A. Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>June 2014</th>
<th>June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount in Taka</td>
<td>Amount in Taka</td>
</tr>
<tr>
<td>Interest Received</td>
<td>741,223,219</td>
</tr>
<tr>
<td>Payment to the Employees</td>
<td>(5,805,803,808)</td>
</tr>
<tr>
<td>Payment to Suppliers</td>
<td>(856,514,835)</td>
</tr>
<tr>
<td>Income Tax Paid</td>
<td>(1,036,993,920)</td>
</tr>
<tr>
<td>Received from other operating activities</td>
<td>904,382,566</td>
</tr>
<tr>
<td>Exchange Gain</td>
<td>358,670,046</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>516,665,520</td>
</tr>
</tbody>
</table>

Payment for other operating activities

(711,110,140) (675,226,864)

Rent, Taxes, Insurance and Electricity
Legal Expenses
Postage, Stamps and Telecommunication
Auditor’s Fees
Repair and Maintenance
Chief Executive’s Salary and Fees
Directors’ Fees
Other Expenses

Net Cash Flows from Operating Activities

934,487,625 (295,996,645)

Increase / Decrease in Operating Assets and Liabilities

(9,406,969,529) (804,414,609)

Operating Profit before changes in Operating Assets and Liabilities

(9,406,969,529) (804,414,609)

B. Cash Flows from Investing Activities

(5,429,870,261) 1,410,708,385

Brokerage House Customer Account
Dividend Received
Purchase/ Sale of Property, Plant and Equipment
Purchase/ Sale of Shares
Purchase/ Sale of Bond
Other Investment (Treasury Bills & Bonds)
Net Cash from Investing Activities

(5,429,870,261) 1,410,708,385

C. Cash Flows from Financing Activities

(527,969,073) (427,752,721)

Receipts from Issue of Loan Capital and Debt Securities
Paid for Repayment of Loan and Debt Securities
Received by Issue of Right Share
Dividend Paid
Net Cash from Financing Activities

(527,969,073) (427,752,721)

D. Net Increase/(Decrease) in Cash & Cash Equivalent

663,567,776 2,077,281,012

Effects of Exchange Rate Changes on Cash and Cash Equivalent

11,324,227,172 11,311,989,393

E. Closing Cash and Cash Equivalent (D+E) note-16A

11,987,795,148 13,589,270,405

\*Note: M. Ehsanul Haque Managing Director and CEO
On behalf of the Mercantile Bank Limited (MBL), we are pleased to present the half year results for the period January 01, 2014 to June 30, 2014 (un-audited) in compliance with Section 13 of the Securities and Exchange Rules, 1987 and the Bangladesh Securities and Exchange Commission's Notification # SEC/Section – 7/SE/03/132, dated October 22, 1997.

Mid-year, we adopted the strategy of reducing interest cost to maintain growth momentum. This coupled with our efforts to increase our loan book will positively reflect in our year-end business performance. We are also focused on up-grading our key financial indicators. These are, maintaining capital adequacy, focusing on quality assets, rigorous non-performing of non-performing loans, lowering low and no cost deposit base. To strengthen our capital base subscription of Subordinated Bond amounting BDT 3,000.00 million in is books already.

Mercantile Bank Limited (MBL) made satisfactory progress against our mission to become the most caring bank, focused on equitable growth. In the period under review, Net Interest Income stood at BDT 1,256.90 million and Net Non – interest Income stood at BDT. 2,698.47 million. Operating Profit was BDT 2,217.16 million as on June 30, 2014.

We are focused and geared on our deposit mix for bringing down the cost of fund, to achieve a reasonably good spread/NIM. The Bank mobilized total Deposit of BDT 130,676.82 million as on June 30, 2014 compared to that of BDT 116,881.45 million as on June 30, 2013. Total Loans and Advances of the Bank increased to BDT 106,989.35 million as on June 30, 2014 from BDT 94,186.71 million over the corresponding period of 2013. In the period reviewed, MBL handled total BDT 52,052.80 million and BDT 39,812.20 million as Import and Export business on June 30, 2014.

In order to be successful in the phase of this ever changing competitive market, we are focused and geared on our deposit mix for bringing down the cost of fund, to achieve a reasonably good spread/NIM. The Bank mobilized total Deposit of BDT 130,676.82 million as on June 30, 2014 compared to that of BDT 116,881.45 million as on June 30, 2013. Total Loans and Advances of the Bank increased to BDT 106,989.35 million as on June 30, 2014 from BDT 94,186.71 million over the corresponding period of 2013. MBL achieved BDT 9,394.90 million as Foreign Exchange Business and ST-2 rating in the short term on the basis of financials up to December 31, 2013.

Credit Rating Information and Services Limited (CRISL) has reaffirmed MBL's stable Credit Rating of "AA-" (pronounced as double “A” minus) in the long term and “A-” in the short term on the basis of financials up to December 31, 2013. The Capital Adequacy Ratio (CAR) of the Bank stood at 12.31% corresponding time period of 2013. MBL achieved BDT 9,394.90 million as Foreign Exchange Business on June 30, 2014 compared to that of BDT 116,881.45 million as on June 30, 2013.

We are focused and geared on our deposit mix for bringing down the cost of fund, to achieve a reasonably good spread/NIM. The Bank mobilized total Deposit of BDT 130,676.82 million as on June 30, 2014 compared to that of BDT 116,881.45 million as on June 30, 2013. Total Loans and Advances of the Bank increased to BDT 106,989.35 million as on June 30, 2014 from BDT 94,186.71 million over the corresponding period of 2013. MBL achieved BDT 9,394.90 million as Foreign Exchange Business and ST-2 rating in the short term on the basis of financials up to December 31, 2013. The Capital Adequacy Ratio (CAR) of the Bank stood at 12.31% corresponding time period of 2013. MBL achieved BDT 9,394.90 million as Foreign Exchange Business on June 30, 2014 compared to that of BDT 116,881.45 million as on June 30, 2013.

As of June 30, 2014, the Bank had 5,100 full-time employees with an average age of 37 years.

In the period reviewed, MBL handled total BDT 52,052.80 million and BDT 39,812.20 million as Import and Export business on June 30, 2014.

In order to achieve good spread/NIM and improve profitability, the Bank has focused on its deposit mix and has achieved BDT 25,888.46 million as Foreign Exchange business on June 30, 2014 compared to that of BDT 9,394.90 million on June 30, 2013.

We provide a professional dedicated team to meet the challenges of modern and highly competitive banking industry while remaining compliant to all regulatory requirements. We express our deep appreciation and warm gratitude to Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSECa), Dhaka Stock Exchange Limited (DSE), Chittagong Stock Exchange Limited (CSE) and other Regulatory Bodies for their valuable advices, policies and reformations. Although the economy and business environment depends on some uncertain factors, we believe that MBL will reach the target goal at the end of the year 2014 with the timely policy guidelines of our Board of Directors coupled with the relentless effort of our colleagues.

### BALANCE SHEET (CONSOLIDATED)

<table>
<thead>
<tr>
<th>Liability</th>
<th>June 30, 2014</th>
<th>Dec 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and Other Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits and Other Accounts</td>
<td>130,676,822,989</td>
<td>120,912,479,182</td>
</tr>
<tr>
<td>Non Banking Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Banking Assets</td>
<td>3,951,835,769</td>
<td>2,737,292,404</td>
</tr>
<tr>
<td>Non Controlling Interest</td>
<td>354,062,914</td>
<td>303,860,989</td>
</tr>
<tr>
<td>Subordinated bond</td>
<td>3,000,000.00</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>13,263,945,164</td>
<td>10,178,709,385</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>149,060,207,908</td>
<td>132,469,941,047</td>
</tr>
<tr>
<td>CapitalShareholders’ Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-in Capital</td>
<td>6,599,613,410</td>
<td>6,599,613,410</td>
</tr>
<tr>
<td>Surplus for Profit/(loss)</td>
<td>4,023,511,752</td>
<td>3,064,152,030</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>132,469,941,047</td>
<td>145,102,377,756</td>
</tr>
<tr>
<td>Profit before Provision</td>
<td>2,217,160,000</td>
<td>1,001,929,624</td>
</tr>
<tr>
<td>Less: Interest Paid on Deposits, Borrowings etc.</td>
<td>5,611,577,628</td>
<td>3,004,760,534</td>
</tr>
<tr>
<td>Earning Per Share</td>
<td>0.65</td>
<td>0.32</td>
</tr>
</tbody>
</table>
| Credit Rating Information and Services Limited (CRISL) has reaffirmed MBL’s stable Credit Rating of “AA-” (pronounced as double “A” minus) in the long term and ST-2 rating in the short term on the basis of financials up to December 31, 2013.

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Monindra Kumar Nath
Managing Director and CEO

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