income and higher expenses from the budgeted amount. The business risk is resulted from the market condition, customer behavior or technological development that may change compared to the assumptions made at the time of planning.

Management's Perception

Management always prioritizes to maximize the profitability through expansion of the size of business portfolio. MBL makes the periodical review of its business portfolio for identification of limitation and takes the strategic decisions to diversity/making alignment and realignment of its different segment of business across the group/sectors with a view to infusing resilience into the credit portfolio for attaining result oriented performance. Asset Liability Committee (ALCO) in its regular monthly meeting also analyzes the loan portfolio and take prudent decision for maximize the business growth

J. INDUSTRY RISKS

Industry risk is the possibility that a specific industry will not perform to the level or at par. When problems plague one industry, they affect the individual organization of that particular industry. They may also cross over into other industries. Industry risk also refers to the risk of the increased competition from foreign and domestic sources leading to lower revenues, profit margins, market share etc. which could have an adverse impact on the business, financial condition and result of operation.

Management's Perception

Being a third generation private commercial bank, MBL has already carved a commendable position in the banking industry of Bangladesh. Since inception, MBL stressed upon sustainable and consistent growth by addressing unsystematic risk in its banking operation. The Bank has succeeded in diversifying its business portfolio across the thrust sectors of the economy and always take special care for superior value addition in its services to clienteles- MBL over the years has contributed



meaningfully in harnessing deposits by launching different attractive schemes befitting the requirement of different segments of customers.

K. MARKET AND TECHNOLOGY-RELATED RISKS

Market risk is the risk of losses in on and Off-balance sheet positions arising from movements in market price such as changes in interest rate and price of equity, foreign exchange and commodity. As such, market risk consists of the followings basic risk parameters as under:

- i. Interest rate risk;
- ii. Foreign exchange risk;
- iii. Equity price risk;
- iv. Commodity risk.

The bank may be exposed to risks such as virus attack, system collapse, system hacking, unauthorized electronic fund transfer, etc.

Management's Perception

Mercantile Bank Limited manages its market risk specially equity position risk by initiating raft of measures like formation of investment policy emphasizing on Portfolio diversification, Mark-to-Market value adjustment ensuring proper liquidity management and initiation of liquidity contingency plan to contain the effect of unforeseen risks.

IT risk of the Bank is addressed by initiating appropriate measures within the clear cut policies and procedures as well as defining roles and responsibilities of all relevant officials, dedicated IT audit team as per the central bank's guidelines to conduct audit at branch and divisional levels, segregated job descriptions and responsibilities to minimize IT Risk. Need based trainings are being conducted time to time to handle the IT Risk in an efficient manner. MBL protects and secures its data in various ways- Data is kept in secured place prescribed by the Bank's policy. Furthermore, MBL has adopted 'TEMENOS T24', a highly sophisticated real time banking software with a view to ensuring superior customers services and at the same time controlling technology related hazards.

L. RISK RELATED TO POTENTIAL OR EXISTING GOVERNMENT REGULATIONS

The term and condition of the Bonds are based on current Bangladeshi rules and regulations. There can be no assurance as to impact of any possible judicial decisions or change to Bangladeshi law and administrative practice after the date of this Information Memorandum.

Management's Perception

The Company operates under Companies Act, 1994 the Bank Companies Act-1991, Income Tax Ordinance, 1984, Income Tax Rules, 1984, Value Added Tax (VAT) Act, 1991, Value Added Tax [VAT] Rules, 1.991, Customs Act, 1969, Bangladesh Securities and Exchange Rules, 1987 and other related Regulations. The company also obtained license from Bangladesh Bank as a Bank under the Bank Companies Act, 1991. Any noncompliance with regulatory regime may cause the Bank to be a noncompliant one having adverse impact in the reputation of the Bank

M. RISK RELATED TO POTENTIAL CHANGES IN GLOBAL OR NATIONAL POLICIES



Banks are exposed to financial institutions at home and abroad since they often negotiate, discount export bills and extend credit facilities against commitment of other banks. Changes in existing global or national policies can have either positive or negative impacts for the Bank. The performance of the Bank will be hindered to unavoidable circumstance both in Bangladesh and worldwide like political turmoil.

Every company operates under the economic policies formulated and imposed by the political government. The government tends to reshape these policies time to time for the sake of greater interest of the country's economy. Sometimes those changes in existing policy or any future policy framework adversely affect smooth operation of such companies.

Management's Perception

The management of Mercantile Bank Limited is always concerned about the prevailing and upcoming future changes in the global or national policy and shall respond appropriately and timely to safeguard its interest. Due to maintaining a diversified portfolio in major sectors in line with the country's growth scenario as well as industrial policy, the Bank will always endeavor to withstand the unexpected changes or any such potential threats. Nevertheless, political stability and a congenial business environment is definitely the best situation in which the Bank will achieve its maximum potential.



5. DETAILS OF THE UTILIZATION OF PROCEEDS

Mercantile Bank Limited has decided to augment additional Tier 2 Capital (as the term is defined in the Basel III Guidelines of the Bangladesh Bank) and overall capital of the Issuer for strengthening its capital base and to comply with the capital adequacy requirements as per BASEL III Capital accord.

The primary objective of issuing the securities is to consider the proceeds as Tier 2 Capital of the Bank taking into consideration regulatory stipulation. Proceeds of the bonds issued will be utilized for the business of the Bank through expansion in Investment portfolios resulting in profitability growth of the Bank as well as to attain sustainable growth in business.



6. FEATURES OF THE DEBT SECURITY TO BE ISSUED

Basic Features of the Instrument

Issuer:	Mercantile Bank Limited (MBL)																													
The Issue:	BDT Floating Rate Non-Convertible Subordinated Bond																													
Mandated Lead Arranger:	Standard Chartered Bank (“SCB”) and also referred to as the “Mandated Lead Arranger” or the “MLA”																													
Arrangement Basis:	Best Efforts / Strictly Non Underwritten																													
Purpose:	To strengthen Tier 2 Capital Base																													
Investors:	Financial Institutions, Insurance Companies, Funds, Corporates, etc. and any other eligible investors																													
Currency:	Bangladeshi Taka (BDT)																													
Face Value:	Up to BDT 3,000 Million																													
Denomination:	Denomination of each lot of Bond is indicated at BDT 10,000,000 Face Value																													
Mode of Placement:	Private Placement 100%																													
Issue Price:	100% at Par																													
Tenor:	7 years from the Issue Date																													
Expected Issue Date:	March 2018 or any other mutually agreeable date																													
Status of Debt:	Subordinated Non Convertible																													
Security:	Unsecured																													
Form:	Registered																													
Listing:	Unlisted																													
Credit Rating of the Issue:																														
Repayment Schedule:	20% of the total bond value to be redeemed at the end of each year starting from 3 rd year and the repayment schedule is depicted below: <table><tr><td>Issue Size (BDT)</td><td colspan="2">3,000,000,000</td></tr><tr><td>Years</td><td>Repayment (BDT)</td><td>Balance</td></tr><tr><td>End of 1st year</td><td>-</td><td>3,000,000,000</td></tr><tr><td>End of 2nd year</td><td>-</td><td>3,000,000,000</td></tr><tr><td>End of 3rd year</td><td>600,000,000</td><td>2,400,000,000</td></tr><tr><td>End of 4th year</td><td>600,000,000</td><td>1,800,000,000</td></tr><tr><td>End of 5th year</td><td>600,000,000</td><td>1,200,000,000</td></tr><tr><td>End of 6th year</td><td>600,000,000</td><td>600,000,000</td></tr><tr><td>End of 7th year</td><td>600,000,000</td><td>0</td></tr></table>			Issue Size (BDT)	3,000,000,000		Years	Repayment (BDT)	Balance	End of 1 st year	-	3,000,000,000	End of 2 nd year	-	3,000,000,000	End of 3 rd year	600,000,000	2,400,000,000	End of 4 th year	600,000,000	1,800,000,000	End of 5 th year	600,000,000	1,200,000,000	End of 6 th year	600,000,000	600,000,000	End of 7 th year	600,000,000	0
Issue Size (BDT)	3,000,000,000																													
Years	Repayment (BDT)	Balance																												
End of 1 st year	-	3,000,000,000																												
End of 2 nd year	-	3,000,000,000																												
End of 3 rd year	600,000,000	2,400,000,000																												
End of 4 th year	600,000,000	1,800,000,000																												
End of 5 th year	600,000,000	1,200,000,000																												
End of 6 th year	600,000,000	600,000,000																												
End of 7 th year	600,000,000	0																												
Conditions Precedent:	In form and substance satisfactory to the MLA including without limitation: (i) due diligence having been conducted and completed, (ii) documentation for Financing and appropriate business description disclosure in the offering circular, (iii) receipt by the MLA of appropriate legal opinions from external counsel, (iv) the Issuer having obtained all relevant approvals for Financing.																													
Trustee	Prime Insurance Company Limited																													
Governing Law:	The laws of The People’s Republic of Bangladesh																													



Coupon Rate:	To be determined as a sum of Benchmark Rate & Margin; However during the tenor the yield [bench mark + margin] will be floored at 7.50% and capped at [bench mark + margin] 10.50%
Benchmark Rate:	<ul style="list-style-type: none"> • Benchmark rate: The Benchmark rate shall be determined by following method: Average of most recent month's published fixed deposit rates (6 months tenor) of Private Commercial Banks (excluding Islami Bank and Foreign Banks) with similar credit rating as the issuer and above rated banks. The issuer's 6 months' tenor deposit rate to be considered at the time of calculating the average. The published deposit rate to be taken from "Announced interest Rate Chart of the Scheduled Banks (Deposit Rate)" published by Bangladesh Bank in its website. This will be fixed semi annually. If the issuer's credit rating changes during the tenor bond, the list of banks for calculating the benchmark rate will change accordingly. The credit ratings will be used which are available done by local agencies. <p>The Benchmark Rate will be fixed by the trustee semi-annually on ("Interest Reset Date") the immediately preceding business day of the issuance and afterwards semi annually throughout the tenor of the bond. For avoidance of doubt, the Benchmark Rate shall be calculated by the Trustee and notified to the Issuer and all Investors on every Interest Reset Date.</p>
Margin:	2.50% per annum
Transferability/Liquidity	Freely transferable subject to the terms and conditions of the Bond documents.
Prepayment, Call, Refunding, conversion features:	Not applicable
Early Redemption	The Bonds may be redeemed at the option of either the Issuer or any Bondholder in whole or in part at any time at par to be redeemed, together with any accrued and unpaid interest to (but not including) the date specified by the concerned party willing to redeem, for the redemption of such Bonds (each, a "Optional Redemption Date"), provided that the Party willing to redeem the Bonds (i.e. Issuer or any Bondholder as applicable) gives not less than 30 days and not more than 60 days' written notice to the other Party (i.e. Issuer or Bondholder as applicable) and the Trustee and the Agents (a "Optional Redemption Notice"), and the other Party provides its consent to such redemption within the Optional Redemption Date.
Late Redemption:	Incremental charge at the rate of 2% per annum payable by the Issuer to the Bondholders above the amount to be paid by the Issuer to the Bondholders on the Redemption Date for failure of the Issuer to make payment to the Bondholders on the Redemption Date.



Tax Features:	All payments made by the Issuer or under or in respect of the Trust Deed or the Bonds will be subject to any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Bangladesh or any political subdivision thereof or any authority thereof or therein having power to tax. The Issuer will not be Obligated pay any additional amounts in respect of such taxes, duties, assessments or governmental charges that may from time to time be deducted or withheld from such payments, but will provide or procure the provision of original or authenticated tax receipts relating to any such deductions or withholdings to Bondholders.																					
Costs Related to the Issue:	<p>Arrangement Fee: Total of 0.50% of the Face Value Amount of the Bonds</p> <p>Trustee Fee: Taka 2,50,000/-(excluding TAX and VAT) per year up to the full and final redemption of the Bond.</p> <p>Credit Rating Fee: Fees (excluding TAX and VAT) are describe below:</p> <table><tr><th>SL NO.</th><th>Year</th><th>Charge Amount</th></tr><tr><td>1</td><td>1St</td><td>4.00 Lac</td></tr><tr><td>2</td><td>2nd</td><td>4.00 Lac</td></tr><tr><td>3</td><td>3rd</td><td>4.00 Lac</td></tr><tr><td>4</td><td>4th</td><td>3.00 Lac</td></tr><tr><td>5</td><td>5th</td><td>3.00 Lac</td></tr><tr><td>6</td><td>6th</td><td>2.00 lac</td></tr></table> <p>Application Fee to BSEC: BDT 10,000</p> <p>Consent Fee to BSEC: 0.10% on the Face Value</p> <p>Other/Legal/Regulatory Cost (if any): At Actual</p>	SL NO.	Year	Charge Amount	1	1 St	4.00 Lac	2	2 nd	4.00 Lac	3	3 rd	4.00 Lac	4	4 th	3.00 Lac	5	5 th	3.00 Lac	6	6 th	2.00 lac
SL NO.	Year	Charge Amount																				
1	1 St	4.00 Lac																				
2	2 nd	4.00 Lac																				
3	3 rd	4.00 Lac																				
4	4 th	3.00 Lac																				
5	5 th	3.00 Lac																				
6	6 th	2.00 lac																				
Enforcement of Charges over securities:	At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice in writing, take such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 66 ² / ₃ per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.																					



7. DESCRIPTION OF COLLATERAL SECURITY AND TYPE OF CHARGES TO BE CREATED AGAINST ISSUE

The issue is an unsecured corporate bond and hence no charge on assets is to be created.



8. RIGHTS & OBLIGATIONS OF THE ISSUER

- **Issue of the Bonds:** Upon receipt of amount in accordance with the Subscription Agreement to be entered with each investors the Issue shall issue Bonds subject to and in accordance with the provisions of the Trust Deed, Agency Agreement and the Subscription Agreement and to seal, sign and issue the Bonds and deliver the Bond Certificates on the Closing Date to be fixed by the Issuer and the Trustee.
- **Covenant to Repay** - The Issuer covenants with the Trustee that it will, as and when the Bonds or any of them become due to be redeemed or any principal on the Bonds or any of them becomes due to be repaid in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in Bangladesh Taka in Dhaka in immediately available freely transferable funds the principal amount of the Bonds or any of them becoming due for redemption or repayment on that date and shall (subject to the provisions of the Conditions) until all such payments (both before and after judgment or other order) are duly made unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid on the dates provided for in the Conditions interest on the principal amount of the Bonds or any of them outstanding from time to time as set out in the Conditions provided that:
 - (i) every payment of principal or interest in respect of the Bonds or any of them made to or to the account of the Paying Agent in the manner provided in the Agency Agreement shall satisfy, to the extent of such payment, the relevant covenant by the Issuer contained in this Clause except to the extent that there is default in the subsequent payment thereof to the Bondholders in accordance with the Conditions;
 - (ii) if any payment of principal or interest in respect of the Bonds or any of them is made after the due date, payment shall be deemed not to have been made until either the full amount is paid to the Bondholders or, if earlier, the seventh day after notice has been given to the Bondholders in accordance with the Conditions that the full amount has been received by the Paying Agent or the Trustee except, in the case of payment to the Paying Agent, to the extent that there is failure in the subsequent payment to the Bondholders under the Conditions; and
 - (iii) in any case where payment of the whole or any part of the principal amount due in respect of any Bond is improperly withheld or refused upon due presentation of a Bond Certificate, interest shall accrue at applicable interest rate for the Bond on the whole or such part of such principal amount from the date of such withholding or refusal until the date either on which such principal amount due is paid to the Bondholders or, if earlier, the seventh day after which notice is given to the Bondholders in accordance with the Conditions that the full amount payable in respect of the said principal amount is available for collection by the Bondholders provided that on further due presentation thereof such payment is in fact made.



- **Observe instruction of the Trustee** - At any time after any Event of Default shall have occurred, the Issuer shall comply with the instruction of the Trustee subject to provision of the terms and conditions of the Bond.
- **Observe Bond Documents** - The Issuer shall have obligation to comply with, perform and observe all those provisions of this Trust Deed, the Agency Agreement, the terms and conditions of the Bond which are expressed to be binding on it and to perform and observe the same. The Bonds are subject to the provisions contained in this Trust Deed, all of which shall be binding upon the Issuer and the Bondholders and all persons claiming through or under them respectively.
- **Observe Applicable Law** - The Issuer shall have obligation to comply with, perform and observe all those provisions of the applicable law including but is not limited to The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2012. The Issuer agrees that Bondholders and all persons claiming under or through them respectively will also be entitled to the benefit of, and will be bound by, the applicable law and will be deemed to have notice of all of the provisions of the applicable law applicable to them.
- **Books of Account** - The Issuer shall at all times keep and procure that all its Subsidiaries keep such books of account as may be necessary to comply with all applicable laws and so as to enable the financial statements of the Issuer to be prepared and allow, subject to confidentiality obligations under applicable law, the Trustee and any person appointed by it free access to the same at all reasonable times and to discuss the same with responsible officers of the Issuer;
- **Notice of Event of Default** - The Issuer shall give notice in writing to the Trustee forthwith upon becoming aware of any Event of Default and without waiting for the Trustee to take any further action;
- **Corporate Governance** - The Issuer shall ensure that it and each member of its Group comply in all material respects with the corporate governance guidelines set out by the Bangladesh Bank and the Securities and Exchange Commission.
- **Information** - So far as permitted by applicable law, the Issuer shall at all times give to the Trustee such information, opinions, certificates and other evidence as it shall require and in such form as it shall require in relation to Issuer for the performance of its obligations under the Bond Documents;
- **Execution of further Documents** - So far as permitted by applicable law, the Issuer shall at all times execute all such further documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the provisions of this Trust Deed;



- **Notices to Bondholders** – The Issuer shall **send** or procure to be sent to the Trustee not less than 5 (five) business days prior to the date of publication, one copy of each notice to be given to the Bondholders in accordance with the Conditions and, upon publication, send to the Trustee two copies of such notice;
- **Notification of non-payment** – The Issuer shall notify the Trustee forthwith in the event that it does not, on or before the due date for payment in respect of the Bonds or any of them, pay unconditionally the full amount in the relevant currency of the moneys payable on such due date on all such Bonds;
- **Notification of late payment** - In the event of the unconditional payment to the Trustee of any sum due in respect of the Bonds or any of them being made after the due date for payment thereof, forthwith give notice to the Bondholders that such payment has been made;
- **Notification of redemption or repayment** – The Issuer shall within 14 (Fourteen) days prior to the Redemption Dates or purchase in respect of any Bond, give to the Trustee notice in writing of the amount of such redemption or purchase pursuant to the Conditions and duly proceed to redeem or purchase such Bonds accordingly;



- **Obligation of Agents – The Issuer shall Observe** and ensure agents comply with its obligations under the Agency Agreement; maintain the Register; and notify the Trustee immediately it becomes aware of any material breach of such obligations, or failure by any Agent to comply with such obligations, in relation to the Bonds;
- **Authorized Signatories** – The Issuer shall upon **the** execution hereof and thereafter forthwith upon any change of the same, deliver to the Trustee a list of the Authorized Signatories of the Issuer, together with certified specimen signatures of the same; and
- **Payments** – The Issuer shall Pay moneys payable by it to the Trustee hereunder without set off, counterclaim, deduction or withholding, unless otherwise compelled by law and in the event of any deduction or withholding compelled by law will pay such additional amount as will result in the payment to the Trustee of the amount which would otherwise have been payable by it to the Trustee hereunder.
- **Audited Financials and Annual General Meeting** – The Issuer shall complete audit of its financial statements and hold its annual general meeting within such period as may be specific by the BSEC. If no such period is prescribed, Issuer shall complete audit of its financial statements and hold its general meeting in accordance with law of its jurisdiction of incorporation. The Issuer shall submit copy of its audited financial statements along with its annual report and the minutes of its annual general meeting with the BSEC with a copy to the Bondholders within 14 days (or such other period agreed by BSEC) of the completion of audit or, as the case may be, holding of the annual general meeting.



9. RIGHTS & OBLIGATIONS OF THE TRUSTEE

Rights of the Trustee of Non Convertible Floating Rate Subordinated Bond are, inter alia:

- **Trustee's determination:** The Trustee may determine whether or not a default in the performance or observance by the Issuer of any Obligation under the provisions of the Trust Deed or contained in the Bonds is capable of remedy and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer and the Bondholders.
- **Act for Bondholders:** Subject to applicable law and terms and conditions of this Trust Deed Trustee shall act on behalf and for the exclusive interest of the Bondholders.
- **Monitoring:** Trustee shall ensure that Issuer is observing the applicable law for the Bonds and the terms and conditions of the Bond Documents. As soon as the Trustee is aware of any breach by the Issuer it shall immediately inform the Bondholders and the Issuer of such breach.
- **Report to BSEC:** Trustee shall submit an annual compliance report to the BSEC on the activities of the Issuer including repayment of dues to the Bondholders. When Trustee shall submit such report to the BSEC it shall provide copy to the Issuer and the Bondholders.
- **Grievances of the Bondholders:** Upon receipt of a complaint from the Bondholders Trustee shall take necessary steps for redress of grievances of the Bondholders within one month of the date of receipt of the complaints and he shall keep the BSEC and the Issuer informed about the number, nature and other particulars of the complaints received and the manner in which such complaints have been redressed.
- **Trustee's determination:** The Trustee may determine whether or not a default in the performance or observance by the Issuer of any obligation under the provisions of this Trust Deed or contained in the Bonds is capable of remedy and if the Trustee shall certify that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer and the Bondholders.
- **Determination of questions:** The Trustee as between itself and the Bondholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of this Trust Deed and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Bondholders.
- **Trustee's discretion:** The Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by this Trust Deed or by operation of law, have absolute and uncontrolled discretion as to the exercise or non exercise thereof and the Trustee shall not be responsible for any Liability that may result from the exercise or non exercise thereof (save as otherwise provided by applicable law) but whenever the Trustee is under the provisions of this Trust Deed bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified



and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing.

- **Trustee's consent:** Any consent given by the Trustee for the purposes of this Trust Deed may be given on such terms and subject to such conditions (if any) as the Trustee may require.
- **Application of proceeds:** The Trustee shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds or the delivery of any Bond Certificates to the Bondholders.
- **Error of judgment:** The Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters.
- **Agents:** Subject to the provisions of the Trust Act 1882 and The Securities and Exchange Commission (Private Placement of Debt Securities) Rules 2012, the Trustee may, in the conduct of the trusts of this Trust Deed instead of acting personally, employ and pay an agent on any terms, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) with the consent of Issuer and the Trustee shall be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person provided that the Trustee had exercised reasonable care in the appointment of such person.
- **Confidential information:** The Trustee shall not (unless required by law or ordered so to do by a court of competent jurisdiction) be required to disclose to any Bondholder confidential information or other information made available to the Trustee by the Issuer in connection with this Trust Deed and no Bondholder shall be entitled to take any action to obtain from the Trustee any such information.
- **Determination of Interest Rate:** The Trustee shall determine Applicable Interest Rate in accordance with Condition of the Bond.

Obligations of the Trustee of Non Convertible Floating Rate Subordinated Bond are, inter alia:

- to hold the benefit of the covenants made by the Issuer in the Trust Deed and the Conditions on trust for the Bondholders;
- to open such accounts as the Trustee deems necessary for discharging the functions of Trustee;
- to keep the money and assets representing the Trust Assets (including enforcement proceeds) and to deposit and withdraw such moneys and assets as may be required from time to time and in accordance with the terms of the Trust Deed;



- to undertake all such actions for the recoveries of any outstanding payments in accordance with the provisions of the Trust Deed and to execute all such documents, deeds and papers and to do all acts in relation thereto;
- to manage and administer the Bonds in accordance with the terms of the Trust Deed and to execute, acknowledge, confirm or endorse any agreements, documents, deeds, instruments and papers in connection therewith;
- to convene any meeting of the Bondholders in accordance with the provisions of the Trust Deed and the Conditions, and to facilitate the proceedings of such meeting as it deems appropriate in accordance with the terms of the Trust Deed;
- to implement, give effect to and facilitate the Conditions and such other documents, deeds and agreements in contemplation thereof or in connection therewith;
- upon receipt of the instructions of such requisite majority of the Bondholders in accordance with the terms of the Trust Deed, to sell or otherwise dispose of the Trust Assets and close any bank accounts that may have been opened in pursuance of the Trust Deed after the distribution of amounts standing to their credit; and
- to do all such other acts, deeds and things as may be necessary and incidental to the above provisions unless such acts require the prior consent of the Bondholders in accordance with the terms of the Trust Deed.



10. RIGHTS & OBLIGATIONS OF THE ELIGIBLE INVESTORS

Rights and Obligations of the eligible Investors of Non Convertible Floating Rate Subordinated Bond are, inter alia:

- **Ownership of the Bond:** Each of the Issuer, the Trustee and any Agent may deem and treat the registered holder of a Bond as the absolute owner of such Bond, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate Holder of such Bond (whether or not the Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of the Bond Certificate issued in respect of that Bond) for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Trustee and the Agents shall not be affected by any notice to the contrary.
- **Right to Receive Payment:** Subject to terms and conditions of the Bond, each Bondholder shall have a right to receive payment of principal amount of the Bond on the redemption date and interest amount of the Bond on each Interest Payment Date.
- **Transfer of Bonds:** Subject to terms and conditions of the Bond Documents each Bondholder shall have the right to transfer the Bonds freely.
- **Basic Rights:** Basic rights of the Bondholders/Investors include but are not limited to: (i) secure methods of ownership registration; (ii) obtain relevant information on the company on a timely and regular basis; (iv) participate and vote in bondholders meetings.
- **Rights Subordinated:** The rights of the holders of Bonds against the Issuer (including for principal and interest) are subordinated and junior in right of payment to its Obligations (a) to its depositors, (b) under bankers' acceptances and letters of credit issued by the Issuer, (c) to Senior Creditors (including the Bangladesh Bank and the Deposit Insurance Trust Fund). In the event of any insolvency, receivership, conservatorship, reorganization, readjustment of debt or similar proceedings or any liquidation or winding up of or relating to the Issuer, whether voluntary or involuntary, all such Obligations of the Issuer shall be entitled to be paid in full before any payment shall be made to the Bondholders in respect of the Bonds. In the event of any such proceedings, after payment in full of all sums owing on such prior Obligations, the Bondholders and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank pari passu with the Bonds, shall be entitled to be paid from the remaining assets of the Issuer, the unpaid principal thereof and any unpaid premium, if any, and interest before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any Obligations of the Issuer ranking junior to the Bonds.



11. DESCRIPTION OF THE ISSUER: MERCANTILE BANK LIMITED

PLEASE CHECK & FILL- IN, WHERE APPLICABLE

Mercantile Bank Limited began its operation as a scheduled private commercial bank on 02 June 1999. The bank's Head Office is located at 61 Dilkusha Commercial Area, Dhaka which is supported by a Chittagong Zonal Office located at 21/1 Agrabad C/A, Chittagong. At present, MBL has a network of 121 Branches of which 22 are AD Branches, 82 ATMs, 5 SME Centers and its own Training Institute at 41/6 Purana Paltan, Dhaka.

The capital position of MBL is detailed below.

Authorized capital : BDT 12,000,000,000 (as on 30 September 2017)

Paid-up capital : BDT 7,761,145,370 (as on 30 September 2017)

I. CAPITAL STRUCTURE

Particulars	30-Sep-17		31-Dec-16	
Sponsors				
Mr. A.K.M. Shaheed Reza, Chairman	41,001,441	5.28%	39,048,992	5.28%
Mr. Md. Abdul Hannan, Sponsor Director	17,743,768	2.29%	16,898,828	2.29%
Mr. Md. Anwarul Haque, Sponsor Director	17,494,734	2.25%	16,661,652	2.25%
Mr. M. Amanullah, Sponsor Director	23,310,000	3.00%	22,200,000	3.00%
Al-Haj Akram Hossain (Humayun), Sponsor Director	16,844,887	2.17%	16,042,750	2.17%
Mr. Mohd. Selim, Sponsor Director	22,491,681	2.90%	21,420,649	2.90%
Mr. Morshed Alam, MP, Sponsor Director	19,328,894	2.49%	18,408,471	2.49%
Mr. Md. Shahabuddin Alam, Sponsor Director	15,561,180	2.01%	14,820,172	2.01%
Mr. A.S.M. Feroz Alam, Sponsor Shareholder	24,298,294	3.13%	23,141,233	3.13%
Mr. Shahidul Ahsan, Sponsor Shareholder	19,398,987	2.50%	18,475,226	2.50%
Alhaj Mosharref Hossain, Director (till August 2017)		0.00%	17,692,058	2.39%
Mr. Md. Abdul Jalil (Deceased), Sponsor	15,534,990	2.00%	14,795,229	2.00%
Dr. Toufique Rahman Chowdhury, Sponsor Shareholder	2,020,233	0.26%	1,924,032	0.26%
Mr. Md. Tabibul Huq (Deceased), Sponsor Shareholder	4,559,110	0.59%	5,342,010	0.72%
Engr. Mohd. Monsuruzzaman, Sponsor Shareholder	4,051,747	0.52%	3,858,807	0.52%
Mr. Subrota Narayan Roy, Sponsor Shareholder	7,762,000	1.00%	7,500,000	1.01%
Mrs. Bilkis Begum, Sponsor Shareholder	1,353,513	0.17%	1,289,060	0.17%
Mr. S. M. Shafiqul Islam (Mamun), Sponsor Shareholder	3,236,186	0.42%	3,082,082	0.42%
Mr. Md. Nasiruddin Choudhury, Sponsor Shareholder	15,564,713	2.01%	11,783,822	1.59%
Alhaj S. M. Shakil Akhter	8,239,782	1.06%	7,847,412	1.06%
Mr. Md. Mizanur Rahman Chowdhury, Sponsor Shareholder	6,553,000	0.84%	6,860,000	0.93%
Mrs. Feroza Begum, Sponsor Shareholder	2,459,491	0.32%	2,342,373	0.32%
Mrs. Nargis Anwar, Sponsor Shareholder	1,610,518	0.21%	1,533,827	0.21%
Mrs. Morzina Khan Monzu	340,799	0.04%	324,571	0.04%



Particulars	30-Sep-17		31-Dec-16	
Total Sponsor Shareholdings	290,759,948	37.46%	293,293,256	39.68%
Other Shareholders				
Foreign	62,177,840	8.01%	-	-
General Public	254,684,313	32.82%	388,205,099	52.52%
Financial Institutions	168,492,436	21.71%	57,654,223	7.80%
Total Other Shareholdings	485,354,589	62.54%	445,859,322	60.32%
Grand Total	776,114,537	100.00%	739,152,578	100.00%

Particulars	As of 30 September 2017	
	Amount	% of Total Assets
Liabilities		
Borrowings from other banks, financial institutions and agents	28,370,306,350	11.4%
Deposits and other Accounts	181,543,141,228	72.7%
Subordinated Bond	2,400,000,000	1.0%
Other Liabilities	20,325,709,061	8.1%
Total Liabilities	232,639,156,639	93.2%
Capital/Shareholders' Equity		
Paid up capital	7,761,145,370	3.1%
Statutory reserve	6,112,955,355	2.4%
General reserve	240,000,000	0.1%
Other reserve	1,546,543,049	0.6%
Surplus in Profit & Loss Account	1,415,557,267	0.6%
Total Capital/ Shareholders' Equity	17,076,201,041	6.8%
Total Liabilities & Shareholders' Equity	249,715,357,680	100.0%

Total regulatory capital of MBL as of 30 September 2017

Particulars	Amount
Total Assets (excluding off-balance sheet assets)	249,715,357,680
Total Risk weighted assets (RWA)	24,215,227,330
Total Common Equity Tier 1 (CET1) capital	15,554,199,189
Total Additional Tier-I Capital	-
Tier 1 Capital	15,554,199,189
Total admissible Tier 2 Capital	8,661,028,141
Total Eligible Regulatory Capital (Tier 1 and 2)	24,215,227,330
Capital to Risk Weighted Assets Ratio (CRAR)	12.14%

II. BUSINESS OF THE ISSUER: MERCANTILE BANK LIMITED (MBL)

Mercantile Bank Limited ("MBL" or the "Bank") was incorporated in Bangladesh as a public limited company under the Companies Act 1994 on 20 May 1999 and subsequently obtained banking operation license from Bangladesh Bank under the Bank Company Act 1991 and commenced its commercial operation on 02 June 1999. The Bank went for public issue of its shares in 2003 and is listed on both the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Presently the



Bank has 119 Branches and 02 (two) subsidiary companies, namely Mercantile Bank Securities Limited and Mercantile Exchange House (UK) Limited.

Principle Activities

The principal activities of MBL is to provide all kinds of commercial banking activities encompassing a wide range of services including accepting deposits, making loans, discounting bills, conducting money transfer and foreign exchange transactions and performing other related services such as safe keeping, collections, issuing guarantees, acceptances and letters of credit to the customers through the branches in Bangladesh.

The Bank obtained the Off-shore Banking Unit approval from Bangladesh Bank on 04 May 2010 and Mobile Banking Operation approval on 02 November 2011. The Off-shore Banking Unit commenced its commercial operation on 20 March 2011 while mobile banking began test run in November 2012.

Presently the bank has 2 off-shore banking units in operation in Bangladesh with the objective to provide all kinds of commercial banking services to its customers in foreign currencies approved by the Bangladesh Bank. The main activities of the mobile banking services are to serve the customers through Mobile Phone within the applicable rules & regulations and guidelines of Bangladesh Bank.

MBL serves its customers through four main on-shore business divisions:

- ❖ **Retail Banking**
- ❖ **SME Financing**
- ❖ **Corporate Banking**
- ❖ **Treasury**

Retail Banking products and service offerings include a range of deposits, loans, credit cards as details below:

Deposits:

- ✓ Current Deposit Account
- ✓ Savings Bank Account
- ✓ Special Noticed Deposit Account
- ✓ Fixed Deposit Account
- ✓ Double Benefit Deposit Scheme
- ✓ Family Maintenance Deposit
- ✓ Monthly Savings Scheme (MSS)
- ✓ Quarterly Benefit Deposit Scheme
- ✓ 1.5 Times Benefit Deposit Scheme
- ✓ School Banking
- ✓ Education Planning Deposit Scheme
- ✓ Super Benefit Deposit Scheme

Loans:

- ✓ Home Loan
- ✓ Cottage Loan
- ✓ Car Loan
- ✓ Personal Loan



- ✓ House Furnishing Loan
- ✓ Doctor's Loan
- ✓ Education Loan
- ✓ Secured Overdraft (SOD)
- ✓ Refinance Scheme for Green Product/ Initiatives
- ✓ Krishi/Polli Loan

Credit Cards:

- ✓ Platinum Card
- ✓ Gold Card
- ✓ Classic Card

Debit Cards:

- ✓ MBL VISA Debit Card

SME Financing services are offered through the following products:

- ✓ Chaka (Term Loan)
- ✓ Samriddhi (Continuous Loan)
- ✓ Mousumi (Short Term Seasonal Loan)
- ✓ Anannya (Women Entrepreneur's Loan)
- ✓ Sanchalak (A Mix Of Term, Time & Continuous Credit)
- ✓ Unmesh (Foreign Trade Finance)
- ✓ Factoring Of Receivables

Corporate Banking business division of the Bank is most prolific. It offers the widest range of products and services as listed below:

- ✓ Short Term Finance
- ✓ Long Tern Finance
- ✓ Real Estate Finance
- ✓ Import Finance/Trade Finance
- ✓ Work Order Financing/ Construction Business
- ✓ Export Finance
- ✓ Post Shipment Credit Finance
- ✓ Structured Finance
 - Project Finance
 - Syndication

Treasury Division of Mercantile Bank Limited is currently comprised of multi-functional activities with a healthy portfolio with diversified asset characteristics. With the rapid expansion pace of the Bank Treasury Division is playing a vital and contributory role in its operations considering the upcoming challenges and risks involved in the day-to-day functions. Under the banner of Treasury Division, four important desks - investment & govt. securities desk, money market operation desk, foreign exchange operation desk and ALM desk are operating in full swing. Thence, wide variety of products with intricate nature are dealt and yet to be dealt in the upcoming days.

The Treasury is constituted with well set-up Front Office, Mid Office and Back Office. Major functions include:

- ✓ Fund Management



- ✓ Management of Statutory Requirement
- ✓ Investment
- ✓ Trading of F Ex. & Money Market Instruments
- ✓ Asset Liability Management
- ✓ Risk Management

In addition the Bank has a NRB Banking wing that offers services to non-residential Bangladeshi through its Probashi Banking product portfolio.

E-Banking

The Bank also offers real time service to its clients through its online banking and i-banking platforms.

Online Banking has been facilitated in all Branches of the Bank since January 01, 2006. Now, customers can enjoy a number online Banking services in CD, SB, SND, Loan accounts and Monthly Savings Scheme (MSS) accounts. We are currently offering the following Online Banking Services:

- ✓ Cash deposit and withdrawals
- ✓ Transfer between accounts by Cheque
- ✓ Online clearing transactions

i-Banking service was launched on 02 February 2017. MBL's i-Banking is tailored to need-based banking services- be your own banker at any time. Customers can log in to i-Banking to:

- ✓ Know customer position
- ✓ View account statement for transactions up to last 45 days
- ✓ Export account statement as PDF or Excel

Subsidiaries

Mercantile Bank Securities Limited ("MBSL") has been developed to ensure development of sound capital market and to provide higher, better and diversified services to a wide range of customers. MBSL is offering high quality products and services at a competitive rate.

Mercantile Bank Securities Limited offers full-fledged international standard brokerage service with margin loan facility. We are also a full service Depository Participant (DP) of Central Depository Bangladesh Ltd. (CDBL). The brokerage service is designed to provide customers with necessary support profitably in the stock market.

MBSL is dedicated to provide high level of professional and personalized services to its domestic and international clients at a reasonable cost. MBSL's services are comprehensive in nature, including brokerage, margin loan, CDBL facilities, and research and custodian needs of customers.

Mercantile Exchange House (UK) Limited is a fully owned subsidiary of Mercantile Bank Limited, incorporated as a private limited company under England and Wales. The exchange was opened on September 20, 2012. It is committed to provide faster, easier and safer remittance services to the Bangladeshi expatriates living in UK.

III. BOARD OF DIRECTORS AND MANAGEMENT



Board of Directors

The Bank's Board comprises of 11 members including the Managing Director and two Independent Directors. Mr. A.K.M. Shaheed Reza is the present Chairman of the Bank. Mr. Reza is the sponsor director of the Board. The present Directors hold aggregately 39.8% shares of the Bank. The Board is involved in policy formulations, strategic direction setting, business plan approval, approval of financial position and results and review of various activities and also providing necessary directions to the management for conducting businesses in a competitive and profitable manner by managing risks and complying with the regulatory requirements. The Board has three sub committees, Executive Committee, Audit Committee and Risk Management Committee.

Executive Committee (EC)

The Executive Committee of the Board has 5 members and is headed by Mr. Md. Anwarul Haque as Chairman. The Executive Committee reviews all the credit proposals beyond the delegation of management and approve loans, other than large loans (10% or above of regularly capital). Large loans are recommended by the EC for approval by the Board. It is also responsible for administration, investment aspect, expansion of business etc. The Board confirms the decision of all Executive Committee meetings and assesses the operational results.

Audit Committee

The Audit Committee of the Board was duly constituted by the Bank comprising of 4 members of the BoD's. The Committee is headed by Dr. Mahmood Osman Imam MBA, FCMA, Independent Director as Chairman as per the revised corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC). The committee reviews and monitors regulatory compliance, financial reporting, internal control & internal audit functions, and other operational activities.

Risk Management Committee

The Risk Management Committee of the Board has 5 members and is headed by Mr. Md. Anwarul Haque as Chairman.

The Committee mainly reviews and discusses the observations and findings on Monthly Risk Management Paper (RMP) along with other relevant risk parameters related with credit portfolio, liquidity, market and operational risk management submitted through the Risk Management Division of the Bank on quarterly rest. The Committee also reviews the risk appetite capacity of the Bank commensurate with its capital base, stress test results and implementation of Bank's ICAAP etc.

The decisions/resolutions of the Committee were submitted to Bangladesh Bank for regulatory compliance. The resolutions were also disseminated to all concerned of the Bank for ensuring compliance and implementation.

Board of Directors



SL	Name of Board Member	Designation
1	Mr. A.K.M. Shaheed Reza	Chairman
2	Mr. Md. Abdul Hannan	Vice Chairman
3	Mr. Md. Anwarul Haque	Sponsor Director
4	Mr. M. Amanullah	Sponsor Director
5	Al-Haj Akram Hossain (Humayun)	Sponsor Director
6	Mr. Mohd. Selim	Sponsor Director
7	Mr. Morshed Alam, MP	Sponsor Director
8	Mr. Md. Shahabuddin Alam	Sponsor Director
9	Dr. Mahmood Osman Imam, MBA FCMA	Independent Director
10	Dr. Md. Rahmat Ullah	Independent Director
11	Mr. Kazi Masihur Rahman	Managing Director & CEO

Executive Committee

SL	Name	Designation
1	Mr. Md. Anwarul Haque	Chairman
2	Al-Haj Akram Hossain (Humayun)	Member
3	Mr. Mohd. Selim	Member
4	Mr. Morshed Alam, MP	Member
5	Mr. Md. Shahabuddin Alam	Member

Audit Committee

SL	Name	Designation
1	Dr. Mahmood Osman Imam, MBA FCMA	Chairman
2	Mr. Md. Abdul Hannan	Member
3	Mr. M. Amanullah	Member
4	Dr. Md. Rahmat Ullah	Member

Risk Management Committee

SL	Name	Designation
1	Mr. M. Amanullah	Chairman
2	Mr. Md. Anwarul Haque	Member
3	Al-Haj Akram Hossain (Humayun)	Member
4	Mr. Mohd. Selim	Member
5	Mr. Md. Shahabuddin Alam	Member

Senior Management: The management of the Bank is headed by the Managing Director, Mr. Kazi Masihur Rahman since January 2016. Mr. Rahman served as CEO of Exim Bank and DMD of Prime Bank. Prior to joining Mercantile Bank he was engaged as Consultant of BGB for establishing Shimanto Bank. The Managing Director is supported by a group of experienced professionals comprising of the Deputy Managing Director (DMDs) and functional divisional heads

Management Committees : please mention details on bank's internal Management committees



a. DESCRIPTION OF ENCUMBERED AND UNENCUMBERED ASSETS WITH VALUE THEREOF

Mercantile Bank Limited was not held any encumbered assets/ securities as on 30 June 2016.

Value of the assets of mercantile Bank Limited (stand alone) comprises of Loans, Advances, Property and Equipment etc. and is BDT 249,715,357,680 as on 30 September 2017. The total value of the asset is unencumbered.

PLEASE CHECK AND CONFIRM.



b. PROFILE OF BOARD OF DIRECTORS

A. K. M. Shaheed Reza, Chairman

Mr. A.K.M. Shaheed Reza is an entrepreneur and renowned businessman of the country. By dint of perseverance and talent he established himself as a farsighted well-known industrialist and business personality. Among his establishments Textile and Readymade Garments are the prime sectors. With new zeal for creation he has also spread his step into the arena of mass media. He has praiseworthy pioneer role in social service and benevolent works of the society. To extend financial support for the poor meritorious students and educational institutions is his vow.

Mr. Reza is the Chairman of Reza Group, Sponsor Director of Mercantile Bank Limited, worked as Chairman of Board Executive Committee & Audit Committee of the Bank, Sole proprietor of Bangla Radio FM 95.2, Director of National Credit Rating and Director of reputed English Daily "The Daily Observer". He is the elected President of Feni Chambers of Commerce and Industry and is also Director of The Federation of Bangladesh Chamber of Commerce and Industry, (FBCCI) the apex body of business community of Bangladesh. He was the Chairman of Global Insurance Limited. He has been declared CIP by the Ministry of Commerce, Peoples Republic of Bangladesh.

Mr. Reza is associated with number of educational and social institutions. He has been working as Chairman of the Managing Committee of Dhalia High School, Bagerhat High School and Thakurhat Government Primary School of Feni district for a pretty long time. Apart from these, he has massive role for the overall development of infrastructural and educational environment of some other educational institutions. He is the founder of Progati Balika Bidda Nektan and Nurul-Rawnak Diabetics health care centre, Rajnagar, Feni. He is the life member of Feni Diabetic Association and Vice President of Heart Foundation, Feni. He is also the Trustee Member and Vice President of Feni University. Many meritorious poor students are availing opportunity for getting higher education regularly through his donation.

Mr. A.K.M. Shaheed Reza after completion of Post Graduation degree in management started his career as a Banker in 1986. Ultimately he quit the job in 1993 and started his journey as a business entrepreneur. During this short period he proved himself as a successful business conglomerate of the country. Around 25 years of experience in establishing export oriented industries put Mr. Reza on the peak of success and his excellence in corporate management is also exemplary.

Md. Abdul Hannan, Vice Chairman

Mr. Md. Abdul Hannan was born on 27th July, 1962 in a respectable Muslim family at Faridgonj, Chandpur. He is one of the leading businessmen of the country, especially in export of readymade garments.

He is Chairman & Managing Director of Dabstar Associates Limited, Reu Fashion Limited, ZHAS Garments Limited, M.H. Trading and Murad Apparels Limited. He is also Director of Eastern University of Bangladesh and Pan Pacific Hospital Ltd. His contributions towards the society are quite remarkable.

Md. Anwarul Haque, Sponsor Director

Mr. Md. Anwarul Haque was born on January 03, 1951 in a respected Muslim family in Dhaka. He is a renowned businessman of the country. He obtained the B.Sc. Eng (Civil) Degree and engaged himself in business since last 40 years in different sectors like Construction, Real Estate, Export & Import and Trading. His business affiliation is versatile and diversified.

He is the Managing Director of Living Plus Ltd. He is a Sponsor Shareholder of Premier Leasing & Finance Ltd., Director of Holiday Travels Ltd., Premier Leasing Securities Ltd. and Mercantile Bank Securities Ltd. He is also Director of Securities Broking & Management Ltd. He is a Shareholder & Ex-Chairman of Global Insurance Ltd. His association with the above mentioned well-reputed organization makes him a forward looking and progressive businessman who has already reached an enviable height.



Furthermore, he has deep affinity and also attachment with various socio-cultural activities like Gulshan Club Ltd., Dhanmondi Club Ltd. and Uttara Model Club Ltd.

M. Amanullah, Sponsor Director

Mr. M. Amanullah, the founder of the conglomerate, Aman Group of Companies, is a very respected and distinguished industrialist in Bangladesh. His business acumen has led to the successful launch of various, diversified businesses under the umbrella of Aman Group of Companies and he holds the position of Chairman of all the companies under the group.

Born and brought up in a business family, Mr. Amanullah started pursuing his own business endeavors since 1968. He introduced Arena Industries Ltd., engaged in industrial contract-packaging and Mousumi Enterprises Ltd. and Arena Consumer Products Ltd., for distribution and manufacture of consumer products. He introduced Arena HRI Ltd., which is an India-Bangladesh joint venture in the field of cosmetic industry and is one of the leading manufacturers of Hair Care products in Bangladesh. He also introduced Arena Securities Ltd. in the financial sector which is a member of Dhaka Stock Exchange and registered as a corporate house for operation in the capital market of the country. In the textile sector Mr. Aman set up a manufacturing unit in the name of Aman Spinning Mills Ltd., which manufactures 100% export oriented carded yarn from raw cotton. He is one of the Directors of 'Amader Shomoy', one of top circulating daily print media in Bangladesh. He is one of the founders, Ex Chairman & present Advisor of the publicly listed company Global Insurance Ltd., and advisor of Desh General Insurance Company Ltd. He is the past Chairman of Mercantile Bank Ltd. (2013-2014) and contributed heavily towards the efficiency and optimization of Mercantile Bank during his tenure.

Mr. Aman is also recognized for his contribution to the community and to the nation in the field of education. He is the Chairman of the Board of Trustee of Presidency University, Dhaka. For the contribution to the society, as a philanthropist, Mr. Amanullah established "Aman Group Foundation" as his initiative towards social responsibilities. For this act, he was honored several times by the Govt. and other organizations. He was awarded the 'Sarajini Naidu Gold Medal Award in 2000, C.R. Das Gold Medal Award in 2002 and the Atish Dipankar Scholar Congress Award in 2004 for his extraordinary contribution in various sectors of Bangladesh. He was declared CIP, Commercially important person, for many years for his significant contribution to the country's export trade sector.

Al-Haj Akram Hossain (Humayun), Sponsor Director

Al-Haj Akram Hossain (Humayun) was born on July 1, 1952 in a respectable Muslim family of Dagonbhuiyan, Feni. He is a commerce graduate and one of the known Freedom Fighters of Bangladesh Liberation War. He has established himself as an icon in the business sector of the country with global reputation of being reliable in various business sectors. He is the chairman and Managing Director of FARS group and Director of Mercantile Bank Securities Ltd.

He is the founder of Rajapur High School & College, Al Haj Shamsul Hoque Miah Adarsha Academy, Khaja Ahmed Bidda Niketon. He was also the Founder President of Bangladesh Paper Importers Association and Founder President of Greater Noakhali Paper Merchant Samobay Somittee. He is also the Chairman of Managing Committee of Rajapur High School and College, Al Haj Shamsul Hoque Miah Adarsha Academy and Sindurpur Rowshan Ulum Wadudia Madrasha. He is the founder member of Board of Trustee of Feni University and Life Member of Feni Heart Foundation, Feni Diabetic Somittee and Officers club, Feni. Apart from the aforementioned affiliations, he is also General Body Member of FBCCI, Bangladesh.

Mohd. Selim, Sponsor Director

Mr. Mohd. Selim is a renowned businessman of the country. He was born in a respectable Muslim family in Shariatpur District. He has specialized himself in trading business. After graduation he devoted himself fully to business and he is the proprietor of 'Sumon Cloth Store', a large cloth store in Ramna Bhaban, Dhaka and also proprietor of Central Plaza at Eastern Plaza.



Mr. Selim is the Chairman of Synthia Securities Limited (Member of Dhaka Stock Exchange Limited). He is the Shareholder of Global Insurance Limited. He has also made notable contribution in socio-cultural activities. He is the Chairman of Abdur Razzaque & Mohd. Selim Trustee Foundation, Life Member of Shariatpur Zilla-Kalyan Samity, Life Member of Greater Faridpur Kalyan Samity, Trustee Member, 'Shariatpur Shikhha Kalyan Trust', and Donor Member of Purba Madaripur College.

Mr. Mohd. Selim is a proud father of 3 sons & 1 daughter, while 3 sons are directors of 3 Insurance Companies and also director of Synthia Securities Ltd. and his only daughter is a student of ACCA.

Morshed Alam, MP, Sponsor Director

Mr. Morshed Alam is one of the most eminent business icons of present time in the country. With perception and technical expertise, he has become a leading entrepreneur of Bangladesh. He is a member of parliament of 10th National Parliament representing the constituency of 269, Noakhali-2 (Senbagh-Sonaimuri). He is declared CIP for the Fiscal Year of 1996-1997, 1999-2000, 2008-2009 & 2010-2011 (Export) by the Ministry of Commerce, Government of the People's Republic of Bangladesh for his remarkable contribution in the business arena. He is also Recipient of Prime Minister's National Export Trophy - Gold during the FY 2013-2014, 2012-2013, 2006-2007, 2000-2001. Recipient of Prime Minister's National Export Trophy - Silver during the FY 2013-2014, 2012-2013, 2010-2011, 2009-2010. Recipient of Prime Minister's National Export Trophy Bronze during the FY 2010-2011. Recipient of "Best Enterprise Award 2007" (Awarded by DHL / The Daily Star). He is the founder of Bengal Group of Industries which consists of nearly 22 companies. Besides, he is the member of trustee board of The People's University of Bangladesh and Chairman, National Life Insurance Company Limited and Director of Mercantile Bank Limited. Being a philanthropist, he founded Morshed Alam High School at Nateswar Noakhali and life donor member of Kazi Nagar Madrasa and Bazra High School at Noakhali and Motijheel Ideal High School Dhaka.

Md. Shahabuddin Alam, Sponsor Director

Mr. Md. Shahabuddin Alam was born in a respectable Muslim family of Chittagong. He completed his post graduation from Chittagong University with remarkable position. Then he started his business career in the year 1988. During the course of time, he established in different sectors such as edible oil refinery, mills/ factories that are producing full cream milk powder etc through Samannaz Dairy and Food Products Ltd., Laila Vanaspati Product Ltd., Sharija Oil Refinery Ltd., S.A. Oil Refinery Ltd., Samannaz Super Oil Ltd., Kamal Vegetables Oil Ltd., with corporate head office at Finlay House, Agrabad, Chittagong.

He made business tours in different countries of the world. He is engaged with different social organizations and his contributions to the society are noteworthy.

Dr. Mahmood Osman Imam, MBA FCMA, Independent Director

Mr. Mahmood Osman Imam is the Professor of Finance and served as Chairman, Department of Finance, University of Dhaka. He is also the Executive Director, Center for Corporate Governance and Finance Studies, University of Dhaka and the Editor, Journal of Institute of Bankers, Bangladesh. He served also as the Director, Bureau of Business Research, Faculty of Business Studies, University of Dhaka and as Provost, Bangabandhu Sheikh Mujibur Rahman Hall.

He is an Independent Director and Chairman, Audit Committee, Mercantile Bank Ltd. He was also on the Board of Directors as Independent Director of LankaBangla Finance Limited. He was also the Independent Director and Chairman, Audit Committee, ICB AMCL and founder director, Bangladesh Institute of Capital Market.

Dr. Imam is a financial analyst and capital market specialist. He has over 27 years of working experiences in this field. He did MBA (major in Finance) and Ph. D in Applied Economics at K.U. Leuven, Belgium. He is a Fellow of Cost & Management Accountant too.

In his long tenure of career, he worked as national and international consultants with a number of both national



and international organizations, viz., World Bank; ADB; UNDP; Bilance, Netherlands; Pohl Consulting Ltd, Germany; Dhaka Stock Exchange (DSE); Ontario Centre for Environmental Technology Advancement (OCETA); Dhaka Chamber of Commerce and Industry (DCCI) and CIPE, USA, ERRA PROJECT. He also worked as Professor of Finance, School of Business, Independent University Bangladesh.

He is a prolific researcher and has been awarded twice as best paper author by the Faculty of Business Studies, University of Dhaka. To his credit, there are also two published research monographs.

Dr. Md. Rahmat Ullah, Independent Director

Dr. Md. Rahmat Ullah is a Professor in the Department of Law, and Provost, Kabi Jashim Uddin Hall, University of Dhaka. He is a Senate member, University of Dhaka. He holds the position of Executive Director of Empowerment through Law of the Common People (ELCOP) – a human rights education, research and training centre. Other than these, he is an Advisor to the Department of Law, City University, Dhaka; Governing body member MH Somorita Medical College and Hospital, Dhaka; Governing body member, Alhaz Mockbul Hossain University College, Dhaka; Member, Interuniversity Sports Council and an Independent Director, Mercantile Bank Ltd.

He completed LL.M from Baku State University, Azerbaijan and Ph.D from Kiev State University, Ukraine. During his professional career he was a syndicate member to the University of Dhaka and worked as adjunct faculty member to several private universities. He participated in professional workshops, seminars and trainings in India, Nepal, China, Belgium, Netherlands, Switzerland and Iran. His field of interest is human rights and commercial law.

He is a profile researcher in the field of human rights and legal issues. He worked as national and international consultant under different projects on human rights and legal issues with UNHCR, UNDP, HRDC, MJF and NHRC. He has published more than 22 research articles on legal issues and author of 1 book and co-author of 4 books. He is also Executive Editor of 5 research Books. He is a committed human rights activist and desires to work for the poor for their better life.

C. PROFILE OF MANAGEMENT

Kazi Masihur Rahman, Managing Director & CEO

Kazi Masihur Rahman joined Mercantile Bank Ltd as Managing Director and CEO in January 2016. He is a senior banker with thirty eight years hands on experience in the financial industry. Mr. Rahman served as CEO of Exim Bank and DMD of Prime Bank. Prior to joining Mercantile Bank he was engaged as Consultant of BGB for establishing Shimanto Bank.

After completing Masters in Economics from Dhaka University, he made debut in the banking career with Sonali Bank as a Probationary Officer in 1977 and served there in various capacities at Head Office and branches in Bangladesh and UK. In 1988 Mr. Rahman joined BASIC Bank as Company Secretary and Head of Corporate Affairs.

Mr. Rahman moved to Mashreqbank, Dubai as AVP -Operations in 1990, wherein he served as a core team member in the re-structuring projects of Mashreqbank. After serving Mashreqbank for about 4 years, he joined United Saudi Commercial Bank of Saudi Arabia in 1993 as Head of System and Procedures Department. In 1997, he joined Saudi Hollandi Bank, a joint venture of ABN AMRO Bank, and served the Bank for more than 6 years as Country Head of Trade Finance.

With his wide experience of serving in multinational working environment, Mr. Rahman gathered expertise in the areas of banking technology, change management and process re-engineering. He was actively involved in core banking system implementation in two banks and was also associated with management of various innovative projects & financial planning at home and abroad.



Mr. Rahman in his chequered banking career has had proven track record of corporate leadership, relationship management and institutional capacity building.

Md. Quamrul Islam Chowdhury, Additional Managing Director & CBO

Mr. Md. Quamrul Islam Chowdhury was promoted to Additional Managing Director of Mercantile Bank Limited in 2016. Prior to his promotion, he was the Deputy Managing Director of the same bank.

He joined Mercantile Bank Limited in February 2001 and posted as Branch Incumbent of Khatungonj Branch, Chittagong. He served as Head of Agrabad Branch, Chittagong, Zonal Head of Chittagong Region and Head of Main Branch, Dhaka.

He started his banking career in National Bank Limited in 1983 as Probationary Officer. Mr. Chowdhury later joined in NCCBL holding position of Senior Asstt. Vice President and Branch In-Charge of Jubilee Road Branch, Chittagong.

Mr. Chowdhury obtained Master's degree in Marketing from Dhaka University. He is highly committed and successful banker especially in exploring business opportunities and providing creative solutions for the difficulties in banking operations. He has a wide range of experience in International Trade, Card & Retail Banking and Mobile Financial Services. He converged training program, seminar & workshop in both home and abroad viz: USA, Japan, India, Hong Kong, Malaysia, Singapore etc.

Mati Ul Hasan, Additional Managing Director & CRO

Mr. Hassan started his career at IFIC Bank on 01 April 1984 as Probationary Officer. Later he spent 9 years in oversees operation in Pakistan and 2 years in Nepal Bangladesh Bank, Nepal after which he switch to Mercantile Bank Limited in 2014. He holds a B.S.S. (Hons) in Economics from Dhaka University.

G.W.M. Mortaza, Deputy Managing Director

Mr. Mortaza is a dynamic professional with amiable personality having more than 30 years of banking experience with BSB, BASIC, Trust, Dutch Bangla, The City, Bank Asia in different capacities. He had schooling from Mirzapur Cadet College and did his M.Com (Finance), University of Dhaka and MBA from IBA, University of Dhaka. He started his career with Bangladesh Shilpa Bank (BSB) as Financial Analyst and had the opportunity to play managerial roles in BASIC, EBL, Trust, Dutch Bangla, The City and Bank Asia in different Capacities. Prior to joining Mercantile Bank as DMD, Mortaza was holding the position of DMD in BCBL.

Besides, Mr. Mortaza was awarded by the Rotary International, USA as an outstanding young professional from Bangladesh and had an on-the-job training in different Banks in Virginia & Tennessee, USA. Further, he was recognized by the South Asia Enterprise Development Facility (SEDF), a concern of IFC/World Bank and assigned as one of their resource persons as a Trainer in different banks on Core Risk Management on behalf of Bangladesh Bank.

His expertise ranges from Corporate Banking, Foreign Exchange, Credit Functions, Special Asset Management, Branch Banking Operations and Credit Administration.

Md. Zakir Hossain, Deputy Managing Director & DCBO

Md. Zakir Hossain is a senior banker with experience of about 25 years in the banking industry of Bangladesh.

He started his banking career in 1993 with Janata Bank- the 2nd largest state-owned commercial bank of Bangladesh as Financial Analyst in the position of Senior Officer. Thereafter, he moved to Prime Bank Ltd. in 1995 and served there as Credit Officer in Credit Risk Management Division till 1999.

Finally, he joined Mercantile Bank Limited in June 1999. Mr. Zakir has been serving MBL since it's inception in



various capacity and positions at Branch and Head Office. He was the Head of 02 (two) leading Branches and then Head of Corporate Banking Division before his elevation as DMD. At present, he supervises three Divisions i.e Corporate Banking Division, SME Division and Research & Planning Division of the Bank under his portfolio.

Mr. Zakir is graduated from Department of Finance of Dhaka University with major in Banking. He has completed Banking Diploma Part-I. Alongside the banking career, he has academic track also. He is a professional trainer associated with BD jobs. Main focus of banking experience of Mr. Zakir is project finance and corporate business.

Adil Raihan, Deputy Managing Director & CSBO

Mr. Raihan started banking career in 1995 with ANZ Grindlays Bank as a Management Trainee. Later he joined Standard Chartered Bank in March 2000 and worked as a Customer Service Manager till June 2001. He then moved to HSBC in July 2001 as a Manager, Customer Service where he served till March 2004.

He then joined GPS Finance company (BD) Ltd. as a Assistant General Manager & Head of Credit & Marketing till July 2005. After which he joined Prime Bank Ltd. as a Senior Vice President & Head of Retail Banking & Card till April 2009, then The Premier Bank Ltd. as a Executive Vice President & Head of Retail Banking & Cards till July 2010, then One Bank Ltd. as a Executive Vice President & Head of Mobile Financial Service, Agent Banking, Cards, Alternative Banking Channels & Project Management till September 2015, then Bank Asia Ltd. as a Senior Executive Vice President & Head of Channel Banking till January 2017. Thereafter, he joined Mercantile Bank Limited in February 2017. He holds a MBA from Aligarh Muslim University, India.



D. DESCRIPTION OF ASSETS AND LIABILITIES

DESCRIPTION OF ASSETS AND LIABILITIES (AS OF SEPTEMBER 30, 2017)

ASSETS

Cash, Bank Balances, Money at Call on Short Notice and Investments

Items	Total Asset	% of Total Asset
Cash	14,630,214,902	5.86%
Balance with other banks and financial institutions	2,334,078,009	0.93%
Money at call and short notice	-	0.00%
Investments	35,527,453,293	14.23%
Loans and Advances	191,400,116,988	76.65%
Fixed assets including premises, furniture and fixtures	3,097,694,599	1.24%
Other assets	2,725,799,889	1.09%
Non-banking Assets	-	0.00%
Total Assets	249,715,357,680	100.00%

Loans and Advances

Item	Amount in BDT
Loans, Cash Credit, Overdrafts etc.	171,003,227,897
Term Loan	52,853,921,834
Time Loan	20,844,073,285
Packing Credit	2,021,848,590
Loan Against Trust Receipt (LTR)	5,014,293,179
Lease Finance	1,003,477,928
EDF Loan	9,890,893,253
Loan General	576,820,362
House Building Loan	3,838,430,040
Hire Purchase	6,717,669,502
Payment Against Documents (PAD)	496,846,544
Cash Credit (Hypo)	9,754,966,920
Overdraft	24,787,432,680
Home Loan Scheme Refinance	4,103,571
Personal Loan	162,439,512
Consumers Credit Schemes	8,319,722
Consumers Finance	1,456,028,733
Other Credit Schemes	1,861,035
Staff Loan	1,215,633,484
Credit Card	316,568,231
Small and Medium Enterprise(SME) Loan	26,639,140,122
Agricultural Credit	3,398,459,371
Bills Purchased and Discounted	20,396,889,091
Payable in Bangladesh	4,016,718,308
Payable outside Bangladesh	16,380,170,783



Item	Amount in BDT
Total Loans and Advances	191,400,116,988

Fixed Assets

Items	Amount in BDT
Land	1,341,807,978
Building	787,603,844
Furniture & Fixtures	890,571,775
Office Equipment	1,080,873,438
Vehicles	154,367,911
Books	888,648
Total Cost	4,256,113,594
Less: Accumulated depreciation	(1,302,239,177)
Total Written Down Value	2,953,874,417
Intangible Assets	
Software	448,236,262
Less: Accumulated depreciation	(304,416,080)
Total Written Down Value	143,820,182
Total Fixed Assets	3,097,694,599

Other Assets

Items	Amount in BDT
Advance deposits	8,039,014
Stock of stationery	15,416,799
Suspense account	935,873,236
Stamps in hand	4,792,081
Advance rent	287,028,668
Adjusting account debit	1,344,619,187
Clearing adjustment account	1,471,344
Mercantile Exchange House (UK) Limited	37,322,263
Mercantile Bank OBU Unit	4,688,865,101
Mercantile Bank general account	111,568,942
Sub-total	7,434,996,634
Less: Intra company transaction (OBU)	(4,709,196,745)
Total Other Assets	2,725,799,889

LIABILITIES

Borrowings from other banks, financial institutions and agents

Items	Amount in BDT
Borrowings from other banks, financial institutions and agents (a+b)	
(a) In Bangladesh	28,370,306,350
Call Deposits	8,870,000,000
Secured Borrowings	7,839,343,198
Bangladesh Bank Refinance	639,343,198



Items	Amount in BDT
Other Bank Borrowings	7,200,000,000
Unsecured Borrowings	11,660,963,152
Off-shore Banking Unit	16,370,159,897
Inter-company transaction	(4,709,196,745)
(b) Outside Bangladesh	-
Total	28,370,306,350

Deposits and Other Accounts

Items	Amount in BDT
Current Accounts and other Accounts	46,516,892,463
Bills Payable	2,313,622,678
Savings Bank Deposits	19,339,541,787
Fixed Deposits	51,247,013,449
Deposit Under Schemes	62,126,070,851
Total	181,543,141,228

Other Liabilities

Items	Amount in BDT
Provision for Gratuity	50,000,000
Provision for Fixed Assets	85,000,000
Other Provision	20,124,562
Provision for Off Balance Sheet Items	987,742,367
Provision for Incentive Bonus	328,467,745
Provision for Current Tax	(447,963,355)
Provision for Deferred Tax	24,743,577
Provision for Loans and Advances	8,047,700,000
Adjusting Account Credit	2,449,804,572
Interest Suspense Account	2,479,229,813
Provision for Audit fees	-
Foreign Currency held against EDF L/C	6,300,859,780
Lease Payable	-
Total	20,325,709,061

Subordinated Debt

Items	Amount in BDT
Subordinated Debt	2,400,000,000
Total	2,400,000,000



E. DESCRIPTION OF PREVIOUSLY ISSUED DEBT OR SECURITIES

Mercantile Bank Limited (MBL) had issued an unsecured floating rate subordinated bond of BDT 3,000 Million to the local market under Private Placement to consolidate MBL's capital base (Tier-II Regulatory Capital Raising) in line with the Basel-II framework. MBL received BDT 3,000 Million on 29 June 2014 from the issuance of which BDT 600 Million has already been paid as of 28 June 2017. The outstanding balance is BDT 2,400 Million as of 22 November 2017.



12. AUDITED FINANCIAL STATEMENTS OF THE ISSUER: MERCANTILE BANK LIMITED

a. Balance Sheet



Mercantile Bank Limited
Balance Sheet
As at 30 September 2017

	Notes	Amount in BDT	
		Sep-17	Dec-16
Property and Assets			
Cash in hand	3	14,630,214,902	12,499,971,654
Cash in hand (Including foreign currencies)	3.1	1,927,607,255	1,722,631,842
Balance with Bangladesh Bank & its agent bank(s) (including foreign currencies)	3.2	12,702,607,647	10,777,339,812
Balance with other banks and financial institutions	4	2,334,078,009	3,536,863,426
In Bangladesh	4.1	2,087,395,808	3,190,283,274
Outside Bangladesh	4.2	246,682,201	346,580,152
Money at call on short notice	5	-	-
Investments	6	35,527,453,293	32,920,687,995
Government	6.4	26,655,413,215	24,271,567,529
Others	6.5	8,872,040,078	8,649,120,466
Loans and Advances	7	191,400,116,988	150,912,521,562
Loans, Cash Credit, Overdraft etc.	7.A	171,003,227,897	137,869,676,919
Bills purchased and discounted	7.B	20,396,889,091	13,042,844,643
Fixed assets including premises, furniture and fixtures	8	3,097,694,599	3,175,029,609
Other assets	9	2,725,799,889	1,082,399,453
Non- banking assets		-	-
Total Property and Assets		249,715,357,680	204,127,473,699
Liabilities and Capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	28,370,306,350	8,804,043,480
Deposits and other Accounts	11	181,543,141,228	156,085,775,549
Current Accounts and other Accounts	11.1	46,516,892,463	35,006,160,175
Bills Payable	11.2	2,313,622,678	2,445,955,797
Savings Bank Deposits	11.3	19,339,541,787	16,601,527,469
Fixed Deposits	11.4	51,247,013,449	36,776,569,142
Deposit Under Schemes	11.5	62,126,070,851	65,255,562,966
Subordinated Bond	11.2(b)	2,400,000,000	3,000,000,000
Other Liabilities	12	20,325,709,061	19,428,048,424
Total Liabilities		232,639,156,639	187,317,867,452
Capital/Shareholders' Equity			
Paid up capital	13.1	7,761,145,370	7,391,567,010
Statutory reserve	14	6,112,955,355	5,449,253,039
General reserve	14.1	240,000,000	-
Other reserve	15	1,546,543,049	2,430,109,418
Surplus in Profit & Loss Account	16	1,415,557,267	1,538,676,780
Total shareholders' Equity		17,076,201,041	16,809,606,247
Total Liabilities & Shareholders' Equity		249,715,357,680	204,127,473,699





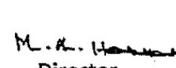
Mercantile Bank Limited
Balance Sheet
As at 30 September 2017

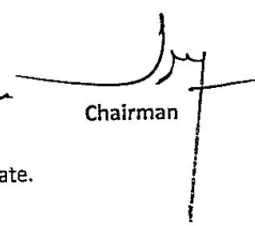
	Notes	Amount in BDT	
		Sep-17	Dec-16
Off-Balance Sheet Items			
Contingent Liabilities			
Acceptances and Endorsements	17.1	33,275,618,954	26,754,596,178
Letters of Guarantee	17.2	11,347,312,778	8,300,212,805
Irrevocable Letters of Credit	17.3	46,580,265,278	33,790,013,239
Bills for Collection	17.4	7,567,468,948	10,116,331,039
Other contingent liabilities(BLW)	17.5	2,374,723,148	2,736,632,233
Total		101,145,389,107	81,697,785,494
Other Commitments			
Documentary credits and short term trade related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total		-	-
Total Off-Balance Sheet items including contingent liabilities		101,145,389,107	81,697,785,494
Net Asset Value Per Share (NAVPS)		22.00	22.74

The annexed notes form an integral part of these financial statements.


Managing Director and CEO

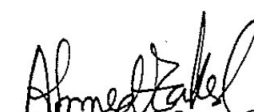

Director


Director


Chairman

This is the Balance Sheet referred to in our separate report of even date.

Place: Dhaka
Date: October 22, 2017


Ahmed Zaker & Co.
Chartered Accountants



b. Profit & Loss Account



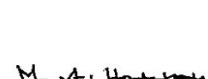
Mercantile Bank Limited
Profit and Loss Account
For the period ended 30 September 2017

	Notes	Amount in BDT	
		Sep-17	Sep-16
Interest income	19	11,833,640,529	10,167,685,709
Less: Interest paid on deposits, borrowings etc.	21	9,405,055,779	8,059,679,344
Net interest income		2,428,584,751	2,108,006,364
Investment income	20	2,419,876,882	2,262,171,862
Commission, exchange and brokerage	22	1,832,183,147	1,301,737,297
Other operating income	23	1,749,800,417	1,510,570,372
		6,001,860,446	5,074,479,532
Total operating income		8,430,445,197	7,182,485,896
Salaries and allowances	24	1,860,728,748	1,782,145,736
Chief Executive's salary and fees	25	12,748,710	8,530,645
Directors' fees	26	3,498,489	3,560,400
Rent, taxes, insurances, electricity etc.	27	509,014,865	463,520,624
Legal expenses	28	12,426,580	6,102,321
Postage, stamps, telecommunication etc.		48,431,345	47,227,318
Stationery, Printings, Advertisements etc.	29	151,444,178	146,301,703
Auditors' fees		195,500	115,000
Depreciation and repair of Bank's assets	30	292,207,904	283,835,450
Other expenses	31	1,028,355,950	1,605,942,115
Total operating expenses		3,919,052,269	4,347,281,313
Profit/(Loss) before provision		4,511,392,928	2,835,204,584
Provision for loans and advances including off Balance Sheet item	12.5	1,192,881,350	140,467,158
Other provision		-	-
Total provision		1,192,881,350	140,467,158
Total profit/(Loss) before taxes		3,318,511,578	2,694,737,425
Provision for Current Tax	12.4	1,060,000,000	1,395,000,000
Provision for Deferred Tax		-	5,000,000
		1,060,000,000	1,400,000,000
Net profit after taxation		2,258,511,578	1,294,737,425
Retained surplus brought forward from previous year		60,748,004	8,790,121
Profit available for appropriation		2,319,259,582	1,303,527,546
Appropriations			
Statutory reserve	14	663,702,316	538,947,485
General reserve	14.1	240,000,000	-
Retained surplus	16	1,415,557,267	764,580,061
		2,319,259,582	1,303,527,546
Earnings per share (EPS)	32	2.91	1.67

The annexed notes form an integral part of these financial statements.


Managing Director and CEO



Director


Director


Chairman

This is the Profit and Loss Account referred to in our separate report of even date.

Place: Dhaka
Date: October 22, 2017


Ahmed Zaker & Co.
Chartered Accountants



c. Cash Flow Statement

Mercantile Bank Limited
Cash Flow Statement
For the period ended 30 September 2017

Notes	Amount in BDT	
	Sep-17	Sep-16
A) Cash flows from operating activities	1,113,137,532	926,025,723
Interest received	10,634,630,943	9,225,183,707
Interest paid	(6,920,771,168)	(5,867,023,272)
Fees and commission received	731,880,666	632,469,262
Payment to the employees	(1,860,728,748)	(1,782,145,736)
Payment to suppliers	(151,444,178)	(146,301,703)
Income tax paid	(1,320,429,982)	(1,136,156,535)
Received from other operating activities	5,172,100,328	2,179,838,407
Exchange gain	1,100,302,481	669,268,035
Other operating income	4,071,797,847	1,510,570,372
Payment for other operating activities	(1,678,242,334)	(2,179,688,729)
Rent, taxes, insurances and electricity	(509,014,865)	(463,520,624)
Legal expenses	(12,426,580)	(6,102,321)
Postage, stamps and telecommunication	(48,431,345)	(47,227,318)
Auditors' fees	(195,500)	(115,000)
Repair and maintenance	(63,570,894)	(55,441,424)
Chief Executive's salary and fees	(12,748,710)	(8,530,645)
Directors' fees	(3,498,489)	(3,560,400)
Other expenses	(1,028,355,950)	(1,595,190,996)
Operating cash flows before changes in operating assets and liabilities	4,606,995,527	926,175,402
(Increase)/ decrease in operating assets and liabilities	(42,871,441,112)	(11,737,248,478)
Trading securities (Treasury bills & Bonds)	(2,383,845,686)	478,455,385
Loans and advances to other banks	-	-
Loans and advances to customers	(40,487,595,426)	(12,215,703,863)
Other assets (Item-wise)	(1,643,400,437)	102,403,275
Suspense account	(406,639,635)	(87,372,524)
Demand Draft paid without advice	-	-
Advance rent	55,194,800	54,480,285
Advance deposits	(788,650)	(326,410)
Stock of stationery	(6,191,055)	10,727,912
Stamps in hand	(628,663)	155,759
Premium on bond	-	4,703,843
Clearing adjustment account	(1,376,344)	(1,791,288)
Adjusting account debit	(548,935,291)	(131,337,176)
Mercantile Exchange House (UK) Ltd.	(4,088,527)	4,888,557
Mercantile Bank OBU unit	(727,258,241)	192,627,688
Mercantile Bank general account	(2,688,831)	55,646,628
Deposit from other banks	43,072,381,062	15,436,844,995
Deposit from customers	19,566,262,870	7,326,350,542
Other liabilities on account of customers	25,457,365,679	7,385,210,837
Other liabilities	-	-
Other liabilities	(1,951,247,487)	725,283,616
Net cash flows from operating activities	3,164,535,040	4,728,175,193






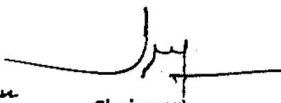
Cash Flow Statement
For the period ended 30 September 2017

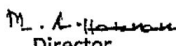
Notes	Amount in BDT	
	Sep-17	Sep-16
B) Cash flows from investing activities		
Dividend received	97,879,453	72,494,653
Purchase/sale of property, plant and equipment	(151,302,000)	(144,610,924)
Purchase/sale of shares	(8,919,602)	11,694,291
Purchase/sale of bond	(964,000,000)	(1,314,000,000)
Other investment activities	749,999,990	(1,061,589,973)
Net cash flows from investing activities	(276,342,158)	(2,436,011,954)
C) Cash flows from financing activities		
Receipts from Issue of loan capital and debt securities	-	-
Payments for redemption of loan capital and debt securities	(600,000,000)	(270,000,000)
Paid for Interest on Subordinated bond	(252,000,000)	-
Received by issue of right share	-	-
Dividend paid	(1,108,735,052)	(886,988,041)
Net cash flows from financing activities	(1,960,735,052)	(1,156,988,041)
Net increase/(decrease) of cash & cash equivalent (A+B+C)	927,457,830	1,135,175,198
Cash and cash equivalent at the beginning of the period	16,036,835,080	17,048,231,015
Cash and cash equivalent at the end of the period	16,964,292,911	18,183,406,213
	16.A(1)	
Net Operating Cash Flow Per Share (NOCFPS)	4.08	6.40

The annexed notes form an integral part of these financial statements.


Managing Director and CEO


Director


Chairman


Director

This is the Cash Flow Statement referred to in our separate report of even date.

Place: Dhaka
Date: October 22, 2017


Ahmed Zaker & Co.
Chartered Accountants

For the detailed Audited Financials as at September 30, 2017, Please see Annexure - 1.



13. BRIEF OVERVIEW AND COMPARATIVE FINANCIAL STATEMENTS

Brief overview for last five year's financial and operational performance of Mercantile Bank is given below.

(BDT in Million)

Particular	2016	2015	2014	2013	2012
Operating Performance (Income Statement)					
Interest Income	13,676.26	14,112.70	13,984.50	13,344.90	12,545.34
Interest Expenses	10,518.54	11,808.55	11,385.39	11,795.76	10,556.79
Net Interest Income	3,157.72	2,304.15	2,599.11	1,549.14	1,988.55
Investment Income	2,931.91	2,877.94	2,796.03	3,266.94	1,668.83
Commission, Exchange & Brokerage	1,871.88	1,673.09	1,552.57	1,457.89	1,370.18
Other Operating Income	2,127.47	1,088.84	1,048.31	1,020.98	1,083.21
Operating Income	10,088.98	7,944.02	7,996.02	7,294.95	6,110.77
Operating Expenses	5,652.54	4,008.26	3,585.45	3,039.26	2,759.98
Earning before Depreciation, Provision and Tax	4,737.01	4,167.25	4,631.97	4,447.74	3,495.35
Profit before Provision and Tax	4,436.44	3,935.76	4,410.57	4,255.69	3,350.79
Provision for Loans and Advances	949.08	1,292.47	2,122.06	1,027.00	969.33
Profit after Provision before Tax	3,487.36	2,643.29	2,288.51	3,228.69	2,381.46
Tax including Deferred Tax	1,260.00	1,250.00	1,100.00	1,250.00	1,000.00
Profit after Tax	2,227.36	1,393.29	1,188.51	1,978.69	1,381.46
Balance Sheet (Financial Position)					
Authorized Capital	12,000.00	12,000.00	12,000.00	12,000.00	8,000.00
Paid-up Capital	7,391.57	7,391.57	7,391.57	6,599.61	6,110.75
Shareholders' Equity	16,809.61	15,513.73	13,519.17	12,574.24	10,924.55
Deposits	165,257.45	154,869.52	140,475.84	124,566.97	132,093.64
Loans and Advances	150,912.52	126,338.83	117,060.03	97,688.50	93,610.87
Investments	32,920.69	33,829.46	32,184.09	30,090.60	41,314.19
Fixed assets including Premises, Furniture and Fixtures	3,175.03	3,325.79	3,198.11	3,097.60	2,898.60
Earning Assets	186,618.07	163,987.26	151,626.21	129,667.05	138,365.18
Total Assets	204,127.47	182,800.17	168,474.13	144,841.87	152,658.47
Total Liabilities	187,317.86	167,286.44	154,954.96	132,267.63	141,733.92
Other Business					
Import	139,766.40	119,982.40	107,089.70	100,685.60	113,434.10
Export	113,035.20	94,027.10	78,352.70	71,671.50	81,477.10
Remittance	24,048.20	19,003.20	18,208.60	12,434.70	15,792.80
Capital Measures					
Total Risk Weighted Assets under Basel III	171,704.24	151,438.72	147,484.30	119,995.10	111,524.70
Tier-1 Capital (going concern capital)	14,330.00	12,908.59	12,427.74	11,767.62	10,216.68
Tier-2 Capital (gone concern capital)	8,037.17	5,063.39	6,676.21	1,942.06	1,861.99
Total Capital	22,367.17	17,971.98	19,103.95	13,709.68	12,078.67
Capital Required	18,243.58	15,143.87	14,748.43	11,999.51	11,152.47
Capital Surplus	4,123.59	2,828.11	4,355.52	1,710.17	926.20
Tier-1 Capital to RWA	8.35%	8.52%	8.43%	9.81%	9.16%
Tier-2 Capital RWA	4.68%	3.34%	4.53%	1.62%	1.67%
Total Capital to Risk-weighted Asset Ratio (CRAR)	13.03%	11.87%	12.95%	11.43%	10.83%
Leverage Ratio (Basel-III)	6.16%	6.48%	N/A	N/A	N/A
Liquidity Coverage Ratio (LCR)	101.96%	166.57%	N/A	N/A	N/A
Net Stable Funding Ratio (NSFR)	102.27%	109.18%	N/A	N/A	N/A



(BDT in Million)

Particular	2016	2015	2014	2013	2012
Credit Quality					
Non-performing Loans (NPLs)	7,745.88	6,250.77	4,831.63	4,659.75	4,090.92
NPLs to total Loans and Advances	5.13%	4.95%	4.13%	4.77%	4.37%
Provision for Unclassified Loans	3,916.60	3,703.87	2,547.49	995.00	969.00
Provision for Classified Loans	3,117.14	2,551.00	2,405.18	2,425.05	1,495.87
Share Information					
Market Price Per Share (Taka)	15.10	10.70	13.70	16.70	19.10
No. of Shares Outstanding (Million)	739.16	739.16	739.16	659.96	611.08
No. of Shareholders (actual)	28,210	34,127	44,462	44,117	40,283
Earnings Per Share (Taka)	3.01	1.88	1.61	3.00	2.26
Dividend:	20%	12%	10%	20%	15%
Cash	15.00%	12.00%	10.00%	8.00%	7.00%
Bonus	5.00%	0.00%	0.00%	12.00%	8.00%
Market Capitalization	11,161.32	7,909.01	10,126.49	11,021.33	11,671.54
Net Assets Value Per Share (Taka)	22.74	20.99	18.29	19.05	17.88
Price Earning Ratio (Times)	5.02	5.68	8.52	5.57	8.45
Operating Performance Ratio (%)					
Net Interest Margin (NIM)	3.43%	3.27%	3.82%	3.58%	2.99%
Gross Profit Ratio	36.38%	30.40%	32.06%	28.90%	25.70%
Profit Per Employee	2.17	1.86	2.25	2.35	1.69
Net Profit before Tax to Gross Income	16.92%	13.38%	11.81%	16.91%	14.29%
Net Profit after Tax to Gross Income	10.81%	7.05%	6.13%	10.36%	8.29%
Cost-Income Ratio	56.03%	50.46%	44.84%	41.66%	45.17%
Credit-Deposit Ratio	91.32%	81.58%	83.33%	78.42%	70.87%
Cost of Deposit	6.25%	7.52%	8.26%	8.93%	10.02%
Cost of Fund	5.72%	6.81%	7.30%	8.07%	9.28%
Yield on Average Advance	10.37%	11.68%	13.28%	14.28%	14.72%
Return on Average Assets (ROA)	1.15%	0.79%	0.76%	1.33%	1.03%
Return on Average Equity (ROE)	13.78%	9.60%	9.11%	16.84%	13.42%
Current Ratio	1.14	1.16	1.19	1.00	1.23
Quick Ratio	1.14	1.16	1.19	1.00	1.23
Other information					
No. of Branches	119	109	100	91	86
No. of SME Branches/Centers	5	5	5	5	5
Number of ATM	149	136	127	120	115
No. of Employees	2,043	2,117	1,962	1,814	1,981
No. of Foreign Correspondents	641	641	638	644	627
Rating : Long Term	AA-	AA-	AA-	AA-	AA-
Short Term	ST 2	ST 2	ST 2	ST 2	ST 2
Average Earning Assets	175,302.67	157,806.74	140,646.63	134,016.12	121,964.34
Average Total Assets	193,463.82	175,637.15	156,658.00	148,750.17	134,605.74
Average Deposits	160,063.49	147,672.68	132,521.41	128,330.31	117,177.83
Average Loans & Advances	138,625.68	121,699.43	107,374.27	95,649.69	86,805.34
Average Equity	16,161.67	14,516.45	13,046.71	11,749.40	10,291.94



Comparative Financial Statements for last five years of Mercantile Bank Limited is provided below.

Balance Sheet

(BDT in Million)

Particulars	2015	%	2015	%	2014	%	2013	%	2012	%	2011
PROPERTY AND ASSETS											
Cash	12,499.97	6.12%	13,225.47	7.23%	12,884.27	7.65%	10,402.41	7.18%	12,015.12	7.87%	6,946.10
In hand (including foreign currencies)	1,722.63	0.84%	1,397.51	0.76%	1,430.47	0.85%	1,551.90	1.07%	1,470.56	0.96%	812.55
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	10,777.34	5.28%	11,827.96	6.47%	11,463.80	6.80%	8,850.51	6.11%	10,544.56	6.91%	6,133.55
Balance with other banks and financial institutions	3,536.86	1.73%	3,822.76	2.09%	742.37	0.44%	917.82	0.63%	625.02	0.41%	643.85
In Bangladesh	3,190.28	1.56%	3,551.64	1.94%	356.89	0.21%	430.20	0.30%	551.21	0.36%	499.89
Outside Bangladesh	346.58	0.17%	271.12	0.15%	385.48	0.23%	487.62	0.34%	73.81	0.05%	143.96
Money at call and short notice	-	-	800.00	0.44%	-	-	-	-	-	-	-
Investments	32,920.69	16.13%	33,829.46	18.51%	32,184.08	19.10%	30,080.61	20.77%	41,314.19	27.06%	24,645.38
Government	24,271.57	11.89%	28,817.53	15.76%	29,720.02	17.64%	28,642.77	19.78%	40,034.75	26.23%	23,348.85
Others	8,649.12	4.24%	5,011.93	2.74%	2,464.06	1.46%	1,447.84	1.00%	1,279.44	0.84%	1,296.53
Loans and advances	150,912.52	73.93%	126,338.83	69.11%	117,060.03	69.48%	97,688.50	67.44%	93,610.87	61.32%	79,999.80
Loans, cash credits, overdrafts, etc.	137,869.58	67.54%	117,680.02	64.38%	109,991.94	65.29%	91,190.59	62.96%	85,901.92	56.27%	73,804.71
Bills purchased and discounted	13,042.84	6.39%	8,658.81	4.74%	7,068.09	4.20%	6,497.91	4.49%	7,708.95	5.05%	6,195.09
Fixed assets including premises, furniture and fixtures	3,175.03	1.56%	3,325.80	1.82%	3,198.11	1.90%	3,097.60	2.14%	2,898.60	1.90%	2,711.32
Other assets	1,082.40	0.53%	1,457.85	0.80%	2,395.27	1.42%	2,644.93	1.83%	2,194.67	1.44%	1,606.56
Non - banking assets	-	-	-	-	-	-	-	-	-	-	-
Total assets	204,127.47	100.00%	182,800.17	100.00%	168,474.13	100.00%	144,841.87	100.00%	152,658.47	100.00%	116,553.01
LIABILITIES AND CAPITAL											
Liabilities											
Borrowings from other banks, financial institutions and agents	8,804.04	4.31%	552.85	0.30%	3,692.37	2.19%	1,378.75	0.95%	15,927.33	10.43%	5,976.76
Deposits and other accounts	156,085.77	76.46%	147,816.28	80.85%	134,996.50	80.13%	120,858.00	83.44%	118,106.89	77.37%	94,102.84
Current accounts and other accounts	35,030.27	17.16%	30,560.45	16.72%	21,840.97	12.96%	18,798.82	12.98%	19,927.39	13.05%	12,870.71
Bills payable	2,421.84	1.19%	1,534.65	0.89%	1,387.23	0.82%	1,388.80	0.96%	1,725.46	1.13%	1,107.18
Savings bank deposits	16,601.53	8.13%	12,739.77	6.97%	10,534.22	6.25%	8,510.14	5.88%	6,869.66	4.50%	5,929.74
Fixed deposits	36,776.57	18.02%	42,028.79	22.99%	46,057.22	27.34%	41,945.69	28.96%	46,250.92	30.30%	38,875.50
Deposits under schemes	65,255.56	31.97%	60,852.62	33.29%	55,176.86	32.75%	50,214.55	34.67%	43,333.46	28.39%	35,319.71
Subordinated Bond	3,000.00	1.47%	3,000.00	1.64%	3,000.00	1.78%	-	-	-	-	-
Other liabilities	19,428.05	9.52%	15,917.31	8.71%	13,266.10	7.87%	10,030.99	6.93%	7,699.89	5.04%	6,814.08
Total liabilities	187,317.87	91.77%	167,286.44	91.51%	154,954.97	91.98%	132,267.74	91.32%	141,734.11	92.84%	106,893.68
Capital/Shareholders' equity											
Paid up capital	7,391.57	3.62%	7,391.57	4.04%	7,391.57	4.39%	6,599.61	4.56%	6,110.75	4.00%	4,968.10
Statutory reserve	5,449.25	2.67%	4,751.78	2.60%	4,223.12	2.51%	3,765.42	2.60%	3,119.68	2.04%	2,643.39
Other reserve	2,430.11	1.19%	2,477.87	1.36%	1,137.11	0.67%	852.29	0.59%	753.36	0.49%	870.04
Surplus in profit and loss account	1,538.68	0.75%	892.51	0.49%	767.37	0.46%	1,356.91	0.94%	940.57	0.62%	1,177.80
Total Shareholders' equity	16,809.61	8.23%	15,513.73	8.49%	13,519.17	8.02%	12,574.23	8.68%	10,924.36	7.16%	9,659.33
Total liabilities and Shareholders' equity	204,127.47	100.00%	182,800.17	100.00%	168,474.14	100.00%	144,841.97	100.00%	152,658.47	100.00%	116,553.01



Profit & Loss Account

(BDT in Million)

Particulars	2016	%	2015	%	2014	%	2013	%	2012	%	2011
Profit and Loss Account											
Interest income	13,676.26	66.22%	14,112.7	71.45%	13,984.50	72.15%	13,344.90	69.90%	12,545.34	75.27%	9,732.68
Interest on deposits, borrowings, etc.	10,518.54	50.93%	11,808.55	59.78%	11,385.39	58.74%	11,795.76	61.79%	10,556.79	63.34%	8,022.13
Net interest	3,157.72	15.29%	2,304.15	11.67%	2,599.11	13.41%	1,549.14	8.11%	1,988.55	11.93%	1,710.55
Investment income	2,931.91	14.20%	2,877.94	14.57%	2,796.03	14.43%	3,266.94	17.11%	1,668.83	10.01%	1,671.29
Commission, exchange and brokerage	1,871.88	9.06%	1,673.09	8.47%	1,552.57	8.01%	1,457.89	7.64%	1,370.18	8.22%	1,439.02
Other operating income	2,127.47	10.30%	1,088.84	5.51%	1,048.31	5.41%	1,020.98	5.35%	1,083.21	6.50%	1,281.39
Total operating income (A)	10,088.98	48.85%	7,944.02	40.22%	7,996.02	41.26%	7,294.95	38.21%	6,110.77	36.66%	6,102.25
Salaries and allowances	2,463.05	11.93%	1,801.63	9.12%	1,787.53	9.22%	1,428.29	7.48%	1,363.76	8.18%	1,292.01
Chief Executive's Salary and Fees	11.38	0.06%	12.39	0.06%	11.69	0.06%	9.85	0.05%	5.40	0.03%	6.30
Directors' fees	4.87	0.02%	3.47	0.02%	2.75	0.01%	2.79	0.01%	2.86	0.02%	3.05
Rent, Taxes, Insurance, Electricity, etc.	626.19	3.03%	543.22	2.75%	479.33	2.47%	430.76	2.26%	340.11	2.04%	281.87
Legal expenses	8.54	0.04%	6.48	0.03%	12.72	0.07%	12.54	0.07%	13.30	0.08%	10.25
Postage, Stamp, Telecommunication, etc.	63.21	0.31%	66.14	0.33%	52.39	0.27%	53.64	0.28%	51.90	0.31%	61.82
Stationery, Printing, Advertisements, etc.	179.45	0.87%	182.38	0.92%	204.39	1.05%	148.90	0.78%	158.85	0.95%	124.07
Auditors' fees	0.92	0.00%	0.69	0.00%	0.60	0.00%	0.92	0.00%	0.58	0.00%	0.71
Depreciation and Repair of Fixed Assets	377.53	1.83%	302.49	1.53%	267.92	1.38%	232.30	1.22%	188.30	1.13%	162.32
Other expenses	1,917.80	9.29%	1,089.38	5.52%	766.13	3.95%	719.26	3.77%	634.92	3.81%	658.17
Total operating expenses (B)	5,652.54	27.37%	4,008.27	20.29%	3,585.45	18.50%	3,039.25	15.92%	2,759.98	16.56%	2,600.57
Profit / (loss) before provision (C=A-B)	4,436.44	21.48%	3,935.75	19.93%	4,410.57	22.76%	4,255.70	22.29%	3,350.79	20.10%	3,501.68
Provision for loans and advances											
Provision against Classified Loans (Specific provision)	559.48	2.71%	102.64	0.52%	485.33	2.50%	984.80	5.16%	818.00	4.91%	315.20
Provision against Unclassified Loans (General provision)	212.73	1.03%	1,156.38	5.85%	1,552.49	8.01%	26	0.14%	77.00	0.46%	143.00
Provision for off-balance sheet sheet	176.70	0.86%	33.44	0.17%	84.25	0.43%	16.20	0.08%	74.33	0.45%	39.30
Other provisions	0.17	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Total provision (D)	949.08	4.60%	1,292.46	6.54%	2,122.07	10.95%	1,027.00	5.38%	969.33	5.82%	497.50
Total profit / (loss) before taxes (C-D)	3,487.36	16.89%	2,643.29	13.38%	2,288.50	11.81%	3,228.70	16.91%	2,381.46	14.29%	3,004.18
Provision for taxation											
Current tax	1,264.86	6.12%	1,255.21	6.35%	1,135.03	5.86%	1,230.00	6.44%	1,000.00	6.00%	1,250.00
Deferred tax	(4.86)	-0.02%	(5.21)	-0.03%	(35.03)	-0.18%	20.00	0.10%	-	0.00%	20.00
	1,260.00	6.10%	1,250.00	6.33%	1,100.00	5.68%	1,250.00	6.55%	1,000.00	6.00%	1,270.00
Net profit after taxation	2,227.36	10.78%	1,393.29	7.05%	1,188.50	6.13%	1,978.70	10.36%	1,381.46	8.29%	1,734.18



14. RATIOS FOR THE LAST THREE ACCOUNTING YEARS

Ratios	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016
BIS Capital Measure (SOLO)				
Total Capital/Regulatory Capital	13,709.70	19,103.95	17,971.98	22,367.17
Tier I Capital to RWA	9.81%	8.43%	8.53%	8.35%
Tier II Capital to RWA	1.62%	4.52%	3.34%	4.68%
Capital to Risk-weighted Asset Ratio (CRAR) under Basel III	11.43%	12.95%	11.87%	13.03%
Credit Quality				
NPLs to total Loans and Advances	4.77%	5.10%	4.95%	5.13%
Common Share Information				
Earning per Share (BDT)	2.68	1.61	1.88	3.01
Dividend:	20%	10%	12%	20%
Cash	8%	10%	12%	15%
Stock	12%	-	-	5%
Dividend Payout Ratio	66.71%	62.19%	63.66%	66.37%
Market Capitalization (BDT)	11,021.33	10,126.49	7,909.01	11,161.32
Book Value per Share	19.05	18.29	20.99	22.74
Market Value Book Value Multiple	0.88	0.75	0.51	0.66
Price Earning Multiple (Times)	5.57	8.52	5.68	5.01
Operating Performance Ratio				
Net Interest Margin (NIM)	3.58%	3.82%	3.27%	3.43%
Net Non-interest Margin	(0.40%)	(0.68%)	(0.77%)	(0.90%)
Earning base in Assets (average)	90.09%	89.78%	89.85%	90.61%
Cost Income Ratio	41.66%	44.84%	50.46%	56.03%
Credit Deposit Ratio	77.02%	83.33%	81.58%	91.32%
Cost of Deposit	8.93%	8.26%	7.52%	6.25%
Cost of Fund	8.07%	7.90%	7.32%	5.72%
Yield on Loans and Advances	14.28%	13.28%	11.68%	10.37%
Spread	5.35%	5.02%	4.16%	4.12%
Return on Average Assets	1.33%	0.76%	0.79%	1.15%
Return on Average Equity	16.84%	9.11%	9.60%	13.78%



Equity Multiple (Times)	11.52	12.46	11.78	12.14
Return on Investment (ROI)	10.86%	8.69%	8.51%	8.91%

15. CREDIT RATING REPORT OF THE ISSUE

Credit Rating of Issuer: Mercantile Bank Limited

Date of Declaration	Valid Till	Rating Action	Long Term	Short Term	Rated By	Outlook
22 May 2017	21 May 2018	Entity Rating	AA	ST-2	ECRL	Stable

*ECRL- Emerging Credit Rating Limited

Credit Rating of the Issue: Floating Rate Non-Convertible Subordinated Bond

Date of Declaration	Valid Till	Rating Action	Long Term	Short Term	Rated By	Outlook
		Bond Rating				

Credit Rating Report of Mercantile Bank Limited- Floating Rate Non-Convertible Subordinated Bond – Rating has been done by _____ based on Audited financial Statement up to **30 September 2017** and other relevant quantitative as well as qualitative information up to the date of rating declaration.

For Detailed Credit Rating Report, please see Annexure-2.



16. DESCRIPTION OF THE TRUSTEE: PRIME INSURANCE COMPANY LIMITED (PICL)

Prime Insurance Company Limited (PICL) is the Trustee for the Bonds. It will also perform the function of Paying Agent, Transfer Agent and Registrar (collectively referred to as the “Agent”) of the Bonds.

Prime Insurance Company Limited is a second generation private sector Non-life Insurance Company. It is a well known, trusted and leading name in the general Insurance sector of the country. PICL was incorporated as a public limited company on 21 March 1996 under Companies Act, 1994. It obtained registration from the former Chief Controller of Insurance, Government Republic of Bangladesh on 31 March 1996 and subsequently obtained renewal license from the IDRA when the Authority came into being in 2011. The company operates within the stipulations laid down by insurance Act-2010 and directives as received from time to time from Insurance Development & Regulatory Authority provides Non-life insurance services. PICL carries out its insurance activities through 19 (nineteen) on-line branches spread across the country.

PICL is listed with Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly traded company. A brief corporate profile of PICL is given below:

Registered Name of Company:	Prime Insurance Company Limited	
Legal Form:	Public Limited Company	
Certificate of Incorporation:	C-30448(1664) / 96, Dated: 21-03-1996	
Company Registration No:	IDRA/NLI/2033/2011-990	
Nature of Business:	All kinds of Non-life insurance business	
Certificate of Commencement of Business:	No-22, Dated : 21-03-1996	
Authorized Capital:	BDT 1,000 Million	
Paid-up Capital:	BDT 408.8 Million	
Shareholding Structure For the Year 2016:	No of Shares	Shareholding %
Sponsor Directors & Directors	11,241,572	35
Public Shareholders	26,635,926	65
Total	40,877,498	100
Registered Office:	Unique Heights, 117, Kazi Nazrul Islam Avenue (9th floor), Dhaka-1000, Bangladesh	
Company Website:	www.prime-insurance.net	
Listing Date on Dhaka Stock Exchange:	March 21, 2001	
Listing Date on Chittagong Stock Exchange:	March 22, 2001	
Auditors:	M/s. Rahman Mostafa Alam & Co.	
Tax Advisor:	M/s. A. Hossain &Co. Chartered Accountants	
Legal Advisors:	Law & Remedy	
Number of Employees:	211	



Number of Branches:

19

Membership:

- i. Bangladesh Insurance Association
- ii. Bangladesh Association of Publicly Listed Company
- iii. Bangladesh German Chamber of Commerce & Industry
- iv. Dhaka Chamber of Commerce & Industry
- v. Dutch Bangla Chamber of Commerce & Industry
- France Bangladesh Chamber of Commerce

The Board of Directors of Prime Insurance Company Limited includes the following:

1.	Mr. Md. Zakiullah Shahid	Chairman
2.	Ms. Shaheda Parvin Trisha	Vice-Chairman
3.	Ms. Nazma Haque	Director
4.	Ms. Qazi Saleemul Huq	Director
5.	Ms. Sabiha Khaleque	Director
6.	Ms. Gole Afroz Banu	Director
7.	Ms. Nilufar Hossain	Director
8.	Ms. Rahela Hossain	Director
9.	Ms. Hasina Khan	Director
10.	Ms. Tahera Akhter	Director
11.	Mr. Abu Hasan Khan	Director
12.	Ms. Mahabuba Haque	Director
13.	Dr. Fatema Raushan Jahan	Director
14.	Ms. Mahanur Ummel Ara	Director
15.	Ms. Dil Ara Begum	Director
16.	Mr. Mizanur Rahman Mostafa	Director
17.	Ms. Sarwat Khaled	Director
18.	Mr. Md. Ashaduzzaman	Director
19.	Mr. A. Z. M Sazzadur Rahman	Director
20.	Mr. Kazi Zahedul Hasan	Director

The management team of PICL consists of highly experienced industry professionals who have been working with the company for a considerable length of time. The core Management Team includes:

1.	Ms. Mohammodi Khanam	Chief Executive Officer
2.	Mr. Syed Monirul Huq	DMD & Head of Operation
3.	Mr. Sujit Kumar Bhowmik	Head of SBMD & Health Insurance and Chief of Branch Control & Reinsurance Department
4.	Mr. Badal Chandra Rajbangshi FCS, ACA	Chief Financial Officer
5.	Mr. Md. Delwar Hossain	Head of Claims Department
6.	Major Mohammad Nurul Ahsan (retd.)	Head of HR & Administration Department
7.	Mr. Enamul Haque Khan	Company Secretary
8.	Mr. Md. Lokman Hossain	Head of Accounts



9.	Ms. Rehana Akter Ruma	Head of Public Relation, Corporate Affairs and Customer Care Department
10.	Mr. Easin A. Khan, ACII (UK)	Head of Reinsurance Department
11.	Mr. Anwar Shameem	Head of Establishment & Logistics Department
12.	Mr. Md. Lalchand Khan	Head of Internal Control and Audit Department
13.	Mr. Md. Abu Rokan	Head of Information and Technology Department

Products & Services of PCIL include:

- ✓ Fire Insurance
 - Fire Insurance Policy
 - Consequential Insurance Policy
 - Industrial All Risk Insurance Policy
- ✓ Marine Insurance (marine cargo)
- ✓ Marine Hull Insurance
- ✓ Motor Insurance
- ✓ Engineering Insurance
- ✓ Miscellaneous Insurance
 - Burglary & House Breaking Insurance Policy
 - Cash- in- Transit Insurance Policy
 - Boilers and Pressure Vessels Insurance
 - Personal Accident Insurance
 - Peoples Personal Accident Policy
 - Overseas Medi-claim Insurance
 - Prime Health Insurance
 - Hajj and Umrah Travel Insurance

Prime Insurance Company Limited is one of the leading General Insurance companies in Bangladesh. The company has specialized and significant expertise both in traditional & non-traditional businesses. PICL has diversified its business, providing its business partner clients with the best possible quality products & faster services and also introducing some innovative products for their valuable client which has set it apart from other insurance companies.

Certification & Credit Ratings:

Prime Insurance is the first general insurance company in Bangladesh which achieved ISO 9001:2008 certifications in 2011. As a consequence of the good financial Performance; improving solvency position; diversified investment portfolio; high claim paying ability and experienced Top Management Team, the Credit Rating Information & Services Limited (CRISL) has rated Prime Insurance Company A+ (A Plus) for the year 2013 & 2014.

Awards & Recognition:

The company has achieved the following number of awards and recognition for improvement in Transparency, Accountability and Corporate Governance of the published Annual Report:

- vi. **ICSB National Award:** Silver Award for Corporate Governance Excellence for the year 2013 & 2014.
- vii. **Certificate of Merit Award:** from South Asian Federation of Accountants (SAFA) amongst the SAFA countries for the year 2012 & 2013.



- viii. **Third (3rd Prize from 13th & 14th ICAB National Award:** for Best Presented Annual Report for the year 2012 & 2013.
- ix. **Certificate of Merit-2012:** Corporate in General Insurance Sector from the Institute of Cost and Management Accountants of Bangladesh (ICMAB)

Business & Networks:

Prime Insurance Company has an expanding and well-organized network of 18 Branches & 1 Booth covering important divisional areas of the country. PICL runs its business through fully online system. To uphold its trend of introducing innovative products & services, the company has launched three exclusive products:

- **Hajj & Umrah Insurance** which is for the first time in Bangladesh and also Health Insurance Product '**Prime Health Plan**' in non-life insurance category which is fully supported by the abroad re-insurers and supports treatment facilities in home and abroad.
- To give the financial security to the banks, the company has launched **Bankers Blanket Bond (BBB) Coverage** with wider coverage & fewer premiums which works as a safeguard for the Banks to face any financial loss & plays an important role in the GDP growth of Bangladesh.
- Prime is the insurer of '**Summit Power Plant**', one of the biggest power plants in Bangladesh & also the pioneer of the **Shipbuilders Liability Insurance Coverage** in the country.

Re-insurance Arrangements of Prime:

PICL has its Re-insurance support from the abroad. Our 50% treaty is mandatory with the Local Re-insurer Sadharan Bima Corporation (SBC) and 50% with "A" rated Re-insurance Company from the overseas market. Our foreign lead Treaty Re-insurers is **Trust Re, Bahrain** and follow liners are **GIC Re, India** the Treaty Partners, many more reputed Re-insurers such as **SWISS RE, XL Group pic. Ping An Insurance, ICICI Lombard India, Hannover Re, Korean Re, Sart Re** etc, work with PICL.

Mass Awareness & CSR Activities:

With an aim to create mass awareness on safety and security of life, property and others; Prime Insurance has published a number of publications like: **Fire Protection Guide Book, Traffic Guide Book, Health Guide Book, Hajj & Umrah Guidebook**, an informative book to facilitate the holy journey of the pilgrims during Hajj & Umrah. Prime Insurance often organizes workshops/trainings/seminars & free consultation services on insurance.

PICL has taken another initiative introducing a Training program for the Drivers named "Vehicle maintenance and Traffic rules" under its CSR activities, which is fully free of cost and most of our clients are enjoying this facility. Prime also provides **Students Scholarship** amongst the bright students who are financially challenged.

The company is also very encouraging in environmental issue & expressed their cautiousness through sponsoring a campaign **One Student One Tree** of Treeism Foundation. With an experience of 20 years, Prime Insurance has contributed significantly to the growth and development of the non-life insurance companies in Bangladesh and today the company is recognized as one of the most reputed insurance companies in Bangladesh, both in National and International arena.



17. MODUS OPERANDI OF THE ISSUE AND TERMINATION AND FINAL SETTLEMENT

Any Schedule Banks, Corporate, Financial Institutions and/or Insurance Companies duly registered in Bangladesh and operating its business under the license or approval duly issued by the respective competent authority or institution of the Government of Bangladesh.

a. Application Procedure:

The Bonds shall be distributed through private placement.

Each investor (Bondholder) shall enter into a separate Subscription Agreement with the Issuer and shall be bound by the terms and conditions contained in such Subscription Agreement containing in details the rights and obligations of the investors.

Undertaking to Issue

The Issuer will, subject to and in accordance with the provisions of the Subscription Agreement, on the Closing Date, duly execute and deliver to the Bondholder a Bond Certificate attached with the Conditions, representing the allocation amount of Bonds subscribed.

Undertaking to Subscribe

The investor will, subject to and in accordance with the provisions of the Subscription Agreement, on the Closing Date, subscribe and pay the aggregate purchase price for the allocation, in Bangladesh Taka for same day value to such account as the Issuer designates.

Closing

Subscription and Closing

Subject to the conditions precedent contained in the Subscription Agreement, the closing of the issue of the Bonds shall take place on the Closing Date.

Investor Representation Letter: On the date indicated in the Subscription Agreement, the Bondholders will execute and deliver a letter addressed to the Issuer.

Payment of net issue proceeds: On each Closing Date, of the Bondholders shall pay the purchase price of Bonds to the Issuer in Bangladesh Taka.

Bond Certificates

Registration: On each Closing Date, the Issuer shall procure that the principal amount of Bonds subscribed for by the Bondholders for which payment has been received in accordance with the Subscription Agreement and are registered in name of the Bondholders (with a notation on the Register and on each Bond Certificate identifying the Issue Date of such Bond Certificate).



Issue: On the Closing Date, the Issuer shall duly execute and deliver the Bond Certificates to the Trustee for authentication. Promptly following the Closing Date, the Issuer will deliver to each Bondholder Bond Certificates, duly authenticated by the Trustee and representing such Investor's entire holding of Bonds.

b. Allotment:

On the closing date, to be determined, the Issuer shall allot and issue the Bonds, in registered form in a minimum denomination of BDT 10,000,000 and integral multiples thereof. A bond certificate (each a "**Bond Certificate**") will be issued to each Bondholder in respect of its registered holding of each series of Bonds. Each Bond and each Bond Certificate will be numbered serially with an identifying number which will be recorded on the relevant Bond Certificate and in the register of Bondholders (the "**Register**"), which will be kept by Registrar on behalf of the Issuer.

Each of the Issuer, the Trustee and any Agent may deem and treat the registered holder of a Bond as the absolute owner of such Bond, free of any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate Holder of such Bond (whether or not the Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon or any notice of previous loss or theft of the Bond Certificate issued in respect of that Bond) for all purposes and, except as ordered by a court of competent jurisdiction or as required by applicable law, the Issuer, the Trustee and the Agents shall not be affected by any notice to the contrary.

c. Transfer:

Subject to the terms and conditions as to be implemented in the Trust Deed, a Bond may be transferred to another person in Bangladesh (a "**Transferee**") upon surrender of the Bond Certificate issued in respect of that Bond, together with a duly completed and executed instrument of transfer (a "**Instrument of Transfer**") by the registered holder of the Bond, as transferor (the "**Transferor**") or the proposed Transferee.

A valid Instrument of Transfer shall be duly stamped, completed and executed by both the Transferor and the Transferee. If the Transferor or the Transferee is a body corporate, such Instrument of Transfer shall be executed by the authorized persons of the Transferor or the Transferee, as the case may be.

Upon receipt of the Bond Certificate issued in respect of the Bond to be transferred along with the duly completed and executed Instrument of Transfer at the specified office of the Transfer Agent, together with such evidence as such Transfer Agent may reasonably require to prove (i) the title of the Transferor and (ii) the signature and authority of each of the individuals who have executed the Instrument of Transfer on behalf of the Transferor and the Transferee.

Upon receipt of the Bond Certificate, the Instrument of Transfer and the other supporting documents named above, the Transfer Agent, as the duly authorized delegate of the Issuer's Board of Directors, shall approve and certify the transfer on behalf of the Board of Directors of the Issuer. If the Transfer Agent refuses to register the transfer of any Bond it shall immediately provide notice of such refusal to the Issuer. If the Issuer does not agree with the Transfer Agent's refusal to approve and certify such



transfer, it shall within 3 (three) Business Days of receipt of such notice from the Transfer Agent, direct the Transfer Agent to approve and certify the transfer as requested in the relevant Instrument of Transfer. If the Issuer agrees with Transfer Agent that the requested transfer should be refused, the Issuer shall, within 30 (thirty) days from the date on which the relevant Instrument of Transfer was lodged with the Transfer Agent, send or cause to be sent notice of such refusal to both the Transferor and the Transferee.

Where it is proved to the satisfaction of the Issuer that a duly completed and executed Instrument of Transfer has been lost, the Issuer may, in its discretion, on application in writing made by the Transferee and bearing such stamp as is required by an Instrument of Transfer, register such transfer on such terms as to indemnity as the Issuer may think fit. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor.

d. Repayment:

Unless previously redeemed or purchased and cancelled, the principal on the Bonds will be amortized and paid annually on a pro rata basis to the Bondholder in instalments of 20% per year commencing at the third anniversary of the Bonds from the issue Date. The final maturity of the Bonds will be at the end of seventh year of the Bonds from the issue Date. Payments on the Bonds shall be made without deduction for or on account of taxes in Bangladesh.

To be redeemed in 5 equal annual Instalments starting from end of 3rd year and each 12 months from there after as per following table for the Bond:-

Redemption Schedule		
No of Installment	Installment due (In Months)	Total Repayment
1	36	600,000,000
2	48	600,000,000
3	60	600,000,000
4	72	600,000,000
5	84	600,000,000
Total		3,000,000,000

Incremental charge at the rate of 2% per annum payable by the Issuer to the Bondholders above the amount to be paid by the Issuer to the Bondholders on the Redemption Date for failure of the Issuer to make payment to the Bondholders on the Redemption Date.

Interest on the “Bond” is to be paid semi-annual basis on the interest payment dates. The interest payment dates shall be determined depending upon bond issue date. Interest payment will be payable semi-annually calculated on the actual number of days over a 365 day basis in the relevant period which shall be 366 in the event of a leap year.

Date of Commencement of the Trust:



The Trust hereby created shall be established from the date of the Trust Deed.

Date of Termination and final settlement of the Trust (Bond):

The Trust shall continue to exist until all liabilities including the principal, premium (if any) and profit are repaid in full in accordance with the terms and conditions of the Bonds and the Trust Deed.



ANNEXURE 1: AUDITED FINANCIAL STATEMENTS OF MERCANTILE BANK LIMITED FOR SEPTEMBER 30, 2017



ANNEXURE 2: CREDIT RATING REPORT OF THE ISSUE