

Dividend Distribution Policy

PRELUDE

The Dividend Distribution Policy has been formulated in accordance with the directives of Bangladesh Securities and Exchange Commission (BSEC) reference no. BSEC/CMRRCD/2021-386/03 dated. 14 January 2021.

The Board of Directors may recommend dividend complying the Companies Act, 1994 and provisions of all Rules, Regulations, Notifications, Orders, Guidelines, etc. in force or to be enforced and issued or to be issued from time to time by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and other Regulatory Authorities.

OBJECTIVES

The objectives of this policy are:

1. To protect interest of all stakeholders.
2. To lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to its shareholders for a financial year.
3. To describe manner and procedure of dividend payment.
4. To describe manner and procedure of unclaimed dividend.
5. To comply all regulatory requirements.

PARAMETERS FOR VARIOUS CLASSES OF SHARES

Currently, the Bank does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

FACTORS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

The dividend for each year is recommended by the Board at its discretion for approval by the shareholders in Annual General Meeting (AGM) as per the Policy guidelines, after taking into account of Bangladesh Bank instruction regarding dividend distribution, financial performance of the Bank, its future plans, internal and external factors, Dividend payout trends, Tax implications, Cost of raising funds from alternate sources of capital, Corporate actions including expansion plans and investment in subsidiaries/associates of the Bank, Shareholder expectations and statutory restrictions, etc.



UTILIZATION OF RETAINED EARNINGS

The Bank would utilize the retained earnings of the Bank in a manner which is beneficial to the interest of the Bank and its stakeholders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the Bank's future business growth / expansion and strategic plans or such other purpose the Board may deem fit from time to time in the interest of the Bank and its stakeholders.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Board of Directors of the Bank may not recommend any dividend if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any restriction imposed by the Regulatory Authorities.

PROCEDURE OF APPROVAL/RECOMMENDATION OF DIVIDEND

The shareholders of the Bank shall approve dividend at Annual General Meeting (AGM) on the basis of recommendation of the Board. The Board shall recommend Dividend after taking consideration of above mentioned factors and review of the financial statements by the Board Audit Committee. All requisite approvals and clearances, where necessary as applicable, shall be obtained before the declaration of dividend.

ENTITLEMENT TO DIVIDEND

Only the shareholders of the Bank whose names are appeared in the Register of Members and/or Depository Register of the Bank on the record date fixed by the Bank shall be entitled to the dividend.

PAYMENT OF DIVIDEND

Mercantile Bank Limited shall payoff the dividend to its shareholders within 30 (thirty) days of approval. The Bank shall maintain detailed information of Beneficiary Owners (BO) account, bank account, mobile phone number, email and address of the shareholder as maintained with the Depository Participants (DP) for the purpose of proper distribution of dividend and also keep confidentiality of information. Manner and procedures of dividend payment shall be as follows:

A. Cash dividend:

1. The Bank shall maintain the amount equivalent to the declared cash dividend payable for the concerned year in a separate bank account within 10 (ten) days of declaration.
2. The Bank shall send a short message service (SMS) to mobile number or email of the shareholders after disbursement of cash dividend intimation.
3. The Bank shall pay Cash dividend directly to the bank account through Bangladesh Electronic Funds Transfer Network (BEFTN);
4. In case of unavailability of BEFTN, the Bank shall pay Cash dividend through bank transfer or any electronic payment system as recognized by the Bangladesh Bank;
5. In case of margin loan and claim by loan provider, the Bank shall pay Cash dividend through the Consolidated Customer's Bank Account (CCBA);



- 6. To the separate bank account of the merchant Banker or portfolio manager through BEFTN;
- 7. The Bank shall pay Cash dividend through the security custodian following Foreign Exchange Regulation for non-resident sponsor, director, shareholder, unit holder or foreign portfolio investor (FPI);
- 8. The Bank shall issue reminder through e-mail / SMS / post in case of non-deposit of cash dividend and non-availability of information of the shareholder or unit holder.

B. STOCK DIVIDEND

- i) The Bank shall credit the stock dividend to the BO account within 30 (thirty) days of approval subject to the clearance of the regulatory requirement [if any from Bangladesh Bank, BSEC, exchange(s) and the Central Depository Bangladesh Limited (CDBL)];
- ii) In case of undistributed or unclaimed stock dividend/bonus shares, The Bank shall credit the stock dividend to the suspense BO Account;
- iii) The bonus dividend shall be transferred to the suspense BO account if BO account is not available or BO account is inactive;
- iv) The sale proceeds of fractional bonus dividend shall be paid off as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time.

UNPAID/UNCLAIMED DIVIDEND

- i) Mercantile Bank Limited shall maintain detailed information of unpaid or unclaimed dividend and rationale thereof.
- ii) **Unpaid or unclaimed cash dividend** including accrued interest (after adjustment of bank charge, if any) thereon, if remain, shall be kept in a separate bank account.
- iii) **In case of non-credited stock dividend** through Corporate Action due to closure of BO ID or any other reasons, the bonus shares shall be kept in 'Dividend Suspense Account'.
- iv) The Bank shall not forfeit any unclaimed cash or stock dividend till the claim becomes barred by the law of land in force.
- v) Unclaimed dividend shall be paid off as per procedure set by the Bangladesh Securities and Exchange Commission and the Stock Exchanges.

TAX MATTERS

Tax will be deducted at source as per applicable tax laws.

DIVIDEND INFORMATION

The Bank shall maintain detailed information of unpaid or unclaimed dividend and rationale thereof as per BO account number-wise or name-wise or folio number-wise of the shareholder or unit holder; and shall also disclose the summary of aforesaid information in the annual report and shall also report in the Statements of Financial Position (Quarterly/annually) as a separate line item 'Unclaimed Dividend Account'.



CONFLICT IN POLICY

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

AMENDMENTS / MODIFICATIONS

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and necessary ratification.

REVIEW OF POLICY

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

DISCLOSURE OF POLICY

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

