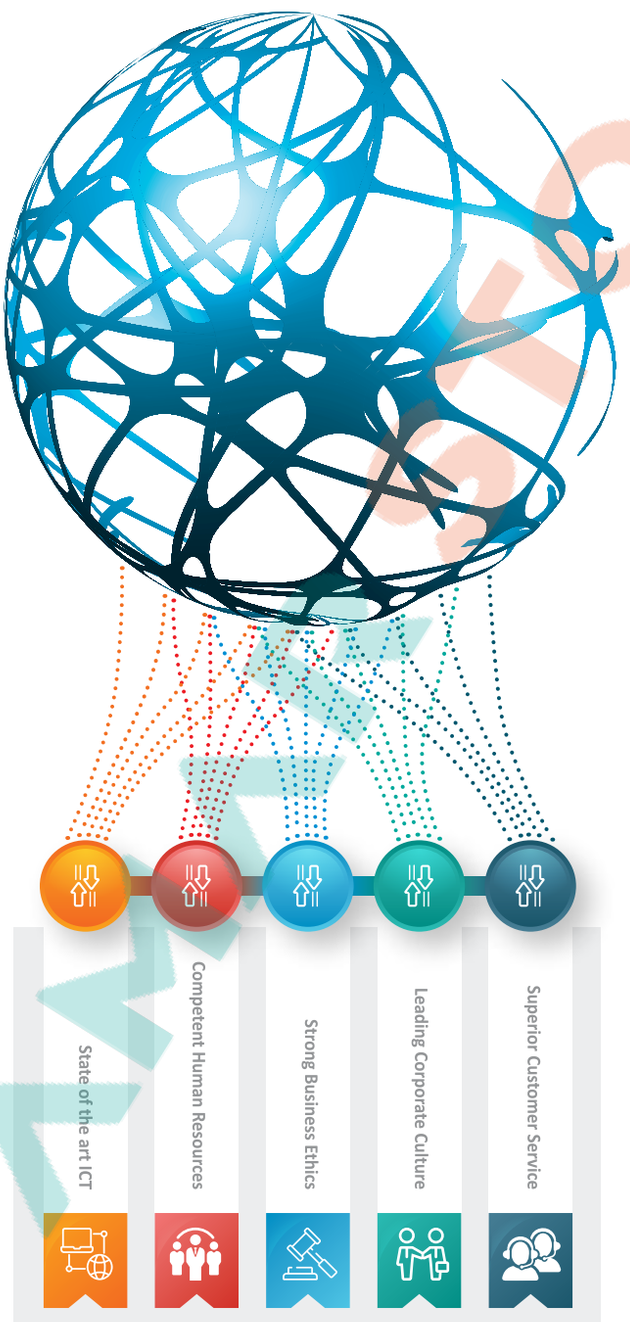
Annual Report 2017



◄ Interplaying ►
global standard & local practice

AMAR STOCK

Interplaying
global standard & local practice

Since establishment, Mercantile Bank Limited has been a strategic partner with local entrepreneurs because we believe that local business is at the heart of the development of the country.

We are doing everything to support our customers in their banking needs with a state-of-the-art ICT service. We have installed world class technologies, revamped our processes and upgraded the core banking infrastructure, all just to ensure that our valued clients receive the best services. We make substantial investments in personal development and leadership. Our standards of Business Conduct are founded upon our values of service, honesty, concern, courtesy, excellence and teamwork. We want to create value – for our customers, for our teams and our people, for our shareholders as well as for the wider society and communities in which we operate.

We are working hard to implement all the latest inventions and standards, *interplaying global standards & local practice.*



AMARSTOCK

Letter of Transmittal

All Shareholders

Bangladesh Bank

Bangladesh Securities and Exchange Commission

Registrar of Joint Stock Companies & Firms

Dhaka Stock Exchange Limited

Chittagong Stock Exchange Limited

Subject: **Annual Report for the year ended on December 31, 2017**

Dear Sir(s),

We are delighted to enclose a copy of the Annual Report 2017 together with the Audited Financial Statements including Balance Sheet as at December 31, 2017 and Income Statement, Cash Flow Statement for the year ended on December 31, 2017 along with notes thereon of Mercantile Bank Limited for your kind information and record.

Yours sincerely,

Saiful Alam, FCS
Senior Vice President &
Company Secretary

AMARSTOCK

Notice of the 19th Annual General Meeting

Notice is hereby given to all members of Mercantile Bank Limited (the "Company") that the 19th Annual General Meeting (AGM) of the members i.e. shareholders of the Company will be held on April 30, 2018 (Monday) at 11.00 am, FARS Hotel & Resorts, 212, Shahid Sayed Nazrul Islam Sarani (Bijoynagar), Dhaka-1000, to transact the following businesses and to adopt necessary resolutions:

Agenda:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended December 31, 2017 and the Balance Sheet as at that date together with Reports of the Auditors and Directors thereon;
2. To declare Dividend for the year ended December 31, 2017 as recommended by the Board of Directors;
3. To elect/re-elect Directors;
4. To appoint Auditors of the Company for the term until conclusion of the next Annual General Meeting and to fix their remuneration;

By order of the Board

Saiful Alam, FCS
Senior Vice President &
Company Secretary

Dated: April 16, 2018
Dhaka, Bangladesh

Notes:

a) The "Record Date" was Sunday, April 15, 2018.

b) The Shareholders, whose name would appear in the Register of members of the Company or in the Depository (CDBL) on the Record Date i.e. Sunday, April 15, 2018 will be eligible to attend the meeting and entitled to the dividend, as approved.

c) Any member of the Company eligible to attend and vote at the Annual General Meeting, may appoint a Proxy to attend and vote on his/her behalf. The Proxy Form, duly filled in and signed by the Members and stamped (BDT 20.00) must be submitted at the Registered Office of the Company at least 48 hours before the meeting.

d) Annual Report, Attendance Slip and Proxy Form alongwith the Notice are being sent to all the members by courier service / post. These will also be available in the website of the company, i.e. www.mblbd.com

e) Advance Income Tax (AIT) @15% (instead of 10%) will be deducted from eligible cash dividend of the members in General Public Category whose BO Accounts are not updated with 12 Digit Tax Payer's Identification Number (TIN) through their respective Depository Participant (DP) before the 'Record Date'.

f) The concerned Brokerage Houses are requested to provide with a statement having details of margin loan holders (i.e. shareholders name, BO ID Number, Client-wise shareholding position, gross dividend receivable, applicable Tax rate and net dividend receivable) as on the Record date along with contact person of brokerage House to the company's share on or before Sunday, April 22, 2018. The brokerage houses are also requested to provide with their Bank name, Account Number, Routing Number etc.

g) The Registration Counter shall be opened at 9.00 a.m. and remain open up to 11.00 a.m.

h) As per Bangladesh Securities and Exchange Commission circular no. SEC/CMRRCD/2009-193/154 dated 24.10.2013, there will be no arrangement for gift or entertainment at the Annual General Meeting.

AMARSTOCK

Table of Contents

About Mercantile Bank

Vision & Mission	06
Strategic Objectives	07
Core Values	08
Business Ethics	09
Code of Conduct	10
Corporate Philosophy	11
Corporate Priorities	11
Corporate Profile	12
Awards and Recognition	14
Culture	16
MBL's Milestones	17
Brand and Teamwork	18
Forward Looking Statement	19

Corporate Structure

Sponsors of the Bank	20
Corporate Structure	23
Directors' Profile	24
We Mourn	31
Group Corporate Structure	32
Corporate Organogram	34
Top Management Team	35
Senior Management Team	36
Head Office & Heads of Divisions	37
Branch Network	39
Other Executives of the Bank	51

Message from the Chairman and Managing Director

Message from the Chairman	52
Managing Director and CEO's Review	54

Corporate Governance

Directors' Report	58
Statement of Directors' Responsibility for internal Control & Financial Reporting	86
Corporate Governance Report	87
Certificate of Compliance to the Shareholders of MBL & its subsidiaries	115
Compliance Report on BSEC Notification on Corporate Governance	116
Compliance of Meeting & Remuneration	123
Shareholders' Information	125
Our Coverage	127
Report of the Audit Committee	128
Report of the Risk Management Committee	129
Credit Rating	131
Evaluation of Quarterly Financial Statements by Audit Committee & Board	132
Ethics & Compliance Report on Financial Statement	133
Capital Plan	134

Business Review and Analysis

Management Discussion and Analysis	136
Segmental Business Analysis	160
Report on Human Resources Management	161
Report on Asset Liability Management	166
Report on Internal Control & Compliance	167
PESTEL Analysis	168
Competitive Intensity and Out Strategic Response	170

Risk Management and Control Environment

CBO's Statement	172
CRO's Report on Risk Management	174
Disclosures on Risk Based Capital (Basel III)	179
Statement of Non-Performing Loans (NPLs) Management	201

Sustainability Analysis and Integrated Reporting

- Sustainability Report 204
- Corporate Social Responsibility (CSR) 207
- Green Banking 213
- Report on Going Concern 218
- Integrated Reporting 219
- Economic Impact Report 222
- Capital Adequacy 222
- Statement of Value Added and its Distribution 223
- Economic Value Added (EVA) Statement 224
- Market Value Added Statement 225
- Payment of Dividends 225
- Contribution to National Exchequer 225
- Sustainable Value Creation of MBL 226
- Products & Services 228
- Financial Calendar 230
- Core Financial Growth 231
- Five Years at a Glance 232
- Horizontal/Vertical Analysis 234
- Graphical Presentation-MBL 240
- Market Performance 242

Financial Statements

- CFO's Statement 243
- CEO & CFO's Declaration to the Board 245
- Signing Ceremony of the Financial Statements 2017 246
- Auditors' Report to the Shareholders 248
- Consolidated Balance Sheet 250
- Consolidated Profit and Loss Account 252
- Consolidated Cash Flow Statement 253
- Consolidated Statement of Changes in Equity 255
- Consolidated Liquidity Statement 256
- Balance Sheet 257
- Profit and Loss Account 259
- Cash Flow Statement 260
- Statement of Changes in Equity 262
- Liquidity Statement 263
- Notes to the Financial Statements 264

Financial Statements of Offshore Banking Unit

- Balance Sheet 342
- Profit and Loss Account 343
- Notes to the Financial Statements 344

Financial Statements of Mercantile Bank Securities Limited

- Auditors' Report to the Shareholders 348
- Statement of Financial Position 349
- Statement of Profit or Loss and Other Comprehensive Income 350
- Statement of Changes in Equity 351
- Statement of Cash Flow 352
- Notes to the Financial Statements 353

Financial Statements of Mercantile Exchange House (UK) Limited

- Directors' Report 361
- Auditors' Report 362
- Statement of Comprehensive Income 363
- Balance Sheet 363
- Notes to the Accounts 364

Supplementary Information

- Album 368
- Media Highlights 372
- Abbreviation 374
- Proxy Form 375
- Attendance Slip 375

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বাংলাদেশ ব্যাংক
মার্কেন্টাইল ব্যাংক লিমিটেড
Mercantile Bank Limited
efficiency is our strength



Our Vision

would make finest corporate citizen

Our Mission

will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank



Strategic Objectives

- to increase shareholders' value
- to achieve economic value addition
- to be market leader in product innovation
- to be one of the top three financial institutions in Bangladesh in terms of efficiency
- to be one of the top five financial institutions in Bangladesh in terms of market share in all significant market segments we serve

AMAR STOCK

Core Values

Our seven core values are the foundation of our culture, our brand and our business strategy. These Core Values embody who we are as a Company, guide our decisions and inspire us to go ahead.

Customer Delight

Customer satisfaction pervades all our activities. We appreciate that Customer's satisfaction is critical for our success.

Innovation

Spurring innovation for reinforcement of our business. Origination and materialization of change management for attainment of perfection and we believe change is always constant.

Ethical Values

We continue to be responsible, ethical, sincere and transparent in our thoughts and actions.

Caring for Human Resources

Realization of latent potentialities of employees, respecting individual worth and dignity to ensure smooth career progression as well as welfare orientation in Human Resources Management policy and practices.

Commitment

We always keep high on the agenda of our commitment towards valued depositors as their trustworthy custodian and to maintain the same spirit for all other stakeholders.

Socially Responsible

Constant endeavor to act and respond in a socially responsible manner keeping in mind society and our country. To care for our environment.

Shareholders Value

Creation and Maximization of values for our shareholders.



Business Ethics

MBL believes that business ethics practices provide a foundation for the stability and sustainable growth of the bank, and supports the bank's efforts in achieving its stipulated goals. The bank therefore encourages all parties to conduct business and perform their duties in accordance with business ethics practices.

The bank conducts its business in accordance with the law and regulations set by the central bank and other regulatory authorities. The bank does not finance in any project, detrimental to the community or country and thus prohibited by the credit policy of the bank.

The bank complies with various standards which are generally acceptable for conducting the banking business and always refrain from doing aggressive business while extending credit facilities.

In conducting business, the bank adheres to Bangladesh Bank's instructions while setting interest rates of deposits and loans. It also keeps our interest spread (difference between interest rate charged on loans and interest rate paid on deposits) at or below 5% as advised by Bangladesh Bank.

The bank offers quality services to its customers with the principles of warm friendship and mutual support. The bank applies only those charges/fees that are disclosed by the schedule of charges of the bank.

The bank keeps and safeguards the information of its customers in confidential and does not disclose such confidential information to others unless with the consent of the customers or as required by the law.

To continue and increase CSR activities.

To remain compliant in the spirit of law and industry practice.



Code of Conduct

Salient features of MBL employees' code of conduct:

- comply with the various rules, regulations and policies framed by the Bank and other Regulating Authorities.
- show courtesy and attention to the customers, fellow colleagues and serve the Bank honestly, sincerely, diligently and with utmost care.
- maintain strict secrecy of the affairs of the Bank and the customers.
- not accept any outside employment, honorary or stipendiary, or undertake part-time work in any office of profit without prior written permission of the competent authority.
- not engage directly or indirectly in any commercial business, industry or other business pursuits or as agent of others.
- not absent from duty, nor leave the station without first obtaining the permission of the competent authority in writing.
- not make any personal representation to any director of the Board or any outside authority, to intervene on his/her behalf in any matter.
- not accept or permit any member of his/her family to accept any gift or subscriptions from a constituent of the Bank, any person likely to have dealings with the Bank, a subordinate employee or a candidate for employment in the Bank.
- not participate in gambling and betting or any such activities.
- not make or permit any member of his/her family to make, any investment likely to embarrass or influence him/her in discharging official duties.
- not invest money in the business of the Bank's clients.
- not do any activity which may undermine the prestige or image of the Bank or making/ joining any organization which is not permitted.
- not take part directly in any political activity and in any election to parliament or any local authority in Bangladesh or elsewhere.

Corporate Philosophy

Our customers, employees and shareholders are equally important to us. We want to achieve strong corporate growth through FINANCIAL INCLUSION. We provide solutions at a minimum cost based on a high level of satisfaction of all segments of our customers, thus also contributing to the prosperity of our employees and shareholders.

With a firm commitment to provide solutions, we are constantly developing innovative and technologically advanced products and services that satisfy our customer needs. We offer cutting edge compensation package and good work environment to our employees. We never forget our shareholders to make them pleased with financial well-being and increase their shares value. This has given us a path to the growth and progress.



Corporate Priorities

- Ensure customers satisfaction by meeting their demands with excellent customer services.
- Enlarge customers freedom by designing need based banking products and services.
- Manage credit risk by diversified loan portfolio with emphasis on SME and Agriculture financing.
- Mitigate different risks through efficient risk management techniques.
- Strengthen Internal Control and Compliance (ICC) system to establish a very systematic and effective compliant culture.
- Combination of skilled human resources and state-of-art technology in providing banking services.
- Focus on green banking by ensuring eco friendly financing.
- Corporate clients credit rating to remain compliant in terms of regulatory capital requirement.
- To be transparent, accountable and trustworthy in all aspects of our banking activities.

Corporate Profile

Registered Name
Mercantile Bank Limited

Legal Status
Public Limited Company

Date of Incorporation
May 20, 1999

Date of Commencement of Business
June 2, 1999

Registered & Head Office Address
61, Dilkusha C/A, Dhaka-1000, Bangladesh
Telephone: 880-2-9559333, 9553892
Fax: 880-2-9561213
Swift: MBLBBDDH
E-mail: itd@mblbd.com
Web: www.mblbd.com

Background

Mercantile Bank Limited (MBL) is originated by a group of perceptive investors of aiming significant contribution to the financial system for an extent sustainable economic growth of Bangladesh. Since its inception in June 2, 1999, the Bank has already created a credible brand impression and achieved its customers trust and loyalty. Our exposure in capital market provides country's significant economic growth by enlisting in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). MBL renders customer services with evolving technology by the cluster professionals and also working for innovative and need based banking product and services. Public confidence is of outmost importance for the development of banking industry in Bangladesh. Keeping that in mind, MBL ensures a culture of good corporate governance to thrive. MBL promotes greater efficiency, accountability and transparency in its business decision. Another crucial step of MBL is to synchronize the attitudes, belief and culture in accordance with the needs of our human resources, clients, stakeholders and the overall financial system of Bangladesh.

Vision

would make finest corporate citizen

Mission

will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank.

Board Composition

MBL has a competent panel of Board of Directors presided over a Chairman, Vice Chairman and two Independent Directors to oversee the banking activities. In line with Articles of Association, the Board consists of 11 members including Independent Directors and Managing Director. A crucial goal of the MBL Board is to ensure that the Board is trusted and achieved with the highest ethical standards, so that we could continue to best serve our customers, shareholders and the broader community. To ensure proper accountability and transparency through due diligence, MBL has three Board committees: Executive Committee, Audit Committee and Risk Management Committee.

MBL Business Operations

For over 18 years, we have been operating across the country as a leading private commercial bank complying with central bank's directive and guidelines. The core activities of the Bank are to provide all kinds of consumer, corporate and institutional banking services to its clients. Apart from the core banking activities, we extended our services through agent banking, off-shore banking, mobile & internet banking and many more. We also set up Hi-Tech ATMs in the major business hub in the distinctive districts of the country.

MBL Subsidiaries

MBL is also providing other services through its 2 (two) subsidiary companies: Mercantile Bank Securities Ltd. (MBSL) and Mercantile Exchange House (UK) Limited. MBSL formed on 27 June 2010 to deal with stocks buying and selling. MBSL started its commercial operation on September 14, 2011 through obtaining stock dealer and broker license from concerned authorities. Currently, it is operating with 7 (seven) branches.

Mercantile Exchange House (UK) Limited, another subsidiary company of MBL incorporated as private limited company on December 1, 2010. It commenced its business operation on December 6, 2011. Currently, it is operating with 1 (one) branch in London with a view to providing faster, easier and safer remittance services to the Bangladeshi expatriates living and working in UK.

MBL Network

MBL has broad network coverage across the country. It has 129 branches as on December 31, 2017. The Bank has 2 Off-shore Banking Units (OBU) operating at

Gulshan and Chittagong EPZ areas. MBL has 163 ATM booths and 20 CDMs (Cash Deposits Machine) as on December 2017 covering important locations across the country. Mercantile Bank Securities Limited (MBSL), a subsidiary company of MBL dealing with stock and broking has 7 (seven) branches and Mercantile Exchange House (UK) Limited, another fully owned subsidiary company of MBL is facilitating inflow of remittance with 1 (one) branch in London.

Particulars	Number
Number of Branches	129
Number of AD Branches	22
Number of Off-shore Banking Units (OBU)	2
Number of Subsidiaries	2
Number of Employees	2,192
Number of ATMs	163
Number of CDMs	20
Number of Credit Cards	10,230
Number of Debit & Prepaid Cards	187,268
Total Assets (BDT in Million)	260,169.93

Capital Base

MBL emphasizes on maintaining strong Capital to Risk Weighted Assets Ratio (CRAR) according to new risk based capital adequacy framework i.e. Basel III. CRAR of the Bank remained above compared to minimum requirement as on December 31, 2017. The Bank has taken numerous initiatives including issuance of bonus shares, retention of profit, corporate client's credit rating etc. in a bid to attain strong CRAR.

(December 2017)	Capital to Risk Weighted Assets Ratio (CRAR)	Minimum Capital Requirement (MCR) with Capital Conservation Buffer
Solo	11.93%	11.25%
Consolidate	11.68%	11.25%

Shareholding Composition

Total 776,114,537 ordinary shares of the Bank were outstanding as on December 31, 2017. Share holding position as on same date is as under:

	Ownership	
Composition	**Number of Shares**	**% of total**
Sponsors/Directors	290,759,948	37.46%
Government	-	-
Institution	149,479,660	19.26%
Foreign	64,417,506	8.30%
General Public	271,457,423	34.98%
Total	**776,114,537**	**100%**

Credit Rating

MBL has strong and stable credit rating over the last couple of years. Emerging Credit Rating Limited (ECRL) has confirmed the long term rating of MBL to 'AA' and short term rating to 'ST-2' based on its financial up to December 31, 2016 and other qualitative and quantitative information up to the date of rating. ECRL also placed the Bank with "Stable Outlook".

		Rating		
Basis of Information	Date of Rating	Long Term	Short Term	Rating Company
2015	22 May, 2016	AA-	ST-2	CRISL
2016	22 May, 2017	AA	ST-2	ECRL

* Rating based on December, 2017 is under process

Affiliation

Mercantile Bank Limited affiliates itself with the following financial and business institutions:

- Dhaka Stock Exchange Limited (DSE)
- Chittagong Stock Exchange Limited (CSE)
- Bangladesh Association of Banks (BAB)
- Association of Bankers, Bangladesh Limited (ABB)
- The Institute of Bankers Bangladesh (IBB)
- Bangladesh Institute of Bank Management (BIBM)
- Primary Dealers Bangladesh Limited (PDBL)
- Bangladesh Foreign Exchange Dealer Association (BAFEDA)
- Bangladesh Association of Publicly Listed Companies (BAPLC)

Awards & Recognition

An award is not only a great prestige and mark of excellence but also a tremendous boost for a Company to strive and excel higher and aim for even bigger accomplishments in future. We have received a number of awards and recognitions. Some distinguished achievements are as under:







We have achieved the Certificate of merit in the private bank category in **ICAB National Award for Best Presented Annual Reports 2016.** We have been awarded **Top Ten Remittance Award 2017** by Center for NRBs for providing commendable remittance services. Bangladesh Bank has selected Mercantile Bank Limited (MBL) as the **Best Primary Dealer (PD)** of Bangladesh during the quarter April-June, 2017.



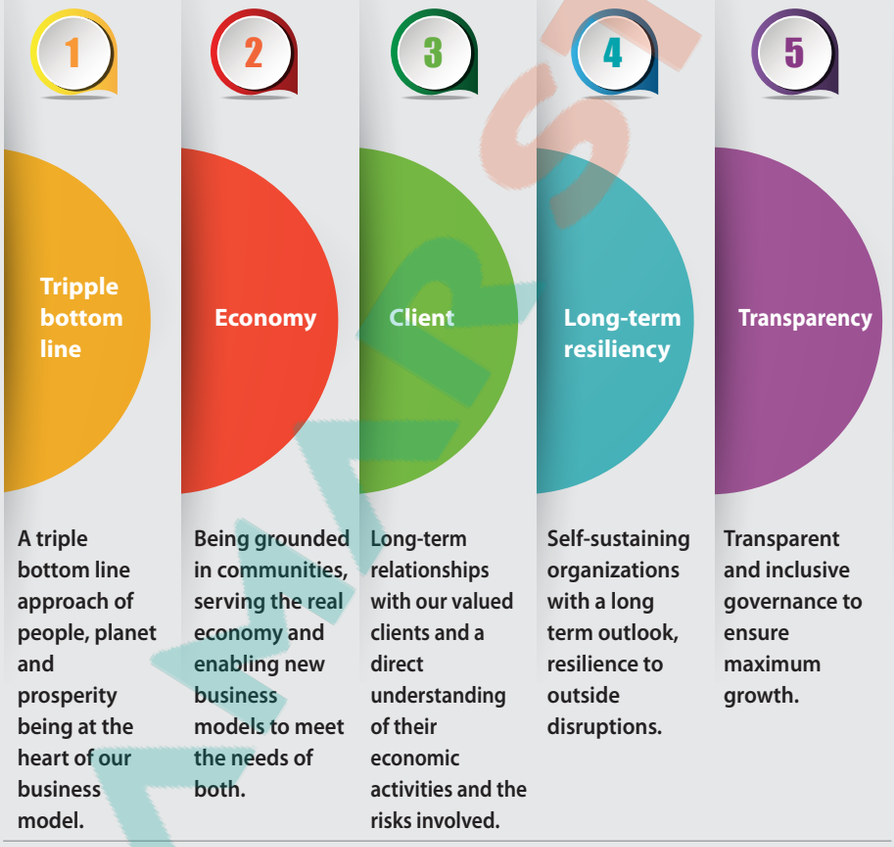
Mercantile Bank Limited has achieved the "Certificate of Merit" in the Private Bank Category in ***ICAB National Award for Best Presented Annual Reports 2016.*** *Kazi Masihur Rahman, Managing Director & CEO of MBL received the award from Honorable Finance Minister Mr. Abul Maal Abdul Muhith at the 17th Institute of Chartered Accountants of Bangladesh (ICAB) National Award giving ceremony.*



Mercantile Bank Ltd has recently been awarded "Top Ten Remittance Award 2017" by Center for NRBs for providing commendable remittance services. Adil Raihan, Deputy Managing Director of the bank received the award from Md. Shahriar Alam MP, honorable State Minister, Ministry of Foreign Affairs, Bangladesh in an auspicious ceremony held at Pan Pacific Sonargaon Hotel in the city.

Culture

Our slogan "efficiency is our strength" depicts the culture of Mercantile Bank Limited in a nutshell. We are continuously marshalling to create and sustain diverse work culture through improving organizational effectiveness, providing safe and ethical work environment, and maintaining stability and sustainability amidst the rapidly changing business environment and growth.



As "Banglar Bank", we foster a respectful and inclusive culture that appreciates all the innovativeness towards our people, clients, vendors, and community partners which will lead to build and leverage a premier workforce, grow our business and remain satisfied and create meaningful and prosperous relationships within the workforce and communities we serve.



MBL Milestones

May 20, 1999	Incorporation of the Bank
June 02, 1999	Commencement of Business
October 29, 2000	Opening of 10th Branch
July 03, 2002	Opening of 15th Branch
June 30, 2003	Publication of Prospectus for IPO
October 21-22, 2003	Subscription for Shares
December 24, 2003	Opening of 20th Branch
February 16, 2004	Listed in Dhaka Stock Exchange
February 26, 2004	Listed in Chittagong Stock Exchange
December 05, 2006	Opening of 30th Branch
December 17, 2007	Opening of 40th Branch
June 06, 2009	Mercantile Bank Brokerage House Operation
December 30, 2009	Opening of 50th Branch
March 20, 2011	Commencement of Operation of Off-shore Banking Unit
September 14, 2011	Separate Operation of Mercantile Bank Securities Limited (MBSL)
December 06, 2011	Opening of Mercantile Exchange House (UK) Limited
December 29, 2011	Opening of 75th Branch
September 20, 2012	Opening of Mercantile Exchange House (UK) Limited, London Branch
December 29, 2014	Opening of 100th Branch
December 2016	Raising the number of CASA account to 5 lac
December 29, 2017	Opening of 129th Branch

MARSTOCK



Brand and Teamwork

Brand

A brand is a name, term, design, symbol, logo or other feature that publicly distinguished from other products, services or concepts so that it can be easily communicated and usually marketed. Branding is the process of creating and disseminating the brand name. Branding can be applied to the entire corporate identity as well as to individual product and service names.

Teamwork

- Teamwork and co-operation is an imperative part of our business ethics and we work together on mutual respect and dignity growth;
- We have the cohort of professionals among the Bank's spearheads infuse an unrivalled collation of skills, knowledge and experience which are committed to delivering customer service excellence;
- We believe that highly collaborative teams will add value through greater productivity, higher morale, less counter-productive conflict and better customer relations;
- We encourage open communication within teams to share the information necessary to carry out tasks;
- We place our group goals above personal satisfaction and/or recognition;
- We respect the incidence of conflicts arising in the workplace and seek friendly resolution of contentious issues in constructive manner which will be beneficial to all parties;
- MBL team is fervent about constant upgrading and efficient innovation excellence to meet customers' needs.

Forward Looking Statement

We look forward to consolidate our position focusing on the followings:

- More emphasis on SME financing.
- Achievement of agriculture credit target.
- All out efforts to improve deposits mix by procuring low cost and no cost deposits.
- Innovation of need based deposits and loans products and services.
- Incorporate technology based advanced products and solutions.
- To hire and retain qualified human resources according to the need of the Bank.

AMARSTOCK

Sponsors of the Bank

"whose dreams, aspirations and efforts came into reality"



Md. Abdul Jalil
Founder Chairman
(Deceased)



Shamsur Rahman
(Deceased)



Md. Anwarul Haque



Dr. Toufique Rahman Chowdhury



Golam Faruk Ahmed
(Deceased)



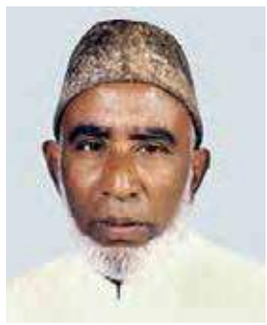
Alhaj S.M. Shakil Akhter



Engr. Mohd. Monsuruzzaman



Md. Mizanur Rahman Chowdhury



Alhaj Tara Meah Khan
(Deceased)



Subrota Narayan Roy



Shahidul Ahsan



Jamshed R Khan
(Deceased)



Bilkis Begum



Al-Haj Akram Hossain (Humayun)



Md. Tabibul Huq
(Deceased)



A. S. M. Feroz Alam



M. Amanullah



Md. Abdul Hannan



Mohd. Selim



Feroza Begum



S. M. Shafiqul Islam (Mamun)



A.K.M. Shaheed Reza



Nargis Anwar



Md. Nasiruddin Choudhury



Jalaluddin Ahmed Yeamin



Morshed Alam, MP



Morzina Khan Monzu



Md. Shahabuddin Alam

Corporate Structure

Board of Directors

A.K.M. Shaheed Reza, Chairman

Md. Abdul Hannan, Vice Chairman

Md. Anwarul Haque, Chairman, Executive Committee

Dr. Mahmood Osman Imam, MBA, FCMA,
Independent Director, Chairman, Audit Committee

M. Amanullah, Chairman, Risk Management Committee

Al-Haj Akram Hossain (Humayun)

Mohd. Selim

Morshed Alam, MP

Md. Shahabuddin Alam

Dr. Md. Rahmat Ullah, Independent Director

Kazi Masihur Rahman, Managing Director & CEO

Executive Committee

Md. Anwarul Haque, Chairman

Al-Haj Akram Hossain (Humayun)

Mohd. Selim

Morshed Alam, MP

Md. Shahabuddin Alam

Audit Committee

Dr. Mahmood Osman Imam, MBA, FCMA, Chairman

Md. Abdul Hannan

M. Amanullah

Dr. Md. Rahmat Ullah

Risk Management Committee

M. Amanullah, Chairman

Md. Anwarul Haque

Al-Haj Akram Hossain (Humayun)

Mohd. Selim

Md. Shahabuddin Alam

Managing Director & CEO

Kazi Masihur Rahman

Chief Business Officer (CBO)

Md. Quamrul Islam Chowdhury

Chief Risk Officer (CRO)

Mati ul Hasan

Chief Financial Officer (CFO)

Dr. Md. Nurul Islam

Company Secretary

Saiful Alam, FCS

Auditors

Aziz Halim Khair Chowdhury
Chartered Accountants

Syful Shamsul Alam & Co.
Chartered Accountants

Tax Advisor

K. M. Hasan & Co.
Chartered Accountants

AMARSTOCK

Directors' Profile

As a public limited company, we are accountable to the people we serve. Our Board of Directors is responsible for determining the strategy and overall direction of the Bank in an open, honest, and transparent manner. They are highly experienced leaders and are committed to the long-term growth and performance of the Company.



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.

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 Neketan and Nurul-Rawnak Diabetics health care centre, Rajnagor, 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.

Around 25 years of experience in establishing export oriented industries put Mr. Reza on the peak of success and his excellency in corporate management is also exemplary. His experience in textile and readymade garments will be a guide line for future generation. Active role of Mr. Reza in enforcing compliance in fast growing Banking sector will encourage pushing the sector forward.

Mr. A.K.M. Shaheed Reza after completion of Post Graduation degree in Management started his career as a Banker in 1986. But creative aptitude did not allow him to confine in the services. Ultimately he quitted 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.



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 the 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
Chairman, Executive Committee

Mr. Md. Anwarul Haque was born on January 03, 1951 in a respectable 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 42 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 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. and Sponsor Shareholder of Premier Leasing & Finance Ltd. His association with the abovementioned 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.



Dr. Mahmood Osman Imam MBA, FCMA
Chairman, Audit Committee

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 30 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. Recently he carried out 'National Financial Inclusion Strategy for Bangladesh' – Banking Sector Study.



M. Amanullah
Chairman, Risk Management Committee

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 lead 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 was the Chairman of Mercantile Bank Ltd. for the period of 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 past Chairman of the Board of Trustees of Presidency University, Dhaka. He is also the founder president of Gulshan North Club. 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 Sarojini 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 has been declared CIP, Commercially Important Person, for many years for his significant contribution to the country's export trade sector.



Al-Haj Akram Hossain (Humayun)
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 Chairman of Mercantile Bank Securities Ltd. He was the Chairman of Mercantile Bank Ltd. for the period of 2015-2016.

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, Former General Secretary of Bangladesh Paper Merchant 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 Madrasa. He is the founder member of Board of Trustee of Feni University and Life Member of Feni Heart Foundation, Feni Diabetic Somittee, Officers Club Feni, Feni Somittee Dhaka and Founder Member of All Community Club Dhaka. Apart from the aforementioned affiliations, he is also General Body Member of FBCCI, Bangladesh.



Mohd. Selim
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.

He 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.

He 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 the only daughter is a student of ACCA.



Morshed Alam, MP
Director

Mr. Morshed Alam, MP is a profound business personality in Bangladesh. He is a member of parliament of 10th National Parliament representing Noakhali – 2. He was recognized as CIP for the several years from 1996 by the Ministry of Commerce, Bangladesh and his remarkable contribution is noteworthy. He was also awarded "Minister's National Export Trophy – Gold" "Prime Minter's National Export Trophy - Silver" and " Prime Minister's National Export Trophy – Bronze" in several years as a recognition of his tremendous dedication to business. In 2008, he has also achieved " Best Enterprise Award 2007" by DHL-Daily Star. He is also a dynamic entrepreneur of the following organizations:

01.	Bengal Windsor Thermoplastics Ltd.	Chairman
02.	Bengal Media Corporation Ltd. (Rtv)	Chairman
03.	Bengal Plastics Limited	Chairman
04.	Bengal Poly Paper Sack Limited	Chairman
05.	Bengal Flexipak Limited	Chairman
06.	Bengal Adhesive & Chemical Products Limited	Chairman
07.	Bengal Polymer Wares Limited	Chairman
08.	Bengal Plastic Pipes Limited	Chairman
09.	Romania Food & Beverage Limited	Chairman
10.	Power Utility Bangladesh Limited	Chairman
11.	Bengal Concept and Holdings Limited	Chairman
12.	Bengal Corrugated Carton Industries Limited	Chairman
13.	Bengal Overseas Corporation Limited	Chairman
14.	Hamilton Metal Corporation Limited	Chairman
15.	Bengal Feed & Fisheries Limited	Chairman
16.	Designer Jeans Limited	Chairman
17.	Designer Fashion Limited	Chairman
18.	Bengal Retails Limited	Chairman
19.	Bengal Renewable Energy Limited	Chairman
20.	Bengal Hotel and Resort Limited	Chairman
21.	Romania Agrovet Limited	Chairman
22.	National Life Insurance Company Limited	Chairman

Besides, he is the member of trustee board of The People's University of Bangladesh and Director of Mercantile Bank Securities Limited. He was the Chairman of Board of Directors of Mercantile Bank Ltd. during 2014-2015. 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
Director

Mr Md. Shahabuddin Alam was born in a respectable Muslim family of Chittagong. He completed his post graduation degree from Chittagong University with remarkable position.

Then he started his business career in the year 1988 as legacy of his father's business. During the course of time, he established a good number of Edible Oil Refinery Plants with fractionation facility for production of Refined Soybean & Super Palm Oils in Chittagong and Narayangonj which have created abundant employment opportunities. He is in fact the pioneer in Oil Refinery Sector of the Country.

Apart from the above, he established conglomerates for production of fast moving consumer goods like sweetened condensed milk, atta, maida, suji etc and paper products in Chittagong which also have generated ample employment opportunities.

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



Dr. Md. Rahmat Ullah
Independent Director

Dr. Md. Rahmat Ullah is the Dean of the Faculty of Law and a Professor in the Department of Law under the same Faculty. He is the Provost of Kabi Jashim Uddin Hall, University of Dhaka. He also holds the position of the Director of the 'Quality Assurance Cell' of the University of Dhaka and is a Senate member of the University of Dhaka. He held the position of General Secretary of the Dhaka University Teachers Association (DUTA) in the year 2016-2017. In December 2017, he has been appointed as a member to the Bangladesh Judicial Service Commission (BJSC) by his Excellency President of the People's Republic of Bangladesh for 5 years. Other than these, he is a syndicate member of Begum Rokeya University, Rangpur and an Adviser 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; and an Independent Director, Mercantile Bank Ltd.

He completed LL.M from Baku State University, Azerbaijan and PhD 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, Netherland, Switzerland and Iran. His fields of interest are human rights and commercial laws.

He is a prolific researcher in the field of human rights and legal issues. He worked as a national and international consultant under different projects on human rights and legal issues with UNHCR, UNDP, HRDC, European Union, MJF and NHRC. He has published more than twenty two research articles on human rights and legal issues and is an author of one book and co-author of four books. He is also Executive Editor of five research books. He is a committed human rights activist and desires to work for the people for a just and better life.



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.

We Mourn

Our deepest condolence on the departure of our beloved one



Md. Abdul Jalil
Founder Chairman
January 21, 1941 - March 6, 2013



Md. Tabibul Huq
August 19, 1952 - June 23, 2014



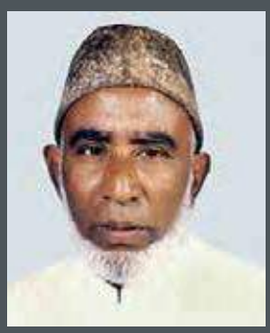
Golam Faruk Ahmed
April 7, 1953 - January 26, 2013



Dr. Matiur Rahman
January 11, 1946 - September 13, 2012



Shamsur Rahman
January 25, 1933- January 02, 2012



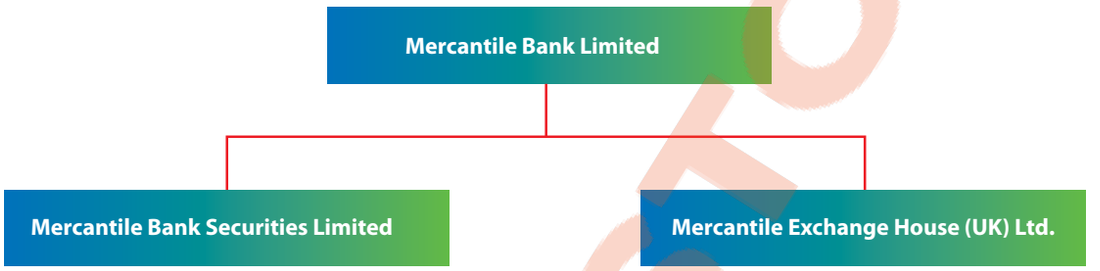
Alhaj Tara Meah Khan
August 30, 1931 - March 16, 2010



Jamshed R Khan
July 10, 1943 - August 29, 2008

Group Corporate Structure

Mercantile Bank Limited (MBL) is originated by a group of perceptive investors of aiming significant contribution to the financial system for an extent sustainable economic growth of Bangladesh. Since its inception in June 02, 1999 the Bank has already created a credible brand impression and achieved its customers trust and loyalty. MBL is also providing other services through its 2 (two) subsidiary companies: Mercantile Bank Securities Ltd (MBSL) and Mercantile Exchange House (UK) Limited.



Mercantile Bank Limited

The detail of the company profile can be found on page no. 12 of this annual report.

Mercantile Bank Securities Limited

Mercantile Bank Securities Limited (MBSL) was founded in 2010 and has started its commercial operation on 14 September 2011, 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.

It is licensed by Bangladesh Securities and Exchange Commission (BSEC) to act as a stock broker as well as a stock dealer. Having seats in both Dhaka Stock Exchange Limited (TREC no. 224) and Chittagong Stock Exchange Limited (TREC no. 140), MBSL has become a trusted name to most of the Institutional investors & retail investors in Bangladesh.

MBSL offers full-fledged international standard brokerage service with margin loan facility. MBSL is also a full service Depository Participant (DP) of Central Depository Bangladesh Ltd. (CDBL). MBSL is dedicated to provide high level of professional and personalized services to its 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.

Vision

- To become the best Securities House in Bangladesh.

Mission

- To be compliant in every respect
- To fulfill the Corporate Social Responsibility (CSR)
- To be the Pioneer, not follower

Key Strength

- Exceptional quality and professionalism in its services offering to clients.
- A competent equity market research unit.
- State of the art technology utilized in trade execution and back office and reporting systems.

The company's success is strengthened by its strong network of key clients and its unparalleled standard of service quality, offering clients the highest level of convenience and reliability in transacting business. It is delivering its high quality service through its seven branches in all over Bangladesh. Branch locations are detailed as under:

Head Office
Shawdesh Tower (4th Floor)
41/6, Purana Paltan, Dhaka – 1000.

WWW.PLSTOCK

Mirpur Branch
Razia Plaza (4th Floor), 184 Senpara Parbata
Rokeya Sarani, Mirpur –10, Dhaka – 1216.

Dhanmondi Branch
House # 82/A (2nd Floor), Road # 8/A
Satmasjid Road, Dhanmondi R/A, Dhaka – 1209.

Uttara Branch
House # 22 (Ground Floor) Sonargaon Janapath,
Sector # 9, Uttara, Dhaka – 1230.

Chittagong Branch
Mishkat Arcade (1st Floor),
21/1, Agrabad C/A, Chittagong – 4100.

Sylhet Branch
Al Hamra Shopping City (5th Floor)
Zindabazar, Sylhet – 3100.

Khulna Branch
Rupsha Plaza (2nd Floor), 73 K.D.A. Avenue C/A
Sonadanga, Khulna - 9100.

History of Formation of MBSL, a subsidiary of MBL

June 27, 2010	Emerged as a public limited company
December 05, 2010	Secured DSE Membership # 224
December 30, 2010	Secured Stock Broker / Dealer licenses for DSE
August 25, 2011	Secured Stock Broker / Dealer licenses for CSE
September 14, 2011	Secure DP Registration Certificate
September 14, 2011	Started business in its own name of MBSL

Mercantile Exchange House (UK) Ltd.

As per decision of the Board of Directors of Mercantile Bank Ltd. in its 187th meeting held on October 27, 2011 Mercantile Exchange House (UK) Limited, a fully owned subsidiary company of Mercantile Bank Limited commenced its operation on December 06, 2011 in United Kingdom. Currently, the subsidiary operates remittance business in United Kingdom through London Branch. Being the part of a very competitive market in London, the exchange house offers a wide range of products and services to the Bangladeshi expatriates living and residing in United Kingdom. The services include remittances, account opening, Bureau De Change and different types of wage earners bonds services etc.

We usually receive a significant amount of remittances through Mercantile Exchange House (UK) Ltd. In the year 2017, we routed 12,820 numbers of transactions worth of Tk. 1,137.57 Crore equivalent to GBP10.70 million through our exchange house. The Board of Directors of Mercantile Exchange House extends their full cooperation and guidance running the subsidiary smoothly. The Board of Directors of Mercantile Exchange House (UK) Ltd. is comprised with the following persons.

01. Mr. A.K.M. Shaheed Reza	Chairman
02. Mr. Shahidul Ahsan	Director
03. Mr. Kazi Masihur Rahman	Director
04. Mr. Khoyruzzaman Khan	Company Secretary

Corporate Organogram

Top Management Team



Kazi Masihur Rahman
Managing Director & CEO



Md. Quamrul Islam Chowdhury
Additional Managing Director
& CBO



Mati ul Hasan
Additional Managing Director
& CRO



G.W. M. Mortaza
Deputy Managing Director



Md. Zakir Hossain
Deputy Managing Director
& DCBO



Adil Raihan
Deputy Managing Director
& CSBO

Senior Management Team



Managing Director & CEO	Chairman
All Additional Managing Directors	Member
All Deputy Managing Directors	Member
Head of Central Law Division	Member Secretary
Head of Special Assets Management Division	Member
Head of International Division	Member
Chief Financial Officer	Member
Head of Mobile Banking Division	Member
Head of Information Technology Division	Member
Head of Treasury Division	Member
Head of Human Resources Division	Member
Head of Board Audit Cell	Member
Head of Internal Control & Compliance Division	Member
Head of Risk Management Division	Member
Head of Agriculture Credit Division	Member
Head of Corporate Banking Division	Member
Head of Credit Risk Management Division	Member
Head of SME Financing Division	Member
Head of Financial Administration Division	Member

Head Office & Heads of Divisions



Head Office

61 Dilkusha C/A, Dhaka-1000, Bangladesh
PABX : +88-02-9559333, 9553892
Fax : +88-02-9551213
Swift : MBLBBDDH
E-mail : it@mblbd.com
Website : www.mblbd.com

Zonal Office

Chittagong Zone
Mishkat Arcade (Level-1)
21/1, Agrabad C/A, Chittagong
PABX : +88-031-2529445, 716421
: +88-031-721772
Fax : +88-031-2529445
Md Abu Taher, Zonal Head

Training Institute

Swadesh Tower
41/6 Purana Paltan, Dhaka-1000
21/1, Agrabad C/A, Chittagong
PABX : +88-02-7174016
Fax : +88-02-9571096

Javed Tariq, Principal

Divisions/Departments/Units at Head Office

Cenral Law Division
Ahmedul Haque, SEVP

Special Asset Management Division
Md. Mahmood Alam Chowdhury, SEVP

International Division
Shamim Ahmed, SEVP

Chief Financial Officer
Dr. Md. Nurul Islam, SEVP

Mobile Banking Division
Md. Rafiqul Hoque Bhuiyan, SEVP

Information Technology Division
A.K.M. Atiqur Rahman, SEVP & CTO

Treasury Front Office
Ashim Kumar Saha, SEVP

Corporate Affairs Division
Ahsanul Haq Chowdhury, EVP

Human Resources Division
Mohammad Iqbal Rezwan, EVP

Board Audit Cell
K. M. Abdur Razzaque, SVP

Board Division & Share Department
Saiful Alam FCS, SVP

Credit Administration Division
Md. Enayet Ullah, SVP

Risk Management Division
Md. Ata Rabbani Chowdhury, SVP

Audit Unit
Abu Asghar Golam Haruni, SVP

Card & ADC Division
Md. Abu Sakin, SVP

Agriculture Credit Division
Liaquat Fazlur Rashid, SVP

Institutional Liability Marketing Department
Golam Mohammed Zaidi, VP

Consumer & Retail Banking Division
Md. Ashiqur Rahman, VP

MIS Division
S.M. Asifur Rahman, VP

SME Financing Division
Basudeb Paul, VP

Anti Money Laundering Department
Md. Nasim Alam, VP

Financial Administration Division
Tapash Chandra Paul, PhD, VP

Monitoring Unit
Md. Gias Uddin, FVP

General Banking Division
Muhammad Khorshed Alam, FVP

Compliance Unit
Md. Abul Kashem, FVP

Branches Division
Mohammad Hossain, FVP

Off-Shore Banking Unit (OBU)
Md. Shaheen Reza, FVP

Treasury Back Office
Muhammad Sharif-Ur-Rahman, FVP

General Services Division
Md. Shah Jamal, FVP

Central Clearing Department
Md. Almasuddin Ahmed, FVP

Credit Risk Management Division
Shamim Ahmed, VP

Corporate Banking Division
Mohammad Nazrul Islam, AVP

NRB Division
Md. Toriqul Islam, AVP

Research & Planning Division
Tania Matin, PO

Branch Network



Main Branch
G.W.M. Mortaza, DMD
Mia Amanullah Bhaban
63 Dilkusha C/A, Dhaka-1000
Phone : +88-02-9571618, 9559333
Mobile : +88-019760 02070
Fax : +88-02-9554410



Rajshahi Branch
Md. Abdul Matin, VP
ZODIAC Plaza
Shaheb Bazar, (Zero Point), Rajshahi
Phone : +88-0721-771214, 772261
Mobile : +88-01711-419079 (HOB)
Fax : +88-0721-771215



Dhanmondi Branch
Md. Abdul Awal, SVP
Sima Blossom, House-390 (Old)
03 (New), Road-27 (Old) 16 (New)
Dhanmondi R/A, Dhaka -1209
Phone : +88-02-5815384
+88-02-9130500, 9142691
Mobile : +88-01713 452824
Fax : +88-02-58151844



Naogaon Branch
Md. Kamruzzaman, SVP
J.R. Super Market
Old Bus Stand, Main Road,
Chakdev, Naogaon
Phone : +88-0741-63230, 61981, 61982
Mobile : +88-01711-419057
Fax : +88-0741-63230



Kawran Bazar Branch
A B M Eradul Islam, EVP
Dhaka Trade Centre
99 Kazi Nazrul Islam Avenue
Kawran Bazar, Dhaka- 1215
Phone : +88-02-8189613, 58151614
Mobile : +88-01730-320284 (HOB)
Fax : +88-02-8126882



Sylhet Branch
Debojyoti Majumder, VP
Riasot Tower
Laldighirpar, Sylhet
Phone : +88-0821-723650, 723651
Mobile : +88-01713-386896
Fax : +88-0821-723722



Agrabad Branch
Mesbah Uddin Ahamed, SVP
Mishkat Arcade
21/1 Agrabad C/A, Chittagong
Phone : +88-031-716421, 723181
Mobile : +88-01713-491779 (HOB)
Fax : +88-031-716459



Board Bazar Branch
Md. Abul Bashar Khan, VP
Mansur Super Market
Board Bazar, Gazipur
Phone : +88-02-9293639
Mobile : +88-01713-044846 (HOB)
Fax : +88-02-9291660



Joypara Branch
Syed Ezazur Rahman, VP
Samabay Super Market
Joypara Bazar, Dohar, Dhaka
Phone : +88-02-7768163
Mobile : +88-01711-535949
Fax : +88-02-7768193



Nayabazar Branch
Shamir Mitra, FVP
25/1 Zinda Bahar (1st Lane),
Nayabazar, Dhaka-1100
Phone : +88-02-7393827
Mobile : +88-01730-048019
Fax : +88-02-7390869



Banani Branch
Md. Fakhruzzaman Chowdhury, SVP
Ahsan Tower, 56 Kamal Ataturk
Avenue, Banani, Dhaka-1213
Phone : +88-02-9821639-40
Mobile : +88-01713 083617
Fax : +88-02-9821046



Khatunganj Branch
Jashim Uddin, SVP
599 Ramjoy Mohajan Lane,
Khatunganj, Chittagong
Phone : +88-031-626101
+88-031-626102, 622751
Mobile : +88-01711-723051 (HOB)
Fax : +88-031-635514



Mohakhali Branch
Shah Md. Sohel Khurshid, SEVP
Green Delta Aims Tower
51-52 Mohakhali C/ A, Dhaka-1212
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Motijheel Branch
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Mirpur Branch
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Razia Plaza, 184 Senpara Parbata
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Madam Bibir Hat Branch
Mojibul Hoque, AVP
S.A. Tower, Madam Bibir Hat,
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Ashulia Branch
Md. Sazzadur Rahman, VP
Bhuiyan Commercial Complex
Jamgora Chowrasta
Ashulia, Savar, Dhaka
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Khulna Branch
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Uttara Branch
Farid Ahmed, SVP
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Rangpur Branch
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Jubilee Road Branch
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Satmasjid Road Branch
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Road, Dhanmondi R/A, Dhaka-1209
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Elephant Road Branch
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Osman Plaza
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Jhilongja Branch
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O R Nizam Road Branch
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Feni Branch
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Feni Sadar, Feni
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Bogra Branch
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Barogola, Bogra Sadar, Bogra
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Moulvibazar Branch
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Bijoynagar Branch
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Akram Centre , 3/3-C & 3/3-D,
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Konabari Branch
Md. Abul Kashem Khandaker, FVP
Motiur Rahman Plaza, Konabari Bus
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Md. Rezaul Karim, VP
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Gulshan Branch
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Sapahar Branch
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Hemayetpur Branch
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Hatem Ali Complex
Singair Road, Hemayetpur
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Beanibazar Branch
Syed Moniruzzaman, PO
Zaman Plaza, Beanibazar, Sylhet
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Barisal Branch
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Dagonbhuiyan Branch
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Bhojeshwar Bazar Branch
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Darus Salam Road Branch
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Comilla Branch
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Dinajpur Branch
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Green Road Branch
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Jessore Branch
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Sheikh Mujib Road Branch
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Engineers' Institution Branch
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Chittagong EPZ Branch
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Halisahar, Airport Road, Chittagong
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Faridganj Branch
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Narayanganj Branch
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Nabigonj SME/ Krishi Branch
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Patuakhali Branch
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Rajnagar SME/Krishi Branch
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Feni Sadar, Feni.
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Demra SME/Krishi Branch
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Mymensingh Branch
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Aganagar Branch
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Dholaikhal Branch
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Rangamati Branch
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Chapainawabganj Branch
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Boro Indara More, Sadar
Chapainawabgonj-6300
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Shishahat Branch
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Kushtia Branch
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A. Hamid Market
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Imamganj Branch
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Mohammad Hossain Complex,
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Maijdee Court Branch
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Court, Noakhali
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Sunamganj Branch
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Ring Road Branch
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Ashuganj Branch
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Damudya Branch
Moniruzzaman Khan, FAVP
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Nilphamari Branch
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Nazipur Branch
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A K Khan Moor Branch
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Niamatpur Branch
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Chuadanga Branch
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Patherhat Branch
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Bhola Branch
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Kishoreganj Branch
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Bhulta Branch
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Sakhipur Branch
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International Airport Road Branch
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Nawabpur Road Branch
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Pabna Branch
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Munshi Complex
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Korais Munshi Bazar Branch
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Velanagar Branch
Partha Sarkar, AVP
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Lakshmipur Branch
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Jhitka Bazar Branch
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Samir Munshir Hat Branch
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Samir Munshir Hat, 6 No. Kabilpur,
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Kalaiya Branch
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Kalaiya, Bauphal,Patuakhali
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Baipail Branch
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Bazra Bazar, Bazra
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Madaripur Branch
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137 & 138/1 Monohar Potti Puraton
Bazar, Sadar Thana, Madaripur
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+88-0661-662898 (PABX)
Mobile : +88-01717-698283
Fax : +88-0661 - 62884



Gareeb-E-Newaz Branch
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22, Gareeb-E-Newaz Avenue
Sector # 13, Uttara, Dhaka
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Mobile : +88-01730-453497
Fax : +88-02-7911434



Baraiyarhat Branch
Abu Ahsan, FAVP
Feroza Saleha Center
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Baraiyarhat Paurashava
P.S: Jorarganj, Mirsharai,Chittagong
Mobile : +88-01709-652417 (Br.)
: +88-01709-652414 (HOB)



Subarnachar Branch
Mohammad Shamsul Haque, SEO
Haris Chowdhury Bazar, Char Jubili, Char Jabbar
Subarnachar, Noakhali.
Phone : +88-01709 - 652412 (HOB)
Mobile : +88-01815-918790



Goshairhat Branch
Md. Jahid Ul Alam, PO
Hazi Super Market, Mitrasen potti
Goshairhat, Shariatpur
Mobile : +88-01708-454392 (HOB)
Phone : +88-06024-75216, 75219



Asad Gate Branch
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Dream by Icon, Holding # 2/4 , Block-A
Mohammadpur, Housing Estate Mirpur Road, Mohammadpur, Dhaka
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Kankirhat Branch
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R. K. Chowdhury Shopping Complex
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Lalmonirhat Branch
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PABX : +88-0591-62189,62190



Mandari Bazar Branch
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Mobile : +88-01708-454398 (HOB)



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Gouripur, Ashulia, Savar, Dhaka
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+88-01708-494132 (Br.)



Shimrail Branch
Asif Ahmed Porag, FAVP
S. M. Tower
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PABX : +88-7691562, 7691563



Netrokona Branch
A K M Mahbubur Rahman, FAVP
A Rashid Market, Holding#0703-00
Ward # 07, Mukterpara Sarak, Municipality, Netrokona
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PABX : +88-0951 62687
+88-0951 62686 (Direct)



Udoy Shadur Hat Branch
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+88-01701209783 (HOB)



Ishwardi Branch
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: +88-01730-047974 (GB In-Charge)



Khepupara Branch
Ashikul Islam, SEO
Society Super Market
New Bazar Sarok, Khepupara,
Kolapara, Patuakhali
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: +88-01716-280480
Phone : +88-04425-56610, 56611



Manikganj Branch
Bikash Kumar Biswas, PO
City Center, Holding # 16
Ward # 01, Manikganj Bus Stand,
Dhaka-Aricha Mahasarak, Manikganj
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Tejgaon Gulshan Link Road Branch
Zihan Al Fuad, VP
Impetus Center, Holding # 242/B
Bir Uttam Mir Shawkat Ali Road
(Tejgaon Gulshan Link Road)
Tejgaon I/A, Dhaka
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: +88-01711-119834
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Access Road Branch
Md. Abu Taher, AVP
Amin Tower, Holding # 601/722
Agrabad Access Road, Ward # 24
Hali Sahar, Chittagong City
Corporation, Chittagong
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: +88-01714-077277 (GB In-Charge)
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Chitoishi Branch
Mohammad Abdulah-Al-Mamun, EO
Rokeya Super Market
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: +88-01701-209790 (Br.)



Munshirhat Branch
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Main Road, Fatehpur
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Phone : +88-01701-209789 (HOB)
: +88-01708-494137



Chandragonj Branch
Mohammad Niaz Morshed, PO
Matrichaya Bhaban, Deopara
Union- 10, Chandragonj Union
Parishad, Chandragonj, Lakshmipur
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: +88-01911-724930
Phone : +88-0382-581196-7

MERCANTILE BANK SECURITIES LIMITED



CEO



COO

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: +88-02-47119085
Fax : +88-02-47111256
CEO: Md. Rafiqul Hoque Bhuiyan, SEVP
COO: Fahmida Haque



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Sylhet-3100
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Uttara Branch
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Agrabad Branch
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Fax : +88-031-716459

MERCANTILE EXCHANGE HOUSE (UK) LIMITED



London Branch
Khoyruzzaman Khan, Chief Executive Officer
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Fax : +4420-3638-1919
Mobile : +44-07984475697
E-mail : mercantileexchangelondon@mblbd.com

Other Executives of the Bank

Senior Vice President
Anwar Hossain

Vice President
Debabrata Das
Md.Shahadat Hossain Khan
Mir Fauzia Rahman
M A Malek Patwary
Md. Masum Ali
Shamim Ahmed
K. M. Anowarul Islam
Mohammad Mahtab Uddin
Md. Nurul Alam
Md. Rezwanul Karim
Mohammad Faruque Ahmmed
Mohammad Golam Kibria
Md. Aliullah
Pratap Kumar Deshmukhya
Tashfeen Saleh

First Vice President
Md. Ikramul Islam Khan
Farhana Hosain
Md. Salahuddin Khan
Mekhala Parveen
Muhammad Saiful Karim
Al Mansur
Mohammad Rezaul Karim
Md. Delwar Hossain
Shahnewaz
S M Ruhul Amin
Md. Zillur Rahman
Jannatul Mawa
Md. Jahidul Islam
Md. Abu Ruheen Chowdhury
Syed Tariqul Islam
Md. Shah Jahan
Tarafder Sushil Kumar
Md. Mukitul Kabir
Md. Sarware Alam
Mohammad Shafruzzaman Khan
Md. Israil Hossain
Md. A. Kuddus Kazi
Asish Kumar Paul
Ashfa Khanam
Md. Nasir Uddin
Pijus Kanti Bala
Muhammad Lutful Haider
Md.Ibna Ala Habib Oliur Rahman
Abu Saleh Md. Ibrahim
Md. Aminul Islam
Md. Akram Hossain
Aminul Islam Akhand
Md. Atiqur Rahman
Asif Karim
Md. Shaheen Reza
Fatema Saida Yasmin
Paritosh Kumar Dhar

Assistant Vice President
Md. Shahadat Hossain
Bijoy Kumar Datta
Mohammad Fayzul Islam
K M Rafiqul Alam Akanda
Md. Mahbubur Rahman
Md. Kamal Hossain
Mohammad Abdul Motaleb
Asrar Mahmud Bin Saber
Dilip Chandra Das
Sultana Alam
Md. Monir Hossan Khan
Md. Akter Hossain
Md. Ziaul Hasan Chowdhury
Abul Kalam Azad
Md. Tanvir Shahid
Md. Babor Ali Molla
Md. Shahab Uddin Patwary
Kazi Golam Rasul
Sheikh Shahjahan
Syed Saiful Islam
Md. Mehedi Hasan
Md. Haider Ali
Mohammad Nazrul Islam
Md. Sirajul Islam
Mohd. Rafiqul Islam Khan
Mohammad Mustahidur Reza Chowdury
Md. Rezaul Karim
Mohammed Tariqul Islam
Mohammad Monir Hossain
Muhammad Tanvir Hossain
Mohammad Shamim Hossain
Mohammad Mahbubur Rahman Chowdhury
Mohammad Shahed Shahriar Sohel
Md. Golam Sarwar
Mohammad Mahbub Alam
Mohammad Mahbobur Rahman Khan
Pritish Barua
Md. Mozammal Hussain
Md. Shamsul Alam Siddique
S.M. Soyeb Hasan
Md. Zahed Hossain
Md. Faruk Hossain
Shanaz Begum
A M Monsurul Hoque
Kamal Pada Sarker
Munshi Md. Asif Reza
Mohammed Jahir Uddin
Md. Meharub Hossain Khan
Md. Nurul Alam Bhuiyan
Irin Jahan
Mohammad Mohsin Ali
Mohammad Mozadded Ahmed
G. M. Abdus Sattar
Md. Ashraf-Bin-Azher
Mohammad Tareque Abdul Aziz
Syeda Mafruha Morshed
Md. Anwarul Alam
Zahidul Alam Chowdhury
Jebun Nahar Tuhin
Nasrin Hossain
Mohammad Wahidul Haque
Md. Shahidul Islam Baten
Ferdousi Bente Latif
Md. Shamim Rahman
Syed Abul Hossain
Sayeda Sultana
Faisal Rahman
Kali Pada Mohanta
Kazi Abdul Wadood
Md. Rasel Ikbal
Mohammad Zahidul Islam
Md. Ashekur Rahman
Mahmudul Bashar
A.S.M Ahsan Habib
Lutfun Nahar
Dina Choudhury
Mohammad Tarek Parvez Khan
Mohammed Iqbal
Nur Hasan Khan Eusufzai

SHARESTOCK

Message from

The Chairman



A.K.M. Shaheed Reza
Chairman

"A key strength of our bank is its depth of leadership talent and the untiring commitment & contributions of the employees. We have always demonstrated our ability to spot emerging opportunities and execute strategies to capture them."

Respected Shareholders,

2017 was a very challenging year for us at Mercantile Bank Limited. Despite a tough atmosphere, we demonstrated our enthusiasm and passion to contribute for better society apart from regular business practices. A sustainable and dynamic organization grows by certain core uniqueness such as expertise, state of the art technology and passion for serving its constituents and society. This statement rightly fits with Mercantile Bank Limited, a fast growing financial institution for which I have the privilege of working as the Chairman of the Board.

Having dealt with economic turmoil, we anticipated more on how to set a competitive strategy and business model that would ever evolve. As such, our Management planned to consign the Bank back to the path of growth and sustainable success. Our goal is to strengthen our position as a leading bank with global reach, supported by our strong branding position in Bangladesh.

Under active monitoring and supervision of Management, we have amplified the magnitude of our business keeping synchronization with domestic and international economy. Last year, MBL performed well in its corporate banking portfolio without keeping away the focal point from SME and retail business segment. We were able to impede further deterioration of NPL position and significantly sloped down NPL rate by launching some prudent initiatives - which boosted up bank's profit. Strengthening our buffer capital, coping up with recent ADR, de-risking investments, reinforcing the balance sheet, we are also determined to standby in terms of regulatory compliance and anti money laundering issues to check and block fraudulent activities. We are now more efficient in risk management structure which proactively identifies the risks and maintains proper trade-off between risk and return.

Providing a wide range of high-quality banking products and ensuring customer services in excellence -have increased our customer loyalty and thus enhanced brand value of the Bank. MBL has been embracing advanced technology to ensure a secured IT infrastructure for safer and faster customer service. I can strongly say that, we are on tarmac to become a leading financial institution of the country.

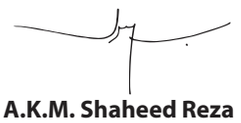
The Board of Directors remains committed to ensure highest standard of corporate governance throughout the organization with the objective of safeguarding the interest of all stakeholders and enhancing the shareholders' value. MBL operates its banking activities cost-effectively, environment friendly and socially sustainable manner in line with the Bank's vision and mission statement, and we never consider Corporate Social Responsibility as a charity rather a practice of good corporate governance.

On behalf of the Board, I would like to thank the Government of the People's Republic of Bangladesh, Governor and other officials of Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, respected Shareholders, valued Customers, Patrons and well-wishers for keeping their faith on us. My appreciation goes to all executives and staffs of MBL for their dedicated services and efforts to achieve the goal of the Bank.

I sincerely extend my thanks to Aziz Halim Khair Choudhury and Syful Shamsul Alam & Co. for carrying out the external audit professionally and advising us on various compliance issues. Finally, I wish to thank the Board of Directors for their exemplary leadership. Their relentless support and commitment during the year is worthy of deep appreciation.

We have many challenges, but we have the resources, capabilities and urge to overcome those challenges. I hope and believe that, 2018 would be a more vibrant and triumphant year for Mercantile Bank Limited.

Thanking You All



A.K.M. Shaheed Reza

Managing Director & CEO'S Review



"We took a strategy to ensure sustainable quality growth by adhering to compliance in all spheres of our operations, and pursuing manifold sources of revenue."

Kazi Masihur Rahman
Managing Director & CEO

Dear Stakeholders,

Mercantile Bank Ltd (MBL) has performed exceptionally well in all key areas of banking business activities during 2017 and maintained its growth trail in an extremely challenging and distress environment. At the outset I wish to congratulate and extend my sincere appreciations to the Board of Directors and Management Team and every staff at MBL.

Steady growth inclusive of deposits, advances and annual profits has ensured long term sustainability and better future prospects for further expansion, as one of the largest private banks in the country. Strength of the Balance Sheet, solid financial fundamentals, compliance with regulatory requirements, high standards of corporate governance, transparency and commitment to international best business practices were the key to our success and to earn the reputation of being one of the fastest growing and most compliant private commercial bank in Bangladesh.

WORLD ECONOMIC REVIEW

The global pickup in activity that started in the second half of 2016 gained further momentum in the first half of 2017. Growth is projected to rise over this year and next in emerging market and developing economies, supported by improved external factors—a benign global financial environment and a recovery in advanced economies. According to International Monetary Fund, global output growth is expected to rise to 3.5% in 2017 and 3.6% in 2018. The aggregate growth figure masks significant cross-country and regional variations. Growth in the advanced economies is expected to increase from 1.7% in 2016 to 2% both in 2017 and 2018. Overall growth outlooks for emerging market and developing economies and in India are gaining momentum both in 2017 and 2018. Although geopolitical risks remain elevated in Middle East region hosting the bulk of our migrant workers, overall growth is expected to increase due to some improvement in oil prices in 2016. Forecast for China's growth, though gradually moderating, has been revised up by 0.1 percentage point and 0.2 percentage point in 2017 and 2018.

BANGLADESH ECONOMY

The Bangladesh economy has emerged as one of the most sustained growth economy in the world. The GDP growth is estimated at 7.28% in FY2016-17, significantly up from 7.11% in previous year. Other contributors to growth were continued political calm, improved power supply, and higher growth in credit to the private sector. Average annual inflation eased to 5.5% in FY2017 from 5.92% in the previous year, largely in response to lower global commodity prices, steady domestic supply, and a stable exchange rate between the Bangladesh taka and the US dollar that translated into taka appreciation against the currencies of most of Bangladesh's trade partners.

GDP growth is expected to moderate to 7.4% in FY2018 as domestic demand rises. Slower export growth caused by weaker consumer demand in the euro area and the United Kingdom is expected in part because the currencies of these destination markets have depreciated against the dollar. Increases in wages and continued access to credit will help to sustain private consumption. Public investment is expected to strengthen through fiscal expansion as the authorities speed up their implementation of infrastructure projects. Growth in FY2019 is expected to rise at 7.6% as the broad momentum in the previous year continues.

BUSINESS AND FINANCIAL ACHIEVEMENTS

MBL has poised as one of the leading financial institutions and maintained satisfactory growth across its Business Units. We took a strategy to ensure sustainable quality growth by adhering to compliance in all spheres of our operations, and pursuing manifold sources of revenue. The Bank remained focused in all key areas like capital adequacy, quality asset growth, reducing nonperforming assets and strong liquidity thereby ensuring sound revenue.

At the end of the year 2017, total deposit of the Bank stood BDT 220,516.63 million against that of BDT 165,257.45 million till 2016, registering a growth rate of 33.44%. The amount of Fixed Deposit, Current Deposit and Deposit under Schemes contributes 34.94%, 3.80% and 27.41% of total deposits. Bank's Loans and Advances, which are well diversified, have grown by 32.30% during the year under review. Total loans and advances of the Bank at the end of 2017 reached to BDT 199,660.72 million as against BDT 150,912.52 million in December 2016. MBL remained one of the market leaders in terms of asset and liability growth among the private commercial banks.

In 2017, the Bank has made a noteworthy growth in terms of foreign business. The Import Business of the Bank grew by 36.48% whereas the Export Business grew by 19.21% during the year 2017. The Bank recorded BDT 190,753.60 million import business at the end of the year 2017 against BDT 139,766.40 million in December 2016. Export business stood at BDT 134,752.90 million till December 2017 against BDT 113,035.20 million at

the end of 2016. During the year under review, the Bank also handled remittance business of BDT 29,976.40 million. In 2017, the Bank was able to make Operating Profit of BDT 6,570.57 million as compared to BDT 4,436.44 million in 2016. This was a growth of 66.95 %. Earnings Per Share (EPS) stood at BDT 3.89. Non Performing Loan (NPL) ratio stood at 3.79% in 2017.

AWARDS AND ACCOLADES

The Bank has received significant institutional recognitions, awards and accolades. We do have strategy, intent and ability to take the Bank forward. Our Annual Report contains enough disclosures. We also publish financial statements complying with all applicable Accounting Standards. In recognition, The Institute of Chartered Accountants of Bangladesh (ICAB) conferred upon us the Certificate of Merit for our published accounts and reports for a number of years.

CAPITAL BASE

MBL believes that Basel III is not merely a reporting system rather it is new risk management technique for the Bank. Therefore, it has put extensive care and attention to implement Basel III inside the Bank. With a view to facilitating the way of implementation, the Bank has formed "Basel Implementation Unit". As at 31 December 2017, the Bank's Basel III Tier 1 Capital Ratio was 7.91% and Tier 2 Capital Ratio was 4.02%, compared to 8.35% and 4.68% at 31 December 2016 respectively.

BUSINESS MODEL

The Bank's priority is to maintain a robust and stable financial and operating platform, which will facilitate us to support our customers and provide superior returns to shareholders. In view of the current macroeconomic conditions and global developments, the Bank has shifted the business focus from corporate book to SME and retail book. The marked shift in business strategies adopted by the Bank in SME/retail lending and CASA has positively contributed to the Bank's better performance, despite significant stress in the economy.

The Bank recognizes the small and medium enterprises (SMEs) as an important sector in its business strategy. In view of this, it is imperative to operate with the ideal mix of corporate and personal banking in the portfolio composition with optimum size to maximize the returns to scale from these two key areas of core business activities of the Bank.

We are continuously expanding our network across the country for attaining geographical and demographic dividend. At the end of 2017, we had 129 branches and two subsidiaries i.e. Mercantile Bank Securities Ltd (MBSL) and Mercantile Exchange House (UK) Limited. At the end of 2017, we have as many as 163 ATM booths at different important hubs across the country. We intend to keep increasing the number of branches of MBL as well other new products of Alternate Delivery Channels across the country in 2018.

LEVERAGING TECHNOLOGY

Technological leadership is an absolute necessity for the delivery of value to all our stakeholders amidst rapidly changing life styles and paradigms. Mercantile Bank is committed to place cutting edge technology at the forefront of our delivery channels and operations. For core banking software MBL has implemented "TEMENOS T24", a world class proven technology platform, ensures real time integrated banking software. Our endeavor to continuously upgrade its core banking platform and invest in other and hardware is ongoing- ensuring not only its alignment with technology but also to bring efficiency to its operations and ensure continuous customer satisfaction.

HUMAN RESOURCES

Our Bank acts on the conviction that Human resource is the most valuable asset for the Bank. It is our continuous endeavor to create an organization of mutual trust, establish an open and enabling environment where our people could work professionally with self respect, dignity and freedom of speech. We believe that our investments in Human Resources Development are keys to sustainable growth. Bank plans to hire, develop and retain its human resources base with the right level of skills and talent to meet current and future needs.

COMMITMENT TO GOVERNMENT

MBL made significant contribution to the government's effort in collection of revenue. We are proud that being one of the largest taxpayers in the country, we have become an important source of revenue for the Government of Bangladesh. As per law, Bank deducts income taxes, VAT and excise duty from various services at source. Besides, the Bank also pays income tax on its earnings. In 2017, the Bank has made a provision of BDT 1,300 million for the National Exchequer.

CORPORATE SOCIAL RESPONSIBILITY

Banking Industry is an integral part of our economy which contributes to the society through banking services. The impact of business on the society has become a crucial issue. Business organizations are now regarded as "Corporate Citizen" with obligation and responsibility to the society. We are emphasizing on social, ethical and environmentally responsible approaches to business activity. The Bank examines the environmental effects are approved which are detrimental to the environment. MBL is well aligned with Bangladesh Bank's Guidelines on this aspect. The Bank continuously plans to be more focused on poverty alleviation through education and health care, for the long run benefit of the nation. With this vision for CSR activities, MBL has established a Foundation immediate year after its incorporation. Each year one percent of the operating profit or BDT 40 lac, which one is higher, contributed to this Foundation. The activities of the Foundation and the Bank's are noticeable mostly in the areas of health and education, development of sports, talent development, capacity development in banking sector etc. In the year 2017, MBL donated BDT186.25 million for CSR activities.

LOOKING AHEAD

The year 2018 is expected to be the year of growth as major macro-economic fundamentals remained fairly positive during 2017 which will continue to contribute to our economic growth and development. Various development and policy initiatives taken by the Government are expected to drive the economy to a higher growth trajectory in the years ahead. Mercantile Bank is well positioned to benefit from the transformation that is taking place in the banking landscape with low interest rates and intense pressure on margins and volumes on one hand and technology driven exciting developments in new products and services on the other.

OUR STRATEGIES FOR 2018

In order to be successful in the backdrop of this rapid changing competitive sector, we have prepared ourselves accordingly. Our strategy is to continue the business that we do well. Better management of our exposure in corporate/ commercial business and diversification of portfolio are our focus. Among others, the following are the priorities for 2018:

- Concerted efforts and aggressive marketing to procure more low-cost deposits with a view to reducing cost of deposits and improving Net Interest Margin (NIM) of the Bank.
- Emphasizing on SME, Agri-credit and Retail Credit to make the loan portfolio more diversified.
- Focusing on disciplined Credit Risk Management especially credit appraisal process including documentation and monitoring with a view to maintaining strong asset quality.
- As banking industry is predicted to remain highly competitive with low interest margins, fee-based income and non-funded incomes shall be a strategic imperative in 2018.
- Maintaining asset quality by restricting increment of non-performing assets through early detection, monitoring, corrective action plans, shared information and disclosures to keep future recurrence in check.
- Strengthening the recovery against rescheduled, classified and written-off loans for reducing NPLs to a large extent through intensive recovery measures and further arresting fresh slippages.
- Taking all required steps to maintain its position as a fully compliant bank in line with regulatory guidelines.

ACKNOWLEDGEMENT

On behalf of management of the Bank, I express my appreciation and thanks to the Government of the People's Republic of Bangladesh, Governor and other officials of Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Registrar of Joint Stock Companies and Firms for their continuous support and assistance, guidelines and cooperation provided to the Bank from time to time.

We have a dedicated team who are well equipped to meet the challenges of modern and highly competitive banking industry while remaining compliant to all regulatory issues. I would like to thank the MBL team for their passion and effort to attain the corporate vision, mission and strategic objectives at the same time ensuring that our core value remains consistent. My sincere note of gratitude goes to our dynamic Board of Directors for their valuable and judicious policy support and timely decisions to steer the Bank for being the finest corporate citizen.

With best wishes,

Yours sincerely,



Kazi Masihur Rahman



Directors' Report

On behalf of the Board of Directors of Mercantile Bank Limited, we have the pleasure to present the 19th Annual Report of the Bank comprising of audited Balance Sheet, Profit & Loss Account, Cash Flow Statement, Statement of Changes in Equity and Assets Liabilities Maturity Analysis as on December 31, 2017. On this auspicious gathering of our most valued shareholders, we are also placing a brief review of various business operations of the Bank during 2017 along with the current trend of World as well as Bangladesh Economy.

Global Economy

Review of October 2017, the global growth has been projected at 3.6 percent for 2017 and at 3.7 percent for 2018, 0.1 percentage point higher compared with the April 2017 WEO forecast. Growth in advanced economies has been projected to expand at 2.2 percent in 2017, 0.2 percentage point higher than April 2017 projection. The forecasted growth of the US economy is 2.2 percent for 2017 and 2.3 percent for 2018, which are 0.1 percentage point and 0.2 percentage point lower than the April 2017 WEO forecasts but still moderately above the growth of 1.5 percent in 2016. The projection of continued growth reflects favourable financial conditions and strong business and consumer confidence.

Growth prospects for emerging and developing economies are marked up by 0.1 percentage point higher for both 2017 and 2018 relative to WEO forecast in April 2017, primarily because of a stronger growth projection for China. In China, growth is projected to notch up to 6.8 percent in 2017 and then slow down to 6.5 percent in 2018. The upward revision to the 2017 forecast-0.2 percentage point relative to the April 2017 WEO-reflects the stronger-than-expected outturn in the first half of the year underpinned by previous policy easing and supply-side reforms. India's economy might be slower in 2017-2018 due to the lingering impact of the currency exchange initiative introduced in November 2016 and the uncertainty related to the mid-year introduction of the country-wide Goods and Services Tax in July 2017. Brazil's economy reverted to the territory of positive growth in the first quarter of 2017 after eight quarters of decline. A bumper crop production and boost in consumption have led to an upward revision of half a percentage point in 2017 relative to the April forecast of Brazil, but ongoing weakness in investment and an increase in political and policy uncertainty have led to a downward adjustment of the 2018 forecast by 0.2 percentage point.

Overview of the World Output Growth Projections (Percent Change)

	Actual		Projection	
	2015	2016	2017	2018
World Output	3.4	3.2	3.6	3.7
Advanced Economies	2.2	1.7	2.2	2.0
USA	2.9	1.5	2.2	2.3
Euro Area	2.0	1.8	2.1	1.9
Japan	1.1	1.0	1.5	0.7
Emerging Market and Developing Asia	6.8	6.4	6.5	6.5
China	6.9	6.7	6.8	6.5
India	8.0	7.1	6.7	7.4

Source: World Economic Outlook, October, 2017, IMF

Macroeconomic Scenario: Bangladesh Context

Economic Growth

As per the data released by BBS, GDP growth for FY 2016-17 has been estimated at 7.28 percent, slightly higher than the growth of 7.11 percent in the preceding fiscal year. Among the broad sectors of GDP, the contribution of agriculture and service sector to GDP slid down by 0.61 percentage point to 14.74 percent and by 0.27 percentage point to 52.85 percent which was offset by an increased share of industry by 0.88 percentage point to 32.42 percent in relation to the preceding year.

GDP Growth and sector performance (%)

	FY16		FY 17		FY18(p) PRI Projection	
	share	growth	share	growth	share	growth
Agriculture	15.33	2.79	14.74	2.97	14.5	3.3
Industry	31.28	11.09	32.42	10.22	33.4	10.6
of Which Manufacturing	20.77	10.3	20.86	11.0	22.31	11.3
Services	53.39	6.25	52.84	6.69	52.1	6.1
GDP		**7.14**		**7.28**		**7.2**

Source:BBS

The per capita national income reached US$1,610 in FY2016-17, up by US$145 a year earlier. Our development partners have been forecasting GDP growth rates regularly. World Bank's projection of GDP growth for FY2018 has been far below those of IMF and ADB, and well below target of the 7th Plan. In the past WB has been effusive about Bangladesh's growth performance describing it as robust and more stable than growth rate of any developing country.

FY2018 GDP Growth Projection	
World Bank	6.4%
ADB	6.9%
IMF	7.0%
PRI	7.2%

Savings and Investment

During FY2016-17, domestic savings reached 25.33 percent of GDP, up by 0.35 percentage point from the previous year. During the same period, national savings as percent of GDP slightly declined to 29.64 percent from 30.77 percent mainly due to the downturn of remittances inflow.

On the other hand, investment in FY2016-17 increased to 30.51 percent of GDP, up by 0.86 percentage point from the preceding fiscal year. Of this, the share of private investment stood at 23.10 percent of GDP, slightly higher than the previous year and that of public investment augmented to 7.41 percent of GDP, considerably higher than the previous fiscal year (6.66 percent of GDP).

Saving-Investment and Investment Growth nexus

(in percent of GDP	FY15	FY16	FY17(p)
Gross Domestic Investment	28.89	28.65	30.51
Private	22.07	22.99	23.10
Public	6.82	6.66	7.41
Gross National Saving	29.02	30.77	29.64
Saving-Investment gap	0.13	1.12	0.87

Source:BBS, PRI Staff Estimation

Inflation

From the beginning of FY2013-14 a downward trend has been observed in year-on year inflation. Starting from 7.35 percent in FY2013-14 year-on-year inflation declined to 6.41 percent in FY2014-15, 5.92 percent in FY2015-16 and 5.44 percent in FY2016-17. Satisfactory domestic production, favourable domestic environment, low budget deficit and prudent monetary policy coupled with low fuel and commodity prices in the international markets contributed to such sliding of overall inflation.

EXTERNAL SECTOR

Export

In FY2016-17, total export earnings moderated at US$34,846.84 million, up by 1.72 percent from the previous fiscal year. Of the two major export items of the country, knitwear exports registered a modest growth of 3.01 percent with earnings of US$13,757.25 million whereas exports of woven garments declined by 2.35 percent with export earnings of US$14,392.59 million.

Import

Import recorded a growth of 9.00 percent in FY2016-17 against a growth of 5.94 percent in the preceding year. The total value of import (c&f) provisionally stood at US$47,005.2 million during the reporting period, up from US$43,122.5 million (based on the Customs records) of the previous year.

Overseas Employment and Remittance

Remittances inflow dipped to US$12,769.5 million in FY2016-17 from the previous year's inflow of US$14,931.1 million with a deceleration rate of 14.48 percent. The slowdown of the economy of the Middle East countries emanating from low oil prices and geo-political situation was mainly responsible for the deceleration of remittances inflow. Moreover,

appreciation of USD against British Pound Sterling and Euro contributed to such reduction of remittances inflows.

Balance of Payments (BoP)

The trade deficit in FY2016-17 has been provisionally estimated at US$9,472 million whereas in FY2015-16 it was US$6,460 million. Elevated import growth and slow export growth mainly contributed to the widening of trade deficit in FY2016-17.

Foreign Exchange Reserve

Due to the surpluses in overall balance of BoP foreign exchange reserve registered an increase in FY2016-17. On 30 June 2016 foreign exchange reserves stood at US$30,176 million which increased to US$33,407 million at the end of FY2016-17, providing import coverage of 8.53 months.

FISCAL SECTOR

Revenue Mobilisation

In FY2016-17 satisfactory growth has been achieved in revenue receipts. During this period, revised target for revenue receipt was set at Tk.2,18,500 crore (11.06 percent of GDP), of which tax revenue from NBR sources was marked at Tk.1,85,000 crore (9.37 percent of GDP), tax revenue from non-NBR sources at Tk.7,261 crore (0.37 percent of GDP) and non-tax revenue at Tk. 26,239 crore (1.33 percent of GDP).

During FY2016-17 tax revenue receipts from NBR sources amounted to Tk.1,71,523 crore which was 17.29 percent higher than the previous year's receipt. Among the NBR sources of revenue, taxes on income and profit increased by 16.45 percent, Value Added Tax (VAT) and supplementary duties by 18.08 percent and import duties by 16.68 percent. Similarly, during this period tax revenues from Non-NBR sources increased from Tk.5,644 crore to Tk.6,301 crore registering a growth of 11.64 percent.

Government Expenditure

As per the revised budget, the expenditure for FY2016-17 has been targeted at Tk.3,17,173 crore (16.05 percent of GDP) of which non-development expenditure has been set at Tk.2,06,473 crore (10.45 percent of GDP) and Annual Development Programme (ADP) expenditure has been fixed at Tk.1,10,700 crore (5.60 percent of GDP).

Budget Balance and Financing

In the revised budget of FY2016-17, budget deficit has been estimated at Tk.98,673 crore which is 5.00 percent of GDP. Of this deficit, Tk.28,771 crore will be financed from external sources (including foreign grant) and Tk. 69,904 crore will be backed by domestic sources.

MONETARY AND FINANCIAL SECTOR

Monetary Policy and Monetary Management

In the MPS for the second half of FY2016-17 (January-June 2017), the targets have been set taking into account the current economic situation of the country as well as the objective of bringing down inflation below 5.8 percent. The targets for the broad money, domestic credits and private sector credit are 15.5% , 16.4% and 16.5% respectively.

Money and Credit Situation

In FY2016-17 narrow money (M1), broad money (M2) and reserve money (RM) progressed at a slower pace compared to the preceding fiscal year. During this period narrow money increased by 13.01 percent as compared to an expansion of 32.10 percent in the previous year. During FY2016-17 broad money (M2) increased by 10.88 percent against 16.35 percent growth in FY2015-16. On the other hand, credit to the private sector registered a growth of 15.66 percent as compared to the growth rate of 16.78 percent in the previous year.

Interest Rate

Balancing the upside potentials and the risks, the policy stances- repo and reverse repo rates were kept unchanged at 6.75 percent and 4.75 percent respectively in FY2016-17.

BUSINESS REVIEW

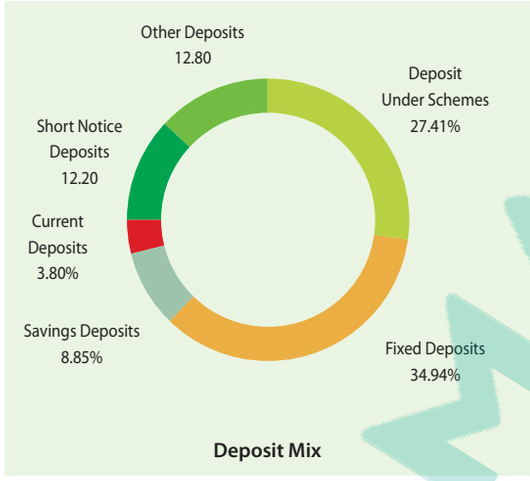
Deposits & Deposit Mix

In the year 2017, we have emphasized on restructuring of our deposit mix with a view to keeping downhill the cost of fund as well as to build up the sustainable deposit base by reducing our dependence on big chunk corporate deposits. As a result, at the end of 2017, total deposits of the Bank stood at BDT 220,516.63 million as compared to BDT

165,257.45 million of 2016. However, we are endeavoring to make our deposit products even more acceptable to the prospective clienteles by ensuring delivering superior and value adding customer services.

Deposit Mix

Type	(BDT in million) Volume	%
Deposit Under Schemes	60,446.15	27.41
Fixed Deposits	77,056.70	34.94
Savings Deposits	19,511.49	8.85
Current Deposits	8,380.60	3.80
Short Notice Deposits	26,905.24	12.20
Other Deposits	28,216.46	12.80
Total	**220,516.63**	**100**



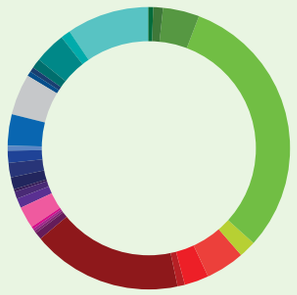
Deposit Mix

Loans and Advances

Total loans and advances of the Bank stood at BDT 199,660.72 million as on December 31, 2017 against that of BDT 150,912.52 million at the end of 2016. The Bank recorded a 32.30% growth in loans and advances. Major sectors where the Bank extended credit includes trade and commerce, garments industries, large and medium scale industries, construction, agriculture and related sectors, hospital and medical Services, transport, pharmaceuticals etc. Besides, the Bank continued its support to Small and Medium Enterprises (SME) and expanded credit facilities to them through its SME Division.

Sector Wise Loans & Advances Mix as on 31.12.2017

Particulars	(BDT in Lac) Volume	%
Education (School/College, University, Research institute)	2,140.18	0.11%
Health	14,986.69	0.75%
Agriculture	21,379.57	1.07%
Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	80,326.50	4.02%
Trade Finance	618,293.42	30.97%
Transport	37,104.96	1.86%
Shipping	92,217.61	4.62%
Textile (Excluding IDBP)	52,105.12	2.61%
Textile (IDBP)	17,342.15	0.87%
Readymade Garments (RMG) [excluding IDBP]	343,266.23	17.19%
Readymade Garments (RMG) [IDBP]	20,095.94	1.01%
Tele communication	3,670.81	0.18%
IT & Computer/Trade	3,382.59	0.17%
Power & Fuel	5,610.41	0.28%
Real Estate	51,714.90	2.59%
Cement	1,478.26	0.07%
Chemicals	22,464.87	1.13%
Leather & Leather products	18,838.27	0.94%
Plastic & Plastic products	3,106.39	0.16%
Electrical & Electronic goods	26,391.84	1.32%
Paper & Packaging	36,784.96	1.84%
Jute & Jute products	24,025.27	1.20%
Glass & Glass products	161.97	0.01%
Ceramics (Table ware, Sanitary ware, Tiles etc.)	10,707.80	0.54%
Iron & Steel	73,395.25	3.68%
Engineering & Construction	95,429.40	4.78%
Contractor Finance	12,603.30	0.63%
Capital Market Intermediaries	9,835.52	0.49%
Backward Linkage	22,262.96	1.12%
NBFI	72,910.70	3.65%
Service (Hotel, Restaurant, Travelling, Tickets, etc.)	20,023.63	1.00%
Others	182,646.64	9.15%
Total	**1,996,607.00**	**100**



Loan Portfolio Break up

Health	0.75%	Chemicals	1.13%
Agriculture	1.07%	Leather & Leather products	0.94%
Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	4.02%	Plastic & Plastic products	0.16%
Trade Finance	30.97%	Electrical & Electronic goods	1.32%
Transport	1.86%	Paper & Packaging	1.84%
Shipping	4.62%	Jute & Jute products	1.20%
Textile (Excluding IDBP)	2.61%	Ceramics (Table ware, Sanitary ware, Tiles etc.)	0.54%
Textile (IDBP)	0.87%	Iron & Steel	3.68%
Readymade Garments (RMG) [excluding IDBP]	17.19%	Engineering & Construction	4.78%
Readymade Garments (RMG) [IDBP]	1.01%	Contractor Finance	0.63%
Tele communication	0.18%	Capital Market Intermediaries	0.49%
IT & Computer/Trade	0.17%	Backward Linkage	1.12%
Power & Fuel	0.28%	NBFI	3.65%
Real Estate	2.59%	Service (Hotel, Restaurant, Travelling, Tickets, etc.)	1.00%
		Others	9.33%

Import Trade

Like before, this year also MBL has exhibited quality financing while facilitating import trade. During the year, the Bank handled a total of BDT 190,753.60 million of Import business compared to BDT 139,766.40 million of the year 2016. The Bank is engaged in opening Letter of Credit in different sectors including machineries, garments & accessories, wheat, sugar, CDSO, vegetable oil, cement clinkers, hot roll steel, raw cotton, ships-breaking industries etc.

Export Trade

The Bank handled total of BDT 134,752.90 million of export business in 2017 as against BDT 113,035.20 million of the year 2016. The focal point of our export financing was garments industry, the lone driving force of the economy of Bangladesh and the single biggest source of foreign exchange and employment provider of the country. Other notable items were jute & jute goods, leather, handicrafts, tea, frozen food & fish products.

Foreign Remittance

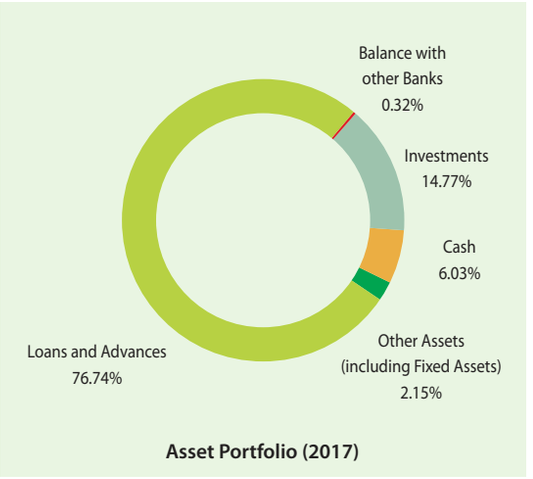
During the year 2017, MBL has strengthened its position in mobilizing inward foreign remittance from Non-Resident Bangladeshis (NRB) living and working in different parts of the world. The Bank has strategic alliance with leading exchange companies and banks in USA, United Kingdom, UAE, Kuwait, Bahrain, Canada, Italy, France etc. Furthermore, for prompt & safe distribution of this hard earned money to their near and dear ones in every corner of the country, we have made an arrangement with Bangladesh Post Office and some other local banks and agencies. MBL participated in various fairs/ campaigns at home and abroad to create awareness and continued encourage and motivate both remitters and beneficiaries to use formal banking channel for money transfer from abroad. In 2017, the bank handled total inward foreign remittance of BDT 29,976.40 million compared to BDT 24,048.20 million in 2016. We have strengthened relationship with various global money transfer companies including Western Union, Money Gram, Xpress Money, Placid Express, Instant Cash Worldwide, Prabhu Money Transfer and Trans-Fast Remittance.

Asset Portfolio

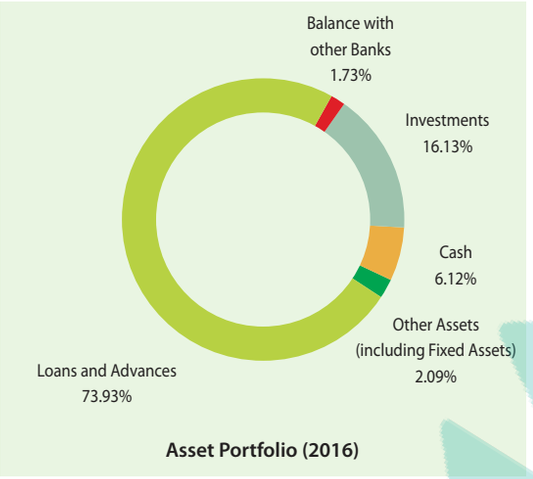
The Bank's total assets as on December 31, 2017 amounted to 260,169.92 million as compared to BDT 204,127.47 million at the end of December 2016. Among the total assets outstanding in 2016, loans and advances constituted 76.74%, investments 14.77%, cash 6.03%, balances with other banks 0.48% and other assets 2.15%.

Asset Portfolio (BDT in million)

	In 2017		In 2016	
Components	**Amount**	**% of Total**	**Amount**	**% of Total**
Loans and Advances	199,660.72	76.74	150,912.52	73.93
Investments	38,422.15	14.77	32,920.69	16.13
Cash	15,678.48	6.03	12,499.97	6.12
Balance with other Banks	821.35	0.32	3,536.86	1.73
Other Assets (including Fixed Assets)	5,587.23	2.15	4,257.43	2.09
Total	**260,169.92**	**100**	**204,127.47**	**100**



Asset Portfolio (2017)



Asset Portfolio (2016)

Capital

The Authorized Capital of the Bank stood at BDT 12,000.00 million of 1,200,000,000 Ordinary Shares of BDT 10 each as on December 31, 2017. Paid-up Capital of the Bank was BDT 7,761.15 million of 776,114,537 Ordinary Shares, face value of BDT 10 each and listed in both Dhaka and Chittagong Stock Exchanges.

Statutory Reserve

During the period under review the bank transferred BDT 863.54 million to Statutory Reserve as 20% of the profit after provisions before tax as per Section 24 of the Bank Companies Act, 1991. The total amount of Statutory Reserve stood at BDT 6312.80 million at the end of 2017.

Capital Adequacy

As per new risk based capital adequacy framework, MBL has adopted Basel III in the Bank from 2015. As per Basel III principles, Capital to Risk Weighted Ratio (solo basis) of the Bank stood at 11.93% as on December, 2017 against minimum requirement of 10%.

	(BDT in million)
Tier 1 Capital (going-concern capital)	
Paid-up Capital	7,761.15
Statutory Reserve	6,312.80
General Reserve	500.00
Retained Earnings	1,714.74
Dividend Equalization Account	45.68
Regulatory Adjustment from Tier 1 Capital	(35.35)
Total Tier 1 Capital	**1,629.90**
Tier 2 Capital (gone-concern capital)	
General Provision	5,664.08
Revaluation Reserve for Fixed Assets (as on 31 Dec-14)	321.81
Revaluation Reserve for Equity Investment	0.00
Revaluation Reserve for Securities (as on 31 Dec-14)	223.91
Subordinate debt	2,400.00
Regulatory Adjustment from Tier 2 Capital	(327.40)
Total Tier 2 Capital	**828.24**
Total Capital	**24,581.38**
Total Risk-Weighted Assets (RWA)	**206,080.14**
Capital Adequacy Ratio	**11.93%**
Tier 1 Capital to RWA	7.91%
Tier 2 Capital to RWA	4.02%
Minimum Capital Requirement	20608.01

It is noteworthy that within the purview of our capital plan, we have issued sub-ordinated debt bond to the extent of BDT 3,000.00 million during the year 2014. Our this effort, consequentially will scale up our capacity of taking exposures on the single borrower and group and at the same time we are very much commitment bound to utilize this enhance capacity with prudence and sagacity towards enrichment of our balance sheet positions in the coming years.

Number of Shareholders

At the end of the year 2017, total number of shareholders of the Bank stands at 24,220.

Year	No. of Shareholders
2005	5,199
2006	5,868
2007	6,692
2008	8,246
2009	12,416
2010	40,283
2011	41,427
2012	44,117
2013	44,462
2014	42,176
2015	34,127
2016	28,210
2017	24,220

Contribution to National Exchequer and Economy

Being a responsible corporate citizen, MBL regularly pays corporate tax on time. We also deposit excise duty, withholding tax and VAT to govt. exchequer on time deducted from employees' salary as well as payments to customers and vendors in due process. In 2017, the Bank has made provision of BDT 1300 million for corporate tax against that of BDT 1,260.00 million in 2016. The Bank has also contributed to the economy by generating employment opportunities. Number of employees on our regular payroll figured at 2192 as on December 31, 2017. In the intermediation process, the Bank mobilized resources of BDT 220,516.63 million from the surplus economic unit and deployed BDT 199,660.72 million in 2017. The Bank has made significant contribution to the growth of Readymade Garments sectors by handling huge amount of export Letters of Credit.

Acquisition of IDLC Shares

In 2005, Mercantile Bank Limited acquired 150,000 sponsor share of IDLC Finance Limited.

Summary of IDLC Finance Limited (considering Face Value of Tk.10.00 each):

		Dividend, Sale & Right share from IDLC Finance Ltd.				Total Received from IDLC Finance Ltd		
Year	% Dividend	Sale (a)	Stock Dividend (b)	Right (c)	Total Holding (d= h+b+c-a)	Cash Dividend (e)	Capital Gain from Sale (f)	Total Received (g= e+f)
Initial Share Holding (h)					1,500,000	1,500,000		1,500,000.00
2005	37.50%	-	-	-	1,500,000	5,625,000.00		5,625,000.00
2006	5.00%, 33.33% B		500,000		2,000,000	750,000.00		750,000.00
2007	15%, 25% B	500,000	375,000		1,875,000	2,250,000.00	59,650,000	61,900,000.00
2008	15%, 20% B		375,000		2,250,000	2,812,500.00		2,812,500.00
2009	10%, 100% B		2,250,000		4,500,000	2,250,000.00		2,250,000.00
2010	35%, 65% B		2,925,000		7,425,000	15,750,000.00		15,750,000.00
2011	25%B		1,856,250		9,281,250	-		-
2012	30%B		2,784,375		12,065,625	-		-
2013	5%, 25%B		3,016,406		15,082,031	6,032,812.50		6,032,812.50
2014	10%, 25%B		3,770,507		18,852,538	15,082,031.00		15,082,031.00
2015	25%			9,426,269	28,278,807	47,131,345.00		47,131,345.00
2016	30%				28,278,807	84,836,421.00		84,836,421.00
2017	-	7,541,016			20,737,791		529,343,298.13	529,343,298.13
Total		**8,041,016**	**17,852,538**	**9,426,269**		**182,520,109.50**	**588,993,298.13**	**771,513,407.63**

Branch Network

The Bank commenced its business on June 2, 1999. The first branch was opened at Dilkusha Commercial Area in Dhaka on the inauguration day of the Bank. At the end of 2017, the number of branches of the Bank stood at 129, including 5 SME/Krishi branches, of which 84 branches are located at major trade centers of the country while remaining 45 branches are at the rural areas of the country. Expansion of branches at rural areas has provided the lower income group an access to modern banking system and prompt receipt of remittances.

Board and Committee Meetings

21 (twenty one) meetings of the Board of Directors, 39 (thirty nine) meetings of the Executive Committee, 11 (eleven) meetings of the Audit Committee and 6 (six) meetings of the Risk Management Committee of the Board were held during the year 2017.

Particulars	2014	2015	2016	2017
Board of Directors	17	22	24	21
Executive Committee	44	37	43	39
Audit Committee	11	13	12	11
Risk Management Committee	3	5	6	6

External Auditors

Syful Shamsul Alam & Co., Chartered Accountants and Aziz Halim Khair Choudhury, Chartered Accountants are presently engaged as Auditors of the Bank. The Audit Firm: Syful Shamsul Alam & Co., Chartered Accountants completed 1 (one) year as External Auditors and the other Auditor, Aziz Halim Khair Choudhury, Chartered Accountants completed 3rd year successfully at the end of 2017. As per the guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission, Syful Shamsul Alam & Co, Chartered Accountants is eligible for re-appointment for further term. The distinguished Shareholders will decide the appointment/ re-appointment of 2 (two) Audit Firms as External Auditors of the Bank in the AGM.

Correspondent Relationship

The Bank has established correspondent relationship across the world with a number of foreign banks. The number of correspondent banks stood at 640 as on December 31, 2017 across 64 countries. Through its correspondent relationship network, MBL continues to follow needs and business opportunities of its clients. The Bank maintains 27 Nostro accounts in major international currencies with reputed international banks in all the major financial centers around the world, for settlement of trade finance and all other cross border transactions. MBL also enjoys sufficient credit lines from correspondent banks for add confirmation to LC to facilitate international trade. We are continuously emphasizing and trying to develop and improve the relationship with correspondent banks.

Mercantile Exchange House (UK) Limited

With permission from Bangladesh Bank and registration of Financial Services Authority, UK, MBL stretched its business in UK through its fully owned subsidiary named 'Mercantile Exchange House (UK) Limited' to facilitate fast and reliable medium to remit the hard-earned money of expatriates to home. After commencement of business in December 2011, at present we have one branch in London. Within a very short span of time, the company has been able to create satisfactory customer base through efficient and professional service to Bangladeshi expatriates living in the UK.

Mercantile Bank Securities Limited

Mercantile Bank Securities Limited (MBSL) formed on 27th June 2010, to deal with stock dealing and broking. As a subsidiary it started its separate operation from 14 September, 2011. At present, MBSL has 7 branches.

Off-shore Banking

Off-shore banking acts as a unique solution for banks across the globe to carry out international banking business involving foreign currency denominated assets and liabilities taking the advantages of low or non-existent taxes/ levies and higher return on investment. MBL is offering off-shore banking facilities to cater the banking requirements of non-resident customers through its Gulshan and Chittagong Export Processing Zone (CEPZ) branches.

Mobile Banking

MBL has introduced **'My Cash'** & rendered its mobile banking services to its customers. In Mobile Banking system, basic mobile handsets are being used as bank accounts and will serve as a wallet for the transaction of money. This is an innovative idea of economic inclusion of the low income un-banked people. This service has already gained popularity among a good number of people and the number is increasing day by day.

Information Technology

Since inception, MBL has always been moving with the latest technology and time-to-time the bank has adopted different advantages of the technology to enrich its IT infrastructure and to cope with the ever changing customer needs. The role and importance of Information Technology in the banking industry cannot be over-emphasized. Technological innovation is adding value continuously. Banking operations of the branches have been computerized to minimize

costs and risks and to optimize benefits and increase overall efficiency for improved services. After full implementation of our Core Banking Solution "TEMENOS T24", a world class proven technology platform, bank's MIS system are more robust, prompt and user friendly at present. Banks have started moving into "paperless banking" as part of "Green Banking" and MBL cherishes the idea by accelerating the pace of automation empowered by IT Division, which will not only reduce transaction and hardware costs significantly, but also a greater extent of scalability will be introduced and the resources exploitation will be maximized to save energy.

Financial Products and Services

The Bank has launched a sound number of attractive financial products and services to accommodate the requirement of people of all classes' since inception. Among them Monthly Savings Scheme (MSS), Super Benefit Deposit Scheme (SBDS), Monthly Benefit Deposit Scheme (MBDS), Double Benefit Deposit Scheme (DBDS), 1.5 Time Benefit Deposit Scheme, Education Benefit Deposit Scheme (EBDS), Quarterly Benefit Deposit Scheme, Consumer Credit Scheme, Lease Finance Scheme, Overseas Employment Loan Scheme, Personal Loan Scheme, Car Loan Scheme, Home Loan Scheme, Agriculture Loan and SME Loan have received wide acceptance among the people.

Compliance Status

The Bank has fully complied the rules and regulations imposed by Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange (DSE) Limited and Chittagong Stock Exchange (CSE) Limited and has exerted a Report of Corporate Governance in this Annual Report detailing of compliance.

The report has incorporated Brief resume of the directors, Nature of his/her expertise in specific functional areas, Names of companies in which the person holds the directorship and the membership of committees of the board, Shareholders holding ten percent (10%) or more voting interest in the company (name wise details), Parent/Subsidiary/Associated Companies and other related parties (name wise details), Remuneration to directors including independent directors, Basis for related party transactions.

The financial statements have been prepared present fairly presenting its state of affairs, the result of its operations, cash flows and changes in equity. Proper books of account have been maintained. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment. International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed. The system of internal control is sound in design and has been effectively implemented and monitored as a going concern.

Risks and Concerns

Banking business calculates risks and uncertainties not presently known or that is currently believed to be immaterial. Detail of risk factors and determining how to best handle such event is embroidered in Risk Management Report.

Going Concern

Going concern is one of the fundamental assumptions in accounting on the basis of which financial statements are prepared. Financial statements are prepared assuming that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly curtail its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of a bank to determine whether the going concern assumption is appropriate in the preparation of financial statements. The management of MBL has calculated all the ratios related to the maintenance of regulatory capital & liquidity such as CRAR, LCR, NSFR, Leverage ratio, CRR & SLR and assessed adequacy of bank's liquidity as per structured liquidity profile, and has performed stress testing to determine bank's shock absorbent capacity in different distress scenario. All the ratios and results thus calculated reveal that MBL is running well above the level of different parameters set by the respective guidelines of Bangladesh Bank.

Ethics & Compliance

Report on Financial Statement

Presenting a fair, balanced and understandable assessment of the Bank's position and prospect is a part of good governance. It has been confirmed that

- The financial statements have been prepared fairly presenting its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Bank's ability to continue as a going concern.
- There are no deviations from the last year's operating results of the Bank.
- Key operating and financial data of at least preceding 5 (five) years has been summarized

Supportive Disclosure

It is hereby confirmed that proper disclosures have been made in Annual Report regarding:

- Basis for related party transactions.
- Remuneration to directors including independent directors.
- The number of Board meetings held during the year and attendance by each director.
- The pattern of shareholding by:
  - » Parent/Subsidiary/Associated Companies and other related parties (name wise details).
  - » Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).
  - » Disclosure on Executives (Top 5 salaried employees of the company, other than the Directors, CEO, Company Secretary, CFO and Head of Internal Audit).
  - » Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).
- Disclosure on the appointment/re-appointment of directors the Bank:
  - » Brief resumes of the directors,
  - » Nature of expertise in specific functional areas,
  - » Names of companies in which the person holds the directorship and the membership of committees of the board.

ToR/Code of Conduct

The Board of Directors of Mercantile Bank Limited has adopted all the policies, guidelines, circulars etc. (issued from time to time by Bangladesh Bank) as its Terms of Reference (ToR) and/or Code of Conduct and therefore separate documents like (i) Code of Conduct for Board Members, (ii) ToR for Audit Committee, (iii) ToR for Chairman and (iv) ToR for Managing Director & CEO have not been framed/laid down by the Board. The Directors have complied with such Code of Conduct/ToR. A separate Report on Corporate Governance has also been furnished with this Annual Report.

FINANCIAL REVIEW

Operating Profit

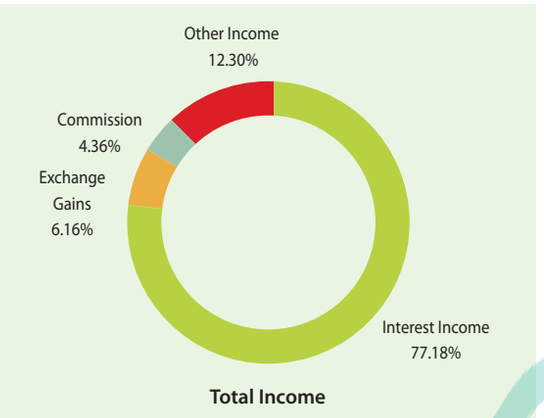
The operating profit of the Bank stood at BDT 6,570.57 million in 2017 as against BDT 4,436.44 million in 2016. Net Interest Income of the Bank stood at BDT 6,203.98 million in 2017 as against BDT 6,018.82 million in 2016.

	(BDT in million)
Total Interest Income	19,101.30
Less: Interest Expenses	12,897.32
Net Interest Income	6,203.98
Add: Non- Interest Income	5,650.33
Total Operating Income	11,854.31
Less: Non Interest Expenses	5,283.74
Operating profit	6,570.57

Total Income

Total income of the Bank stood at BDT 24,751.63 million in 2017 from BDT 20,845.60 million in 2016. Interest income accounted for 77.18%, exchange gains 6.16%, commission 4.36% and other income 12.30% to total income in 2017 as against 80.23%, 4.62%, 4.46% and 10.69% respectively in 2016.

	(BDT in million) Amount	% of Total
Interest Income	19,101.30	77.18%
Exchange Gains	1526.09	6.16%
Commission	1078.75	4.36%
Other Income	3045.49	12.30%
Total	**24,751.63**	**100.00%**

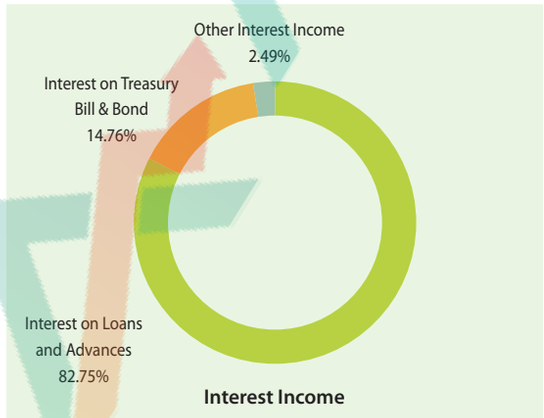


Total Income

Interest Income

Interest income of the Bank stood at BDT 19101.30 million in 2017 from BDT 16,769.12 million in 2016. Interest on loans and advances accounted for 82.75%, interest on Treasury bill and Bond 14.76% and Other Interest Income 2.49% in 2017.

Components	(BDT in million) Amount	% of Total
Interest on Loans and Advances	15,803.89.	82.75%
Interest on Treasury Bill & Bond	2820.8	14.76%
Other Interest Income	476.61	2.49%
Total	**19,101.30**	**100.00%**

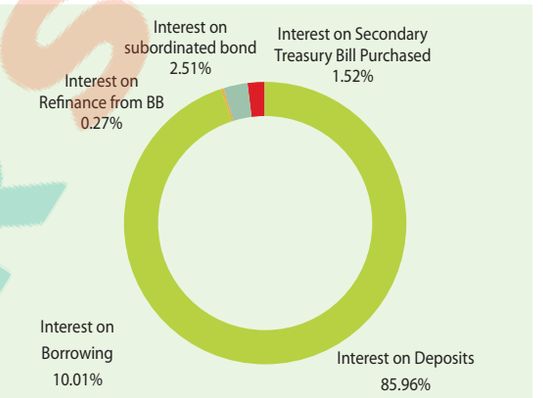


Interest Income

Interest Expenses

At the end of the year 2017 interest expenses of the Bank stood at BDT 12,897.32 million from BDT 10,750.30 million in 2016.

Components	(BDT in million) Amount	% of Total
Interest on Deposits	11,051.63	85.69%
Interest on Refinance from BB	34.33	0.27%
Interest on subordinated bond	324	2.51%
Interest on Secondary Treasury Bill Purchased	196.65	1.52%
Interest on Borrowing	1,290.71	10.01%
Total	**12,897.32**	**100.00%**



Interest Expenses

Net Interest Income

Net interest income increased from BDT 6,018.82 million in 2016 to BDT 6,203.98 million in 2017. Gross interest income of the Bank amounted to BDT 19,101.30 million and interest expenses amounted to BDT 12,897.32 million in 2017.

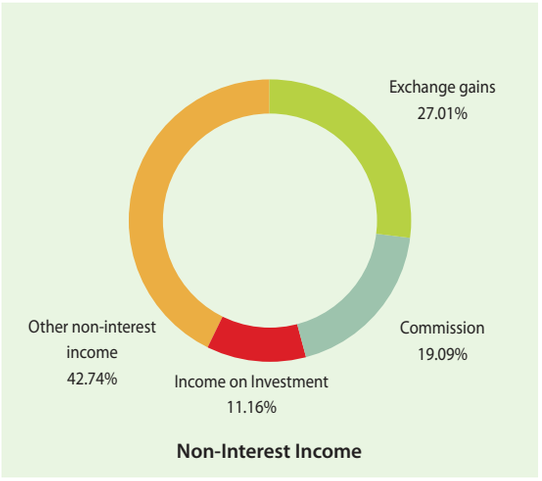
Net Interest Margin (NIM)

Bank's net interest margin, which is derived from net interest income divided by average earning assets, was 2.92% in 2017.

Non-Interest Income

Non-interest income stood at BDT 5650.33 million in 2017 against BDT 4,076.48 million of 2016. Among the constituents of Not-Interest Income, Exchange Gains contributed 27.01%, Commission 19.09%, Income on Investment 11.16 %, and other Non-interest Income 42.74 % in 2017 as against 23.38%, 22.56%, 1.84%, and 52.22% respectively in 2016.

Components	(BDT in million) Amount	% of Total
Exchange gains	1,526.09	27.01%
Commission	1,078.75	19.09%
Income on Investment	630.3	11.16%
Other non-interest income	2,415.19	42.74%
Total	**5,650.33**	**100.00%**

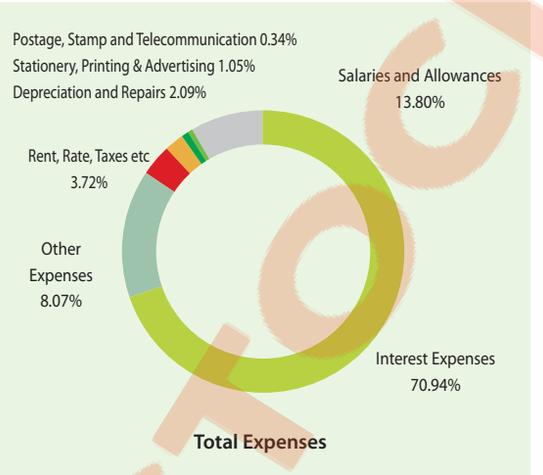


Non-Interest Income

Total Expenses

The total expenses of the Bank stood at BDT 18,181.06 million during 2017 as compared to BDT 16,409.16 million during 2016. Interest expenses accounted for 69.79%, salaries and allowances 14.81%, rent, rates, taxes etc. 3.66%, depreciation and repairs 2.06%, stationary, printing and advertisements 1.03%, postage, stamp and telecommunication 0.33%, and other expenses 8.32% of total expenses in 2017 as against 64.69%, 15.39%, , 3.85%, 2.32%, 1.10%, 0.39%, and 12.26% respectively in 2016.

Particulars	(BDT in million) Amount	% of Total
Interest Expenses	12,897.32	70.94
Salaries and Allowances	2,508.44	13.80
Rent, Rate, Taxes etc	676.35	3.72
Depreciation and Repairs	379.96	2.09
Stationery, Printing & Advertising	190.63	1.05
Postage, Stamp & Telecommunication	61.49	0.34
Other Expenses	1,468.87	8.07
Total Expenses	**18,181.06**	**100**

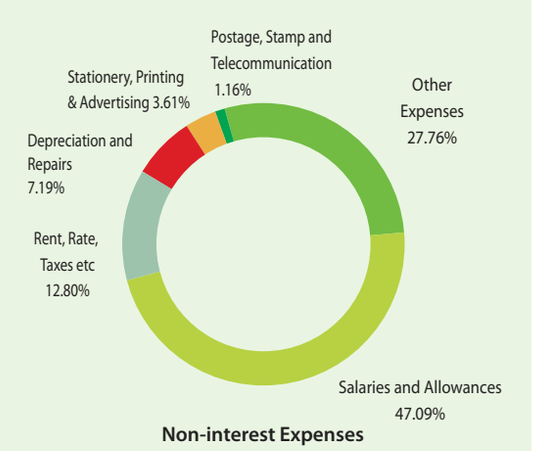


Total Expenses

Non-interest Expenses

Non-interest expenses moved down from BDT 5,658.86 million in 2016 to BDT 5,283.74 million in 2017. Salaries and allowances 49.03%, rent, rates, taxes etc. 12.11%, depreciation and repairs 6.80%, stationary, printing and advertisements 3.41%, postage, stamp and telecommunication 1.10%, and other expenses 27.53% of total expenses in 2016 as against 43.59%, 10.90%, 6.57%, 3.12%, 1.10%, and 34.71% respectively in 2016.

Particulars	(BDT in million) Amount	% of Total
Salaries and Allowances	2,508.44	47.09
Rent, Rate, Taxes etc	676.35	12.80
Depreciation and Repairs	379.96	7.19
Stationery, Printing & Advertising	190.63	3.61
Postage, Stamp & Telecommunication	61.49	1.16
Other Expenses	1,466.87	27.76
Total Non-interest Expenses	**5,283.74**	**100**



Non-interest Expenses

Net Profit before Tax

After transferring all provisions, net profit before tax stood at BDT 4,317.72 million in 2017 as against BDT 3,487.36 million in 2016.

Provision for Income Tax

Provision against current year tax is BDT 1,300.00 million in 2017 as against BDT 1,260.00 million in 2016.

Profit after Tax

Profit after tax earned by the Bank in 2017 is BDT 3,017.72 million as against that of BDT 2,227.36 million in 2016.

		(BDT in million)
Interest Income	19,101.30	
Interest Expenses	12,897.32	
Net Interest Income		6,203.98
Non- Interest Income	5,650.33	
Non Interest Expenses	5,283.74	
Net Non interest Income		366.59
Profit Before Provision & Tax		6,570.57
Provisions		
Provision Un-classified Loans	667.58	
Provision Classified Loans	1,298.51	
Provision for Off-Balance Sheet Items	286.76	2,252.85
Profit before Tax		**4317.72**
Provision for Tax		**1,300.00**
Profit after Tax		**3,017.72**

Dividend

The Board of Directors recommended 17% cash & 5% Stock dividend for the year 2017. The Bank paid out 15% cash & 5% Stock dividend to the shareholders in 2016.

Earnings per Share (EPS)

Since the inception and enlistment in Stock Exchange, the Bank has been making positive EPS. Earnings per share stood at BDT 3.89 as on December 31, 2017 against BDT 3.01 (restated 2.87) as on December 31, 2016.

Operating Efficiency Ratio

Operating Efficiency Ratio stood at 73.45 % in 2017 as against 78.72% in 2016. This measures how much operating expenses are incurred to generate operating revenues.

	2017	2016
Total Expenses	18,181.06	16,409.17
Total Income	24,751.63	20,845.60
Operating Efficiency Ratio	73.45%	78.72%

OUTLOOK 2018

In 2018, the Bank will be more focused on strengthening and consolidation of its position by expansion of its core business portfolios with specific importance to diversify the credit exposure. This will be done across borrowers and business emphasizing on qualitative asset growth and by attaining acceptable level of risk and return trade-off. With respect to liability management, we shall prioritize to build sustainable deposit base with more importance on retail deposits (current and savings account). We shall also continue our relentless efforts to upgrade the service quality by providing real time need based array of services to our clientele and at the same time to raise skill levels of our employees and make them more proactive and responsive to emerging challenges. In pursuit of sustainable business growth, the Bank will invariably continue its good corporate governance practices, sound risk management policies, compliance with the prudential guidelines, to ensure sustainable growth and profitability. We will enhance our Corporate Social Responsibility activities beyond education and health care.

ACKNOWLEDGEMENTS

MBL is ready to face the challenges of the coming years with confidence and professional zeal. We believe that our Bank has the ability to continue delivering superior value added services to the diversified segments of clienteles and thereby, to make our position even more competitive as the first ranking financial service solution provider of the country.

The Board of Directors take this opportunity to express its heart-felt appreciation and debt of gratitude to the Government of the People's Republic of Bangladesh,

Ministry of Finance, Bangladesh Bank, Bangladesh Securities & Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited and Registrar of Joint Stock Companies and Firms for their cooperation, valuable guidance and advice provided to us from time to time.

The Board of Directors also expresses deep appreciation to the Management and all Executives, Officers and Staff for their relentless efforts to the cause of this institution and also to the clients, sponsors, shareholders, stakeholders, patrons and well-wishers, whose continued unflinching support and patronization have enabled us to take this institution to the present growth trajectory.

On behalf of the Board of Directors,



A.K.M. Shaheed Reza
Chairman

AMAR STOCK

পরিচালকবৃন্দের প্রতিবেদন

প্রিয় শেয়ারহোল্ডারগণ,

পরিচালনা পর্ষদের পক্ষ থেকে ব্যাংকের ১৯তম বার্ষিক প্রতিবেদন ও ৩১শে ডিসেম্বর ২০১৭ এর নিরীক্ষিত আর্থিক প্রতিবেদন উপস্থাপন করতে পেরে আমি আনন্দিত। এই আর্থিক প্রতিবেদনে রয়েছে স্থিতিপত্র, লাভ ক্ষতি হিসাব, তারল্য প্রবাহ বিবরণী, মূলধন পরিবর্তন বিবরণী এবং তারল্য সংক্রান্ড় বিবরণী। ব্যাংকের সম্মানিত শেয়ারহোল্ডারদের মিলনমেলার এই মাহেন্দ্রক্ষণে আমি ২০১৭ সালে ব্যাংকের কার্যক্রমের সংক্ষিপ্ত পর্যালোচনা এবং বিশ্ব অর্থনৈতিক পরিস্থিতির প্রেক্ষিতে বাংলাদেশের অর্থনীতির সার্বিক অবস্থান তুলে ধরার প্রয়াস ব্যক্ত করছি।

বিশ্ব অর্থনীতিঃ

World Economic Outlook (WEO), April 2017- এ ২০১৭ সালে বিশ্ব অর্থনীতির প্রবৃদ্ধি ৩.৬ শতাংশে উন্নীত হবে এবং যা ২০১৮ সালে ০.১ শতাংশ বৃদ্ধি পেয়ে ৩.৭ শতাংশে দাঁড়াবে বলে আইএমএফ পূর্বাভাস দিয়েছে। ২০১৭ সালে উন্নত অর্থনীতির প্রবৃদ্ধি বৃদ্ধি পেয়ে দাড়ায় ২.২ শতাংশ যা এপ্রিল ২০১৭ থেকে ০.২ শতাংশ বেশি। ২০১৭ সালে যুক্তরাষ্ট্রের অর্থনৈতিক প্রবৃদ্ধি ২.২ শতাংশ থেকে বৃদ্ধি পেয়ে ২০১৮ সালে ২.৩ শতাংশে উন্নীত হবে বলে পূর্বাভাস করা হয়েছে। যেটা এপ্রিল ২০১৭ WEO পূর্বভাস অপেক্ষা যথাক্রমে ০.১ শতাংশ এবং ০.২ শতাংশ কম কিন্তু ২০১৬ এর ১.৫ শতাংশ প্রবৃদ্ধি অপেক্ষা কিছুটা বেশি। অব্যাহত প্রবৃদ্ধি বৃদ্ধির পূর্বাভাস, অনুকুল অর্থনৈতিক অবস্থা এবং শক্তিশালী বাণিজ্যিক এবং ভোক্তার আস্থার প্রতিফলন করে।

বিশ্ব অর্থনৈতিক প্রবৃদ্ধি
(বার্ষিক শতকরা পরিবর্তন)

অর্থনৈতিক অঞ্চল	২০১৫	২০১৬	২০১৭	২০১৮
বিশ্ব অর্থনীতি	৩.৪	৩.২	৩.৬	৩.৭
উন্নত বিশ্ব অর্থনীতি	২.২	১.৭	২.২	২.০
যুক্তরাষ্ট্র	২.৯	১.৫	২.২	২.৩
ইউরো অঞ্চল	২.০	১.৮	২.১	১.৯
জাপান	১.১	১.০	১.৫	০.৭
বিকাশমান বাজার ও উন্নয়নশীল অর্থনীতি	৬.৮	৬.৪	৬.৫	৬.৫
চীন	৬.৯	৬.৭	৬.৮	৬.৫
ভারত	৮.০	৭.১	৬.৭	৭.৪

উৎস: World Economic Outlook, October, 2017, IMF * প্রক্ষেপণ

বিকাশমান ও উন্নয়নশীল অর্থনীতির দেশগুলোর প্রবৃদ্ধি ২০১৭ এবং এপ্রিল ২০১৮ পর্যন্ত ০.১ শতাংশ বৃদ্ধি পাবে বলে পূর্বাভাস করা হয়েছে। এই প্রবৃদ্ধির কারণ হিসাবে চীনের শক্তিশালী প্রবৃদ্ধি প্রক্ষেপণকে চিহ্নিত করা হয়। ২০১৭ সালে চীনের জিডিপি'র প্রবৃদ্ধি প্রক্ষেপণ করা হয়েছে ৬.৮ শতাংশ এবং ২০১৮ এই প্রবৃদ্ধি কিছুটা হ্রাস পেয়ে ৬.৫ শতাংশ হতে পারে। ডব্লিউইও, এপ্রিল ২০১৭ তে প্রবৃদ্ধির যে পূর্বাভাস করেছিল তা আপেক্ষায় প্রবৃদ্ধি ০.২ শতাংশ বেশি অর্জিত হয়েছিল যা জোরাল নীতি সহায়তা এবং যোগারে দিক থেকে সংস্কারকে প্রতিফলিত করে। মুদ্রার পরিবর্তনজনিত কারনে ভারতের অর্থনীতি ২০১৭-১৮ সালে কিছুটা শ্লথ থাকবে। ব্রাজিলের অর্থনীতি অষ্টম কোয়ার্টার পর্যন্ত নেগেটিভ থাকার পর ২০১৭ সালের প্রথম কোয়ার্টরে পোজেটিভ দিকে মোড় নিয়েছে। ২০১৭ সালের এপ্রিল মাসে ব্রাজিলের প্রবৃদ্ধি যেটা পূর্বাভাস করা হয়েছিল সেটা বাম্পার ফসল উৎপাদন এবং ভোগ বৃদ্ধির কারনে জিডিপি'র প্রবৃদ্ধি ০.২ শতাংশ ছাড়িয়ে গেছে। কিন্তু বিনিয়োগ দুর্বলতা এবং রাজনৈতিক অস্থিরতার কারনে ২০১৮ সালে প্রবৃদ্ধি ০.২ শতাংশ কমবে বলে ধারনা করা হয়।

সামষ্টিক অর্থনৈতিক পরিস্থিতি: বাংলাদেশ প্রেক্ষিত

অর্থনৈতিক প্রবৃদ্ধি

বাংলাদেশ পরিসংখ্যান ব্যুরোর হিসাব অনুযায়ী ২০১৬-১৭ অর্থবছরের জিডিপি প্রবৃদ্ধি দাঁড়িয়েছে ৭.২৮ শতাংশ, যা গত অর্থ বছরের জিডিপি প্রবৃদ্ধি ৭.১১ শতাংশ থেকে কিছুটা বেশি। ২০১৬-১৭ অর্থবছরে জিডিপিতে বৃহৎ খাতসমূহের মধ্যে কৃষি খাতের প্রবৃদ্ধি ০.৬১ শতাংশ হ্রাস পেয়ে হয় ১৪.৭৪ শতাংশ, শিল্প খাতের প্রবৃদ্ধি ০.২৭ শতাংশ হ্রাস পেয়ে হয় ৫২.৮৫ শতাংশ এবং সেবা খাতের প্রবৃদ্ধি ০.৮৮ শতাংশ বৃদ্ধি পেয়ে হয় ৩২.৪২ শতাংশ।

জিডিপি প্রবৃদ্ধি এবং খাত ভিত্তিক অবদান (%)

	অর্থ বছর ১৬		অর্থ বছর ১৭		অর্থ বছর ১৮ (প্র) পিআরআই প্রক্ষেপণ	
	অংশ	প্রবৃদ্ধি	অংশ	প্রবৃদ্ধি	অংশ	প্রবৃদ্ধি
কৃষি	১৫.৩৩	২.৭৯	১৪.৭৪	২.৯৭	১৪.৫	৩.৩
শিল্প	৩১.২৮	১১.০৯	৩২.৪২	১০.২২	৩৩.৪	১০.৬
ম্যানুফেকচারিং	২০.৭৭	১০.৩০	২০.৮৬	১১.০	২২.৩১	১১.৩
সেবা	৫৩.৩৯	৬.২৫	৫২.৮৪	৬.৬৯	৫২.১	৬.১
জিডিপি প্রবৃদ্ধি		৭.১৪		৭.২৮		৭.২

উৎস: বিবিএস

গত ২০১৬-১৭ অর্থ বছরে মাথাপিছু জিডিপি ১৪৫ মার্কিন ডলার বৃদ্ধি পেয়ে দাড়ায় ১৬১০ মার্কিন ডলার। ২০১৮ অর্থ বছরে বিশ্ব ব্যাংক কর্তৃক বাংলাদেশের জিডিপির প্রবৃদ্ধির হার নির্ধারণ করা হয়েছে ৬.৪% যা এডিবি এবং

আইএমএফ কর্তৃক নির্ধারিত যথাক্রমে ৬.৯% এবং ৭% অপেক্ষা অনেকাংশে কম। এমনকি এই প্রবৃদ্ধির হার ৭ম পঞ্চবার্ষিকীতে নির্ধারিত লক্ষমাত্রার চেয়েও কম।

অর্থবছর ২০১৮ এর জিডিপির প্রবৃদ্ধির প্রক্ষেপণ	
বিশ্ব ব্যাংক	৬.৪%
এডিবি	৬.৯%
আইএমএফ	৭.০%
পিআরআই	৭.২%

সঞ্চয়-বিনিয়োগ

২০১৬-১৭ অর্থবছরে দেশজ সঞ্চয় ০.৩৫ শতাংশ বৃদ্ধি পেয়ে দাঁড়ায় ২৫.৩৩ শতাংশ। একই বছরে রেমিট্যান্স প্রবাহের প্রবৃদ্ধি হ্রাস পাওয়ায় জাতীয় সঞ্চয় ৩০.৭৭ শতাংশ থেকে হ্রাস পেয়ে দাঁড়ায় ২৯.৬৪ শতাংশ।

২০১৬-১৭ অর্থবছরে সার্বিক বিনিয়োগ পূর্ববর্তী বছরের তুলোনায় ০.৩৫ শতাংশ বৃদ্ধি পেয়ে জিডিপি'র ২৫.৩৩ শতাংশ দাঁড়িয়েছে। এর মধ্যে বেসরকারী বিনিয়োগ বৃদ্ধি পেয়ে দাঁড়িয়েছে ২৩.১০ শতাংশ এবং সরকারী বিনিয়োগ বৃদ্ধি পেয়ে দাঁড়িয়েছে ৭.৪১ শতাংশ।

সঞ্চয়-বিনিয়োগ এবং বিনিয়োগ-প্রবৃদ্ধি'র সম্পর্ক

জিডিপির শতাংশ	২০১৫	২০১৬	২০১৭
মোট দেশজ বিনিয়োগ	২৮.৮৯	২৯.৬৫	৩০.৫১
বেসরকারী	২২.০৭	২২.৯৯	২৩.১০
সরকারী	৬.৮২	৬.৬৬	৭.৪১
মোট জাতীয় সঞ্চয়	২৯.০২	৩০.৭৭	৩০.৭৭
সঞ্চয়-বিনিয়োগ পার্থক্য	০.১৩	১.১২	০.২৬

উৎস: বিবিএস

মূল্যস্ফীতি

২০১৩-১৪ অর্থবছরের শুরু থেকেই মূল্যস্ফীতির হার হ্রাস পেয়েছে। বার্ষিক গড় মূল্যস্ফীতির হার ২০১৩-১৪ অর্থবছরে ৭.৩৫ শতাংশ থেকে হ্রাস পেয়ে ২০১৪-১৫ এবং ২০১৫-১৬ অর্থবছরে যথাক্রমে ৬.৪১ শতাংশ এবং ৫.৯২ শতাংশ দাঁড়িয়েছে। আন্তর্জাতিক বাজারে জ্বালানি তেলের মূল্যসহ অন্যান্য পণ্যমূল্য হ্রাস পাওয়া এবং অভ্যন্তরীণ উৎপাদন পরিস্থিতি সন্তোষজনক হওয়ায় সার্বিক মুল্যস্ফীতি হ্রাস পেয়েছে। এছাড়া, দেশের অভ্যন্তরীণ অনুকুল পরিবেশ, স্বল্প বাজেট ঘাটতি এবং সতর্ক মুদ্রানীতি অনুসরণ প্রভৃতি কারণে মূল্যস্ফীতির হার হ্রাস পেয়েছে।

বৈদেশিক খাত

রপ্তানি

২০১৬-১৭ অর্থবছরে মোট রপ্তানি আয়ের পরিমান দাঁড়িয়েছে ৩৪,৮৪৬.৮৪ মিলিয়ন মার্কিন ডলার, যা গত অর্থবছরের একই সময়ের তুলোনায় ১.৭২ শতাংশ বেশি। এসময়ে প্রধান দুটি পণ্য- তৈরি পোশাক (ওভেন) এবং নীটওয়্যার রপ্তানির পরিমান দাঁড়িয়েছে যথাক্রমে ১৪,৩৯২.৫৯ মিলিয়ন মার্কিন ডলার এবং ১৩,৭৫৭.২৫ মিলিয়ন মার্কিন ডলার এবং এই বছরের তুলনায় গত বছরে প্রবৃদ্ধির হার ছিল যথাক্রমে ২.৩৫ শতাংশ ও ৩.০১ শতাংশ।

আমদানি

২০১৬-১৭ অর্থবছরে মোট আমদানি ব্যয়ের প্রবৃদ্ধি হয় ৯ শতাংশ যা গত বছর ছিল ৫.৯৪ শতাংশ। এই অর্থবছরে আমদানি ব্যয়ের (সিএন্ডএফ) পরিমাণ দাঁড়িয়েছে ৪৭,০০৫.২ মিলিয়ন মার্কিন ডলারে, যা পূর্ববর্তী বছর ছিল ৪৩,১২২.৫ মলিয়ন মার্কিন ডলার।

বৈদেশিক কর্মসংস্থান ও রেমিট্যান্স

গত ২০১৫-১৬ অর্থবছরে মোট রেমিট্যান্স প্রবাহের পরিমান ছিল ১২,৭৬৯.৫ মিলিয়ন মার্কিন ডলার। ২০১৬-১৭ অর্থবছরে মোট রেমিট্যান্স প্রবাহের পরিমান ১৪.৪৮ শতাংশ হ্রাস পেয়ে দাঁড়ায় ১২,৭৬৯.৫ মিলিয়ন মার্কিন ডলার। মূলত: মধ্যপ্রাচ্যের দেশসমূহের ভূ-রাজনৈতিক পরিস্থিতি এবং জ্বলানি তেলের মূল্যহ্রাস, এই অঞ্চলে অবস্থিত তেল সমৃদ্ধ দেশসমূহের অর্থনীতির ওপর বিরূপ প্রভাব ফেলে। এছাড়াও মার্কিন ডলারের সাথে ব্রিটিশ পাউন্ড এবং ইউরো-এর অবমূল্যায়নও রেমিট্যান্স প্রবাহ হ্রাসের ক্ষেত্রে ভূমিকা রেখেছে।

বৈদেশিক লেনদেনের ভারসাম্য

২০১৬-১৭ অর্থবছরে সাময়িক হিসাব অনুযায়ী দেশের বাণিজ্য ঘাটতির পরিমাণ দাঁড়ায় ৯,৪৭২ মিলিয়ন মার্কিন ডলার, পূর্ববর্তী বছরে ঘাটতির পরিমাণ ছিল ৬,৪৬০ মিলিয়ন মার্কিন ডলার। আমদানি ব্যয়ের প্রবৃদ্ধির হার

বেড়ে যাওয়া এবং রপ্তানি আয়ের প্রবৃদ্ধিও হার হ্রাস পাওয়ায় বাণিজ্য ঘাটতি বৃদ্ধি পেয়েছে।

বৈদেশিক মুদ্রার রিজার্ভ

বৈদেশিক লেনদেনের সার্বিক ভারসাম্য উদ্বৃত্ত থাকায় বৈদেশিক মুদ্রার রিজার্ভ বৃদ্ধি পেয়েছে। অর্থবছর ২০১৬-১৭ শেষে রিজার্ভের পরিমান বৃদ্ধি পেয়ে দাঁড়ায় ৩৩,৪০৭ মিলিয়ন মার্কিন ডলার যা ৩০ জুন ২০১৬ তে ছিল ৩০,১৭৬ মিলিয়ন মার্কিন ডলার। পূর্ববর্তী মাসগুলোর আমদানি ব্যয় বিবেচনায় বর্তমান রিজার্ভ দিয়ে ৮.৫৩ মাসের আমদানি ব্যয় মেটানো সম্ভব হবে।

রাজস্ব খাত

রাজস্ব আহরণ

চলতি ২০১৬-১৭ অর্থ বছরে রাজস্ব আহরণের প্রবৃদ্ধি সন্তোষজনক পর্যায়ে রয়েছে। এসময় রাজস্ব আহরণের সংশোধিত লক্ষ্যমাত্রা নির্ধারণ করা হয়েছে২,১৮,৫০০ কোটি টাকা, যা জিডিপি,র ১১.০৬ শতাংশ। এর মধ্যে জাতীয় রাজস্ব বোর্ড (এনবিআর) কর্তৃক কর রাজস্ব আহরণের লক্ষ্যমাত্রা ১,৮৫,০০০ কোটি টাকা (জিডিপি'র ৯.৩৭ শতাংশ), এনবিআর বহির্ভূত কর রাজস্ব ৭,২৬১ কোটি টাকা (জিডিপির ০.৩৭ শতাংশ) এবং কর-বহির্ভূত রাজস্ব ২৬,২৩৯ কোটি টাকা (জিডিপি'র ১.৩৩ শতাংশ)।

২০১৬-১৭ অর্থবছরে জাতীয় রাজস্ব বোর্ড নিয়ন্ত্রিত উৎস থেকে কর রাজস্ব আহরণের পরিমান ১,৭১,৫২৩ কোটি টাক, যা পূর্ববর্তী অর্থবছরের একই সময়ের তুলনায় ১৭.২৯ শতাংশ বেশি। এসময়ে আয় ও মুনাফার উপর কর খাতে প্রবৃদ্ধি ১৬.৪৫ শতাংশ, মূল্য সংযোজন কর ও সম্পূরক শুল্ক ১৮.০৮ শতাংশ এবং আমদানি শুল্ক ১৬.৬৮ শতাংশ। একই সময়ে এনবিআর-বহির্ভূত কর রাজস্ব আহরণ ১১.৬৪ শতাংশ বৃদ্ধি পেয়ে দাঁড়ায় ৬,৩০১ কোটি টাকায়।

সরকারী ব্যয়

সংশোধিত বাজেট অনুযায়ী ২০১৬-১৭ অর্থবছরে মোট ব্যয় এর লক্ষ্যমাত্রা ধরা হয়েছে ৩,১৭,১৭৫ কোটি টাকা যা জিডিপি'র ১৬.২২ শতাংশ। এর মধ্যে অনুন্নয়ন এবং বার্ষিক উন্নয়ন কর্মসূচি ব্যয় যথাক্রমে ২,০৬,৪৭৫ কোটি টাকা (জিডিপি'র ১০.৫৬ শতাংশ) এবং ১,১০,৭০০ কোটি টাকা (জিডিপির ৫.৬৬ শতাংশ)।

বাজেট ভারসাম্য ও অর্থায়ন

চলতি অর্থবছরে সংশোধিত বাজেট ঘাটতির পরিমান প্রাক্কলন করা হয়েছে ৯৮,৬৭৩ কোটি টাকা, যা জিডিপি'র ৫ শতাংশ। ঘাটতি অর্থায়নে বৈদেশিক উৎস (বৈদেশিক অনুদানসহ) হতে ২৮,৭৭১ কোটি টাকা এবং অভ্যন্তরীণ উৎস হতে ৬৯,৯০৪ কোটি টাকা সংস্থাপন করা হবে।

মুদ্রা ও আর্থিক খাত

মুদ্রানীতি ও মুদ্রা ব্যবস্থাপনা

অর্থবছরের দ্বিতীয়ার্ধে (জানুয়ারি-জুন, ২০১৭) ঘোষিত মুদ্রানীতিতে চলমান অর্থনৈতিক ও আর্থিক খাত পর্যবেক্ষন এবং বার্ষিক মূল্যস্ফীতিকে ৫.৮ শতাংশের মধ্যে সীমিত রেখে প্রবৃদ্ধির লক্ষ্যমাত্রা অর্জনে মুদ্রা ও ঋণ যোগানের লক্ষ্যমাত্রা নির্ধারণ করা হয়েছে। অর্থবছরের দ্বিতীয়ার্ধের জন্য প্রণীত মুদ্রানীতিতে অর্থবছর শেষে ব্যাপক মুদ্রার যোগান, অভ্যন্তরীণ ঋণ প্রবাহ এবং ব্যক্তিখাতে ঋণ প্রবাহের প্রবৃদ্ধি যথাক্রমে ১৫.৫%, ১৬.৪% এবং ১৬.৫% নির্ধারণ করা হয়েছে।

মুদ্রা ও ঋণ পরিস্থিতি

২০১৬-১৭ অর্থবছরে সংকীর্ণ মুদ্রা, ব্যাপক মুদ্রা এবং রিজার্ভ মুদ্রার প্রবৃদ্ধি পূর্ববতী বছরের তুলনায় ছিল কিছুটা মন্থর ছিল। এই অর্থ বছরে সংকীর্ণ মুদ্রার প্রবৃদ্ধি ১৩.০১ শতাংশ, পূর্ববতী অর্থবছরে এই প্রবৃদ্ধি ছিল ৩২.১০ শতাংশ। একই সময়ে ব্যাপক মুদ্রার ও রিজার্ভ মুদ্রার প্রবৃদ্ধি ছিল যথাক্রমে ১০.৮৮ শতাংশ এবং ১৫.৬৬ শতাংশ যা পূর্ববতী বছরে এই প্রবৃদ্ধি ছিল যথাক্রমে ১৬.৩৫ শতাংশ এবং ১৬.৭৮ শতাংশ। ২০১৬-১৭ অর্থবছরে বেসরকারী খাতে ঋণের প্রবৃদ্ধি দাঁড়ায় ১৫.৬৬ শতাংশ, পূর্ববতী বছরে একই সময়ে এ প্রবৃদ্ধি হার ছিল ১৬.৭৮ শতাংশ।

সুদের হার

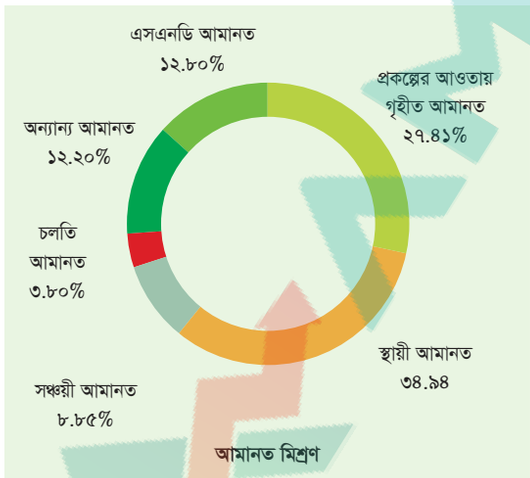
২০১৬-১৭ অর্থবছরে নীতি নির্ধারণী সুদের হার, রেপো ও রিভার্স রেপো উভয় হার যথাক্রমে ৬.৭৫ শতাংশ এবং ৪.৭৫ শতাংশে নির্ধারণ করা হয়েছে।

ব্যবসায়িক বিবরণী

আমানত

২০১৭ সালে মার্কেন্টাইল ব্যাংক তহবিল ব্যয় নিয়ন্ত্রণে রাখার পাশাপাশি আমানতের সুষম ভিত্তি নিশ্চিতের লক্ষ্যে আমানত মিশ্রণ পুর্নগঠনের দিকে বিশেষ গুরুত্বারোপ করেছে। যে কারণে আমরা বড় কর্পোরেট আমানতের উপর নির্ভরশীলতা হ্রাসের চেষ্টা করে যাচ্ছি। ২০১৭ সালের শেষে ব্যাংকের সংগৃহীত মোট আমানতের পরিমাণ দাড়িয়েছে ২২০,৫১৬.৬৩ মিলিয়ন টাকা, যা পূর্ববর্তী বছরে ছিল ১৬৫,২৫৭.৪৫ মিলিয়ন টাকা। একই সাথে আমরা, সম্ভাব্য আমানতকারীদের আকৃষ্ট করার লক্ষ্যে আমাদের সঞ্চয় প্রকল্পসমূহ আকর্ষণীয় করে তোলার পাশাপাশি গ্রাহক সেবার উৎকৃষ্টতা বৃদ্ধির জোর প্রচেষ্টা চালিয়ে যাচ্ছি।

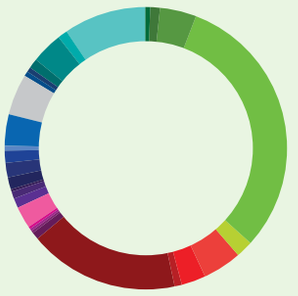
	(মিলিয়ন টাকা)	%
প্রকল্পের আওতায় গৃহীত আমানত	৬০,৪৪৬.১৫	২৭.৪১
স্থায়ী আমানত	৭৭,০৫৬.৭০	৩৪.৯৪
সঞ্চয়ী আমানত	১৯,৫১১.৪৯	৮.৮৫
চলতি আমানত	৮,৩৮০.৬০	৩.৮০
এসএনডি আমানত	২৬,৯০৫.২৪	১২.২০
অন্যান্য আমানত	২৮,২১৬.৪৬	১২.৮০
মোট	**২২০,৫১৬.৬৩**	**১০০**



৩১ শে ডিসেম্বর ২০১৭ পর্যন্ত ব্যাংকের মোট ঋণ ও অগ্রিমের পরিমাণ দাড়িয়েছে ১৯৯,৬৬০.৭২ মিলিয়ন টাকা যার পরিমাণ ২০১৬ সালের শেষে ছিল ১৫০,৯১২.৫২ মিলিয়ন টাকা। ব্যাংক ঋণ ও অগ্রিমের ক্ষেত্রে ৩২.৩০% প্রবৃদ্ধি অর্জন করেছে। ব্যাংকের অর্থায়নকৃত প্রধান খাত সমূহ হচ্ছে ব্যবসা ও বাণিজ্য, পোষাক শিল্প, মাঝারি ও বৃহৎ শিল্প, নির্মাণ শিল্প, কৃষি ও আনুষাঙ্গিক খাত, হাসপাতাল ও চিকিৎসা সেবা খাত, যোগাযোগ খাত, ঔষধ শিল্প ইত্যাদি। এছাড়াও, ব্যাংক এস.এম.ই ডিভিশন এর মাধ্যমে ছোট ও মাঝারি শিল্প খাতে ঋণ প্রদান অব্যাহত রেখেছে।

খাত অনুযায়ী ঋণ ও অগ্রীমের মিশ্রণ

খাত	(লক্ষ টাকা) পরিমাণ	শতকারা (%)
শিক্ষা	২,১৪০.১৮	০.১১%
স্বাস্থ্য সেবা	১৪,৯৮৬.৬৯	০.৭৫%
কৃষি	২১,৩৭৯.৫৭	১.০৭%
খাদ্য, পানীয় ও ভোজ্য তেল	৮০,৩২৬.৫০	৪.০২%
ট্রেড ফাইন্যান্স	৬১৮,২৯৩.৪২	৩০.৯৭%
যোগাযোগ	৩৭,১০৪.৯৬	১.৮৬%
জাহাজ শিল্প	৯২,২১৭.৬১	৪.৬২%
টেক্সটাইল	৫২,১০৫.১২	২.৬১%
টেক্সটাইল (আই ডি বি পি)	১৭,৩৪২.১৫	০.৮৭%
তৈরি পোষাক	৩৪৩,২৬৬.২৩	১৭.১৯%
তৈরি পোষাক (আই ডি বি পি)	২০,০৯৬.৯৪	১.০১%
টেলি যোগাযোগ	৩,৬৭০.৮১	০.১৮%
আইটি এন্ড কম্পিউটার	৩,৩৮২.৫৯	০.১৭%
বিদুৎ ও জ্বালানী শিল্প	৫,৬১০.৪১	০.২৮%
গৃহায়ণ	৫১,৭১৪.৯০	২.৫৯%
সিমেন্ট	১,৪৭৮.২৬	০.০৭%
কেমিক্যাল	২২,৪৬৪.৮৭	১.১৩%
চামড়া ও চামড়াজাত শিল্প	১৮,৮৩৮.২৭	০.৯৪%
প্লাস্টিক শিল্প	৩,১০৬.৩৯	০.১৬%
বৈদ্যুতিক যন্ত্রাংশ	২৬,৩৯১.৮৪	১.৩২%
কাগজ ও প্রকাশনা শিল্প	৩৬,৭৮৪.৯৬	১.৮৪%
পাট শিল্প	২৪,০২৫.২৭	১.২০%
গ্লাস শিল্প	১৬১.৯৭	০.০১%
সিরামিক শিল্প	১০,৭০৭.৮০	০.৫৪%
লোহা ও স্টীল	৭৩,৩৯৫.২৫	৩.৬৮%
প্রকৌশল	৯৫,৪২৯.৪০	৪.৭৮%
কন্ট্রাক্টর ফাইন্যান্স	১২,৬০৩.৩০	০.৬৩%
ক্যাপিটাল মার্কেট ইন্টারমিডিয়েট	৯,৮৩৫.৫২	০.৪৯%
ব্যাকওয়ার্ড লিংকেজ	২২,২৬২.৯৬	১.১২%
ব্যাংক বর্হিভুত আর্থিক প্রতিষ্ঠান	৭২,৯১০.৭০	৩.৬৫%
চাকরী	২০,০২৩.৬৩	১.০০%
অন্যান্য	১৮২,৬৪৬.৬৪	৯.১৫%
মোট	**১,৯৯৬,৬০৭.০০**	**১০০.০০%**



শিক্ষা	০.১১%	কেমিক্যাল	১.১৩%
স্বাস্থ্য সেবা	০.৭৫%	চামড়া ও চামড়াজাত শিল্প	০.৯৪%
কৃষি	১.০৭%	প্লাস্টিক শিল্প	০.১৬%
খাদ্য, পানীয় ও ভোজ্য তেল	৪.০২%	বৈদ্যুতিক যন্ত্রাংশ	১.৩২%
ট্রেড ফাইন্যান্স	৩০.৯৭%	কাগজ ও প্রকাশনা শিল্প	১.৮৪%
যোগাযোগ	১.৮৬%	পাট শিল্প	১.২০%
জাহাজ শিল্প	৪.৬২%	গ্লাস শিল্প	০.০১%
টেক্সটাইল	২.৬১%	সিরামিক শিল্প	০.৫৪%
টেক্সটাইল (আই ডি বি পি)	০.৮৭%	লোহা ও স্টীল	৩.৬৮%
তৈরি পোষাক	১৭.১৯%	প্রকৌশল	৪.৭৮%
তৈরি পোষাক (আই ডি বি পি)	১.০১%	কন্ট্রাক্টর ফাইন্যান্স	০.৬৩%
টেলি যোগাযোগ	০.১৮%	ক্যাপিটাল মার্কেট ইন্টারমিডিয়েট	০.৪৯%
আইটি এন্ড কম্পিউটার	০.১৭%	ব্যাকওয়ার্ড লিংকেজ	১.১২%
বিদুৎ ও জ্বালানী শিল্প	০.২৮%	ব্যাংক বর্হিভূত আর্থিক প্রতিষ্ঠান	৩.৬৫%
গৃহায়ণ	২.৫৯%	চাকরী	১.০০%
সিমেন্ট	০.০৭%	অন্যান্য	৯.১৫%

খাত অনুযায়ী ঋণ ও অগ্রীমের মিশ্রণ

আমদানি বাণিজ্য

আমদানি বানিজ্যে অর্থায়নের ক্ষেত্রে মার্কেন্টাইল ব্যাংক সর্বদাই ঋণের গুণগতমানের বিষয়ে গুরুত্বারোপ প্রদান করে আসছে। ২০১৭ সালে ব্যাংক আমদানি বাণিজ্যে ১৯০,৭৫৩.৬০ মিলিয়ন টাকা ঋণ প্রদান করেছে, যা ২০১৬ সালে ছিল ১৩৯,৭৬৬.৪০ মিলিয়ন টাকা। ব্যাংক যে সমস্ত পণ্য সামগ্রীর আমদানি ঋণপত্র খুলেছে সেগুলো হলো মূলধনী যন্ত্রপাতি, গার্মেন্টস এক্সেসরিজ, গম, চিনি, সিডিএসও, উদ্ভিজ্জ তেল, সিমেন্ট ক্লিংকার্স, হট রোল স্টীল, কাঁচা তুলা, জাহাজ ভাঙ্গা শিল্প ইত্যাদি।

রপ্তানি বাণিজ্য

২০১৭ সালে ব্যাংক সর্বমোট ১৩৪,৭৫২.৯০ মিলিয়ন টাকার রপ্তানি বিল ক্রয় করেছে, যা ২০১৬ সালে ছিল১১৩,০৩৫.২০ মিলিয়ন টাকা। ব্যাংকের রপ্তানি বাণিজ্যের মূল ক্ষেত্র ছিল তৈরি পোষাক শিল্প, যা বাংলাদেশের বৈদেশিক মুদ্রা অর্জনের ও কর্মসংস্থানের বৃহত্তম উৎস। অন্যান্য রপ্তানি সামগ্রীর মধ্যে রয়েছে পাট ও পাটজাত সামগ্রী, চামড়া, হস্ত শিল্পজাত সামগ্রী, চা, হিমায়িত খাদ্য ও মৎস্য ইত্যাদি।

প্রবাসী আয়

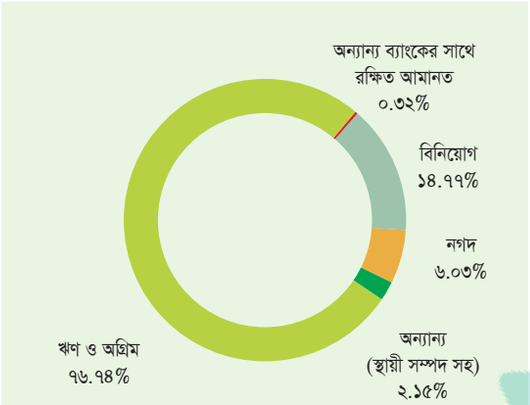
২০১৭ সালে ব্যাংক বিদেশে বসবাসরত এবং কর্মরত বাংলাদেশীদের নিকট হতে প্রবাসী আয় সংগ্রহে প্রচেষ্টা বেগবানের লক্ষ্যে নানা পদক্ষেপ গ্রহণ করেছে। যুক্তরাষ্ট্র, যুক্তরাজ্য, অস্ট্রেলিয়া, আরব-আমিরাত, কুয়েত, বাহারাইন, কানাডা, ইতালি এবং ফ্রান্স সহ অন্যান্য যেসব দেশে বাংলাদেশী নাগরিকেরা কাজে নিয়োজিত, সে সব দেশে ব্যাংক নিয়মিত বিভিন্ন এক্সচেঞ্জ কোম্পানীর সাথে রেমিট্যান্স চুক্তি সম্পন্ন করে চলেছে। তাছাড়াও, দেশের প্রত্যন্ত অঞ্চলের মানুষের কাছে বিদেশে কর্মরত নাগরিকদের কষ্টার্জিত অর্থ দ্রুত ও নিরাপদে পৌঁছানোর লক্ষ্যে ব্যাংক বাংলাদেশ ডাক বিভাগ ও বেশ কিছু স্থানীয় ব্যাংক এবং অন্যান্য স্থানীয় এজেন্সির সাথে একযোগে কাজ করে চলেছে। প্রবাস থেকে সর্বদা ব্যাংকিং চ্যানেলে অর্থ প্রেরণে সচেতনতা বৃদ্ধি ও উৎসাহ প্রদানের লক্ষ্যে মার্কেন্টাইল ব্যাংক নিয়মিত দেশ-বিদেশে বিভিন্ন মেলা ও প্রচারিভযানে অংশগ্রহণ করেছে। ২০১৭ সালে ব্যাংক সর্বমোট ২৯,৯৭৬.৪০ মিলিয়ন টাকার রেমিট্যান্স ব্যবসা পরিচালনা করেছে, যা ২০১৬ সালে ছিল ২৪,০৪৮.২০ মিলিয়ন টাকা। সর্বোত্তম সেবা প্রদানের লক্ষ্যে মার্কেন্টাইল ব্যাংক ওয়েস্টার্ন ইউনিয়ন, মানিগ্রাম, এক্সপ্রেস মানি, প্লাসিড এক্সপ্রেস, ইন্সট্যান্ট ক্যাশ ওয়ার্ল্ড ওয়াইড, প্রভূ মানি ট্রান্সফার এবং ট্রান্স-ফাস্ট রেমিট্যান্স সহ বিশ্বব্যাপী সমাদৃত বিভিন্ন মানি ট্রান্সফার প্রতিষ্ঠানের সঙ্গে একযোগে কাজ করে চলেছে।

সম্পদ

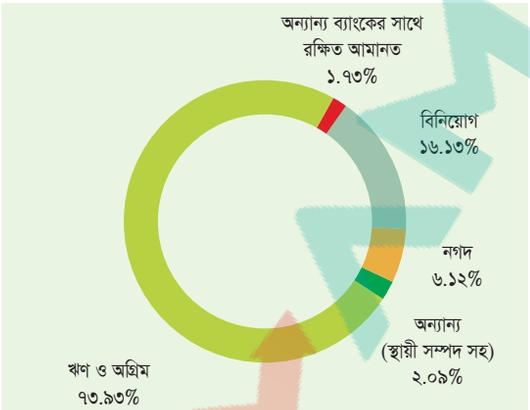
৩১শে ডিসেম্বর ২০১৭ পর্যন্ত ব্যাংকের মোট সম্পদের পরিমাণ ছিল ২৬০,১৬৯.৯২ মিলিয়ন টাকা, যা ২০১৬ সালের শেষে ছিল ২০৪,১২৭.৪৭ মিলিয়ন টাকা। মোট সম্পদের ৭৬.৭৪% ঋণ ও অগ্রিম, ১৪.৭৭% বিনিয়োগ, ৬.০৩% নগদ, ০.৪৮% অন্যান্য ব্যাংকের সাথে রক্ষিত আমানত এবং অন্যান্য সম্পদ ২.১৫%।

(মিলিয়ন টাকা)

বিবরণ	২০১৭		২০১৬	
	পরিমাণ	শতকারা (%)	পরিমাণ	শতকারা (%)
ঋণ ও অগ্রিম	১৯৯,৬৬০.৭২	৭৬.৭৪	১৫০,৯১২.৫২	৭৩.৯৫
বিনিয়োগ	৩৮,৪২২.১৫	১৪.৭৭	৩২,৯২০.৬৯	১৬.১৩
নগদ	১৫,৬৭৮.৪৮	৬.০৩	১২,৪৯৯.৯৭	৬.১৩
অন্যান্য ব্যাংকের সাথে রক্ষিত আমানত	৮২১.৩৫	০.৩২	৩,৫৩৬.৮৬	১.৭৩
অন্যান্য (স্থায়ী সম্পদ সহ)	৫,৫৮৭.২৩	২.১৫	৪,২০৭.৮৩	২.০৬
মোট	**২৬০,১৬৯.৯২**	**১০০**	**২০৪,০৭৭.৪৭**	**১০০**



Asset Portfolio (2017)



Asset Portfolio (2016)

মূলধন

২০১৭ সালের ৩১শে ডিসেম্বর পর্যন্ত ব্যাংকের অনুমোদিত মূলধন হচ্ছে প্রতিটি ১০ টাকা হিসেবে ১,২০০,০০০,০০০ টি সাধারণ শেয়ারের বিপরীতে ১২,০০০.০০ মিলিয়ন টাকা। একই সময়ে ব্যাংকের পরিশোধিত মূলধন ছিল প্রতিটি ১০ টাকা মূল্যের ৭৭৬,১১৪,৫৩৭ টি সাধারণ শেয়ারের বিপরীতে ৭,৭৬১.১৫ মিলিয়ন টাকা, যা ঢাকা ও চট্টগ্রাম উভয় ষ্টক এক্সচেঞ্জেই তালিকাভুক্ত।

সংবিধিবদ্ধ রিজার্ভ

ব্যাংক কোম্পানী আইন ১৯৯১ এর ২৪ নং ধারানুযায়ী আমাদের ব্যাংক ২০১৭ সালে কর পূর্ব মুনাফার ২০% সংবিধিবদ্ধ রিজার্ভ রেখেছে যার পরিমাণ ৮৬৩.৫৪ মিলিয়ন টাকা। ২০১৭ সালের রিজার্ভ রাখার পর ব্যাংকের মোট সংবিধিবদ্ধ রিজার্ভের পরিমাণ দাঁড়িয়েছে ৬,৩১২.৮০ মিলিয়ন টাকা।

মূলধন পর্যাপ্ততা

বাংলাদেশ ব্যাংকের নির্দেশনায় ব্যাংক ঝুঁকি-ভিত্তিক মূলধন পর্যাপ্ততা তথা ব্যাসেল-৩ পরিপালনে যথাযথ পদক্ষেপ গ্রহণ করেছে। ২০১৭ সালের শেষে ব্যাংকের মূলধন পর্যাপ্ততার অনুপাত (সলো ভিত্তিতে) ন্যূনতম ১০% এর বিপরীতে দাড়িয়েছে ১১.৯৩%।

(মিলিয়ন টাকা)

বিবরণ	
টিয়ার -১ মূলধন	
পরিশোধিত মূলধন	৭,৭৬১.১৫
সংবিধিবদ্ধ রিজার্ভ	৬,৩১২.৮০
সাধারন রিজার্ভ	৫০০.০০
রিটেইন্ড আর্নিংস	১,৭১৪.৭৪
অন্যান্য সঞ্চিতি	৪৫.৬৮
রেগুলেটরী এডজাস্টমেন্ট, টিয়ার -১ মূলধন	(৩৫.৩৫)

টিয়ার ২ মূলধন	
জেনারেল প্রভিশন	৫,৬৬৪.০৮
এক্সচেঞ্জ ইকুয়ালাইজেশন হিসাব	
পুনর্মুল্যায়িত সম্পদের (স্থায়ী সম্পদ) বিপরীতে সংস্থান	৩২১.৮১
পুনর্মুল্যায়িত সম্পদের (ইকুইটি) বিপরীতে সংস্থান	০.০০
পুনর্মুল্যায়িত সম্পদের (সিকিউরিটি) বিপরীতে সংস্থান	২২৩.৯১
সাব-অর্ডিনেটেড বন্ড	২,৪০০.০০
রেগুলেটরী এডজাস্টমেন্ট, টিয়ার -২ মূলধন	(৩২৭.৪০)
মোট মূলধন	২৪,৫৮১.৩৮
মোট ঝুঁকি ভারিত সম্পদ	২০৬,০৮০.১৪
মূলধন পর্যাপ্ততা অনুপাত	১১.৯৩%
টিয়ার-১	৭.৯১%
টিয়ার-২	৪.০২%
ন্যূনতম মূলধন প্রয়োজনীয়তা	২০,৬০৮.০১

প্রসঙ্গত উল্লেখ্য যে, আমাদের মূলধন পরিকল্পনার অংশ হিসেবে, যাবতীয় আনুষ্ঠানিকতা পরিপালন করে ২০১৪ সালে আমরা ৩০০ কোটি টাকার সাব-অর্ডিনেটেড বন্ড ইস্যু করেছি। এর ফলে ব্যাংকের একক ঋণ প্রদান সক্ষমতা বৃদ্ধির পেয়েছে। আগামী দিনগুলোতে, আমরা আমাদের ঋণ প্রদানের এই বর্ধিত সক্ষমতা দক্ষতা এবং বিচক্ষণতার সাথে ব্যবহার করতে দৃঢ় প্রতিজ্ঞ।

শেয়ার হোল্ডারের সংখ্যা

২০০৩ সালে আইপিও ইস্যু করার পর থেকে মোট শেয়ায়হোল্ডারের সংখ্যা বহু গুণ বৃদ্ধি পেয়েছে। ২০১৭ সালের শেষে মোট শেয়ার হোল্ডারের সংখ্যা দাড়িয়েছে ২৪,২২০।

সাল	শেয়ারধারীর সংখ্যা
২০০৫	৫,১৯৯
২০০৬	৫,৮৬৮
২০০৭	৬,৬৯২
২০০৮	৮,২৪৬
২০০৯	১২,৪১৬
২০১০	৪০,২৮৩
২০১১	৪১,৪২৭
২০১২	৪৪,১১৭
২০১৩	৪৪,৪৬২
২০১৪	৪২,১৭৬
২০১৫	৩৪,১২৭
২০১৬	২৮,২১০
২০১৭	২৪২২০

জাতীয় কোষাগার ও অর্থনীতিতে অবদান

দায়িত্ববান কর্পোরেট সিটিজেন হিসেবে মার্কেন্টাইল ব্যাংক নিয়মিতভাবে সঠিক সময়ে কর্পোরেট ট্যাক্স প্রদান করে আসছে। এছাড়াও, ব্যাংক কর্মীদের বেতন, গ্রাহক ও ভেন্ডরদের পাওনা থেকে সঠিকভাবে আবগারি শুল্ক, উইথহোল্ড ট্যাক্স এবং ভ্যাট কর্তন করে সরকারি কোষাগারে জমা করে থাকে। ব্যাংক ২০১৭ সালে কর্পোরেট ট্যাক্স হিসাবে ১,৩০০.০০ মিলিয়ন টাকা সংস্থান রেখেছে, যা ২০১৬ সালে ছিল ১,২৬০.০০ মিলিয়ন টাকা। তাছাড়া ব্যাংক ২০১৭ সালের ডিসেম্বর পর্যন্ত মোট ২,১৯২ জন পূর্ণকালীন কর্মকর্তা নিয়োগ করে কর্মসংস্থান সৃষ্টির মাধ্যমেও অর্থনীতিতে অবদান রেখেছে। আর্থিক মধ্যস্থতাকারী হিসাবে ব্যাংক সমাজের উদ্বৃত্ত অংশ থেকে ২০১৭ সাল পর্যন্ত ২২০,৫১৬.৬৩ মিলিয়ন টাকার আমানত সংগ্রহ করেছে এবং ১৯৯,৬৬০.৭২ মিলিয়ন টাকা বিনিয়োগ করেছে। তাছাড়া ব্যাংক রপ্তানি অর্থায়নের মাধ্যমে দেশের গার্মেন্টস খাতে গুরুত্বপূর্ণ অবদান রেখেছে।

আইডিএলসি এর শেয়ার ক্রয়

২০০৫ সালে মার্কেন্টাইল ব্যাংক আইডিএলসি ফাইন্যান্স লিমিটেড এর ১৫০,০০০টি স্পন্সর শেয়ার ক্রয় করেছিল।

আইডিএলসি থেকে গৃহীত লভ্যাংশ:

		আইডিএলসি ফাইন্যান্স লিমিটেড হতে গৃহীত লভ্যাংশ, বিক্রয় এবং রাইট শেয়ার				মার্কেন্টাইল ব্যাংক কর্তৃক মোট গৃহীত		
সাল	% লভ্যাংশ	বিক্রয় (ক)	স্টক ডিভিডেন্ড (খ)	রাইট (গ)	মোট ধারনকৃত (ঘ= জ+খ+গ-ক)	নগদ লভ্যাংশ (ঙ)	বিক্রয়লব্ধ লভ্যাংশ (চ)	মোট গৃহীত (ছ= ঙ+চ)
ধারনকৃত শেয়ার (জ)				১,৫০০,০০০	১,৫০০,০০০		১,৫০০,০০০.০০	
২০০৫	৩৭.৫০%	-	-	-	১,৫০০,০০০	৫,৬২৫,০০০.০০		৫,৬২৫,০০০.০০
২০০৬	৫.০০%, ৩৩.৩৩% বি		৫০০,০০০		২,০০০,০০০	৭৫০,০০০.০০		৭৫০,০০০.০০
২০০৭	১৫%, ২৫% বি	৫০০,০০০	৩৭৫,০০০		১,৮৭৫,০০০	২,২৫০,০০০.০০	৫৯,৬৫০,০০০	৬১,৯০০,০০০.০০
২০০৮	১৫%, ২০% বি		৩৭৫,০০০		২,২৫০,০০০	২,৮১২,৫০০.০০		২,৮১২,৫০০.০০
২০০৯	১০%, ১০০% বি		২,২৫০,০০০		৪,৫০০,০০০	২,২৫০,০০০.০০		২,২৫০,০০০.০০
২০১০	৩৫%, ৬৫% বি		২,৯২৫,০০০		৭,৪২৫,০০০	১৫,৭৫০,০০০.০০		১৫,৭৫০,০০০.০০
২০১১	২৫% বি		১,৮৫৬,২৫০		৯,২৮১,২৫০	-		-
২০১২	৩০% বি		২,৭৮৪,৩৭৫		১২,০৬৫,৬২৫	-		-
২০১৩	৫%, ২৫% বি		৩,০১৬,৪০৬		১৫,০৮২,০৩১	৬,০৩২,৮১২.৫০		৬,০৩২,৮১২.৫০
২০১৪	১০%, ২৫% বি		৩,৭৭০,৫০৭		১৮,৮৫২,৫৩৮	১৫,০৮২,০৩১.০০		১৫,০৮২,০৩১.০০
২০১৫	২৫%			৯,৪২৬,২৬৯	২৮,২৭৮,৮০৭	৪৭,১৩১,৩৪৫.০০		৪৭,১৩১,৩৪৫.০০
২০১৬	৩০%				২৮,২৭৮,৮০৭	৮৪,৮৩৬,৪২১.০০		৮৪,৮৩৬,৪২১.০০
২০১৭	-	৭,৫৪১,০১৬			২০,৭৩৭,৭৯১		৫২৯,৩৪৩,২৯৮.১৩	৫২৯,৩৪৩,২৯৮.১৩
মোট		৮,০৪১,০১৬	১৭,৮৫২,৫৩৮	৯,৪২৬,২৬৯		১৮২,৫২০,১০৯.৫০	৫৮৮,৯৯৩,২৯৮.১৩	৭৭১,৫১৩,৪০৭.৬৩

শাখা

ব্যাংক ২রা জুন, ১৯৯৯ এ ব্যবসায়িক কার্যক্রম শুরু করে। ব্যাংকের উদ্বোধনী দিনে দিলকুশা বাণিজ্যিক এলাকায় প্রথম শাখা খোলা হয়। ২০১৭ সালের শেষে ৫টি এস.এম.ই/কৃষি শাখাসহ ব্যাংকের মোট শাখার সংখ্যা দাঁড়িয়েছে ১২৯ টি যার মধ্যে ৮৪ টি শাখা দেশের প্রধান প্রধান বাণিজ্যিক কেন্দ্রে অবস্থিত এবং অবশিষ্ট ৪৫ টি শাখা পল্লী অঞ্চলে অবস্থিত। গ্রামীণ জনপদে শাখা সম্প্রসারণের মাধ্যমে ব্যাংক নিম্ন আয়ের জনসমষ্টির মাঝে প্রবাসী আয় দ্রুত পৌঁছানোর পাশাপাশি আধুনিক ব্যাংকিং সেবা ছড়িয়ে দিচ্ছে ।

পরিচালনা পর্ষদ ও কমিটি সভা

২০১৭ সালে পরিচালনা পর্ষদের ২১ (একুশ) টি, নির্বাহী কমিটির ৩৯ (উনচল্লিশ) টি, অডিট কমিটির ১১ (এগারো) টি, এবং রিস্ক ম্যানেজমেন্ট কমিটির ৬ (ছয়) টি সভা অনুষ্ঠিত হয়েছে।

বিবরণ	২০১৫	২০১৬	২০১৭
পরিচালনা পর্ষদ	২২	২৪	২১
নির্বাহী কমিটি	৩৭	৪৩	৩৯
অডিট কমিটি	১৩	১২	১১
রিস্ক ম্যানেজমেন্ট কমিটি	৫	৬	৬

বহিঃ নিরীক্ষক

সাইফুল শামসুল আলম এন্ড কোং, চার্টার্ড একাউন্ট্যান্ট এবং আজিজ হালিম খায়ের চৌধুরি, চার্টার্ড একাউন্ট্যান্ট বর্তমানে ব্যাংকের বহিঃ নিরীক্ষক হিসাবে নিয়োজিত আছে। নিরীক্ষা প্রতিষ্ঠান সাইফুল শামসুল আলম এন্ড কোং, চার্টার্ড একাউন্ট্যান্ট ১ (এক) বছর এবং আজিজ হালিম খায়ের চৌধুরি, চার্টার্ড একাউন্ট্যান্ট ০৩ (তিন) বছর ধরে ব্যাংকের বহিঃ নিরীক্ষক হিসাবে নিয়োজিত রয়েছেন। এমতাবস্থায়, বাংলাদেশ ব্যাংক এবং সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশনের নির্দেশনা অনুযায়ী শুধুমাত্র নিরীক্ষা প্রতিষ্ঠান সাইফুল শামসুল আলম এন্ড কোং, চার্টার্ড একাউন্ট্যান্ট পুনঃনিয়োগ প্রাপ্ত হতে পারবেন। সম্মানিত শেয়ারহোল্ডারগণ নিরীক্ষক ফার্মকে নিয়োগ/ পুনঃনিয়োগের ব্যাপারে বার্ষিক সাধারণ সভায় সিদ্ধান্ত গ্রহণ করবেন।

করেসপন্ডেন্ট সম্পর্ক

ব্যাংক বেশ কিছু বিদেশী ব্যাংকের সাথে কররেসপন্ডেন্ট ব্যাংকিং সম্পর্ক স্থাপন করেছে। ২০১৭ সালের ৩১শে ডিসেম্বর পর্যন্ত ব্যাংক ৬৩টি দেশে সর্বমোট ৬৪০টি ব্যাংকের সাথে কররেসপন্ডেন্ট ব্যাংকিং সম্পর্ক স্থাপন করেছে। এসব ব্যাংকের মাধ্যমে মার্কেন্টাইল ব্যাংক তার গ্রাহকদের বিভিন্ন চাহিদা পূরণ এবং ব্যবসায়িক সুযোগ বৃদ্ধিতে ভূমিকা রাখছে। গ্রাহকদের সুবিধার্থে ব্যাংক ৫ টি প্রধান বৈদেশিক মুদ্রায় ২৭ টি নস্ট্রো হিসাব পরিচালনা করে থাকে। ব্যাংক বিভিন্ন বিদেশী ব্যাংকের সাথে কররেসপন্ডেন্ট সর্ম্পক দ্বারা তার গ্রাহকদের ক্রমবর্ধমান বৈদেশিক বাণিজ্যে সহায়তা প্রদান করে থাকে। গ্রাহকদের উন্নত সেবা প্রদানে আমরা নিরলসভাবে কাজ করে যাচ্ছি।

মার্কেন্টাইল এক্সচেঞ্জ হাউজ (ইউকে) লিমিটেড

বাংলাদেশ ব্যাংক এবং যুক্তরাজ্যের সংশিষ্ট কর্তৃপক্ষের প্রয়োজনীয় অনুমতি প্রাপ্তির পর, প্রবাসীদের কষ্টার্জিত আয় দ্রুত এবং নির্ভরতার সাথে প্রেরণের সুবিধার্থে মার্কেন্টাইল ব্যাংক ইতোমধ্যেই শতভাগ সত্বাধিকারে যুক্তরাজ্যের বার্মিংহামে 'Mercantile Exchange House (UK) Limited' নামে একটি নিজস্ব Exchange House চালু করেছে। ০৬ ডিসেম্বর, ২০১১ হতে লন্ডন থেকে 'Mercantile Exchange House (UK) Limited' তার কার্যক্রম চালিয়ে যাচ্ছে। অতি অল্প সময়ের মাঝেই 'Mercantile Exchange House (UK) Limited' দক্ষ গ্রাহক সেবার মাধ্যমে যুক্তরাজ্যের প্রবাসী বাংলাদেশীদের মাঝে সাড়া ফেলতে সক্ষম হয়েছে।

মার্কেন্টাইল ব্যাংক সিকিউরিটিজ লিমিটেড

গ্রাহকদের উন্নত মানের ক্যাপিটাল মার্কেট সেবা প্রদানের লক্ষ্যে ২৭ জুন, ২০১০ সালে প্রতিষ্ঠার পর আলাদা সাবসিডিয়ারী কোম্পানি হিসেবে মার্কেন্টাইল ব্যাংক সিকিউরিটিজ লিমিটেড ১৪ সেপ্টেম্বর, ২০১১ হতে কার্যক্রম শুরু করে। বর্তমানে দেশব্যাপি ০৭ (সাত) টি শাখার মাধ্যমে মার্কেন্টাইল ব্যাংক সিকিউরিটিজ লিমিটেড তার কার্যক্রম চালিয়ে যাচ্ছে।

অফশোর ব্যাংকিং

সমগ্র বিশ্বব্যাপী বিভিন্ন বৈদেশিক মুদ্রায় আন্তর্জাতিক বাণিজ্য সম্পাদন এবং স্বল্প বা বিনা কর/লেভীর সুবিধা গ্রহণ করে বিনিয়োগের উপর উচ্চ মুনাফা অর্জনের এক অনন্য সমাধান অফ-শোর ব্যাংকিং। বর্তমানে মার্কেন্টাইল ব্যাংক তার গুলশান এবং চট্টগ্রাম ইপিজেড শাখার মাধ্যমে বাংলাদেশে বসবাসরত বিদেশী প্রতিষ্ঠানকে প্রয়োজনীয় ব্যাংকিং সেবা প্রদানের লক্ষ্যে অফশোর ব্যাংকিং কার্যক্রম পরিচালনা করে আসছে।

মোবাইল ব্যাংকিং

বাংলাদেশ ব্যাংক হতে প্রয়োজনীয় অনুমতি প্রাপ্তির পর, মার্কেন্টাইল ব্যাংক 'মাই ক্যাশ' নামে নিজস্ব মোবাইল ব্যাংকিং সেবা চালু করেছে। মোবাইল ব্যাংকিং সেবার ক্ষেত্রে গ্রাহকের মোবাইল ফোনটি ব্যাংক হিসাবের কাজ করবে এবং অর্থ লেনদেনের ক্ষেত্রে ওয়ালেটের ভূমিকা পালন করে থাকে। এটি ব্যাংকিং সেবা বঞ্চিত নিম্ন আয়ের জনসাধারণদের ব্যাংকিং সেবার আওতায় নিয়ে আসার এক অনন্য উপায়। ইতোমধ্যেই মোবাইল ব্যাংকিং সেবা জনসাধারণের মাঝে ব্যাপক সাড়া ফেলতে সক্ষম হয়েছে।

তথ্য প্রযুক্তি

পরিবর্তিত বিশ্বের সাথে তাল মিলিয়ে ব্যাংকের গ্রাহকদের সর্বাধুনিক ব্যাংকিং সেবা প্রদানের লক্ষ্যে মার্কেন্টাইল ব্যাংক প্রতিষ্ঠালগ্ন থেকেই তথ্য প্রযুক্তি খাতে নিয়মিত বিনিয়োগ করে যাচ্ছে। ব্যাংকিং সেবার আধুনিকায়নে প্রযুক্তির ভূমিকা অনস্বীকার্য। প্রযুক্তিগত উদ্ভাবন ব্যাংকের সেবার মান বৃদ্ধিতে ভূমিকা রাখছে। ব্যয় ও ঝুঁকি কমাতে এবং উন্নত সেবা সহ সার্বিক দক্ষতা বৃদ্ধি এবং মুনাফা সর্বোচ্চকরনের জন্য শাখাসমূহের ব্যাংকিং কার্যক্রমকে কম্পিউটারাইজড করা হয়েছে। গ্রাহকদের প্রকৃত অনলাইন ব্যাংকিং সুবিধা প্রদানের জন্য ব্যাংক কোর ব্যাংকিং সফটওয়্যার 'TEMENOS T24' সফলতার সাথে সকল শাখায় প্রতিস্থাপিত করেছে, যা ব্যাংকের সেবা প্রদান সক্ষমতা বৃদ্ধি ও দ্রুত করেছে। আমরা 'Green Banking' কর্মসূচীর অংশ হিসেবে 'Paperless Banking' কার্যক্রম শুরু করেছি, যা ব্যাংকের সম্পদের সুষ্ঠ ব্যবহার নিশ্চিত করার পাশাপাশি ব্যয় সংকোচনেও ভূমিকা রাখছে।

ব্যাংকের আর্থিক প্রকল্পসমূহ

ব্যাংক শুরু থেকেই সব শ্রেণী-পেশার লোকজনের সব ধরণের প্রয়োজন পূরণে বেশকিছু আকর্ষনীয় আর্থিক প্রকল্প চালু করেছে। তারমধ্যে মাসিক সঞ্চয় প্রকল্প, সুপার বেনিফিট সঞ্চয় প্রকল্প, মাসিক মুনাফা সঞ্চয় প্রকল্প, দ্বিগুণ বৃদ্ধি আমানত প্রকল্প, বিশেষ সঞ্চয় প্রকল্প, এডুকেশন বেনিফিট সঞ্চয় প্রকল্প, ত্রৈমাসিক মুনাফা আমানত প্রকল্প, দেড়গুন বৃদ্ধি আমানত প্রকল্প, অগ্রিম প্রবৃদ্ধি আমানত প্রকল্প, কনজুমার ক্রেডিট স্কীম, লীজ

ফাইন্যান্স স্কীম, ওভারসীজ এমপয়মেন্ট লোন স্কীম, পারসোনাল লোন স্কীম, কার লোন স্কীম, হোম লোন স্কীম, কৃষি ঋণ প্রকল্প ও এসএমই লোন জনগণের মাঝে ব্যাপক সাড়া জাগিয়েছে।

পরিপালন অবস্থা

বাংলাদেশ সিকিউরিটিস এন্ড এক্সচেঞ্জ কমিশন, ঢাকা স্টক এক্সচেঞ্জ (ডিএসই) লিমিটেড, চিটাগাং স্টক এক্সচেঞ্জ (সিএসই) লিমিটেড কর্তৃক ব্যাংকের উপর আরোপিত সকল বিধিমালা কঠোরভাবে পরিপালন করা হয়েছে এবং পরিপালনকৃত বিষয় সমূহ এই বার্ষিক প্রতিবেদনের কর্পোরেট গভর্নেন্স রিপোর্টে উল্লেখ করা হয়েছে।

এই রিপোর্টে অর্ন্তভুক্ত করা হয়েছে পরিচালকগণের সংক্ষিপ্ত জীবনবৃত্তান্ত, সুনির্দিষ্ট কার্যক্ষেত্রে তাঁদের দক্ষতার প্রকৃতি, পরিচালক এবং বোর্ড সভার সদস্য হিসাবে সংশিষ্ট বিভিন্ন প্রতিষ্ঠানের নাম সমূহ, ১০% বা তাঁর অধিক শেয়ার সম্পন্ন অংশীদারগণের নাম, পেরেন্ট/সাবসিডিয়ারী/ এসোসিয়েটেড কোম্পানী এবং অন্যান্য সংশ্লিষ্ট পক্ষসমূহ (নামসহ বিস্তারিত), পরিচালকগণ ও ইন্ডিপেনডেন্ট পরিচালাকগণদের সম্মানী ভাতা।

প্রস্তুতকৃত আর্থিক বিবরণীতে আর্থিক অবস্থা, ব্যবসায়িক কার্যাবলীর ফলাফল, নগদ প্রবাহ ও মালিকানা সত্ত্বের পরিবর্তন নিরপেক্ষ ভাবে প্রতিফলিত হয়েছে। হিসাবের বই সমূহ যথাযথ ভাবে সংরক্ষণ করা হয়েছে। আর্থিক প্রতিবেদন তৈরীতে হিসাব বিজ্ঞানের উপযুক্ত নীতিগুলোর ধারাবাহিকতা বজায় রাখা হয়েছে। এই নীতিসমূহ ন্যায্যতা ও বিচক্ষণতার সাথে নির্ধারণ করা হয়েছে। আর্থিক প্রতিবেদন তৈরিতে ইন্টারন্যাশনাল অ্যাকাউন্টিং স্ট্যান্ডার্ড (আইএএস)/বাংলাদেশ অ্যাকাউন্টিং স্ট্যান্ডার্ড (বিএএস)/ ইন্টারন্যাশনাল ফিন্যান্সিয়াল রিপোর্টিং স্ট্যান্ডার্ড (আইএফআরএস)/বাংলাদেশ ফিন্যান্সিয়াল রিপোর্টিং স্ট্যান্ডার্ড (বিএফআরএস) এর যতটুকু বাংলাদেশে প্রযোজ্য তা অনুসরন করা হয়েছে এবং ব্যতিক্রম ঘটনাসমূহ যথাযথ ভাবে প্রকাশ করা হয়েছে। অভ্যন্তরীণ নিয়ন্ত্রণ ব্যবস্থা সুপরিকল্পিত এবং প্রতিনিয়ত কার্যকরভাবে এর বাস্তবায়ন ও রক্ষণাবেক্ষণ করা হচ্ছে।

আর্থিক বিবরণী

পরিচালন মুনাফা

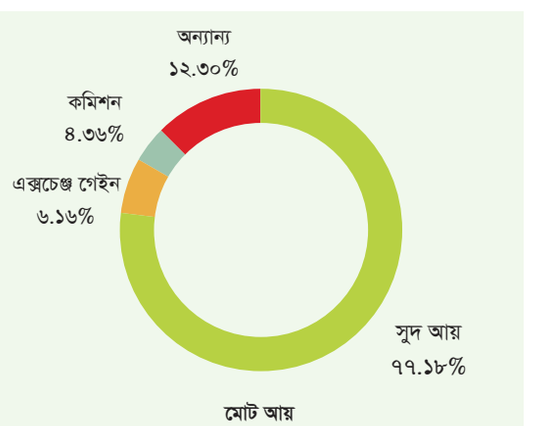
৩১শে ডিসেম্বর, ২০১৭ শেষে ব্যাংকের পরিচালন মুনাফার পরিমাণ দাঁড়িয়েছে ৬,৫৭০.৫৭ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ৪,৪৩৬.৪৪ মিলিয়ন টাকা। ২০১৬ সালে ব্যাংকের নীট সুদ আয়ের পরিমান ছিল ৬,২০৩.৯৮ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ৬,০১৮.৮২ মিলিয়ন টাকা।

(মিলিয়ন টাকা)	
সুদ আয়	১৯,১০১.৩০
বাদঃ সুদ ব্যয়	১২,৮৯৭.৩২
নীট সুদ আয়	৬,২০৩.৯৮
যোগঃ সুদ বহির্ভূত আয়	৫,৬৫০.৩৩
মোট পরিচালন আয়	১১,৮৫৪.৩১
বাদঃ সুদ বহির্ভূত ব্যয়	৫,২৮৩.৭৪
পরিচালন মুনাফা	৬,৫৭০.৫৭

মোট আয়

২০১৭ সালে ব্যাংকের মোট আয় ছিল ২৪,৭৫১.৬৩ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ২০,৮৪৫.৬০ মিলিয়ন টাকা। মোট আয়ের ৭৭.১৮% সুদ, ৬.১৬% এক্সচেঞ্জ গেইন, ৪.৩৬% কমিশন এবং ১২.৩০% অন্যান্য, যা ২০১৬ সালে ছিল যথাক্রমে ৮০.২৩%, ৪.৬২%, ৪.৪৬%এবং ১০.৬৯%।

	(মিলিয়ন টাকা)	
বিবরণ	পরিমাণ	শতকরা
সুদ আয়	১৯,১০১.৩০	৭৭.১৮%
এক্সচেঞ্জ গেইন	১,৫২৬.০৯	৬.১৬%
কমিশন	১,০৭৮.৭৫	৪.৩৬%
অন্যান্য	৩,০৪৫.৪৯	১২.৩০%
মোট	২৪,৭৫১.৩৩	১০০.০০%

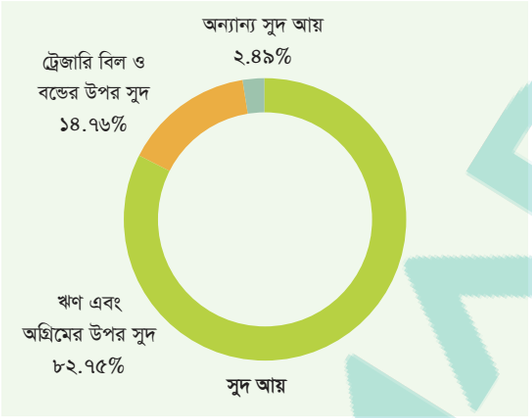


সুদ আয়

২০১৭ সালে ব্যাংক ১৯,১০১.৩০ মিলিয়ন টাকা সুদ আয় অর্জন করেছে, যা ২০১৬ সালে ছিল ১৬,৭৬৯.১২ মিলিয়ন টাকা। মোট সুদ আয়ের মধ্যে ঋণ এবং অগ্রিমের উপর সুদ ৮২.৭৫%, ট্রেজারী ও টি এ্যন্ড টি বন্ডের উপর সুদ ১৪.৭৬% এবং অন্যান্য সুদ আয় ২.৪৯%।

(মিলিয়ন টাকা)

বিবরণ	পরিমাণ	শতকরা
ঋণ এবং অগ্রিমের উপর সুদ	১৫,৮০৩.৮৯	৮২.৭৫%
ট্রেজারি বিল ও বন্ডের উপর সুদ	২,৮২০.৮০	১৪.৭৬%
অন্যান্য সুদ আয়	৪৭৬.৬১	২.৪৯%
মোট	১৯,১০১.৩০	১০০%

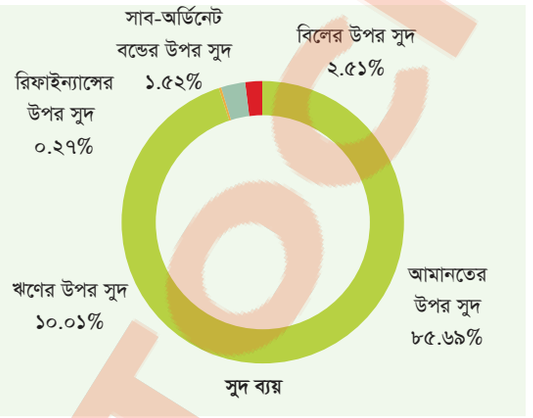


সুদ ব্যয়

২০১৭ সালের শেষে ব্যাংকের সুদ ব্যয় এর পরিমাণ দাড়িয়েছে ১২,৮৯৭.৩২ মিলিয়ন, যা ২০১৬ সালে ছিল ১০,৭৫০.৩০ মিলিয়ন টাকা।

(মিলিয়ন টাকা)

বিবরণ	পরিমাণ	শতকরা
আমানতের উপর সুদ	১১,০৫১.৬৩	৮৫.৬৯%
বাংলাদেশ ব্যাংক রিফাইন্যান্সের উপর সুদ	৩৪.৩৩	০.২৭%
সেকেন্ডারি ট্রেজারি বিলের উপর সুদ	৩২৪.০০	২.৫১%
সাব-অর্ডিনেট বন্ডের উপর সুদ	১৯৬.৬৫	১.৫২%
ঋণের উপর সুদ	১,২৯০.৭১	১০.০১%
মোট	১২,৮৯৭.৩২	১০০.০০%



নীট সুদ আয়

২০১৭ সালে ব্যাংকের নীট সুদ আয় ২০১৬ সালের ৬,০১৪.৮৩ মিলিয়ন টাকা থেকে বৃদ্ধি পেয়ে ৬,২০৩.৯৮ মিলিয়ন টাকায় দাঁড়িয়েছে। ২০১৭ সালে সুদ থেকে ব্যাংকের মোট আয় হয়েছে ১৯,১০১.৩০ মিলিয়ন টাকা এবং সুদ বাবদ ব্যয় হয়েছে ১২,৮৯৭.৩২ মিলিয়ন টাকা।

সুদের নীট মার্জিন

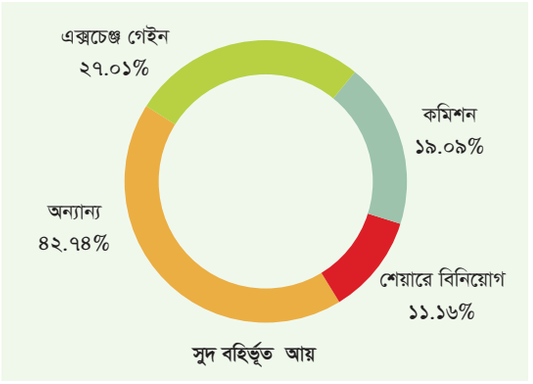
ব্যাংকের সুদের নীট মার্জিন যা নীট সুদ আয় এবং মোট উপার্জনক্ষম সম্পদের সর্ম্পক হতে নির্ণীত হয়, ২০১৭ সালে ছিল ২.৯২%।

সুদ বহির্ভূত আয়

২০১৭ সালে ব্যাংকের সুদ বহির্ভূত আয় দাড়িয়েছে ৫,৬৫০.৩৩ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ৪,০৭৬.৪৮ মিলিয়ন টাকা। মোট সুদ বহির্ভূত আয়ের ২৭.০১% এক্সচেঞ্জ গেইন, ১৯.০৯% কমিশন, বিনিয়োগ থেকে ১১.১৬%, এবং অন্যান্য সুদ বর্হিভূত আয় ৪২.৭৪% যা, ২০১৬ সালে যথাক্রমে ২৩.৩৮%, ২২.৫৬%, ১.৮৪% এবং ৫২.২২% ছিল।

(মিলিয়ন টাকা)

বিবরণ	পরিমাণ	%
এক্সচেঞ্জ গেইন	১,৫২৬.০৯	২৭.০১%
কমিশন	১,০৭৮.৭৫	১৯.০৯%
শেয়ারে বিনিয়োগ	৬৩০.৩০	১১.১৬%
অন্যান্য	২,৪১৫.১৯	৪২.৭৪%
মোট	৫,৬৫০.৩৩	১০০.০০%



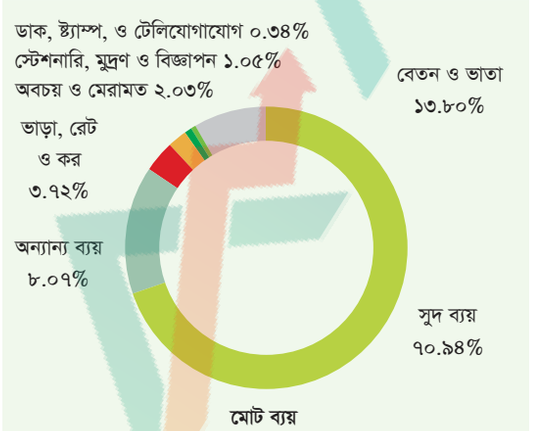
সুদ বহির্ভূত আয়

মোট ব্যয়

২০১৭ সালে ব্যাংকের মোট ব্যয় দাঁড়িয়েছে ১৮,১৮১.০৬ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ১৬,৪০৯.১৬ মিলিয়ন টাকা। মোট ব্যয়ের মধ্যে ৬৯.৭৯% সুদ, ১৪.৮১% বেতন ও ভাতা, ৩.৬৬% ভাড়া, রেট, কর ইত্যাদি, ২.০৬% অবচয় ও মেরামত, ১.০৩% স্টেশনারি, মুদ্রণ ও বিজ্ঞাপন, ০.৩৩% ডাক, ষ্ট্যাম্প ও টেলিযোগাযোগ এবং অন্যান্য ব্যয় ৮.৩২% যা ২০১৬ সালে ছিল যথাক্রমে ৬৪.৬৯%,১৫.৩৯%, ৩.৮৫%, ২.৩২%, ১.১০%, ০.৩৯% ও ১২.২৬% ছিল।

(মিলিয়ন টাকা)

বিবরণ	পরিমাণ	%
সুদ ব্যয়	১২,৮৯৭.৩২	৭০.৯৪%
বেতন ও ভাতা	২,৫০৮.৪৪	১৩.৮০%
ভাড়া, রেট ও কর	৬৭৬.৩৫	৩.৭২%
অবচয় ও মেরামত	৩৭৯.৯৬	২.০৩%
স্টেশনারি, মুদ্রণ ও বিজ্ঞাপন	১৯০.৬৩	১.০৫%
ডাক, ষ্ট্যাম্প, ও টেলিযোগাযোগ	৬১.৪৯	০.৩৪%
অন্যান্য ব্যয়	১,৪৬৮.৮৭	৮.০৭%
মোট	১৮,১৮১.০৬	১০০.০০%



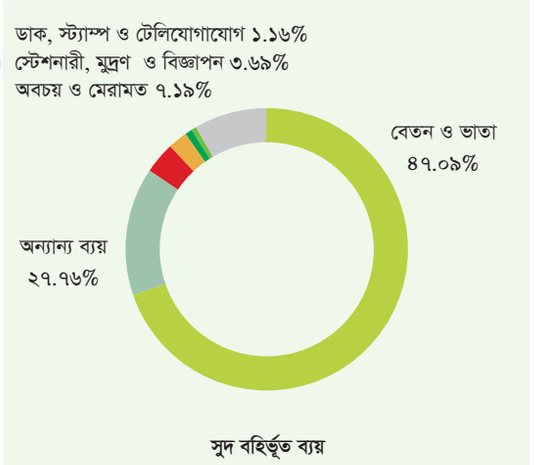
মোট ব্যয়

সুদ বহির্ভূত ব্যয়

২০১৭ সালে ব্যাংকের সুদ বহির্ভূত ব্যয় ২০১৬ সালের ৫,৬৫৮.৮৬ মিলিয়ন টাকা হতে হ্রাস পেয়ে ৫,২৮৩.৭৪ মিলিয়ন টাকায় দাঁড়িয়েছে। মোট সুদ বহির্ভূত ব্যয়ের ৪৯.০৩% বেতন ও ভাতা সংক্রান্ত, ১২.১১% ভাড়া, রেট, কর ইত্যাদি, ৬.৮০% অবচয় ও মেরামত, ৩.৪১% স্টেশনারী মুদ্রণ ও বিজ্ঞাপন, ১.১০% ডাক, ষ্ট্যাম্প ও টেলিযোগযোগ এবং অন্যান্য ২৭.৫৩% যা ২০১৬ সালে ছিল যথাক্রমে ৪৩.৫৯%, ১০.৯০%, ৬.৫৭%,৩.১২%, ১.১০% এবং ৩৪.৭১% ছিল।

(মিলিয়ন টাকা)

বিবরণ	পরিমাণ	%
বেতন ও ভাতা	২,৫০৮.৪৪	৪৭.০৯%
ভাড়া, রেট ও কর	৬৭৬.৩৫	১২.৮০%
অবচয় ও মেরামত	৩৭৯.৯৬	৭.১৯%
স্টেশনারী, মুদ্রণ ও বিজ্ঞাপন	১৯০.৬৩	৩.৬৯%
ডাক, স্ট্যাম্প ও টেলিযোগাযোগ	৬১.৪৯	১.১৬%
অন্যান্য ব্যয়	১,৪৬৬.৮৭	২৭.৭৬%
মোট	৫,২৮৩.৭৪	১০০.০০%



সুদ বহির্ভূত ব্যয়

কর পূর্ব নীট মুনাফা

সর্বপ্রকার সংস্থান রাখার পর ২০১৭ সালে কর পূর্ব নীট মুনাফার পরিমাণ দাঁড়ায় ৪,৩১৭.৭২ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ৩,৪৮৭.৩৬ মিলিয়ন টাকা।

করের জন্য প্রভিশন

২০১৭ সালে কর বাবদ সংস্থান রাখা হয় ১,৩০০.০০ মিলিয়ন টাকা, যা ২০১৬ সালে ছিল ১,২৬০.০০ মিলিয়ন টাকা।

কর পরবর্তী মুনাফা

২০১৭ সালে ব্যাংক ৩,০১৭.৭২ মিলিয়ন টাকা কর পরবর্তী মুনাফা অর্জন করেছে, যা ২০১৬ সালে ছিল ২,২২৭.৩৬ মিলিয়ন টাকা।

		(মিলিয়ন টাকা)
সুদ আয়	১৯,১০১.৩০	
সুদ ব্যয়	১২,৮৯৭.৩২	
নীট সুদ আয়		৬,২০৩.৯৮
সুদ বহির্ভূত আয়	৫,৬৫০.৩৩	
সুদ বহির্ভূত ব্যয়	৫,২৮৩.৭৪	
নীট সুদ বহির্ভূত আয়		৩৬৬.৫৯
করপূর্ব মুনাফা		৬,৫৭০.৫৭
সংস্থান		
অশ্রেণীবিন্যাসিত ঋণের বিপরীতে সংস্থান	৬৬৭.৫৮	
শ্রেণী বিন্যাসিত ঋণের বিপরীতে সংস্থান	১,২৯৮.৫১	
উদ্বৃত্ত পত্র বহির্ভুত আইটেমের বিপরীতে সংস্থান	২৮৬.৭৬	২,২৫২.৮৫
কর পূর্ব মুনাফা		৪,৩১৩.৭২
কর বাবদ সংস্থান		১,৩০০.০০
কর পরবর্তী মুনাফা		৩,০১৭.৭২

লভ্যাংশ

ব্যাংকের পরিচালনা পর্ষদ ২০১৭ সালের জন্য ১৭ শতাংশ নগদ এবং ৫ শতাংশ স্টক লভ্যাংশ সুপারিশ করেছে। ব্যাংক ২০১৬ সালে ১৫ শতাংশ নগদ এবং ৫ শতাংশ স্টক লভ্যাংশ প্রদান করেছিল।

শেয়ার প্রতি আয়

স্টক এক্সচেঞ্জ এ অন্তর্ভুক্ত হওয়ার পর থেকে এখন পর্যন্ত ব্যাংক শেয়ার প্রতি ধনাত্মক আয় অর্জন করে আসছে। ২০১৭ সালের শেষে ব্যাংকের শেয়ার প্রতি আয় দাড়িয়েছে ৩.৮৯ টাকা, যা ২০১৬ সালে ছিল ৩.০১ (পুনঃ মূল্যায়ন ২.৮৭) টাকা।

পরিচালনা দক্ষতা অনুপাত

২০১৭ সালে ব্যাংকের পরিচালনা দক্ষতা অনুপাত দাঁড়িয়েছে ৭৩.৬৩%, যা ২০১৬ সালে ছিল ৭৮.৭২%। এই অনুপাত ব্যাংক কতটা দক্ষতার সাথে কাজ সম্পন্ন করেছে তা নির্দেশ করে।

পরিচালনা দক্ষতা অনুপাত

	২০১৭	২০১৬
মোট ব্যয়	১৮,১৮১.০৬	১৬,৪০৯.১৭
মোট আয়	২৪,৭৫১.৬৩	২০,৮৪৫.৬০
পরিচালনা দক্ষতা অনুপাত	৭৩.৪৫%	৭৮.৭২%

২০১৮ এর কার্যক্রম

২০১৮ সালে ব্যাংক তার ঋণ পোর্টফোলিও গ্রাহক এবং ব্যবসা ভেদে বহুমুখী করে মানসম্পন্ন সম্পদের বৃদ্ধির মাধ্যমে ঝুঁকি এবং অর্জনের মাঝে সামঞ্জস্যতা বিধান করে তার সুদৃঢ় অবস্থান আরও সুসংহত করার প্রয়াস চালিয়ে যাবে। তারল্য ব্যবস্থাপনার ক্ষেত্রে ব্যাংক সুষম আমানত কাঠামো (চলতি এবং সঞ্চয় আমানত বৃদ্ধির মাধ্যমে) সুদৃঢ় করার উপর জোর প্রদান করে যাবে। একইসাথে, আমাদের গ্রাহকদের আধুনিক এবং উন্নতমানের সর্বপ্রকার ব্যাংকিং সুবিধা প্রদানের লক্ষ্যে আমাদের প্রচেষ্টা অব্যাহত থাকবে এবং পাশাপাশি ভবিষ্যতের চ্যালেঞ্জ মোকাবেলায় আমাদের কর্মীবাহিনীর দক্ষতা বৃদ্ধির লক্ষ্যে কাজ করে যাবো। ব্যবসায়িক সাফল্য ধরে রাখতে ও ব্যাংকে সংশিষ্টদের কল্যাণার্থে ব্যাংক কর্পোরেট সু-শাসন প্রতিষ্ঠা, সঠিক ঝুঁকি ব্যবস্থাপনা নীতি, বিচক্ষণ ঋণ নীতি ও প্রয়োগ কৌশল গ্রহণ করেছে যেন ব্যাংক দীর্ঘমেয়াদি অগ্রগতি অর্জন ও লাভবান হতে পারে। একই সাথে, ব্যাংক তার

প্রতিষ্ঠানিক সামাজিক দায়িত্ব তথা সিএসআর কার্যক্রম শিক্ষা এবং চিকিৎসা খাত ছাড়িয়ে অন্যান্য খাতেও জোরদার করবে।

কৃতজ্ঞতা

মার্কেন্টাইল ব্যাংক আগামী দিনের চ্যালেঞ্জ দক্ষতার সাথে মোকাবেলার লক্ষ্যে আত্মবিশ্বাসী। আমরা বিশ্বাস করি, মার্কেন্টাইল ব্যাংক গ্রাহকবৃন্দকে শ্রেয়তর সেবা প্রদানের মাধ্যমে বাংলাদেশের প্রথম সারির আর্থিক সেবা প্রদানকারী সংস্থা হিসেবে নিজেদের অবস্থান সুদৃঢ় করতে সক্ষম।

ব্যাংকের পরিচালনা পর্ষদ সঠিক ও সময়োপযোগী নির্দেশনা, পরামর্শ এবং সহায়তার জন্যে আন্তরিক কৃতজ্ঞতা প্রকাশ করছি গণ-প্রজাতন্ত্রী বাংলাদেশ সরকার, অর্থ মন্ত্রণালয়, বাংলাদেশ ব্যাংক, বাংলাদেশ সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশন, ঢাকা স্টক এক্সচেঞ্জ, চট্টগ্রাম স্টক এক্সচেঞ্জ ও রেজিস্ট্রার অব জয়েন্ট স্টক কোম্পানিজ এ্যান্ড ফার্মস এর প্রতি।

ব্যাংকের পরিচালনা পর্ষদ ব্যাংকের সকল কর্মকর্তা-কর্মচারীদের ব্যাংকের উত্তোরত্তর সমৃদ্ধির লক্ষ্যে তাদের অক্লান্ত প্রচেষ্টার জন্য অভিনন্দন জানাচ্ছে। পাশাপাশি ধন্যবাদ এবং অভিনন্দন জানাচ্ছি ব্যাংকের সকল গ্রাহক, পৃষ্ঠপোষক, শেয়ার হোল্ডার ও শুভানুধ্যায়ীদের, যাদের অব্যাহত সমর্থন এবং সহযোগিতায় আমরা অব্যাহত ভাবে সাফল্য অর্জন করে চলেছি।

পরিচালনা পর্ষদের পক্ষে

এ.কে.এম. সাহিদ রেজা
চেয়ারম্যান

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Statement of Directors' Responsibility
for Internal Control & Financial Reporting

Responsibility to Financial Statements

The Directors are responsible for ensuring that the Bank keeps proper books of accounts of all the transactions and prepares financial statements, which give a true and fair view of the state of affairs and profit/loss for the year.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements. It ensures that the estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, so that they reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's true state of affairs.

The Board of Directors confirms that the International Financial Reporting Standard (IFRS) and International Accounting Standards, as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh, have been adhered to, subject to any material departure being disclosed and explained in the notes to the accounts. The Board also confirms that the Company keeps accounting records, which enables it to ensure that the financial statements comply with the requirements of the Companies Act, 1994, Bangladesh Securities and Exchange Rules 1987, Financial Institution Act 1993 and Listing Regulations of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited and amendments thereto.

Responsibility to Internal Control Systems

To ensure this, the Bank has taken proper and sufficient care in installing a system of internal control, which is reviewed, evaluated and updated on an ongoing basis. The Internal Control & Compliance Division of the Bank conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed.

Opinion of the External Auditors

The auditors of the Bank, Syful Shamsul Alam Co., Chartered Accountants and Aziz Halim Khair Choudhury, Chartered Accountants have carried out annual audits to review on the system of internal controls, as they consider appropriate and necessary, for expressing their opinion on the financial statements. They have also examined the financial statements made available by the management together with all the financial records, related data, minutes of shareholders and Board Meetings, relevant policies and expressed their opinion.



A.K.M. Shaheed Reza
Chairman



Corporate Governance Report

Corporate Governance is the procedure by which an organization is controlled and directed to set it's values. In financial sector, a well-structure Corporate Governance framework helps to conquer its long run vision & mission and ensure a correlation among the board, bank's management, shareholders and stakeholders. Effective corporate governance is crucial for appropriate functioning of the banking sector and the economy as a whole.

In banking sector, the practice of good corporate governance within the organization is vital in enhancing shareholders' value, acquiring customers' confidence and loyalty as well as strengthening employees' commitment to comprehend the bank's aspiration of becoming country's leading financial service provider.

In Mercantile Bank, we have a set of rules of Corporate Governance which are abided by law and Central Bank guidelines and are reviewed regularly by the Board. If necessary they are being amended to ensure best practice of corporate governance.



A good corporate governance policy reduces risk, stimulates performance, improves access to capital markets, enhances the marketability of goods and services, improves leadership, demonstrates transparency and social accountability. Corporate governance also determines the allocation of authority and responsibilities by which the business and affairs of a bank are carried out by its shareholders, board and senior management, including how they:

- establish control functions and set the bank's strategy and objectives;
- select and oversee human resources;
- operate the bank's business on a day-to-day basis;
- protect the interests of depositors, meet shareholder obligations, and take into account the interests of other recognized stakeholders;
- align corporate culture, corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

Corporate governance framework of MBL

MBL believes that measures to implement good corporate governance must be in place and ingrained in the Bank's philosophy. It ensures that the business is run responsibly and in turn safeguards all its stakeholders' interest in conformity with public interest on a sustainable basis. By being efficient & professional to the organization, MBL retains an environment of strong corporate governance through escalating the stakeholders' value. MBL maintains its excellent brand image; reflected by consistent financial performance for its stakeholders. As a locally incorporated bank, MBL's Corporate Governance

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framework has been developed and enhanced based on the basic principles and best practices outlined in the following:

- The Bank Company Act, 1991 (amended upto 2013);
- Relevant provision/clause of Companies Act 1994;
- Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission;
- Circular of Banking Regulation & Policy Department, Bangladesh Bank and other relevant circular published by Bangladesh Bank;
- Corporate governance principles for bank published by Bank for International Settlements (BIS);
- Standards of Business Conduct, Policies and Guidelines of the Company;
- Articles of Association of the Bank;
- Internal Policies and Guidelines
- Local and Global best practices.

In implementing the framework of long term value creation, MBL has established a foundation of governance excellence which fortifies its information gathering and decision making capabilities, which enables it to discharge its duties towards its stakeholders with utmost responsibility, transparency and accountability. It also recognizes that sound governance practices, transparency and accountability are all non-negotiable facets in its entire business ethos.

The Board of Directors, Chairman and CEO

MBL gives utmost importance to key parameters of corporate governance such as board system and its independence, function of board sub-committees, fair financial reporting, disclosure and compliance, and consistency of shareholders value enhancement. Helmed by a Chairman, the Board of the bank set the strategic direction and risk appetite. It also approves capital and operating plans for achieving strategic objectives, on the recommendation of management.

Board qualifications and composition

Principle: *Board members should be and remain qualified, individually and collectively, for their positions. They should understand their oversight and corporate governance role and be able to exercise sound, objective judgment about the affairs of the bank.*

Board Composition

The board has overall responsibility for the bank, including approving and overseeing management's implementation of the bank's strategic objectives, governance framework and corporate culture. The Board is allowed seeking external professional advice on any issue they deem necessary. The Directors provide a wealth of knowledge, experience and skills in the key areas of accountancy, law, international business operations and development, finance and risk management, amongst others. In line with Articles of Association, MBL has eleven elected Board of Directors, including the Managing Director & CEO. It is well-structured with a Chairman, one Vice Chairman and two Independent Directors. A.K.M. Shaheed Reza is the Chairman, while Md. Abdul Hannan is the Vice Chairman of the Board.

MBL always complies with the direction of the regulatory authorities regarding the appointment of directors. Bangladesh Bank circulars, BSEC notification, provisions of Bank Company Act and Companies Act are strictly followed.

Policy on Board Appointment Process

MBL always complies with the direction of the regulatory authorities regarding the appointment of Directors. Directors are appointed following Bangladesh Bank circulars, relevant provision/clause of Companies Act 1994, Bank Company Act 1991 (amended up to 2013), Corporate Governance Guidelines of BSEC, and Articles of Association of the Bank. With regards to nomination, removal and casual vacancy of the directors, Bank follows all relevant rules and regulations of the respective regulatory bodies. The members of the Board are elected each year in the Annual General Meeting (AGM) by the Shareholders of the Bank. In assessing the collective suitability of the board, the following issues are taken into account by the Bank:

- The BoD consists of noted entrepreneurs and business professionals having experience and acumen in diverse range of businesses and operations.
- Collectively they have enriched the Board with the knowledge and expertise in banking and finance, IT, accounting, marketing, administration, and engineering.
- Their rich and diverse backgrounds have given the Board a vantage point in directing and monitoring the Bank to achieve its desired objectives.

Retirement and Election of Directors

As per Companies Act, Bank Companies Act and Articles of Association of the Company, each year one-third of the Directors retire from the office of directors and depending on eligibility, may offer themselves for re-election by shareholders at the Annual General Meeting. Therefore, by rotation, every director is required to submit themselves for re-nomination and re-election by shareholders at regular intervals of at least once every three years. A retiring Director shall be eligible for re-election.

Representation of Non-Executive Director

All the Directors of MBL including the Chairman are Non-Executive Directors except the Managing Director & CEO.

Independent Director

In compliance with Bank Company Act, 1991 (ammended up to 2013) and BSEC Notification No.SEC/CMRRCD/2006-158/134/ Admin/44 dated August 07, 2012, MBL has appointed two Independent Directors in the Board. They are Dr. Mahmood Osman Imam, MBA, FCMA and Dr. Md. Rahmat Ullah. Dr. Mahmood Osman Imam, MBA, FCMA is the Chairman of our Audit Committee. MBL encourages effective representation of independent directors in its BoD so that as a team it possesses core competencies relevant to banking business. The independent directors being conversant in the field of financial, regulatory and corporate laws enjoy full freedom to carry out their assigned responsibilities.

Independent Director's independence

In order for a Director to be eligible as an Independent Director, the Board establishes that the Director has no substantial relationship with MBL either as a partner, shareholder or officer of an organization that has a relationship with MBL that would prevent that nominee from becoming an Independent Director. For the purpose of true independence, Board decided that its Independent Directors do not hold any share of the Company; not associated with the Company's Promoters or Directors or Shareholders who maintains one percent or more of the total paid up share of the Company; not related with the existing Directors or families; does not have any other relationship, whether monetary or otherwise with the company or its subsidiary/associate companies; not a member, Director or officer of any Stock exchange and who is not a shareholder, Director or officer of any stock exchange or an intermediary of the capital market. The Independent Director is appointed for a period of three years which may be extended by one term only. A person cannot be appointed Independent Director who has already been appointed such Director of three other listed companies. The Board ensures that all these guidelines are strictly followed by the Independent Directors appointed by them.

Board Effectiveness

The Board has a fiduciary role for setting the strategic direction and long-term goals of the company. The Board's responsibilities include decision-making on major business strategies; appointment and confirmation of the Bank's leaders; approval on big funding and investment proposals, annual budget and financial plans; and reviews to ensure MBL's long-term success for the benefit of the stakeholders. The Board will also guarantee that effective policies are in place and sound decisions are made to ensure MBL's smooth operation. Regular meeting of the Board is held, at least once in a month. In 2017, 21 Board Meetings were held. At these meetings, the Board reviews the Company's financial performance, corporate strategy, business plans, potential strategic acquisitions or alliances, strategic or significant operational issues and significant matters attended to by Board committees. The Board also reviews the Company's long term corporate strategy and business plans and budget, including principal issues and challenges.

Board's overall responsibilities

Principle: *The board has overall responsibility for the bank, including approving and overseeing management's implementation of the bank's strategic objectives, governance framework and corporate culture.*

To ensure good governance in the bank management it is essential to have specific demarcation of responsibilities and authorities among controlling bodies over bank affairs. In the Bank Company Act, 1991 (amended upto 2013) the newly included Section 15(kha) & (ga) give responsibility to the board of directors for establishing policies for the bank company, for risk management, internal controls, internal audit and compliance and for ensuring their implementation. The main roles and responsibilities of the Board of Directors as envisaged in the BRPD Circular No.11 dated 27 October, 2013 are the following:

- Reviewing and approving the strategies and business plans for the bank

- Fixation of operational budgets
- Approval of financial statements
- Review of Bank's operational performance towards achievement of objectives
- Approval of policies and operational manuals to establish effective risk management in core banking areas and internal control.
- Reviewing company's corporate governance standard for further improvement
- Determining Bank's corporate social responsibility status and taking steps for its improvement
- Developing compliance culture in the Bank
- Approving proposals which are beyond the delegated business / financial / administrative powers of the Management
- Appointment of the Managing Director (CEO) and fixation of his benefits
- Purchase or acquire property for the Bank
- Providing welfare to the employees
- Making donation for any charitable ventures
- Devising annual work plan for goals and monitoring its pace of achievement.
- Analyzing reasons for success or failure of Bank's annual budget achievement
- Periodical review of Bank's operational budget achievement
- Taking risk management initiatives
- Review of sufficiency and requirement for internal control efforts of the Bank
- Reviewing Bank's human resource policy
- Bank's financial management and its periodical review
- Approving policies or taking Policy decisions for improvement of operation and compliance culture in the Bank.

The Board duly complies with the guidelines issued by Bangladesh Bank, BSEC, Bank Company Act and Company Act regarding the responsibility and accountability of the Board, its Chairman and Managing Director.

Chairman of the Board

The Chairman of the Bank is elected by the Board of Directors and the Board considers the Chairman independent. The Chairman is independent of the CEO, and this has been in practice since inception of the Bank. This also complies with Section 1.4 of the BSEC's notification on Corporate Governance Guidelines.

Roles and Responsibilities of the Chairman

The chairman of the board plays a crucial role in the proper functioning of the board. To promote checks and balances, the chairman of the board Mr. A.K.M. Shaheed Reza is an independent and non-executive board member. The roles and responsibilities of the Chairman are outlined in compliance with BRPD Circular No.11 dated 27 October 2013 issued by Bangladesh Bank and Corporate Governance Notification issued by BSEC on 07 August 2012. The major role and responsibilities of the Chairman are:

- The Chairman of the Board does not participate in or interfere into the administrative or operational affairs of the bank since he does not personally possess the jurisdiction to apply policymaking or executive authority.
- Sometimes the Chairman conducts on-site inspection of bank-branch or financing activities under the purview of the oversight responsibilities of the Board. He has the right to call for any information relating to bank's operation for investigation into any such affairs and thereby submit such information or investigation report to the meeting of the Board or to the executive committee and, if considered necessary, with the approval of the Board, he may adopt pragmatic initiatives with reference to the set rules through the CEO. Besides, any complaint raised against the CEO is required to be apprised to Bangladesh Bank through the Board along with the statement of the CEO.

Besides this, the Chairman may/shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank. The Chairman's responsibility is defined by the Board as directed by BSEC's notification on Corporate Governance Guidelines.

Managing Director & Chief Executive Officer

In order to strengthen the financial base of the bank and obtain confidence of the depositors, one of the responsibilities of the Board of Directors is the appointment of an honest, efficient, experienced and suitable chief executive. Kazi Masihur Rahman, as CEO, ensures that the financial management practice is performed at the highest level of integrity and transparency. According to Clauses 129.4 of the Article of Association of MBL, the CEO is an ex-officio Director of the bank. The detail information of CEO is given in separate part of director's information under page no. 30 . The roles and responsibilities of CEO are set out in compliance with BRPD Circular Letter No. 18 dated 27 October 2013 issued by Bangladesh Bank and

Corporate Governance Notification issued by BSEC on 07 August 2012.

- In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.
- The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging routine functions of the bank.
- At the time of presenting any memorandum in the Board Meeting or Board Committee Meeting, the CEO must point out if there is any deviation from the Bank Company Act, 1991 and other relevant laws and regulations.
- The CEO shall report to Bangladesh Bank any violation of the Bank Company Act, 1991 or of other laws/regulations.
- The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board.
- The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.

Besides, the Managing Director shall assume any other responsibility if the Board assigns within the purview of the Rules, Regulations, Acts and Articles of the Bank.

Separation of Chairman and Chief Executive Officer Roles

The functional responsibilities of the Chairman of the Board and of the Managing Director & CEO are kept separate and independent of each other. In compliance with Bangladesh Bank BRPD Circular No. 11 and Circular Letter No. 18 dated 27 October 2013 and Clause 1.4 of BSEC CG Guidelines dated 07 August 2012, we report that the Chairman of the Board Mr. A. K. M. Shaheed Reza has been elected from among the Directors and there are clear and defined roles and responsibilities of the Chairman and the Managing Director & Chief Executive Officer Mr. Kazi Masihur Rahman.

The Chairman of the Company is responsible for leading the Board and ensuring that it is operating to the appropriate governance standards. He also approves the agenda for the Board meetings, assisted by the Managing Director and the Company Secretary.

On the other hand, CEO, being the Head of management team of the Bank, is accountable to the Board and its Committees to run and manage the Bank in accordance with the prescribed policies, principles and strategies established by the Board and rules, regulations and guidelines from the Central Bank, BSEC and other regulatory authorities.

Roles of the Company Secretary

The Company Secretary of the Bank ensuring the Bank complies with its governing document, policies, company law and any other relevant legislation i.e. regulations with Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and Registrar of Joint Stock Companies etc., support and advice the Chair by ensuring the smooth functioning of the Board. Mr. Saiful Alam, FCS, Senior Vice President is the Company Secretary of MBL. The key roles and responsibilities of company secretary are:

- acts as a point of communication between the management, Board of directors, company shareholders, reporting in a timely and accurate manner on company procedures and developments.
- responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations, as well as best practices of governance.
- act as the Secretary to the Audit Committee/Risk Management Committee of the Board of Directors.
- acts as a custodian of Bank governing documents and policies and overall interests of the Bank.
- responsible for advising the directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Bank, prohibition on dealing in securities and restrictions on disclosure of price sensitive information.

So it is his prime duty to protect and safeguard such interests of the Bank at all levels: statutory, administrative, and arbitrational and in other policy matters.

Independence of Non-Executive Directors

All the Non-Executive Directors enjoy full freedom to carry out their coveted responsibilities. They attend Board meetings regularly and participate in the deliberation and discussions effectively. They actively involve in the matter of formulation of general strategies of the Bank. But they do not participate in or interfere into the administrative or operational or routine affairs of the Bank. However, they ensure confidentiality of the Bank's agenda papers, discussions at the Board/Committee Meetings, Notes and Minutes.

Annual Appraisal of the Board's Performance

The Board members have always taken decisions that have benefitted the Bank as a whole and they have always performed their duties accordingly. The Board conducts an annual assessment of the performance and effectiveness of the Board as a whole and of its Committees and individual directors. Performance of each Committee of the Board is initially discussed and reviewed within each Committee and then subsequently reviewed as part of the Board's annual assessment. In addition, evaluation of the Board also takes place at the AGM by the Shareholders.

Annual Evaluation of the MD & CEO by the Board

While reappointing the CEO, an evaluation report approved by the board of directors should be submitted to Bangladesh Bank by the chairman of the Board. The CEO is also evaluated on an annual basis and is also given Key Performance Indicators (KPI's) for the years ahead. MBL Board of Directors clearly defined and approved the roles, responsibilities and duties of the Chief Executive Officer (CEO). Key evaluation indicators for CEO as well as Management is Profitability, Yearly budget achievement, NPL ratio, Return on Equity, Return on Assets, Earning per Share, Capital Adequacy Ratio, CAMELS Rating etc. are the common ones which are reviewed by Board of Directors on monthly basis.

Managing Director and Directors' Remuneration or Benefit

The determination of remuneration packages for Directors including the Managing Director is a matter for the Board as a whole following the Bangladesh Bank BRPD Circular no. 09 dated 19th September 1996 after independent benchmarking with relevant external peers. MBL can provide only the following facilities to the:

- The Chairman of the Board of Directors may be provided office chamber, private secretary, car, and telephone;
- In addition to the above, Directors are entitled to get fees and other benefits for attending the Board, EC meetings;
- Managing Director is paid salaries, allowances and other facilities as per approval of the Board and the Bangladesh Bank.

The bank has fully complied with the Bangladesh Bank Circular and Instructions.

Policy on training of Board of Directors

Mercantile Bank is fully committed to maintain highest standards of Corporate Governance and professionalism. Most of the Directors of the Bank are on the Board for many years. They have acquired enough knowledge and acumen to lead the Bank well to the path of progress. Training of Directors includes providing training and information on the latest update related to banking business such as relevant laws, policy guidelines, circulars, rules and regulations issued by the regulatory authorities; so that they could effectively discharge the responsibilities as a Director of the Bank. For this purpose, training at home and abroad especially on the Corporate Governance is encouraged by the board. As such, whenever opportunities arise, bank utilizes the same to train and orient its members. There are also records of Directors taking part in Training Courses abroad on Corporate Governance.

Directors' Knowledge and Expertise in Finance and Accounting

The Board of Directors of MBL comprises of members who boast a wide diversity of knowledge and experience in finance, economics, management, business administration, marketing etc. Majority of other Directors are either successful entrepreneurs or seasoned professionals, are also well conversant in the field of business, economics and administration. Board of Directors of MBL can devise the appropriate policy for the growth of the bank while having expertise skills, ability to perceive matters in a bigger perspective and adequate independence to review the management in a sensible manner.

Board meetings and attendance of Directors:

Sl. No	Name of the Directors	No. of meetings	Total attendance
1.	A.K.M. Shaheed Reza	21	21
2.	Md. Abdul Hannan	21	16
3.	Md. Anwarul Haque	21	17
4.	Dr. Mahmood Osman Imam (Independent Director)	21	20
5.	M. Amanullah	21	16
6.	Al-Haj Akram Hossain (Humayun)	21	19
7.	Mohd. Selim	21	21
8.	Morshed Alam, MP	21	17
9.	Md. Shahabuddin Alam	21	12
10.	Dr. Md. Rahmat Ullah (Independent Director)	18	16

Directors' Report on Compliance with Best Practices on Corporate Governance:

The status of compliance of corporate governance guidelines issued by BSEC have been presented in page no. 116. MABS & J Partners, Chartered Accountants duly certified the compliance status of corporate governance guidelines and issued a report which is presented in page no. 115.

Vision/Mission and Strategy of the Bank

Vision/Mission approved by Directors: The Board of Directors has approved the vision and mission statements of Mercantile Bank and strictly maintains it and ensures every individual in the organization complies with them. There is strong belief about it within the organization. The Vision and Mission statements can be found on page 06 .

Business objectives and areas of business focus: MBL's Board always sets business objectives and areas of concentration are set according to their own objectives and the market condition. The latest business objectives and areas of business focus can be found in the annual report on page 07 & 19 respectively.

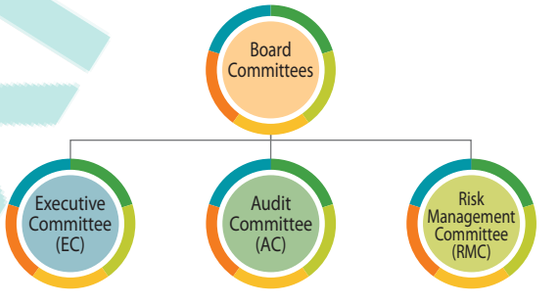
Strategies to achieve the business objectives: MBL always sets up a Strategic Action Plan at the start of the financial year to align with the business objectives and strategies for the year. The Board always gives direction to the management of the Bank on how the Bank is to be managed for the upcoming year. Strategies set to achieve the business objectives can be found in the annual report on page 11.

Board own structure and practice

Principle: *The board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.*

Board Committees

To ensure good governance in bank management, Bangladesh Bank issued a circular (BRPD Circular No. 11 dated 27 October 2013) restricting banks to form more than three committees or sub-committees of the Board. To ensure proper accountability and transparency through 'due diligence' and increase efficiency through focusing deeply in specific areas, MBL has three Board committees namely Executive Committee, Audit Committee and Risk Management Committee mainly to oversee and direct the operations, performance and strategic direction of the Bank. The Board delegates some of its responsibilities to the above Board Committees, which were formed to assist the Board in implementing its duties and responsibilities within the bounds of good corporate governance.



Executive Committee (EC)

In Compliance with Section 15B (2) of Bank Company Act 1991 (amended up to 2013) and BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of MBL has constructed the Executive Committee (EC) of the Board with five members (maximum limit is seven members). None of them are the members of Audit Committee of the Board. Each member is capable of making valuable and effective contributions in the functioning of the committee and has adequate understanding of the detailed responsibilities of the committee membership as well as the bank's business, operations and its risks. The Company Secretary acts as the secretary of the committee. The Executive Committee makes a decision upon all routine and day-to-day operational functioning of the Bank. 39 (Thirty Nine) meetings of Executive Committee were held in the year 2017. The Composition of Executive Committee is as follows:

Sl No.	Composition of Executive Committee	Position
01.	Md. Anwarul Haque	Chairman
02.	Al-Haj Akram Hossain (Humayun)	Member
03.	Mohd. Selim	Member
04.	Morshed Alam, M.P	Member
05.	Md. Shahabuddin Alam	Member

The Committee ensures properly and timely implementation of Polices and guidelines through the management. In Compliance with BRPD Circular No. 11 dated 27 October 2013, Executive Committee discharges the following roles and responsibilities:

- The executive committee decides or acts in those cases as instructed by the Board of directors that are not specifically assigned on full board through the Bank Company Act, 1991 and other laws and regulations.
- The executive committee takes all necessary decision or approves cases within power delegated by the board of directors.
- All decisions taken in the executive committee are ratified in the next board meeting.

Audit Committee (AC)

MBL board approves the objectives, strategies and overall business plans of the bank and the audit committee assists the board in fulfilling its oversight responsibilities. The committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, and the bank's process for monitoring compliance with laws and regulations and its own code of business conduct. The Committee carries out its functions based on the Terms of Reference (ToR) approved by the Board and is accountable to the Board of Directors of the Bank.

Salient Features of the Audit Committee of the Board: Audit Committee Charter has some salient features, such as:

- The Audit Committee should be composed of at least 3 (three) members from the Board;
- The Chairman of the Audit Committee should have professional knowledge and relevant financial expertise;
- The Chairman of the Board of Directors shall not be a member of the Audit Committee;
- The Managing Director & CEO or the Chairman of the Board may be invited to attend on the Audit Committee meetings as and when required;
- Audit Committee meetings must be held quarterly to monitor internal and external audits;
- Audit Committee must prepare reports on all meetings for the Board of Directors and report annually to Shareholders.

Appointment and Composition of Audit Committee: In compliance with Bangladesh Bank BRPD Circular No.11 dated 27 October 2013 and BSEC's Corporate Governance Guidelines dated 07 August 2012, Audit Committee of MBL Board has been re-constituted by the BoD from time to time to review and oversee company's financial reporting, nonfinancial corporate disclosures, internal control systems and compliance to governing laws, rules and regulations etc. independently. The Committee constituted by the Board with 4 members and plays its role according to its Charter. The Composition of the Audit Committee is as follows:

SN	Composition of Audit Committee	Position
01.	Dr. Mahmood Osman Imam, MBA, FCMA	Chairman
02.	Md. Abdul Hannan	Member
03.	M. Amanullah	Member
04.	Dr. Md. Rahmat Ullah	Member

Chairman of the audit committee:

The Chairman of the Audit Committee is a BSEC approved independent non-executive director, who is not involved in the day to day operations of the bank. The Audit Committee Chairman is Dr. Mahmood Osman Imam, MBA, FCMA. He is an Independent Non-Executive Director who performs his duties with full freedom. He is an experienced individual and qualified to be the Chairman of the Audit Committee. Dr. Imam is a financial analyst and capital market specialist. The Chairman did MBA and Ph.D in Applied Economics at K.U. Leuven, Belgium.

Members are Non-Executive Directors:

All members of the audit committee are Non-executive Directors. No executive of the Bank is eligible to become a member of the audit committee. Also, no member of Executive Committee has been nominated as the member of the audit committee.

Qualification of Members:

All members of the audit committee are financially literate and they have enough knowledge and

expertise in the field of Accounting and Finance. Moreover, all members of the audit committee have reasonable knowledge on banking business, its operations, and risks involved in it. The Chairman of the audit committee is a highly distinguished fellow of Chartered Management Accountants; hence he brings a high level of expertise in the areas of risk based internal auditing, finance and accounting to the committee.

Terms of Reference (ToR):

The ToR of the audit committee of MBL has been framed in line with the provisions of BRPD Circular No. 11 dated 27 October 2013, Corporate Governance Guidelines issued by BSEC on 07 August 2012, Company Act 1994, DSE & CSE listing regulation and bank's own policies and manuals and other best practice corporate governance guidelines and standards.

Internal Audit activity investigation:

The Audit Committee established terms and guidelines so that it could function effectively and smoothly. These terms and guidelines were created to define the roles and responsibilities of the Audit Committee. The committee is also empowered to investigate/enquiry employees and retain external counsel when required.

Head of Internal Control & Compliance Division's Access to Audit Committee:

MBL's ICCD has a broad scope of work to investigate at all levels. It is independent from the Management, with a direct access to the Board of Directors and the Audit Committee of the Board. ICCD has the authority to propose initiatives and changes directly to the Board of Directors. Accordingly, The Board of Directors formulates policy for the Bank.

Meeting of the Audit Committee:

The Audit Committee of MBL held 11 (Eleven) meetings in 2017 and had detailed discussions and review session with the Head of ICC, Head of Internal Audit, External Auditors regarding their findings, observations and suggestions with corrective measures on the related areas and on other issues of Bank affairs that need improvement. The AC instructed the management to follow those suggestions and monitored accordingly from time to time.

Roles and Responsibilities of the Audit Committee

In compliance with Bangladesh Bank BRPD Circular No.11 dated 27 October 2013 and BSEC's Corporate Governance Guidelines dated 07 August 2012, the audit Committee is mainly responsible for the following:

Audit Committee role on Regulatory Compliance

- Reviewing whether the laws and regulations framed by the regulatory authorities (central bank and other bodies) and internal regulations approved by the Board have been complied with;
- Ensuring compliance with laws, regulations and timely settlement of statutory dues;
- Guiding in the implementation of Corporate Governance in the organization;
- Reviewing the content and statements for the understandable and fair presentation of the annual report;
- Approving certain policies in accordance with regulatory requirements.

Audit Committee role on Financial Reporting

- Reviewing the audited financial statements with management and the external auditors to ensure that the financial statements are fairly presented in conformity with the accounting standards set by the regulatory authority in all material aspects;
- Meeting with management and the external auditors to review the financial statements before their finalization;
- Discussing with management the MBL's major financial risk exposures and the steps that management has taken to monitor and control such exposures;
- Guiding bank's management in view of optimum usage and allocation of financial resources.

Audit Committee role on establishing Internal Control

- Reviewing the measures taken by the management for building a suitable Management Information System (MIS) including computerization system and its applications;
- Regarding the reports relating to fraud, forgery, deficiencies in internal control or other similar issues detected by internal and external auditors and inspectors of the regulatory authority and place it before the board after reviewing the corrective measures taken by the management;

- Evaluating whether management is setting the appropriate compliance culture by communicating the importance of internal control and the management of risk and ensuring that all employees have understanding of their roles and responsibilities;
- Reviewing internal control strategies recommended by internal and external auditors have been implemented by the management;
- Reviewing the existing risk management procedures for ensuring an effective internal check and control system

Audit Committee role Internal Audit

- Examining the efficiency and effectiveness of internal audit function;
- Guiding and reviewing "Internal Audit Process and Procedure";
- Monitoring whether internal audit working independently from the management;
- Reviewing the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions or limitations are made;
- Reviewing whether the findings and recommendations made by the internal auditors are duly considered by the management or not;
- Encompasses the examination and evaluation of the adequacy and effectiveness of MBL system of internal controls, risk management procedures, governance processes and the quality of performance in carrying out assigned responsibilities.

Other Responsibilities of Audit Committee

- Submitting compliance report to the Board on quarterly basis on regularization of the omission, fraud and forgeries and other irregularities detected by the internal and external auditors and inspectors of regulatory authorities;
- Performing other oversight functions as requested by the Board and evaluating the committee's own performance on a regular basis.

Review of Audit Committee on Internal Control:

The Internal Audit Division of the Bank reviews the internal control systems of the Bank and ensures that internal controls are considered properly managed and satisfactorily supervised. The Internal Audit Division reviews internal controls throughout all divisions/branches of the Bank and then reports to the Audit Committee on their findings. The Audit Committee then reviews the report submitted by the Internal Audit Division, and provides feedback on the lapses found. The Audit Committee also guides the Internal Audit Division on how to properly monitor internal control and ensure that internal controls are being correctly administered throughout the Bank. The Audit Committee is committed that internal controls are well conceived, properly administered and satisfactorily monitored by the Bank in 2017.

Roles of Audit committee in compliance with laws and regulations:

There are several regulatory authorities, primarily Bangladesh Bank, who are associated with the company's operation and performance. MBL is obliged to act in accordance with applicable laws and regulations. The Audit Committee supervises and guarantees the Board, that the company obeys all the applicable laws, rules and regulations of various regulatory authorities. The Audit Committee takes all measures to ensure that MBL complies with all laws and regulations and that all statutory dues are being settled timely.

Involvement of Audit committee in the external audit function:

The Audit Committee analyses the audited financial statements with management and the external auditors to ensure that the Company's financial statements are objectively presented in compliance with the relevant Bangladesh Financial Reporting Standards, International Financial Reporting Standards and Bangladesh Accounting Standards in all substantial aspects, based on its review and consultations with management and the external auditors. External Auditors' are requested to attend the Audit Committee meeting where Financial Statements of MBL is placed for review and recommendation. The Committee also implements an annual assessment of the efficiency of the Company's Internal Audit function and certifies that Internal Audit has sufficient resources to accomplish its duties. The Audit Committee has quite a few roles regarding the external audit functions:

1. **Ensuring effective coordination of external audit function:** It is important that there is open communication between the auditor and the audit committee to ensure the best use of their resources. This communication also aids in assessing the auditor's performance. The quality of communications also provides opportunities to assess the auditor's performance. The auditors

should correspond with the audit committee as noteworthy issues develop. Such communications will emphasis on the key accounting or auditing issues that, in the auditor's finding, give rise to a greater risk of material misstatement of the financial statements, as well as any questions or concerns of the Audit Committee. Through proper communication, the Audit Committee ensures the effective coordination of the external audit function.

2. **Ensuring independence of external auditors:** The auditor of MBL must be independent. Audit committee is familiar with the statutory and regulatory independence requirements for auditors. The technical competency of the auditor alone is not appropriate to ensure a high-quality audit. The auditor also must exercise a high level of objectivity and professional skepticism. The Audit Committee's interactions with the auditor during the audit provide numerous opportunities to evaluate whether the auditor demonstrated integrity, objectivity and professional skepticism.

3. **Reviewing the external auditors' findings in order to be satisfied that appropriate action is being taken:** There are many reviews that happen throughout the entire process during the Audit Committee meetings held. The Audit Committee extensively reviews all findings of the external auditors and ensures that management is informed and is taking action for resolving any discrepancies. Before the financial statements are signed, the audit committee reviews all the findings and ensures that they are satisfied with the actions that management has taken.

4. **Reviewing and approving non-audit work assigned to the external auditor and ensuring that such work does not compromise the independence of the external auditor:** External auditors should not carry out work that does not relate directly to the discharge of audit functions, if it would impair the auditors' independence, or might give rise to a reasonable perception that their independence could be impaired. The Audit Committee must ensure that external auditors do not undertake any work that might compromise their independence. If any work is being done by the external auditors, the Audit Committee must approve before the work commences. In short, the Audit Committee is responsible that the independence of the external auditors is not comprised under any circumstance.

5. **Recommending external auditor for appointment/reappointment:** The Audit Committee does an extensive review on the audit work done by the auditors after the audited financial statements have been signed. The Audit Committee evaluates the auditors on a very detailed level, and ensures that there were no threats to independence or any other issues with the auditors. The Audit Committee scrutinizes the applications of the auditors and recommends for appointment/reappointment for the next year/AGM.

Involvement of Audit committee in selecting appropriate accounting policies

The Audit Committee shall support the Board of Directors in certifying that the financial statements reflect a true and fair view of the company and is maintaining a good supervising system within the Bank. The Board delegates the duty to the Audit Committee to decide on the appropriate accounting policies that are in line with applicable accounting standards as applicable and adopted by the ICAB, IFRS, IAS and Bangladesh Securities and Exchange Commission. After choosing the appropriate accounting policies, the Audit Committee recommends the Board concerning implementation of the selected accounting guidelines. The Board subsequently accepts the selected accounting policies for implementation.

Audit committee's involvement in the review of annual and interim financial reports

As per the Corporate Governance guideline of BSEC, the Audit Committee is expected to assess alongside with management, the interim and annual financial statements before proposing to the Board for consent. Audit Committee of MBL appraises the interim and annual financial releases whether audited or unaudited and places it before the Board for approval. The Audit Committee always ensures that the financial statements reflect a true and fair view of the company and analyzes the financials for any discrepancies.

Reliability of management information used for computation in financials

The Audit committee ensures that the management information used for computation in the financials is true and fair. In order to ensure reliability of the information, the Audit Committee always has an extensive meeting with management regarding issues of the financial statements. The Audit Committee queries management on issues that they find material to the financial statements and makes sure that management has a proper response to their queries. Through meetings with management the Audit Committee is able to understand the reliability of the

information used for computation in the financials. Management always assures that the information presented is fair and true and that all the information is derived from the system of the Bank.

Risk Management Committee (RMC)

Principle: *Banks should have an effective independent risk management function, under the direction of a chief risk officer (CRO), with sufficient stature, independence, resources and access to the board.*

A risk management committee is formed to play an effective role in mitigating impending risks arising out from strategies and policies formulated by the Board and to carry out the responsibilities efficiently. After identifying and assessing several risk factors like credit risks, foreign exchange risks, internal control and compliance risks, money laundering risks, information and communication risks, management risks, interest risks, liquidity risks etc.; the risk management committee scrutinizes whether appropriate risk management measures are being put in place and applied and whether adequate capital and provision is being maintained against the risks identified.

Appointment and Composition: In Compliance with BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of MBL has reconstituted a five-member Risk Management Committee (RMC) of the Board in 2017 (maximum limit is five members). The Committee met 6 (Six) times during the year 2017. The RMC has been formed to minimize probable risks arisen during implementation of Board approved policies, procedures and strategies. The RMC is entrusted to examine and review whether management is properly working on identification, management and mitigation of credit risk, foreign exchange risk, internal control and compliance risk, money laundering risk, information and communication technology risk, operation risk, interest rate risk and liquidity risk and keeping adequate provision and capital against the said risks. All five members of this RMC are Non–Executive Directors of the Board.

The Composition of Risk Management Committee is as follows:

Sl No.	Composition of Risk Management Committee	Position
01.	M. Amanullah	Chairman
02.	Md. Anwarul Haque	Member
03.	Al-Haj Akram Hossain (Humayun)	Member
04.	Mohd. Selim	Member
05.	Md. Shahabuddin Alam	Member

Roles and Responsibilities of the Risk Management Committee

- **Formation of Organizational Structure:** Risk Management Committee ensures the abundant organizational structure for managing risk within the Bank. The Risk Management Committee will supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines.
- **Risk identification & control policy:** The responsibility of Risk Management Committee is the formulation and implementation of appropriate strategies for risk assessment and its control. The Committee monitors risk management policies & methods and amend it if necessary. The committee reviews the risk management process to ensure effective prevention and control measures.
- **Analysis and approval of Risk Management policy:** Risk management policies & guidelines of the bank reviewed annually by the committee. The committee propose amendments if necessary and send it to the Board of Directors for their approval. Besides, other limits including lending limit also reviewed at least once annually and amended, if necessary.
- **Monitoring the Implementation of Overall Risk Management Policy:** To mitigate all risks including lending risk, market risk, and management risk, Risk Management Committee monitors whether proper steps have been taken.
- **Storage of data & Reporting system:** Adequate record keeping & reporting system developed by the bank management approved by the risk management committee. The committee ensures proper use of the system. The committee minutes its proposal, suggestions & summary in a specific format & informs the Board of Directors.

Other Responsibilities

- Committee's decision and suggestions submitted to the Board of Directors quarterly in short form;
- Comply instructions issued time to time by the controlling body;
- Internal & external auditor will submit respective evaluation report whenever required by the committee.

Internal Control and Risk Management

Directors' responsibility to establish appropriate system of internal control

In line with the Bank Company Act, 1991 (amended up to 2013) the newly included Section 15 (kha) & (ga) MBL give the responsibility to the Board of directors for establishing policies for the bank company, for risk management, internal controls and compliance for ensuring their implementation. The Directors acknowledge their overall responsibility for the Bank's systems of internal control for establishing efficiency, effectiveness, reliability, timeliness, completeness and compliance with applicable laws and regulations. Along with Board of Directors internal control is affected by the senior management, audit committee and all level of personnel.

- The board is vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan and investment portfolio.
- The board establishes such an internal control system so that the internal audit process can be conducted independently from the management.
- It reviews the reports submitted by its audit committee at quarterly rests regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.

Internal Control and Audit Function Compliance

To ensure good governance in the bank management it is essential to have specific internal control. A strong internal control system can ensure the achievement of banks' goals and objectives with long term profitability. It also helps to comply with rules and regulation as well as policies and to minimize the financial and reputational losses. To carries out the analysis and independent appraisal of the adequacy and effectiveness of the bank's risk management framework and internal control environment, MBL has been designed and formed an effective control system namely Internal Control and Compliance Division (ICCD). ICCD continually recognizes and assesses all the material risks that could adversely affect the achievement of the Bank's goals. The risk assessment by internal control focuses more on compliance with regulatory requirements, social, ethical and environmental risks that affect the banking industry. It ensures reliable financial and managerial information that promote better strategic decision for the Bank.

Key features of Internal Control System:

The entire system of internal control helps MBL to establish an environment which does not encourage corruptibility as well as fraudulent activities. Following are the basic features of internal control system:

Management oversight and the control culture

The Board of Directors provides governance, guidance and oversight to senior management. Senior management is responsible for carrying out the directives of the Board of Directors, including the implementation of strategies and policies and the establishment of an effective system of internal control. It is the Board of Directors' and senior management's to emphasize the importance of internal control through their actions and words. This includes the ethical values that management displays in their business dealings, both inside and outside the organization.

Risk recognition and assessment

An effective internal control system requires that the material risks are being recognized and continually assessed. This assessment should cover all risks facing the bank. Risks facing by a bank are credit risk, country risk and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, legal risk and reputational risk etc. Internal controls may need to be revised to appropriately address any new or previously uncontrolled risk.

Control activities and Segregation of Duties

Control activities are a vital part of the daily activities of a bank. These include top level reviews, appropriate activity controls for different departments or divisions, compliance checking, noncompliance follow-up, approval and authorization system, verification and reconciliation system.

A segregation of duties is critical to effective internal control because it reduces the risk of mistakes and inappropriate actions. An effective system of internal control separates authoritative, accounting and custodial functions.

Information and communication

Maintaining appropriate records ensures that proper documentation exists for each business transaction.

An effective internal control system requires there are adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making. Information should be reliable, timely, accessible, and provided in a consistent format.

Monitoring activities and correcting deficiencies

Monitoring of key risks is a part of the bank as well as periodic evaluations by the business lines and internal audit. Bank's internal control system is monitored and deficiencies are corrected in an ongoing basis.

The manner in which Internal Control System is monitored by the Board, Audit Committee or Senior Management:

Audit Function

In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements - a concept influenced by both quantitative (numerical) and qualitative factors. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance, and environmental concerns.

Internal Audit Function

Principle of internal audit function: *The internal audit function should provide independent assurance to the board and should support board and senior management in promoting an effective governance process and the long-term soundness of the bank.*

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. It provides an independent assurance to the board of directors and senior management on the quality and effectiveness of a bank's internal control, risk management and governance systems and processes, thereby helping the board and senior management protect their organisation and its reputation. The internal audit function has a clear mandate, be accountable to the board and be independent of the audited activities. It has sufficient standing, skills, resources and authority within the bank to enable the auditors to carry out their assignments effectively and objectively.

The board and senior management contribute to the effectiveness of the internal audit function by:

- providing the function with full and unconditional access to any records, file data and physical properties of the bank, including access to management information systems and records and the minutes of all consultative and decision-making bodies;
- requiring the function to independently assess the effectiveness and efficiency of the internal control, risk management and governance systems and processes;
- requiring internal auditors to adhere to national and international professional standards, such as those established by the Institute of Internal Auditors;
- requiring that audit staff collectively have or can access knowledge, skills and resources commensurate with the business activities and risks of the bank;
- requiring timely and effective correction of audit issues by senior management; and
- requiring the function to perform a periodic assessment of the bank's overall risk governance framework, including but not limited to an assessment of:
  - » the effectiveness of the risk management and compliance functions;
  - » the quality of risk reporting to the board and senior management; and
  - » the effectiveness of the bank's system of internal controls.

The board and senior management promote the independence of the internal audit function by ensuring that:

- internal audit reports are provided to the board or its audit committee without management filtering and that the internal auditors have direct access to the board or the board's audit committee;
- the head of the internal audit function's primary reporting line is to the board (or its audit committee), which is also responsible for the selection, oversight of the performance and, if necessary, dismissal of the head of this function;
- if the chief audit executive is removed from his or her position, this should be disclosed publicly. The bank should also discuss the reasons for such removal with its supervisor.

Board Audit

In order to review the business performance of the Bank, MBL has formed a separate Audit Cell, namely, Board Audit Cell. The Cell reviews the compliance status of Policy Guidelines of the Board of Directors of the Bank and also of the regulators. Board Audit Cell visits the Branches and Other Divisions of the Bank for verification and inspection purpose.

Information Technology (IT) Audit

MBL is fully dependent on Information Technology, and a number of inherent risks such as data collapse, data loss, data modification, unauthorized access to data etc may arise within the Bank. MBL service delivery is designed on IT platform. IT Audit Team follows the prescribed guidelines, solves the unsettled issues and also suggests to the higher Management for needful action. IT Audit Team has been formed as per the Central Bank's Guidelines to identify the intrinsic risks and manage those risks in an effective and efficient manner.

External Audit Function

External Auditors

Syful Shamsul Alam Co. and Aziz Halim Khair Choudhury have been appointed as the External Auditors of the Bank in the 19th AGM of the Shareholders. They audited the Financial Statements of the Bank namely, Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and explanatory notes to financial statements. External Auditors ware entitled to require from the Bank's officers and employees such information and explanation as they thought necessary for the performance of their duties as External Auditors. Bank employees provided them accurate, timely information and explanations as and when required by the External Auditors.

Central Bank's Inspection

Bangladesh Bank conducts comprehensive inspection at Head Office and Branches of the Bank. Central Bank's Inspection Team exchanges their views with the Bank's Auditors regarding Financial Operation, Treasury Operation, IT Operation, and various process of the audit. Inspection report of the Central Bank is reviewed by the Board of Directors and corrective actions are taken regarding lapses mentioned in the report.

Senior Management Team (SMT)

Principle: *Under the direction and oversight of the board, senior management should carry out and manage the bank's activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies approved by the board.*

For setting a sturdy internal control framework, each bank must have an effective 'Senior Management Team (SMT)' as per directives of Bangladesh Bank, which is responsible for overall management of the Bank. SMT is considered the highest decision and policy making authority of the Bank which is responsible for overall management of the Bank.

Meetings of SMT are presided over by Managing Director & CEO of the Bank. MBL's SMT is comprised of following members:

Composition of Senior Management Team	Position
Managing Director & CEO	Chairman
All Additional Managing Directors	Member
All Deputy Managing Directors	Member
Head of Special Asset Management Division	Member
Head of International Division	Member
Chief Financial Officer	Member
Head of Mobile Banking Division	Member
Head of Information Technology Division	Member
Head of Treasury Division	Member
Head of Human Resources Division	Member
Head of Board Audit Cell	Member
Head of Internal Control & Compliance Division	Member
Head of Risk Management Division	Member
Head of Agriculture Credit Division	Member
Head of Corporate Banking Division	Member
Head of Credit Risk Management Division	Member
Head of SME Financing Division	Member
Head of Financial Administration Division	Member
Head of Central Law Division	Member Secretary

Responsibilities of SMT

SMT of the Bank is primarily responsible to -

- Review vision, mission and strategies of the Bank as a whole;

- Recommend/rectify alternatives in case of any deviation from desired goal;
- Monthly business and financial performance analysis;
- Formulate procedures to identify, measure, monitor and control all risks;
- Monitor adequacy and effectiveness of the internal control system;
- Assign clear responsibility, authority and reporting relationship;
- Set strategic and tactical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance etc.

Other Committees:

Asset Liability Management (ALM) Committee

The Asset Liability Management (ALM) Committee - comprise with the Managing Director & CEO, senior management to take strategic decisions on fixation of asset liability pricing responding to market scenarios. Meetings of ALCO are presided over by Managing Director & CEO of the Bank. ALCO sits at least once in a month. Meetings of ALCO are presided over by Managing Director & CEO of the Bank. ALCO sits at least once in a month. In ALCO meetings, members discuss economic view, market status, peer group positions, projections on interest rate and exchange rate and spreads; balance sheet gap in liquidity structure & interest rate sensitivity of gap, relevant ratio analysis, internal transfer pricing, regulatory observations on continuous basis. In each ALM Committee meeting following issues are addressed:

- Review of actions taken in previous ALM;
- Accountable to manage the market risks;
- Economic and market scenario;
- Liquidity risk related to the Balance Sheet;
- Review of the assets' and liabilities' pricings;
- Review of interest rate structure in different economic scenarios;
- Measuring liquidity requirement of the Bank in various time buckets and taking strategic and proactive actions.

Risk Management Committee

To ensure proper and timely identification, measurement and mitigation of risks exposed by the bank in a comprehensive way as per Bangladesh Bank's circular letter no DOS (EW) 1164/14 (Mercantile) 2009-457 dated June 10, 2009, MBL has formed a separate Risk Management Committee of Management. Managing Director & CEO is the Chairman of the committee. The responsibilities of the Risk Management Committee for risk oversight include, amongst others, the following:

- To develop and foster a risk aware culture within the Bank;
- To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- To oversee the specific risk management concerns in the business units that leverage on the Embedded Risk Units in the business units;
- To review and approve model risk management and validation framework;
- To ensure infrastructure, resources and systems are in place for risk management, i.e. that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;



Basel Implementation Unit

"Basel III: A global regulatory framework for more resilient banks and banking systems" issued by the Basel Committee on Banking Supervision in December 2010 to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector, The objective of the reforms

was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Bangladesh Bank has implemented Basel II Capital Standard in the banking sector solely from January 2010 and running for the successful implementation of Basel III from January 2015. As per Bangladesh Bank instruction, MBL has formed a Committee, namely 'Basel Implementation Unit.' The Committee acts for successful adoption of Basel III.

Functions of Basel Implementation Unit

- Basel implementation Unit discusses the implementation progress of Basel III Capital Accord in its each meeting. Moreover, it
- Assesses the Capital requirement of the Bank;
- Reviews the current total Capital Fund (Core and Supplementary) of the Bank;
- Reviews the Total Risk Weighted Assets (RWA) of the Bank;
- Formulate the strategies to raise the capital to cope with Basel III, if required;
- Arranges training programs for the Reporting Officers of the Branches so that they can prepare Basel III report efficiently and precisely;
- Takes initiatives for corporate clients rating of the Bank;
- Ensures timely submission of Basel III Report to Bangladesh Bank;
- Reviews the Capital to Risk Weighted Asset Ratio and compare with the Standard set by Bangladesh Bank;
- Review and recommendation of ICAAP (Internal Capital Adequacy Assessment Process).

ICAAP Preparation Committee

MBL has formed 'ICAAP Preparation Committee' to prepare the Internal Capital Adequacy Assessment (ICAAP) for the Bank. The Committee clearly bears primary responsibility for ensuring that MBL has adequate capital to support its risks. The Committee is supposed to assess the overall capital adequacy of the Bank in relation to risk profile.

Supervisory Review Process (SRP) Team

As per strategy on Supervisory Review Evaluation Process, the level of Capital Adequacy will be determined after evaluation and dialogue between Bangladesh Bank and the SRP Team of the Bank. Banks are necessitated to design their own Supervisory Review Process (SRP) Team to ensure maintenance of adequate capital to fully cover all risk exposures under Basel-III (Supervisory Review Process). The assessment of capital adequacy will be the outcome of a dialogue between the Bank's own SRP Team and BB's Supervisory Review Evaluation Process (SREP) Team. Bank's own assessment and SREP Team's review will be linked up during this dialogue. MBL has formed a well-designated SRP Team, which will aid to adopt Basel-III Capital Accord successfully.

Functions of the SRP Team

BB's SREP Team will arrange dialogue to evaluate Minimum Capital Requirements (MCR) against Credit, Market and Operational risks; Risks not fully covered under MCR (e.g. Residual Risks deriving from risk mitigation techniques, securitization risk, and model risk); Risks which to be covered under SRP (Credit concentration risk, Country risk, Interest rate risk in the banking book, Liquidity risk, Settlement risk, Reputation risk, Strategic risk, Other material risks, etc.); Risks deriving from external factors (such as, change in economic and regulatory environment); Adequate capital against comprehensive risks of the Bank. SRP Team of the Bank will attend on the dialogue arranged by BB's SREP Team.

BB's SREP Team will also evaluate the Bank's SRP findings. In the SRP findings capital allocation against each category of risks is to be disclosed. SRP Team of the Bank will discuss and allocate capital against above-mentioned Risks. SRP Team of the Bank will also describe the assessment procedures for these risks and rationale for selecting any particular method and discuss the assessment techniques used (model based, scenario analyses, and stress testing) and quantitative results of each risk. SRP Team will discuss and explain present challenges faced by the Bank to improve the risk management framework and will develop action plans with suitable timeline to adopt/ develop the sophisticated advanced techniques or assessment and measurement of all material risks.

Management Reporting System (MRS)

MBL has formed a committee as per Central Bank's requirement, namely, 'Committee for Management Reporting Systems (MRS)'. MRS Committee has been constituted on Wednesday, 29 October 2014 in the 160th Management Committee meeting. MRS fulfills the following objectives:

- Collection of information from the internal as well as external sources against any product of the Bank which is apparently found ineffective or unacceptable to the ultimate user;
- Identify the actual weakness/defects for taking appropriate decision by the Management/ Board of Directors;
- Locate the reason of weak performance of any of the branch through collection of relevant information of other bank of the same locality;
- Other internal/external issues may be raised by the Committee to the Management/ Board of Directors for proper solution.

Purchase Committee

A Purchase Committee is functioning with a group of executives headed by a senior most Executive to examine the purchase proposal of goods, services or works whether it has been placed on the basis of actual requirement and maintained necessary formalities as per guidelines of the purchase policy. Among others, the followings are the main responsibilities of Purchase Committee of the Bank:

- Supervising the entire activities against procurement;
- Preparing a report on the basis of evaluation of the purchase proposal (s) with recommendation and send to concerned division for obtaining approval from the competent authority against procurement of goods, services or works;
- Evaluating the proposal (s) received and find out the effectiveness of each proposal.

Investment Committee

With a view to achieve diversification in asset portfolio and generating a healthy revenue (as income from buy/sale of shares through secondary market), MBL has formed an Investment Committee, which is primarily responsible to take investment decision in shares and securities. The Member Secretary will prepare a weekly report on status on investment and report the same to Managing Director & CEO through Chairman.

Responsibilities of Investment Committee

- The Committee will sit for meeting as and when necessary after having consent from the Chair;
- The Committee will take primary decision for investment in shares and securities;
- The Committee will ensure compliance of investment policy while maintaining portfolio of shares and securities;
- The Committee will determine buy range, sale range and loss limit for every share in the portfolio and Member Secretary will convey the same to the Front Office.

Review of the adequacy of the system of internal controls by Director

MBL's Board of Directors has established a management structure that clearly defines roles, responsibilities and reporting lines for Internal Control and Compliance. The Board of Directors is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

The effectiveness of the Bank's internal control system is reviewed regularly by the Board, its Committees, Bank's management, and Bank's internal audit. Bank's internal audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Bank through its program of business audits. Related party transactions are enclosed in the Notes of the Financial Statements. Lending to the members of the Board or Controlling Shareholders is strictly prohibited by the Bank Memorandum and Articles of Association since inception. MBL's Board of Directors, in discharging its responsibilities for effective internal control system within the Bank has formulated internal control policies and procedures.

Disclosure of the identification of risks both internally and externally

Principle: *risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis.*

The sophistication of the bank's risk management and internal control infrastructure keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice. Risk identification encompasses all material risks to the bank, on- and off-balance sheet and on a group wise, portfolio-wise and business-line level. In order to perform effective risk assessments, the board and senior management, including the CRO, regularly and on an ad hoc basis, evaluate the risks faced by the bank and its overall risk

profile. The risk assessment process includes ongoing analysis of existing risks as well as the identification of new or emerging risks. Risks captured from all organizational units. Risk identification and measurement include both quantitative and qualitative elements. Risk measurements also include qualitative, bank-wide views of risk relative to the bank's external operating environment. The core risk areas of Bank are:

1. Credit Risk
2. Asset and Liability/Balance Sheet Risk
3. Foreign Exchange Risk
4. Internal Control and Compliance risk
5. Money laundering Risk
6. Information and Communication Technology Security Risk
7. Environmental Risk

Banking companies in Bangladesh, while conducting day-today operations, may face some other risks both internally and externally:

- Credit risk also includes concentration risk, country risk, transfer risk, and settlement risk
- Market risk (including interest rate risk in the banking book, foreign exchange risk and equity market risk)
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Reputation Risk

Risk communication

Principle: *an effective risk governance framework requires robust communication within the bank about risk, both across the organization and through reporting to the board and senior management.*

A strong risk culture promote risk awareness and encourage open communication and challenge about risk-taking across the Bank as well as vertically to and from the board and senior management. Senior management actively communicate and consult with the control functions on management's major plans and activities to control functions so that they can effectively discharge their responsibilities. Information on overall and specific risks are communicated to the board and senior management in timely, accurately and understandable way to take decisions by them to minimize such risks effectively.

Risk reporting to the management, board and regulator are made carefully so that bank-wide, individual portfolio and all other risks in a concise and meaningfully identified and reported properly. Reporting accurately communicate risk exposures and results of stress tests or scenario analyses and provoke a robust discussion of, for example, the bank's current and prospective exposures (particularly under stressed scenarios), risk/return relationships and risk appetite and limits.

Our Risk reporting systems is dynamic, comprehensive and accurate, and draws on a range of underlying assumptions in line with Basel III guideline and Bangladesh Bank guidance. We communicated Market Discipline statement under Pillar III of Basel III in our websites along with Annual Integrated Report. All other material risk that effect bank is also disclosed in separate Risk Management report of this Annual Integrated Report.

Disclosure of the strategies adopted to manage and mitigate risk

Principle: *banks should have an effective independent risk management function, under the direction of a chief risk officer (CRO), with sufficient stature, independence, resources and access to the board.*

MBL has an effective independent risk management function, under the direction of a Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the Board and Board risk management committee.

Key activities of the risk management function include:

- Setting targets for capital ratios and capital composition
- Managing the balance sheet
- Managing the funding structure
- Determining general principles for measuring, managing and reporting of bank's risk
- Developing risk policies for business units
- Determining the overall investment strategy
- Identifying, monitoring and managing the Bank's current and potential operational risk exposures
- Handling "critical risks" (risks that require follow-up and further reporting)
- Following up on reviews by Internal Audit and informing the Board through Audit Committee of unusual circumstances

- Preparing management information on issues such as IT security, physical security, business continuity and compliance.

Risk managers are work closely with individual business units; the risk management function is sufficiently independent of the business units and not be involved in revenue generation. This independence is an essential component of an effective risk management function, as is having access to all business lines that have the potential to generate material risk to the bank as well as to relevant risk-bearing subsidiaries and affiliates. The risk management function has a sufficient number of employees who possess the requisite experience and qualifications, including market and product knowledge as well as command of risk disciplines. Staff has the ability and willingness to effectively challenge business operations regarding all aspects of risk arising from the bank's activities.

Role of the Chief Risk Officer (CRO)

Bank has the CRO with high designated position, Additinal Managing Director. The CRO is primary responsible for overseeing the development and implementation of the bank's risk management function. This includes the ongoing strengthening of staff skills and enhancements to risk management systems, policies, processes, quantitative models and reports as necessary to ensure that the bank's risk management capabilities are sufficiently robust and effective to fully support its strategic objectives and all of its risk-taking activities. The CRO is responsible for supporting the board in its engagement with and oversight of the development of the bank's risk appetite and RAS and for translating the risk appetite into a risk limits structure. The CRO, together with management, actively engaged in monitoring performance relative to risk taking and risk limit adherence.

Internal Control on key Risks of the Bank and Risk Management Policies

The Statement on Risk Management and Internal Control provides an overview of the state of internal controls within the Bank. There exists risk in every transactions of a bank. The effectiveness of risk management and internal controls is crucial in financial sector. Bangladesh Bank has identified six Core Risks and provided guidelines to identify and thereafter minimize the risks. The Board of Directors of the Bank formulated policies for identifying, measuring and controlling the risks involved with banking activities. The Board makes sure that employees have been assigned responsibilities for managing risks, and proper training has been provided to enable them to understand and identify risks as well.

Management Review & Responsibility

Bank has approved Organizational Structure with clear functional separation and segregation of functioning authorities. This ensures Core Risk Management practice and compliance across the Bank. The Bank is governed by the rules, regulations, guidelines, directions and policies as applicable for the banking business and operations. MBL has formed a number of designated committees entrusted with specific objectives under the leadership of Managing Director & CEO of the Bank. As per Bangladesh Bank Guidelines, Senior Management Team (SMT) is the main body of management and decision making in the Bank. Besides, there are Asset Liability Committee (ALCO), Basel III Implementation Unit, Risk Management Committee, ICAAP Preparation Committee, Management Reporting System (MRS) Committee, Share Investment Committee, Credit Assessment Committee, Purchase Committee, etc. are supporting the Bank's management in discharging its duties efficiently and effectively.

Ethics

Compliance Policy Establishment Principle: the bank's board of directors is responsible for overseeing the management of the bank's compliance risk. The board should establish a compliance function and approve the bank's policies and processes.

Bank's senior management is responsible for establishing a compliance policy that contains the basic principles to be approved by the board and explains the main processes by which compliance risks are to be identified and managed through all levels of the organization. The board and management are accountable for the bank's compliance, the compliance function has an important role in supporting corporate values, policies and processes that help ensure that the bank acts responsibly and fulfils all applicable obligations.

Ethics and compliance

Mercantile Bank is always committed to establishing the highest level of business compliance and ethical

standard. The Bank has an "Employee Code of Ethics and Business Conduct"- a framework of ethical behavior for all the employees of the organization. The leaders/managers are required to exemplify the highest standards of conduct and ethical behavior. The leaders/managers are expected to:

- Lead according to Mercantile Bank standards of ethical conduct, in both words and actions
- Create and maintain an environment where employees feel comfortable asking questions or reporting concerns
- Be diligent in enforcing the Bank's ethical standards and taking appropriate action if violation occur
- Contact the Human Resources Division when in need of assistance

Integrity

The 'Employee Code of Ethics and Business Conduct' starts with the phrase "Uncompromising integrity". Employees of Mercantile Bank are judged not only in terms of competencies, but also with their integrity. The reputation and continued success of Mercantile Bank largely depend on a shared commitment to the core value of integrity. Respecting this value is the responsibility of each and every member of the organization.

Avoiding conflict of interest

Conflicts of interest may arise as a result of the various activities and roles of the bank (eg where the bank extends loans to a firm while its proprietary trading function buys and sells securities issued by that firm), or between the interests of the bank or its customers and those of the bank's board members or senior managers (eg where the bank enters into a business relationship with an entity in which one of the bank's board members has a financial interest). Conflicts of interest may also arise when a bank is part of a broader group. For example, where the bank is part of a group, reporting lines and information flows between the bank, its parent company and/or other subsidiaries can lead to the emergence of conflicts of interest (eg sharing of potential proprietary, confidential or otherwise sensitive information from different entities or pressure to conduct business on a non-arm's length basis). MBL board oversees the implementation and operation of policies to identify potential conflicts of interest. To avoid conflict of interest and also to make accountable the bank has already taken the following measures:

- Loan to the directors is restricted subject to full filing certain terms and conditions of regulatory guidelines.
- If there is any related party transaction, the management discloses the matter in the Annual Report and it is also approved by the general shareholders in AGM.
- Executive committee of the Board can approve loan to anyone up to a limited portion.
- Audit committee regularly reviews the financial and other related statements and gives recommendation to the management regarding any changes in policy and also presents to the Board for further evaluation.
- Board of directors' approval is needed for loan re-scheduling.

Compliance with the laws and regulations

Mercantile Bank maintains its reputation as a law-abiding organization and a good corporate citizen. It complies with all the prevailing laws and regulations of the country. Employees are trained and guided to conduct business in compliant manner. The policy and procedures regarding Mercantile Bank's business process are prepared in adherence to the laws and regulations.

Related Party Transaction

The Bank in its ordinary course of business undertook financial transactions with some entities or persons that fall within the definition of 'Related Party' as contained in BAS 24 (Related Party Disclosures) and relevant provisions of Bank Company Act 1991 (amended up to 2013) and Bangladesh Bank BRPD Circular No. 14 dated 25 June 2003. The Board approves all related party transactions and ensures that these transactions with the Company are undertaken on an arm's length basis. The Audit Committee reviewed all material related party transactions and kept the Board informed of such transactions. During the year, the Company had collected deposits from its Directors and their related parties. No preferential treatment had been extended to the Directors and their related parties for these deposits.

Communication of the statement of ethics and business practices to all directors and employees:

MBL has a 'Code of Conduct' – a framework of ethical behavior for all the employees of the organization. Salient principles of MBL employees' code of conduct:

- comply with the various rules, regulations and policies framed by the Bank and other Regulating Authorities.
- show courtesy and attention to the customers, fellow colleagues and serve the Bank honestly, sincerely, diligently and with utmost care.
- maintain strict secrecy of the affairs of the Bank and the Customers.
- not accept any outside employment, honorary or stipendiary, or undertake part-time work in any office of profit without prior written permission of the competent authority.
- not engage directly or indirectly in any commercial business, industry or other business pursuits or as agent of others.
- not absent from duty, nor leave the station without first obtaining the permission of the competent authority in writing.
- not make any personal representation to any director of the Board or any outside authority, to intervene on his/her behalf in any matter.
- not accept or permit any member of his/her family to accept any gift or subscriptions from a constituent of the Bank, any person likely to have dealings with the Bank, a subordinate employee or a candidate for employment in the Bank.
- not participate in gambling and betting or any such activities.
- not make or permit any member of his/her family to make, any investment likely to embarrass or influence him/her in discharging official duties.
- not invest money in the business of the Bank's clients.
- not do any activity which may undermine the prestige or image of the Bank or making/joining any organization which is not permitted.
- not take part directly in any political activity and in any election to parliament or any local authority in Bangladesh or elsewhere.

The Board of Directors also follows a code of conduct which was adopted to provide guidance to directors to perform their duty in an honest, responsible and businesslike manner and within the scope of their authority, as said for in the laws of country as well as memorandum and articles of association of the Bank. The code of conduct for board of directors states that:

- The members of the Board of Directors discharge their duties professionally, with due diligence and to the best of their abilities.
- The members act honestly in good faith and in the best interest of the stakeholders.
- The members do not make improper use of information and offensive advantage of the position as director.
- Confidential information acquired by the members in the course of exercise of directorial duties remain the property of the company.
- Members make every effort to attend all board and committee meeting during their tenure to maximize effectiveness of the Board/ committee meetings, contribution of individual directors are monitored and appraised on an annual basis.
- All others code of conduct set by the Bangladesh Bank, Bangladesh Securities and Exchange Commission and other regulatory bodies are followed strictly.

The Board of directors of the Bank established high level of ethics and compliance within the organization and they are committed to and maintained it in Board level and management level.

Accountability

The Board provides shareholders with quarterly and annual financial results. In presenting these statements, the Board aims to provide shareholders with a balanced and understandable assessment of the Bank's performance and position with a commentary at the date of announcement of the competitive conditions within the industry in which it operates. The Management provides all directors periodically with accounts and detailed reports on the Bank's financial performance and related matters prior to each Board meeting. The directors may at any time seek further information from and discuss with the Management on the Bank's operations and performance. Compliance Department with direct reporting line to the Risk Management Committee is set up to ensure compliance with legislative and regulatory requirements. The Board believes in conducting itself in ways that will deliver maximum sustainable value to all shareholders.



The Board's commitment to establish high level of ethics and compliance within the organization

The Board of Director has always been committed to establishing a high level of ethics and compliance among all employees of the organization. They have always encouraged management to ensure that everyone maintains a high ethical standard within the Bank. The Board guides management on principles that should be adopted and followed by everyone in the Bank.

MBL's Board of Directors' Responsibilities in preparing Financial Statements

MBL Board of Directors ensures that no information that is false, misleading and incomplete or would lead to mistrust by the public, customers or other stakeholders are not published. The Board also ensures that any monetary transaction done with the customers and other stakeholders are recorded and done under the Bank's established rules and in a transparent manner. MBL's Board of Directors ensures that qualified personnel having professional and academic knowledge in the area of cost and financial accounting prepares Financial Statements in accordance with Generally Accepted Accounting Principles (GAAP), Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), Bangladesh Bank's Circulars, Schedule of Bank Companies Act of 1991, the Companies Act-1994, the Securities and Exchange Rules-1987 and other applicable laws and regulations. In preparing Financial Statements, the Board of Directors ensures suitable accounting policies, accounting judgments and estimations. It also ensures the highest standards in preparation, reporting and disclosure of accounting and financial information to the regulators and to the Stakeholders of the Bank.

Accountability in Disclosure of Material Facts

All material facts are disclosed to the Stakeholders for taking their timely economic decisions. Material but non-public information is not divulged that may adversely affect the business of the Bank or create regulatory breach or legal complication. Material public information is disclosed through the Audited Annual Report, Un-audited Half-yearly and Quarterly Report, Quarterly Bulletin (MBL Bulletin) etc. and other forms of print and electronic media. All related party transactions are reviewed regularly by the internal auditors and a report on the reviews conducted is submitted to the Audit Committee for their monitoring.

Accountability in Maintaining Confidentiality of Information

Information of the customers, prospective customers, suppliers, shareholders and employees is kept confidential. Information is used solely for corporate purposes and never to be discussed with or divulged to unauthorized people including family, friends and acquaintances. Examples of confidential information broadly include: (a) customer's account or business details, (b) shareholder' holding or transaction details, (c) employees' job records, pay perquisites, benefits tax issues etc. (d) suppliers' price, sales strategy etc. (e) Internal documents like strategy papers, Product Program Guidelines (PPG) etc.

Fulfilment of pertinent Rules and Regulations

MBL runs its business activities in full compliance with relevant rules, regulations and guidelines. While conducting its operation, MBL follows strictly Bank Companies Act, 1991, The Companies Act, 1994, Central Bank's Guidelines, Securities and Exchange Rules-1987, Dhaka and Chittagong Stock Exchange Listing Rules, Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Systems (BFRS), IAS/IFRS guidelines, SAFA & CAPA guidelines, BIS and UCPDC and other ICC rules.

Effective Anti- Money laundering and anti-terrorism program

Money Laundering, fraud & corruption have become very important issues in recent years. To battle and mitigate the problems of money laundering and terrorism, Management of MBL has formed Anti Money Laundering Department which seeks to prevent any misuse of the financial system for the purpose of offences that might jeopardize the asset and reputation of Bank. The Bank has also nominated Chief Anti Money Laundering Compliance Officer (CAMLCO) who attends the CAMLCO Conference every year organized by Bangladesh Bank and Branch Anti Money Laundering Compliance Officers (BAMLCO) at Branches, who independently would make the bank compliant on AML matters. AML Department arranges and conducts AML workshops in order to train all the employees of the Bank to meet up our regulatory requirement and most of the employees obtained AML and CFT (Combating Financing Terrorism) related training.

Effective Whistle blowing

Whistle blowing about bad practices can help ensure that problems are identified before it is too late. This helps prevent disasters ranging from customer mistreatment to huge financial loss. MBL is committed to the highest standards of good governance, openness, transparency, honesty, integrity and accountability. This whistle blowing policy document explains procedure for reporting any misconduct to the designated officials so that appropriate remedial action can be taken. This policy is designed to enable Directors, all employees, including temporary staff, to raise any serious concerns internally with high level of confidentiality and immunity.

This policy aims to:

- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns.
- Provide avenues to raise concerns and receive feedback on any action taken
- Reassure employees that they will be protected from possible reprisal or victimization if they have a reasonable belief that they have made any disclosure in good faith.

Anti-Fraud Program

The Internal Control & Compliance Division (ICCD) of MBL always engage in examination of whether any fraud forgery or irregularities is going on in the Bank. The ICCD also conducts special audit or investigations as instructed by the Board or Audit Committee of the Bank. The ICCD submits reports upon the observations they detect throughout their audit to the Audit Committee at a regular interval.

Establishment of hot line for reporting irregularities

MBL is committed to recognize the right of its customer and stakeholders to complain when feeling dissatisfied with the service of the bank. MBL undertakes to resolve any complaints about irregularities and to prevent similar complaints from occurring. Any issue brought to the attention is treated in a confidential manner, and discussed only with the people who need to be involved. Complaints can be made via our webpage called "complaint cell" from 10 am to 6 pm, Sunday-Thursday (Except holidays).

Remuneration Committee

On existence of a remuneration committee, disclosure should be made on the following areas:

- The roles of the members of the committee
- The composition of the remuneration committee
- Disclosure of number of meetings and work performed

Disclosure should be as follows:

Disclosure of the charter (roles and responsibilities) of Remuneration committee

As per Bangladesh Bank BRPD Circular no. 11 dated October 27, 2013, every bank have to form three committee in addition to the Board of Directors i.e. 1(one) executive committee, 1(one) audit committee and 1(one) risk management committee. The mentioned circular also restricted to form any other permanent, temporary or sub- committee except the above mentioned three committees. So, the Board of Directors of MBL review employees' remuneration along with fringe benefit based on inflation, market trend, employee satisfaction etc. Usually they make to proposition to the Board which is then reviewed and validated by special policy committee of the Board. After incorporating their recommendations the compensation / remuneration decisions are approved by the Board. The main work includes presenting recommendations to the Board regarding remuneration, compensation packages of Management, incentive schemes and retirement benefits. They also assist the Board of Directors to ensure that all employees are remunerated fairly and get performance based compensation by ensuring effective remuneration policy; procedures and practices aligned with the Banks' strategy and applied consistency for all employee levels. Salaries and allowances of MBL are very competitive in comparison with other banks operating in the market.

The roles and responsibilities of the committee are the followings:

- Review the effectiveness of remuneration policy to ensure that whether the Board's set objectives and expectations are being met
- Ensure that an effective remuneration policy, procedure and practice are in place, aligned with the Bank's strategy, and is applied consistently for all employee levels
- Ensure that the structure and mix of fixed and variable pay and other elements are in alignment with the overall business objectives

- Guide and give suggestion to HR team during preparation and review of any policy or process related to compensation and benefits
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified, appropriately valued and promoting the performance based reward and recognition etc.

Disclosure the composition of the committee:

There is no provision or instruction for formation of Remuneration Committee as per Bangladesh Bank, however, Board of Directors of the bank time to time reviews and enhances the remuneration packages of the employees. Board of MBL consists of eleven elected Board of Directors, including the Managing Director & CEO. All of them including the Chairman are non-executive directors except the Managing Director and CEO. Because, the Managing Director and CEO is an ex-officio Director of the bank. Mercantile Bank Limited has a Remuneration Committee which comprises Managing Director, Deputy Managing Directors and other Heads of Division.

Disclosures of key policies with regard to remuneration of directors, senior management and employees

All employees including the Senior Management employees are paid competitive remuneration package. The structure and level of remuneration are reviewed time to time based on Bank's performance and affordability. The remuneration also stresses on ensuring internal and external pay equity.

Disclosure of number of meetings and work performed

Meeting regarding overseeing the remuneration related policy by the Managing Director and CEO, Deputy Managing Directors and other Heads of Division was held on need basis at a regular interval throughout the year. So, if any remuneration related issue needs committee's attention, it is placed as agenda for necessary review. However, if required, the meeting is held on need basis to review and discuss any remuneration related issue exclusively.

Disclosure of Remuneration of Directors, Chairman, Chief Executive and Senior Executives

The Directors of the Board are paid only honorarium for attending Board or Committee meetings. For attending the Board Meeting, Audit Committee Meeting, Executive Committee Meeting and Risk Management Committee Meeting, the Directors receive an honorarium of Tk. 8,000.00 each. But in management level no remuneration was given to any for any meeting regarding setting remuneration. During 2017, the expenditures incurred related to directors were Tk. 43.81 Lac for Directors' fee and in the year 2016 were Tk. 48.67 Lac. On the other hand, the Managing Director is paid salary and allowances as fixed by the Bangladesh Bank. Total remuneration to Managing Director and CEO for the year 2017 is Tk. 161.39 Lac and in the year 2016 was Tk. 113.81 Lac. The total cost related to employee compensation is shown in the page number 219.

HUMAN CAPITAL

Human capital may act as a fundamental pillar to acquire success in different magnitude. Developing human capital requires creating and cultivating environments in which human beings can rapidly learn and apply new ideas, competencies, skills, behaviors and attitudes.

Human Resource Development and Management

MBL considers its employees as the most precious capital of the organization that play the crucial role in materializing the mission, vision, goals and objectives of the bank. To ensure long term sustainability, MBL has a special focus on skill and merit based recruitment and selection process, highly competitive remuneration package, adequate training and development programs, career growth with succession planning, high performance culture and pleasant working atmosphere. The details discussion on the policies and practices codified and adopted by bank's "Human Capital" has been presented in page 161 of this annual report.

Succession planning

Succession planning is a process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Through succession planning process, MBL recruits superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles. Most importantly, our future leader development program is designed to develop highly qualified managers and future leaders for the Bank. This program provides

exposures of various operational settings and helps them acquire required knowledge and skills to become the successful leaders. With the proven experiences, these juniors will move to the senior management positions in future. They will also have a clear career progression and receive an extensive development programs to fine tune their skills and knowledge.

Merit based recruitment:

In order to set our business up for success over the long term, MBL recognizes the importance of attracting and retaining the best talent. MBL recruits fresh graduates from different academic backgrounds of renowned universities, which act as a source of creativity. Fresh graduates are recruited through comprehensive written test and Viva voce. MBL also recruits experienced bankers from the industry having sound banking knowledge and expertise. As a part of MBL's investments in Human Capital, it has formulated Human Resources Policy including a strategic imperative for recruiting the best people from the society.

Performance Appraisal System

The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organisation. The performance appraisal system of MBL is an annual process which includes:

- Assessment of the financial or non-financial targets;
- Assessment of the competencies of the individual in achieving the content of the job;
- Assessment of overall performance.

Promotion, reward and motivation:

As efficiency is our strength, the Board of Directors of our Bank approved and enacted various motivational benefits and policies besides regular pay scale in order to ensure maximum efficiency of employees for maximizing job satisfaction. We declare promotion every year for our eligible Executives which motivates, inspires and helps to develop themselves for greater achievement of the individual and organizational goals.

Training and Development

MBL has a strong focus on imparting training towards enhancement of the skills and competencies of the employees to take over the challenge of modern banking. The Bank has established 'Mercantile Bank Training Institute (MBTI)', run by experienced and talented faculty members. MBTI has brought all the employees of the Bank to the training net. We believe that, trained, skillful, experienced employees are the most important strategic resource in a more competitive business environment. Employees are given on-the-desk training so that they can carry out their deskwork confidently remaining compliant. As well, classroom trainings are also arranged for the employees to make them up-to-date with the changing requirements.

Grievance management and counseling:

Since employee's behavior affects work discipline, HR Division always encourages employees to report if they have any work related grievance. In Mercantile Bank Limited there is formal procedure to address the employee grievance and counseling. Time to time competent authority also counsels employees as part of its job as people's advocate. Whenever any grievance is received from any employee of the Bank, the management of the bank takes the matter promptly for:

- Frame up enquiry teams, if necessary
- Proper investigation & Enquiry
- Open Hearing
- Decision according to HR policy

Beside that an employee on whom any disciplinary action is imposed may prefer an appeal to the competent authority of the Bank and the appeal need to be made for review of the decision within the specific time period. Thus, we have a participative and collaborative grievance handling procedure which is very much democratic in nature.

Organizational Chart: MBL Organogram is shown in the page number ..... .

Communication with Shareholders and Stakeholders

Principle of Disclosure and transparency: The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

- **Communication with Shareholders:** While maintaining investors' relation, proper communication and equitable treatment of every shareholder are given the highest priority by MBL. MBL always share information to the concern party and publish integrated operational and financial output and takes initiative to enrich the ability of future assessment of bank of shareholders. The Share Department of the Bank plays an instrumental role to make effective communication with its shareholders and other stakeholders. Shareholders and other stakeholders of the Bank may contact to this Department during office hour for any sort of information and queries. Common services include but not limited to allow or rejection of transfer or transmission of shares, issue of duplicate certificates, allotment of shares issued from time to time, opening and operation of bank accounts for payment of dividend, redemption of paper shares and the listing of securities on stock exchanges etc. Press releases, interim and final results announcements, interim and annual reports, and other information of interest to shareholders are uploaded to Company's corporate website www.mblbd.com. Half Yearly and Annual Reports of the Bank are also sent to shareholders within the respective deadlines stipulated by the regulatory bodies.

  For Shareholders' Inquiries
  Share Department
  Mercantile Bank Limited
  Head Office
  61 Dilkusha Commercial Area
  Dhaka-1000
  Web: www.mblbd.com

- **Information Access:** Prior to each Board meeting, the Bank Management provides the Board with information relevant to matters on the agenda for the Board meeting. The Management also provides adequate information in their regular reports pertaining to operational issues, financial performance and any affairs that require the attention of the Board. Such reports enable the directors to be aware of key issues pertaining to financial statements, internal controls, compliance and risk management of the Company. A risk management dashboard that summarizes the main risks and key risk indicators is presented during the board meeting to facilitate the oversight function by the Board. In respect of budgets, material variances between the projection and actual results are explained in the salient reports circulated to the Board members. Monthly and quarterly reports are provided to directors. The Board has separate and independent access to the Senior Management and the Company Secretary at all times. Procedures are also in place for Directors and Board Committees, where necessary, to seek independent professional advice at the Company's expense.

- **Policy on ensuring participation of shareholders at AGM:** The Bank strongly encourages and supports shareholder participation at its AGM. The Bank sends out the Notice of the Meeting on a timely basis to provide ample time for shareholders to receive and review the Notice and reply with their attendance. MBL publishes notice of AGM in daily newspapers with necessary details to ensure effective and efficient participation of shareholders in AGM within reasonable time-frame. The AGM normally takes place in a well known place and at convenient time. Annual Reports are circulated as per the provision of Companies Act 1994, so that shareholders would get sufficient time to go through the report and freely provide their valuable comments and suggestions in the AGM. A registered shareholder who is unable to attend may choose to appoint not more than two proxies to attend and vote on his behalf. As the authentication of shareholder identity information and the integrity of the information transmitted still remain a concern, the Bank has decided, for the time being, not to implement voting in absentia by mail, email or fax.

  The Company advocates fair and equitable treatment to all shareholders. All price-sensitive information is timely disclosed publicly. Shareholders are given the opportunity to participate effectively in and vote at general meetings of shareholders and they are informed of the rules, including voting rights and procedure that governs such general meetings of shareholders. Shareholders are entitled to attend and vote at the AGM by person or proxy.

- **Redressal of Shareholders Complaints:** Any complaint, received at AGM or throughout the year, related to transfer and transmission of shares, non-receipt of Annual Reports, and dividend timely and other share related matter is resolved lawfully in time. Chief Compliance Officer of MBL plays the role of handling any such issue related to our shareholders, investors etc.

Communication with Stakeholders

- **Communication with Employees:** MBL Board of Directors and the senior management of the Bank always maintain communication with the employees to enhance mutual understanding and promote cooperation at all levels. They discuss matters such as safety and the work environment, as well as broader issues relating to staff welfare.
- **Communication with the General Public:** MBL's website www.mblbd.com serve as an easy access for key information source for business, financials and other relevant information about the businesses of the Bank. MBL always provides quarterly and half-annually financial statements and Annual Report to provide balanced and clear assessment of its performance for the general public.
- **Investors Friendly Essentials:** MBL has better capital adequacy, good asset quality, steady financial performance, comfortable liquidity, strong market position and experienced Management, so investment in it is reliable. Since inception, MBL is declaring good dividends for the investors. MBL is also a Corporate Shareholder of IDLC Finance Ltd.

Environmental and Social Obligations

General description of the bank's policies and practices relating to social and environmental responsibility of MBL: The issue of climatic change is being addressed seriously all over the world. MBL concentrates on environment preservation by financing Projects in the field of renewable energy, organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects. MBL always encourages projects which take care of following points while financing them viz., (a) sustainable development and use of renewable natural resources (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy (c) pollution prevention and waste minimization. Necessary steps have been adopted including green financing, creating awareness to turn our bank as a 'Green Bank'. General description of MBL's policies and practices relating to environmental and social obligation has been presented in "Sustainability Report" and "Corporate Social Responsibility" sections of this Annual Report.

Specific activities undertaken by MBL in pursuance of these policies and practices:

MBL always has been focused and active regarding banks activities for the betterment of the environment. Corporate Office of MBL has been designed to utilize maximum usage of natural lights, which reduces energy consumption substantially compared to other conventional building. Around a third of the bulbs being used in this office are of energy savings type. We are saving around 40% electricity (used for lighting purpose) by using the day light in our Corporate Office. Moreover, MBL have already installed solar panels in 48 branches. More activities are described under the page no. 204 & 207.

ম্যাবস এন্ড জে পার্টনার্স
MABS &J Partners
Chartered Accountants

CERTIFICATE OF COMPLIANCE TO THE SHAREHOLDERS OF
Mercantile Bank Limited and its Subsidiaries
(As required under the BSEC Guidelines)

We have examined compliance to the BSEC guidelines on Corporate Governance Guidelines by Mercantile Bank Limited and its subsidiaries for the year ended 31 December 2017. These guidelines relate to the notification # SEC/CMRRCD/2006-158/134/Admin/44 dated 7 August 2012 and subsequently amended through the notification # SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July 2013 of Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance under section 2CC of the Securities and Exchange Ordinance, 1969.

Such compliance to the codes of Corporate Governance is the responsibility of the bank's management. Our examination was limited to the procedures and implementation thereof as adopted by the bank and its subsidiaries in ensuring the compliance to the conditions of Corporate Governance Guidelines. This is a scrutiny and verification only and not an expression of opinion on the financial statements of the bank and its subsidiaries.

In our opinion and to the best of our information and according to the explanations provided to us, we certify that, subject to the remarks and observations as reported in the attached Compliance Statements, the bank and its subsidiaries have complied with the conditions of Corporate Governance Guidelines as stipulated in the above-mentioned guidelines issued by the BSEC.

We also state that such compliance is neither an assurance as to the future viability of the bank and its subsidiaries, nor a certification on the efficiency or effectiveness with which the management has conducted the affairs of the bank and its subsidiaries. This is also no endorsement about quality of contents in the Annual Report of the bank.

Dhaka, 27 March 2018

MABS & J Partners
Chartered Accountants

A member of Nexia International

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Compliance Report on
BSEC Notification on Corporate Governance

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission, Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 (Report under condition No. 7)

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.	**Board of Directors:**			
1.1	**Board's Size:** The number of the board members of the company shall not be less than 5 (five) and more than 20 (twenty).	√		
1.2	**Independent Directors** All companies shall encourage effective representation of independent directors on their Board of Directors so that the Board, as a group, includes core competencies considered relevant in the context of each company. For this purpose, the companies shall comply with the following:-			
1.2(i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	√		
1.2(ii) a)	For the purpose of this clause "independent director" means a director who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company.	√		
1.2(ii) b)	Who is not a sponsor of the company and is not connected with the company's sponsors or directors or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	√		
1.2(ii) c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	√		
1.2(ii) d)	Who is not a member, director or officer of any stock exchange,	√		
1.2(ii) e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.	√		
1.2(ii) f)	Who is not a partner or an executive or was not partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	√		
1.2(ii) g)	Who shall not be an Independent Director in more than 3 listed companies	√		
1.2(ii) h)	Who has not been convicted by a Court of Competent jurisdiction as defaulter in payment of any loan to a Bank or Non-Banking Financial Institution (NBFI)	√		
1.2(ii) i)	Who has not been convicted for a criminal offence involving moral turpitude	√		
1.2(iii)	The independent director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.			N/A

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
1.2(vi)	The tenure of office of an Independent Director shall be for a period of 3(Three) years, which may be extended for 1(One) term only	√		
1.3	**Qualification of Independent Director (ID)**			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1.3 (ii)	The person shall be a Business Leader/Corporate Leader/ Bureaucrat/University Teacher with Economics or Business Studies or Law background /Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences.	√		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			N/A
1.4	**Chairman of the Board and the Chief Executive Officer(CEO)** The positions of the Chairman of the Board and the Chief Executive Officer (CEO) of the companies shall be filled by different individuals. The Chairman of the company shall be elected from among the directors of the company. The Board of Directors shall clearly define respective roles & responsibilities of the Chairman & the Chief Executive Officer (CEO)	√		
1.5	**The Director's Report to Shareholders (sec#184):** The directors of the companies shall include the following additional statements in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):-			
1.5(i)	Industry outlook and possible future developments in the industry	√		
1.5(ii)	Segment-wise or product-wise performance	√		
1.5(iii)	Risks and concerns	√		
1.5(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	√		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss			N/A
1.5(vi)	Basis for related party transactions-a statement of all related party transactions should be disclosed in the annual report	√		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering(IPO), Repeat public offering, Right(s) offer, Direct Listing etc.			N/A
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report	√		
1.5(x)	Remuneration to directors including independent directors	√		
1.5(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	√		
1.5(xii)	Proper books of account of the issuer company have been maintained.	√		
1.5(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5(xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		
1.5(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	√		
1.5(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.			N/A
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	√		
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given			N/A
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5(xxi)	**The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-**			
1.5(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5(xxi) c)	Executives; [Explanation: "Executive" means top 5 salaried employees of the company, other than the Directors, CEO, Company Secretary, CFO and Head of Internal Audit.	√		
1.5(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).			N/A
1.5(xxii)	In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:-			
1.5(xxii) a)	A brief resume of the director;	√		
1.5(xxii) b)	Nature of his/her expertise in specific functional areas;	√		
1.5(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.	**Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):**			
2.1.	**Appointment:** The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the Company Secretary (CS).	√		
2.2	**Requirement to attend the Board Meetings:** The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.	**Audit Committee:**			
3 (i)	The company shall have an Audit Committee as a Sub-Committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	√		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	**Constitution of the Audit Committee**			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1 (ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	√		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.1 (iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.			N/A
3.1 (v)	The company secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		
3.2	**Chairman of the Audit Committee**			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	√		
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	**Role of Audit Committee** **Role of audit committee shall include the following:-**			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/ prospectus.			N/A

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3.4 3.4.1	**Reporting of the Audit Committee Reporting to the Board of Directors:**			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1(ii) a)	Report on conflicts of interests;			N/A
3.4.1(ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			N/A
3.4.1(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;			N/A
3.4.1(ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.			N/A
3.4.2	**Reporting to the Authorities** If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.			N/A
3.5	**Reporting to the Shareholders and General Investors** Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	√		
4.	**External/Statutory Auditors: The issuer company should not engage its external/ statutory auditors to perform the following services of the company; namely:-**			
4(i)	Appraisal or valuation services or fairness opinions.	√		
4(ii)	Financial information systems design and implementation.	√		
4(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4(iv)	Broker-dealer services.	√		
4(v)	Actuarial services.	√		
4(vi)	Internal audit services.	√		
4(vii)	Any other service that the Audit Committee determines.	√		
4(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	√		

Condition No.	Title	Compliance Status (Put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
4(ix)	Audit/Certification services on compliance of Corporate Governance as required under clause (i) of condition no. 7	√		
5.	**Subsidiary Company:**			
5(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		
5(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	√		
6.	**Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):** **The CEO and CFO shall certify to the Board that:-**			
6(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief;	√		
6(i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6(i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	√		
6(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	√		
7.	**Reporting and Compliance of Corporate Governance:**			
7(i)	The company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/ Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		

Compliance of Meeting & Remuneration

Board Meeting held during 2017 and attendance of each Director

Sl.	Name	Total No. of Board Meeting		Remuneration
		Held	Attended	
1	A.K.M. Shaheed Reza	21	21	168,000.00
2	Md. Abdul Hannan	21	16	128,000.00
3	Md. Anwarul Haque	21	17	136,000.00
4	Dr. Mahmood Osman Imam (Independent Director)	21	20	160,000.00
5	M. Amanullah	21	16	128,000.00
6	Al-Haj Akram Hossain (Humayun)	21	19	152,000.00
7	Mohd. Selim	21	21	168,000.00
8	Morshed Alam, MP	21	17	136,000.00
9	Md. Shahabuddin Alam	21	12	96,000.00
10	Dr. Md. Rahmat Ullah (Independent Director)	18	16	128,000.00

Directors who could not attend meeting were granted leave of absence by the Board.

Executive Committee (EC) meeting held during 2017 and attendance of each Director

Sl.	Name	Total No. of Board Meeting		Remuneration
		Held	Attended	
1	Md. Anwarul Haque	39	34	272,000.00
2	Al-Haj Akram Hossain (Humayun)	39	37	296,000.00
3	Mohd. Selim	39	39	312,000.00
4	Morshed Alam, MP	39	19	152,000.00
5	Md. Shahabuddin Alam**	16	10	80,000.00
6	A.K.M. Shaheed Reza*	23	22	176,000.00
7	Md. Abdul Hannan*	23	20	160,000.00

* Continued as member of Executive Committee Up to 17.07.2017

** Appointed as member of Executive Committee on 18.07.2017

Directors who could not attend meeting were granted leave of absence by the Board.

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Audit Committee (AC) meeting held during 2017 and attendance of each Director

Sl.	Name	Total No. of Board Meeting		Remuneration
		Held	Attended	
1	Dr. Mahmood Osman Imam (Independent Director)	11	11	80,000.00
2	Md. Abdul Hannan**	4	2	8,000.00
3	M. Amanullah	11	8	56,000.00
4	Dr. Md. Rahmat Ullah (Independent Director)	11	10	72,000.00
5	Md. Shahabuddin Alam*	7	0	-

* Continued as member of Audit Committee Up to 17.07.2017

** Appointed as member of Audit Committee on 18.07.2017

Directors who could not attend meeting were granted leave of absence by the Board.

Risk Management Committee (RMC) meeting held during 2017 and attendance of each Director

Sl.	Name	Total No. of Board Meeting		Remuneration
		Held	Attended	
1	M. Amanullah**	2	2	16,000.00
2	Md. Anwarul Haque**	2	2	16,000.00
3	Al-Haj Akram Hossain (Humayun)	6	6	48,000.00
4	Mohd. Selim**	2	2	16,000.00
5	Md. Shahabuddin Alam	6	4	32,000.00
6	A.K.M. Shaheed Reza*	4	3	24,000.00
7	Md. Abdul Hannan*	4	4	32,000.00

* Continued as member of Risk Management Committee Up to 17.07.2017

** Appointed as member of Risk Management Committee on 18.07.2017

Directors who could not attend meeting were granted leave of absence by the Board.

Shareholders' Information

Distribution of Shareholdings

Composition	June 30, 2017 Number of Shares	June 30, 2017 % of total	December 31, 2017 Number of Shares	December 31, 2017 % of total
Sponsor / Director	310,292,608	39.98%	290,759,948	37.46%
Government	0	Nil	0	Nil
Institute	87,638,087	11.29%	149,479,660	19.26%
Foreign	19,251,183	2.48%	64,417,506	8.30%
General Public	358,932,659	46.25%	271,457,423	34.98%
Total	**776,114,537**	**100.00%**	**776,114,537**	**100.00%**

Shareholding of the Directors

- Parent/Subsidiary/Associated companies and other related parties: Nil
- Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit.

SL	Name	Shares Hold	% of Holding	Name of Spouses	Shares Hold	% of Holding
01	Directors					
	A.K.M. Shaheed Reza	41,001,441	5.28%	Zobeda Begum	152,030	0.02%
	Md. Abdul Hannan	17,743,768	2.29%	Israt Jahan	1,947,797	0.25%
	Md. Anwarul Haque	17,494,734	2.25%	Nargis Anwar	1,610,518	0.21%
	Dr. Mahmood Osman Imam	Nil	Nil	N/A	Nil	Nil
	M. Amanullah	23,310,000	3.00%	Tazneen Aman	500,000	0.06%
	Al-Haj Akram Hossain (Humayun)	16,844,887	2.17%	Ferdousi Begum	1,941,700	0.25%
	Mohd. Selim	22,491,681	2.90%	Farida Begum	2,443,864	0.31%
	Morshed Alam, MP	19,328,894	2.49%	Bilkis Nahar	263,925	0.03%
	Md. Shahabuddin Alam	15,561,180	2.01%	Yeasmin Alam	378,000	0.05%
	Dr. Md. Rahmat Ullah	Nil	Nil	Asma Jahan	Nil	Nil

SL	Designation	Name	Share Hold	% of Holding
02	Chief Executive Officer	Kazi Masihur Rahman	Nil	
03	Company Secretary	Saiful Alam, FCS	Nil	
04	Chief Financial Officer	Dr. Md. Nurul Islam	Nil	
05	Head of Internal Audit	Md. Enayet Ullah	Nil	

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- Executives (top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit) :

Sl	Designation	Name	Share Hold	% of Holding
01	Additional Managing Director	Md. Quamrul Islam Chowdhury	Nil	
02	Additional Managing Director	Md. Mati ul Hasan	Nil	
03	Deputy Managing Director	G.W.M Mortaza	Nil	
04	Deputy Managing Director	Md. Zakir Hossain	Nil	
05	Deputy Managing Director	Adil Raihan	Nil	

- Shareholders holding ten percent or more voting interest in the company: Nil

Redressal of Investors Complaints

Any complaint, received at AGM or throughout the year, related to transfer and transmission of shares, non-receipt of Annual Reports, and dividend timely and other share related matter is resolved lawfully in time. Chief Compliance Officer of MBL plays the role of handling any such issue related to our shareholders, investors etc.

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Our Coverage





Report of the Audit Committee

An Audit Committee is an operating committee of a company's board of directors, assisting the board to fulfill its oversight responsibilities in areas such as an entity's financial reporting, internal control systems, risk management systems and the internal and external audit functions.

The Audit Committee of Mercantile Bank Limited has been formed as per guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission. The committee is overseeing the implementations of strategic plans formulated by the Board of Directors of Mercantile Bank Limited.

The Audit Committee of Mercantile Bank Limited is comprised of 4 members including 2 Independent Directors and they are not members of Executive Committee as per corporate governance guidelines. The composition of audit Committee is as follows:

Name	Status	Position
Dr. Mahmood Osman Imam FCMA,MBA	Independent Director	Chairman
Mr. Md. Abdul Hannan	Director	Member
Mr. M. Amanullah	Director	Member
Dr. Md. Rahmatullah	Independent Director	Member

The Audit Committee of the Board of Directors conducted 11 meetings during the year 2017. In the meetings, among other things, the following issues were evaluated/reviewed/discussed and provided guidelines and necessary instructions:

Evaluation/Review/Discussion of policy formulation & implementations:

- Time Bound Action Plan under Self Assessment of Anti-Fraud Internal Controls.
- Reviewed Health Report of the Bank for the year 2017.
- Internal Control and Compliance Guidelines of the Bank.
- Position of Non-Performing Loans and Advances.

Evaluation/Review/Discussion of financial related matters, compliances and disclosures:

- Reviewed the yearly, quarterly and half yearly audited/unaudited financial statements alongwith Balance Sheet, Profit & Loss Accounts, Cash Flow Statements, Changes in Equity, Liquidity Statements and notes of the Bank and discussed with Management and the external auditors prior to submission to the Board of Directors for their approval.
- Reviewed with the external auditors about the result of their audit findings and management letter together with Management's response to their findings.
- Evaluated the performance of external auditors and make the necessary recommendations for appointment/re-appointment of External Auditors of the Bank and to fix their remuneration.

Evaluation of internal audit reports and compliances there against Branches and Divisions at Head Office level:

- Reviewed the internal audit reports of Branches/Divisions with a focus on all major areas of housekeeping particularly day to day operational activities, inter branch adjustment accounts, arrears in the balancing of the books, un-reconciled entries in inter-bank accounts and frauds.
- Reviewed implementation status of report submitted earlier of the Branches/Divisions through respective Cluster Head on continuous basis.
- Reviewed Compliance on observations, recommendations and decisions of the Audit Committee Meetings.
- Reviewed the investigative reports tabled during the year and ensured appropriate remedial actions/measures were taken.
- Discussed the observations relating to inspection reports of Bangladesh Bank and compliance thereof.
- The Committee suggested preventive measures for internal control lapses those were arisen during the period of inspection.

Dr. Mahmood Osman Imam FCMA, MBA
Chairman
Audit Committee



Report of the Risk Management Committee

A risk management committee is formed to play an effective role in mitigating impending risks arising out from strategies and policies formulated by the Board and to carry out the responsibilities efficiently. In Compliance with BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of MBL has reconstituted a five-member Risk Management Committee (RMC) of the Board in 2017 (maximum limit is five members). The Committee met 6 (Six) times during the year 2017.

The Composition of Risk Management Committee is as follows:

Composition of RMC	Position
M. Amanullah	Chairman
Md. Anwarul Haque	Member
Al-Haj Akram Hossain (Humayun)	Member
Mohd. Selim	Member
Md. Shahabuddin Alam	Member

Roles and Responsibilities of the Risk Management Committee

- **Formation of Organizational Structure:** Risk Management Committee ensures the abundant organizational structure for managing risk within the Bank. The Risk Management Committee will supervise formation of separate management level committees and monitor their activities for the compliance of instructions of lending risk, foreign exchange transaction risk, internal control & compliance risk, money laundering risk, information & communication risk including other risk related guidelines.
- **Risk identification & control policy:** The responsibility of Risk Management Committee is the formulation and implementation of appropriate strategies for risk assessment and its control. The Committee monitors risk management policies & methods and amend it if necessary. The committee reviews the risk management process to ensure effective prevention and control measures.
- **Analysis and approval of Risk Management policy:** Risk management policies & guidelines of the bank reviewed annually by the committee. The committee propose amendments if necessary and send it to the Board of Directors for their approval. Besides, other limits including lending limit also reviewed at least once annually and amended, if necessary.
- **Monitoring the Implementation of Overall Risk Management Policy:** To mitigate all risks including lending risk, market risk, and management risk, Risk Management Committee monitors whether proper steps have been taken.

- **Storage of data & Reporting system:** Adequate record keeping & reporting system developed by the bank management approved by the risk management committee. The committee ensures proper use of the system. The committee minutes its proposal, suggestions & summary in a specific format & informs the Board of Directors.

Other Responsibilities

- Committee's decision and suggestions submitted to the Board of Directors quarterly in short form;
- Comply instructions issued time to time by the controlling body;
- Internal & external auditor will submit respective evaluation report whenever required by the committee.

The Board of Directors of the Bank has formed the Risk Management Committee (RMC) as per Bangladesh Bank guidelines. The committee also reviews risk management policies, process and guidelines of the bank and submit it to the board for prior approval or renewal as necessary. The Committee conducted 6 (six) meetings during the year 2017 where among others, following issues were discussed:

- Comprehensive Risk Management Report
- Stress Testing Report on quarterly basis
- Risk Appetite Framework on different Key Risk Indicators (KRIs)
- Internal Capital Adequacy Assessment Process (ICAAP) statement
- Fraud Detection and Management Process
- Management Action Trigger (MAT)
- Syndicated Term Loan restructuring
- Information on Top 20 Loan Defaulters of our Bank
- Organogram of Risk Management Division

Risk Management Committee (RMC) Meeting held during 2017:

SN	Name of Directors	Presence of the Directors at the Meetings	
		No of Meetings	Present
01.	M. Amanullah**	02	02
02.	Md. Anwarul Haque**	02	02
03.	Al-Haj Akram Hossain (Humayun)	06	06
04.	Mohd. Selim**	02	02
05.	Md. Shahabuddin Alam	06	04
06	A.K.M. Shaheed Reza*	04	03
07.	Md. Abdul Hannan*	04	04

*Continued as member of Risk Management Committee up to 17.07.2017

**Appointed as member of Risk Management Committee on 18.07.2017

- Directors who could not attend in the meeting were granted leave of absence by the Board.

M. Amanullah
Chairman
Risk Management Committee



Credit Rating

MBL has strong and stable credit rating over the last couple of years. Emerging Credit Rating Limited (ECRL) has confirmed the long term rating of MBL to 'AA' and short term rating to 'ST-2' based on its financial up to December 31, 2016 and other qualitative and quantitative information up to the date of rating. ECRL also placed the Bank with "Stable Outlook".

Basis of Information	Date of Rating	Rating		Rating Company
		Long Term	Short Term	
2015	22 May, 2016	AA-	ST-2	CRISL
2016	22 May, 2017	AA	ST-2	ECRL

* Rating based on December, 2017 is under process

Evaluation of Quarterly Financial Statements
by Audit Committee & Board

The Audit Committee of the Board was duly formed by the Board of Directors of the Bank in accordance with the BRPD Circular no. 11 dated 27 October 2013 of the Bangladesh Bank Pursuant to the BSEC notification no. SEC/CMRRCD/2006-158/129/Admin/44 dated 07 August 2012, on Corporate Governance, the current Committee is constituted with the following 4 (four) members of the Board and the Bank hereby has been compliant with the BRPD Circular no. 11 dated 27 October 2013.

Name	Status with Bank	Status with Committee	Educational qualification
Dr. Mahmood Osman Imam, FCMA	Independent Director	Chairman	M. Com., MBA, FCMA, PhD
Md. Abdul Hannan	Director	Member	Engineer
M. Amanullah	Director	Member	Graduate
Dr. Md. Rahmat Ullah	Independent Director	Member	LLM, PhD

During the year 2017, the Audit Committee of the Board of Directors conducted 11 (Eleven) meetings in which among other things the following issues were discussed and provided guidelines and necessary instructions:

- Reviewed the Bank's financial statements
  - Balance Sheet,
  - Profit & Loss Account,
  - Cash Flow Statement, Statement of Changes in Equity,
  - Liquidity Statement and
  - Related Explanatory Notes
- Approval of Risk Based Audit Plan.
- Reviewed the performance of Mercantile Bank Securities Limited.
- Reviewed Compliance on observations, recommendations and decisions of the Audit Committee Meetings.
- Reviewed the Bank's Quarterly and Periodical financial statements
- Reviewed the Comprehensive Inspection Reports on different branches as well as different Divisions of Head Office of the Bank conducted by the Team of ICCD from time to time.



Ethics & Compliance Report on Financial Statement

Presenting a fair, balanced and understandable assessment of the Bank's position and prospect is a part of good governance. It has been confirmed that

- The financial statements have been prepared present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Bank's ability to continue as a going concern.
- There are no significant deviations from the last year's operating results of the Bank.
- Key operating and financial data of at least preceding 5 (five) years has been summarized.

Supportive Disclosure

It is hereby confirmed that proper disclosures have been made in Annual Report regarding:

- Basis for related party transactions.
- Remuneration to directors including independent directors.
- The number of Board meetings held during the year and attendance by each director.
- The pattern of shareholding by:
- Parent/Subsidiary/Associated Companies and other related parties (name wise details).
- Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).
- Disclosure on Executives (Top 5 salaried employees of the company, other than the Directors, CEO, Company Secretary, CFO and Head of Internal Audit).
- Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).

Disclosure on the appointment/re-appointment of directors the Bank:

- Brief resumes of the directors,
- Nature of expertise in specific functional areas,
- Names of companies in which the person also holds the directorship and the membership of committees of the board.

ToR/Code of Conduct

The Board of Directors of Mercantile Bank Limited has adopted all the policies, guidelines, circulars etc. (issued from time to time by Bangladesh Bank) as its Terms of Reference (ToR) and/or Code of Conduct and therefore separate documents like (i) Code of Conduct for Board Members, (ii) ToR for Audit Committee, (iii) ToR for Chairman and (iv) ToR for Managing Director & CEO have not been framed/laid down by the Board. The Directors have complied with such Code of Conduct/ToR. A separate Report on Corporate Governance has also been furnished with this Annual Report.



Capital Plan

Capital management in a bank usually refers to implementing measures aimed at maintaining adequate capital, assessing internal capital adequacy of the bank and calculating its Capital to Risk Weighted Assets Ratio (CRAR). Capital Planning is a dynamic and ongoing process that, in order to be effective, is forward-looking in incorporating charges in a bank's strategic focus, risk tolerance levels, business plans, operating environment, or other factors that materially affect capital adequacy. Capital planning assists the bank's Board of Directors and senior management to:

- Identify risks, improve their understanding of the bank's overall risks, set risk tolerance levels, and assess strategic choices in longer-term planning.
- Identify vulnerabilities such as concentration and assess their impact on capital
- Integrate business strategy, risk management, capital and liquidity planning decisions, including due diligence for a merger or acquisition and
- Have a forward-looking assessment of the bank's capital needs, including capital needs that may arise from rapid changes in the economic and financial environment

The most effective capital planning consider both short-term and long term capital needs and is coordinate with a bank's overall strategy and planning cycles, usually with a forecast horizon of at least five year. Banks need to factor events that occur outside of the normal capital planning cycle into the capital planning process; for example, a natural disaster could have a major impact on future capital needs.

The capital planning process should be tailored to the overall risk, complexity, and corporate structure of the bank. The bank's range of business activities, overall risks and operating environment have a significant impact on the level of detail needed in the bank's capital planning. A more complex institution with higher overall risk is expected to have a more detailed planning process than an institution with less complex operations and lower risks. While the exact content, extent, and depth of the capital planning process may vary, an effective capital planning process includes the following components:

- Identifying and evaluating risks
- Setting and assessing capital adequacy goals that relate to risk
- Maintain a strategy to ensure capital adequacy and contingency planning
- Ensuring integrity in the internal capital planning process and capital adequacy assessments

OBJECTIVES OF CAPITAL PLAN

- Successful migration to BASEL III from BASEL II
- To maintain CRAR as per BASEL III accords
- Analysis of present capital position and projection of future capital position

CHALLENGES OF CAPITAL PLAN

- Enhanced capital requirement @ 0.625% per year from 2015 to 2019 as directed in Risk Based Capital Adequacy Guidelines of Bangladesh Bank
- Maintaining of LCR & NSFR in addition to SLR
- Rate cut due to lower Government borrowing. Moreover Government is planning to borrow from FC reserve instead of local currency for mega projects.
- Credit growth is critical to assume for the year 2019 as national election will be due then which will be required to review accordingly.
- Capacity of credit disbursement of banking sector will shrink as requirement of additional capital will increase in Basel-III migration period (Capital requirement will increase @ 0.625% of RWA per year up to 2019)

CAPITAL STRUCTURE

Mercantile Bank places strong emphasis on the quality of its capital in order to continue meeting the minimum regulatory requirements and support business growth and risks undertaken. Thus, Mercantile Bank holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on going concern basis. In addition to common equity, the Bank also maintains other types of capital instruments such as subordinated debts in order to optimize capital mix and reduce overall costs of capital.

ANNUAL CAPITAL PLAN

The Annual Capital Plan involves detailed planning of the Bank's strategic capital plan over a five-year horizon period. The plan should highlight the capital projections, capital requirements, levels of capital and capital mix to support the Bank's business plan and strategic objective.

CAPITAL TO RISK WEIGHTED ASSETS RATIO

MBL places strong emphasis on the quality of its capital in order to continue meeting the minimum regulatory requirements and support business growth and risks undertaken. We hold a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability ongoing concern basis. In addition to common equity, we also maintain other types of capital instruments such as Subordinated Debts in order to optimize capital mix and reduce overall costs of capital. Upon giving due treatment to deferred tax asset, general provision, goodwill and other regulatory adjustments, our capital base has always been in a strong standing. Hence, the phase-in transition of Basel III can be accommodated smoothly.

	2013	2014	2015	2016	2017
Tier 1 Capital Ratio	9.81%	8.43%	8.52%	8.35%	7.91%
Tier 2 Capital Ratio	1.62%	4.52%	3.34%	4.68%	4.02%
CRAR Ratio	11.43%	12.95%	11.87%	13.03%	11.93%



Management Discussion & Analysis

MACROECONOMIC SCENARIO OF BANGLADESH

Over the last years, Bangladesh has been able to achieve inclusive growth while maintaining macroeconomic stability. Various macroeconomic indicators such as GDP growth, per capita income, food production, inflation, imports and exports have consistently registered significant progress during this period. Inclusive and pro-poor policies and programmes of the government have largely contributed to reduction of poverty and inequality while ensuring commendable economic growth.

Economic Progress

- Economic Growth: GDP growth accelerated to 7.28% during FY2017, whereas it was 7.11% during the FY2016. In the fiscal year 2016-17, Bangladesh's GDP stands at $249.86 billion, or nearly Tk 20.88 trillion. The agriculture sector grew 2.90%, manufacturing grew 10.22% and the services sector grew 6.69%. Government has aim to reach at 8% GDP growth by 2020.
- Per Capita Income: Per-Capita Income also got an impressive boost by $145 to $1610 in the FY2017 from $1465 in the previous FY2016.
- Broad Money (M2): In October'17 Broad money (M2) increased by Tk. 4,521.0 crore (0.44%) to Tk. 1,033,221.8 crore as compared to a decrease of Tk. 2,450.9 crore (0.24%) to Tk. 1,028,700.8 crore in September'17.
- Domestic Credit: In October'17 domestic credit increased by Tk. 9553.7 crore (1.05%) to Tk. 922894.6 crore as compared to a increase of Tk. 2554.7 crore (0.28%) to Tk. 913340.9 crore in September'17
- Inflation: The Point-to-Point decreased to 6.04% in October 2017 from 6.12% in September 2017. While the twelve-month average inflation increased to 5.59% in October 2017 from 5.55% in September 2017.
- Export: Merchandise commodity export increased to USD 14.56 billion during July-November, 2017-18 which was 6.86 percent higher than USD 13.63 billion during July-November, 2016-17.
- Import: Custom based import during July-October, 2017-18 increased by 28.71% and stood at USD 18.53 billion compare to USD 14.39 billion during July-October, 2016-17.

- Remittances: Receipts of workers' remittances in November 2017 increased by 4.47% and stood at USD 1.21 billion against that of October 2017. It was also higher by 27.68% against USD 0.95 billion of November 2016. Total receipts of workers' remittances increased by USD 0.56 billion or 10.76% during July-November, 2017-18 as compared to that of July-November, 2016-17.

- Foreign Exchange Reserve: Foreign exchange reserve of BB stood at USD 33.11 billion as of end December 2017, as compare to USD 32.62 billion as of end November 2017.

BANKING SECTOR OF BANGLADESH

Banking sector plays an important role in the economic development of a country especially for Bangladesh, a sound and efficient banking system is one of the most important preconditions to achieve economic development. At present, a total of 57 banks (6 SCBs, 2 DFIs, 40 PCBs and 9 FCBs) having 9,724 branches are operating in Bangladesh with Tk.9,40,457.61 crore total deposit and Tk. 7,21,684.97 crore advances.

At present, banking sector has been passing through a turbulent period for some time. The sector is still struggling to recover from the recent setbacks caused by large financial scams in a number of state-owned and private commercial banks. And this sector is bleeding from bad loans affecting the banks' profit margin, and adversely impacting business expansion and job creating investments. In a span of 8 years, the amount of non-performing loans (NPLs) in the banking system almost doubled. Where NPL as percentage of total loans and advance in private commercial banks and foreign commercial banks remained between 5-10%, state owned commercial banks (SCB) held around 27 % by end June 2017. An internal report on the state of SCBs reveal that the top 20 borrowers held as much as a third of these bad loans.

Gross NPL Ratio in the Banking System

	Jun'13	Jun'14	Jun'15	Jun'16	Jun'17
Overall Banking Sector	11.9	10.8	9.7	10.1	10.1
State Owned Commercial Bank (SCB)	26.4	23.2	21.9	25.7	26.8
Private Commercial Banks	6.6	5.7	5.7	5.4	5.8
Specialised Banks	26.2	33.1	25.5	26.1	23.8
Foreign Commercial Banks	4.7	6.2	8.3	8.3	7.9

Currently, the key profitability indicators of the banking sector, both Return on Assets (ROA) and Return on Equity (ROE) increased in the review quarter. At the end of June, 2017, capital to risk-weighted assets ratio (CRAR) of the banking sector increased by 20 bps and stood at 10.9 percent. A majority of the banks were able to maintain the minimum capital conservation buffer which was introduced in early 2016 under Basel III framework. Besides, the banking industry maintained a leverage ratio much higher than the regulatory minimum requirement on both solo and consolidated basis. Advance-to-deposit ratio (ADR) of the banking industry increased to 73.9 percent. Nevertheless, no sign of liquidity pressure was evident during the review quarter; banks were able to maintain the required Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

FINANCIAL REVIEW

Empirical review on our financial performance in the year 2017:

Operating Profit

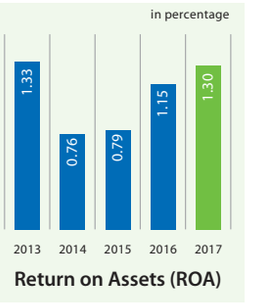
Denotes the profit earnings of the Bank after charging all the expenses excluding the components of provisions and tax.



Attainment: In the year 2017 operating profit of the Bank was BDT 6,570.57 million. It is attributed to our success in maintaining and in some cases up-gradation of our performing risk assets portfolio as well as bringing down cost of deposits, creation of reasonably better spread and establishment of better control on the movement of operating expenses.

Return on Assets (ROA)

ROA measures the efficiency level of the Bank in utilization of its assets.

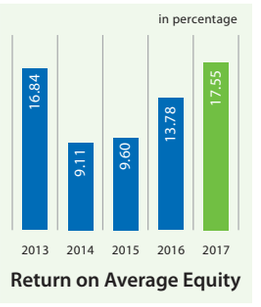


Attainment: During the year 2017 ROA stood at 1.30%.

Return on Equity (ROE)

ROE is meant for measuring the average earnings on the shareholders' funds/ equity.

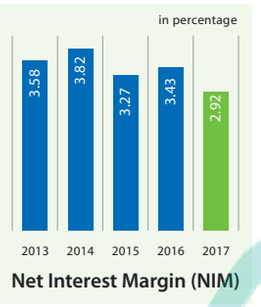
Attainment: During the year 2017 ROE stood at 17.55% against 13.78 % in the year 2016.



Net Interest Margin (NIM)

NIM is one of the most important indicators and by definition it measures the extent of spread the Bank creates in course of intermediation of fund.

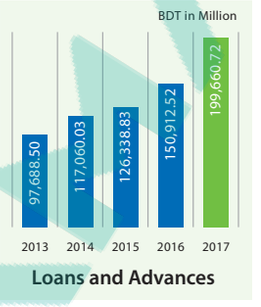
Attainment: NIM stood at 2.92% in 2017 against 3.43% in 2016. It is largely attributable to our success in the endeavor for keeping down the cost of fund of the Bank.



Loans and Advances

It is the quantum of loans disbursed as overdrafts, trade finance, term loans, bill discount facilities etc.

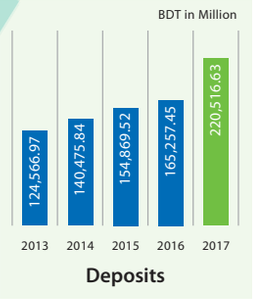
Attainment: The size of the credit portfolio of the Bank has increased by 32.30% to BDT 199,660.72 million in 2017 against BDT150,912.20 million in 2016.



Deposits

It is the quantum of deposits placed by customers in the Bank through Current, Savings, SND, Scheme Deposits, Term Deposits i.e. FDR etc accounts.

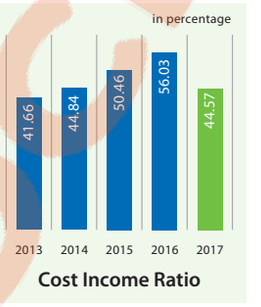
Attainment: Deposits growth of the Bank was 33.44% in 2017. Total deposits surged to BDT 220,516.63 million in 2017 from BDT 165,257.45 million of 2016.



Cost Income Ratio

Measures operating cost as percentage to operating income

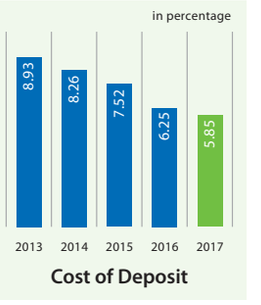
Attainment: Cost Income Ratio increased to 44.57% in 2017 from 56.03% of 2016. This is due to the increase of non-interest expenses of the Bank.



Cost of Deposits

It measures the extent of interest expenses on the interest bearing deposits.

Attainment: Cost of Deposits during the year 2017 came down significantly to 5.85 % from 6.25% in 2016 which is the result of our efforts to rationalize the interest expenses against our different deposit products without having adverse impact on the deposit/liquidity base.



REVIEW ON PROFIT & LOSS ACCOUNT

Income

Gross Income of the Bank surged to BDT 24,763.59 million registering 20.17% growth in the year 2017 in comparison to 2016. The increase in the income stream was largely attributable to maintaining the sound status of the credit portfolio. Besides, fees based income contributed significantly towards positive growth of profit. During the year 2017, we focused on sound portfolio management and keeping down cost of fund towards maximization of profitability within the bound of our earning assets.

Particulars	2017	2016	(BDT in Million) Variance
Interest Income	19,101.30	16,769.12	13.91%
Investment Income	630.30	74.80	742.65%
Commission, Exchange and Brokerage	2,604.84	1,871.88	39.16%
Other Operating Income	2,415.19	2,127.47	13.52%
Total Income	**24,751.63**	**20,845.60**	**18.74%**

Expenses

In 2017, Interest expenses increased by 19.97%. As a result the overall expenses increased by 10.80% than that of 2016. Total expenses recorded for 2017 was BDT 18,181.06 million as against that of BDT 16,409.16 million in 2016.

Particulars	2017	2016	(BDT in Million) Variance
Interest Expenses	12,897.32	10,750.30	19.97%
Total Operating Expenses	5,283.74	5,658.86	-6.63%
Total Expenses	**18,181.06**	**16,409.16**	**10.80%**

Operating Expenses decreased to BDT 5,283.74 million in 2017 from BDT 5,658.86 million in 2016 registering -6.63% decreases.

Particulars	2017	2016	(BDT in Million) Variance
Salaries and Allowances	2,487.92	2,469.28	0.75%
Chief Executives Salary and Fees	16.14	11.38	41.82%
Director's Fees	4.38	4.87	-10.06%
Rent, Taxes, Insurance, Electricity etc	676.35	626.19	8.01%
Legal Expenses	15.57	8.54	82.30%
Postage, Stamps, Telecommunication etc.	61.49	63.21	-2.72%
Stationary, Printing, Advertisement etc.	190.63	179.04	6.47%
Auditors' Fees	1.55	0.92	68.01%
Depreciation and Repair of Fixed Assets	379.96	377.53	0.64%
Other Expenses	1,449.76	1,917.90	-24.41%
Total Operating Expenses	**5,283.74**	**5,658.86**	**-6.63%**

Profitability

During the year 2017 operating profit of the bank has surged to BDT 6,570.57 million as compare to BDT 4436.44 million in the year 2016. In the year 2017 we have been able to decrease our NPL ratio to 3.79% from that of 5.13% in 2016 to maintain better cushion against our assets, we kept provision of BDT 2,252.85 million against BDT 949.08 million of 2016. As a result, net profit of the Bank increased to BDT 3,017.72 million, registering growth of 66.13% in comparison to the year 2016.

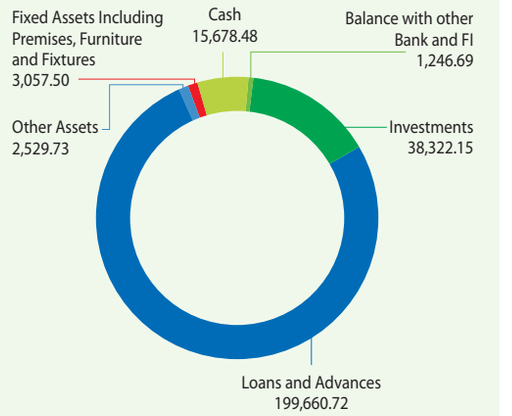
Particulars	2017	2016	(BDT in Million) Variance
Interest Income	19,101.30	16,769.12	13.91%
Less Interest Paid on Deposits, Borrowing etc	12,897.32	10,750.30	19.97%
Net Interest Income	**6,203.98**	**6,018.82**	**3.03%**
Plus Non Interest Income	5,650.33	4,076.48	38.61%
Total Operating Income	**11,854.31**	**10,095.30**	**17.42%**
Less Total Operating Expenses	5,283.74	5,658.86	-6.63%
Operating Profit	**6,570.57**	**4,436.44**	**48.10%**
Total Provision	2,252.85	949.08	137.37%
Total Profit Before Tax	**4,317.72**	**3,487.36**	**23.81%**
Less Provision for Tax	1,300.00	1,260.00	3.17%
Net Profit after Taxation	**3,017.72**	**2,227.36**	**35.48%**

Balance Sheet wise some Key Performance Indicators of the Bank are as under:

Particulars	2017	2016
Return on Assets (ROA)	1.30	1.15%
Return on Equity (ROE)	17.55	13.78%
Cost Income Ratio	44.57	56.03%
Net Interest Margin (NIM)	2.92	3.43%

BALANCE SHEET SUMMARY

The Bank posted healthy Balance sheet size with BDT 260,169.93 million assets base as on 31 December 2017. Loans and advances contribute major part i.e. 76.74% of total assets. Investments stand the second largest part i.e. 14.72 % of total assets.

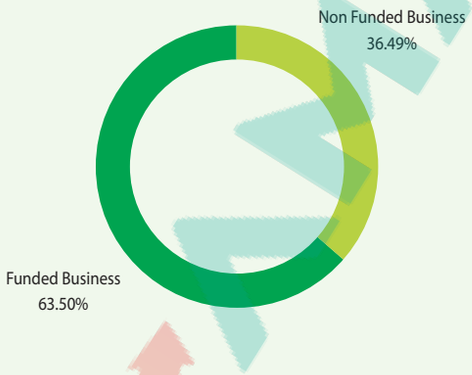


Assets Composition 2017

The core earning assets of the Bank are Loans and Advances and Investment. The credit portfolio of the Bank experienced a hefty growth of 32.30 % in 2017 over 2016. As one of the primary dealers (PD) we had large chunk of investment in government securities i.e. Treasury bill and Bonds and during the year 2017 quantum of government securities holding increased by 16.41 % over 2016.

Particulars	2017	2016	(BDT in Million) Variance
Cash	15,678.48	12,499.97	25.43%
Balance with other Bank and FI	821.35	3,536.86	-76.78%
Money at call on short notice	100.00	--	-
Investments	38,322.15	32,920.69	16.41%
Loans and Advances	199,660.72	150,912.52	32.30%
Fixed Assets Including Premises, Furniture and Fixtures	3,057.50	3,175.03	-3.70%
Other Assets	2,529.73	1,082.40	133.71%
Total	**260,169.93**	**204,127.47**	**27.45%**

Funded Business of the Bank as on December 31, 2017 stood at BDT 199,660.72 million whereas non funded business stood at BDT 114,757.05 million for the same time period.

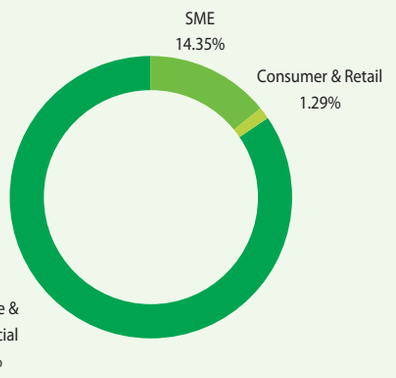


Total Assets Including Non Funded Business



Health	0.75%
Agriculture	1.07%
Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	4.02%
Trade Finance	30.97%
Transport	1.86%
Shipping	4.62%
Textile (Excluding IDBP)	2.61%
Textile (IDBP)	0.87%
Readymade Garments (RMG) [excluding IDBP]	17.19%
Readymade Garments (RMG) [IDBP]	1.01%
Tele communication	0.18%
IT & Computer/Trade	0.17%
Power & Fuel	0.28%
Real Estate	2.59%
Chemicals	1.13%
Leather & Leather products	0.94%
Plastic & Plastic products	0.16%
Electrical & Electronic goods	1.32%
Paper & Packaging	1.84%
Jute & Jute products	1.20%
Ceramics (Table ware, Sanitary ware, Tiles etc.)	0.54%
Iron & Steel	3.68%
Engineering & Construction	4.78%
Contractor Finance	0.63%
Capital Market Intermediaries	0.49%
Backward Linkage	1.12%
NBFI	3.65%
Service (Hotel, Restaurant, Travelling, Tickets, etc.)	1.00%
Others	9.33%

Loans & Advances Mix



Segment Wise Loan Portfolio

Loan Portfolio

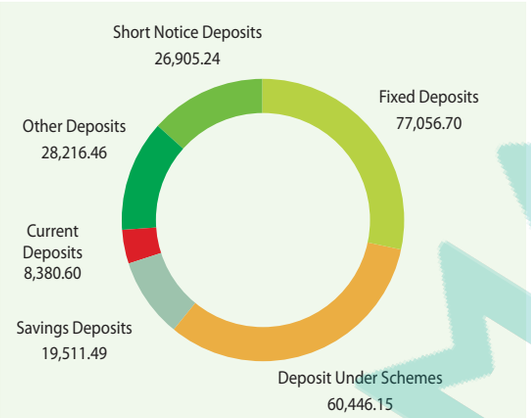
Sector-wise

MBL maintained a well diversified loan portfolio which resulted in stable profitability streams to the Bank. Garments, Trading and Engineering sector held the best three positions in the loan portfolio.

Liabilities

In 2017, MBL continued efforts to restructuring its deposits mix and thereby reducing cost of deposits in the backdrop of surplus liquidity hangover in the banking sector. We focused on procuring more no and low cost deposits. As a measure of rationalization of our intermediation cost of Deposits decreased to 5.85% as on December 2017 as compared to 6.25% of previous year. This spectacular deposits cost cut contributed to attain consistent growth in operating profit amidst the gloomy business environment over the year 2017.

		(BDT in Million)	
Particulars	**2017**	**2016**	**Variance**
Deposit Under Schemes	60,446.15	65,255.56	-7.37%
Fixed Deposits	77,056.70	36,776.57	109.53%
Savings Deposits	19,511.49	16,601.53	17.53%
Current Deposits	8,380.60	8,475.34	-1.12%
Short Notice Deposits	26,905.24	14,844.17	81.25%
Other Deposits	28,216.46	23,304.27	21.08%
Total	**220,516.64**	**165,257.44**	**33.44%**



Deposit Mix

Among the deposits mix, deposits under scheme contributed 27.41% and Fixed Deposits contributed 34.94% in 2017.

Market Position

MBL has maintained a stable position in terms of market share during the year 2017 with regard to both deposit and loans and advances among Private Commercial Banks (PCBs). Banking Industry of Bangladesh had a deposit of Tk.9,12,799.90 crore and loans and advances of Tk. 7,94,252.90 crore as on 31st December, 2017 shared by 57 banks. Total deposit base of MBL stood at BDT 21,722.44 crore and BDT 16,525 crore in the year 2017 and 2016 respectively. Total loans and advances stood at BDT 19,966.07 crore and BDT 15,091.25 crore respectively during the same period. Based on the above, MBL held 2.38% of total market share of deposit and 2.51% of total market share of loan and advances as on 31st December, 2017 against 1.97% and 2.12% of the previous year respectively.

BUSINESS LINE OVERVIEW

SME DIVISION

Small and Medium Enterprises (SMEs) admittedly play the catalyst role towards ensuring incremental GDP growth. As the report has it that, about 95% private sector enterprises are SMEs and major portion of non-agricultural workforce is working in this sector. The SMEs contributed up to 25.00% of GDP including about 40.00% of gross manufacturing output and around 25.00% of the total labor force.

Appreciating the significant contribution of SME in the economic condition of cross section of populace, MBL has accorded added priority to this sector in its pursuit of expansion of lending portfolio. In this direction, MBL is financing SME sector complying with the guidelines & circulars of Bangladesh Bank issued time to time. As per the definition and criteria of SME loan in the latest circular of Bangladesh Bank, in Manufacturing sector SMEs are being financed up to Tk 75.00 Crore, in Service sector up to Tk 50.00 Crore and in Trading sector up to Tk 5.00 Crore.

A dedicated SME Financing Division has been working at Head Office and launched a good array of products befitting the requirements of different segments of the borrowers in the trade, manufacturing and service sectors, as under:

- CHAKA "চাকা" (Term L oan)
- ANANNYA "অনন্যা" (Women Entrepreneur's Loan)
- SAMRIDDHI "সমৃদ্ধি" (Continuous Loan)
- MOUSUMI "মৌসুমি" (Short Term Single Payment Seasonal Loan)
- SANCHALAK "সঞ্চালক" (A mix of term, time & Continuous credit)
- UNMESH "উন্মেষ" (Import Trade Financing)
- UDAYAN "উদয়ন" (Start-up Financing for the young entrepreneurs)
- FACTORING OF RECEIVALBES

Lastly, MBL launched two new products titled as "UDAYAN" and "FACTORING OF RECEIVABLES". "UDAYAN" is targeted for financing the start-up



[Mercantile Bank Limited organized a get together with the start-up level entrepreneurs under its new product title "UDAYAN" held at Bank's Training Institute in the city on 19th October, 2017. A.K.M. Shaheed Reza, Chairman of MBL was present as Chief Guest and Kazi Masihur Rahman, Managing Director & CEO presided over the program.]

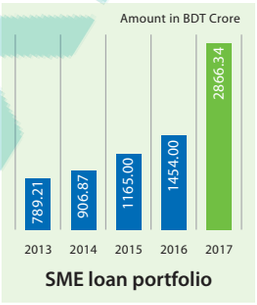
business of young educated entrepreneurs with a view to materialize their specific business plan. "FACTORING OF RECEIVABLES" is targeted for financing of receivables of the corporate clients and suppliers of raw materials.

Consequent upon the prudent initiatives of the Board and Management of the Bank, the portfolio of SME loan has been increased over the years. For instance, the outstanding balance of SME loan reached to Tk2866.34 Crore as on December 2017 constituting 263% growth during last five years.

Growth pattern of SME loan portfolio is as follows:

			Amount in BDT Crore	
2013	2014	2015	2016	2017
789.21	906.87	1165.00	1454.00	2866.34

MBL has high on its agenda to finance the women entrepreneurs at a lower rate of interest to facilitate business growth in this area. The outstanding portfolio of SME loan for the women entrepreneurs has reached at Tk 60.06 Crore as on December 2017.



MBL has been participating in different refinance schemes of Bangladesh Bank (BB Fund, ADB Fund, JICA Fund, EGBMP Fund etc.) and availing refinance facility against the SME loan disbursed favoring Women Entrepreneurs, Agro based Products Processing Industries and other eligible SMEs.

In compliance with Bangladesh Bank Guidelines, MBL has set up "SME Dedicated Desk" & "Women Entrepreneurs' Dedicated Desk" at all branches for the sake of hassle-free services to the clients.

MBL participates in various SME related fairs/ discussion meetings/ events as organized by Bangladesh Bank and other stakeholders. In the year 2017, MBL participated a fair titled as "Women Entrepreneurs' Conference and Product Exhibition-2017" organized by Bangladesh Bank held at Nilima Ibrahim Auditorium, Bangladesh Mahila Samiti, Bailey Road, Dhaka from 9th March to 12th March 2017. In that event, Fazle Kabir, Governor of Bangladesh Bank and State Minister for Women and Children Affairs Meher Afroz Chumki, MP, handed over an SME loan cheque to a woman entrepreneur on behalf of Mercantile Bank Limited. Md. Zakir Hossain, SEVP & Head of Corporate Banking Division (Currently Deputy Managing Director & DCBO), Mercantile Bank Ltd. was present on the occasion.



The Management of the Bank prioritizes more to expand the portfolio in the SME segment in the current year 2018 by focusing on diversification of loans across the borrowers, business and geographical dispersion, thereby to make distinctive value addition in this thrust sector of the economy.

CONSUMER & RETAIL BANKING DIVISION

MBL is catering a wide range of Retail Loan Products to meet diversified demand of its customers throughout the country. The basket of Retail Loans contains the following products:

- Home Loan
- Car Loan
- Personal Loan
- Cottage Loan
- House Furnishing Loan
- Doctors' Loan

With prudent leadership of the Deputy Managing Director and CSBO Mr. Adil Raihan, Consumer and Retail Banking Division has achieved notable growth in its Asset Portfolio during the year 2017. At the end of 2017, the size of Retail Loan Portfolio stood at Tk. 257.87 Crore, which shows a notable 34% growth compared to 2016. Comparative product-wise portfolio is shown in the table below:

	2016		2017	
Name of Product	**No. of A/C**	**Outstanding in Crore Tk.**	**No. of A/C**	**Outstanding in Crore Tk.**
Home Loan	434	103.00	525	137.62
Car Loan	146	13.00	203	20.16
Cottage Loan	68	3.00	86	6.05
Any Purpose Loan	1,855	23.00	1,040	12.33
House Furnishing Loan	307	3.00	169	2.96
Staff Personal Loan	439	40.00	800	55.36
Personal Loan	724	8.00	1327	22.15
Others	23	0.10	125	1.23
Total Consumer Loans	**3,996**	**193.10**	**4,275**	**257.87**

A sales team comprising of 155 Sales Executives (SSEs & DSEs) is currently working under supervision of Consumer & Retail Banking Division to boost up both Asset & Liability Portfolio of the Bank. The Sales Team promotes all kinds of products of the Bank such as:

- Savings Bank Account
- Current Account
- SND Account
- Debit Card
- Credit Card
- Retail Loans
- Mobile Financial Service

Some indicators of the performance of the Sales Team during the last four years are shown in the table below:

Year	Total Savings Account in Bank	Savings Account opened during Year	Savings Account opened by Sales Team	Total Current Account in Bank	Current Account opened during Year	Current Account opened by Sales Team	Total CASA Account opened by Sales Team	Debit Card issued by Sales Team	Total Scheme Account opened by Sales Team
2014	287508	42282	14498	68322	5294	1721	16219	6488	3485
2015	359194	71686	25561	75194	6872	2329	27890	13845	7668
2016	458765	99571	44414	83468	8274	2605	47019	23368	14432
2017	539890	95527	47228	92686	9602	3565	50794	24335	16132
			131,701			**10,220**	**141,922**	**68,036**	**41,717**

In the year 2017, highlights of the activities of the Sales Team are:

- Training on 'Loan Selling' for Sales Executives was arranged at Mercantile Bank Training Institute by Consumer & Retail Banking Division.
- 54 Direct Sales Executives were promoted to the rank Senior Sales Executive.
- The entire Sales Team was segmented in 15 Groups and 15 Senior Sales Executives were entrusted with the role of 'Group Leader'
- All Sales Executives got Incentive Bonus, which indicates the recognition of their efforts towards better performance of the bank.

NON-RESIDENT BUSINESS (NRB) DIVISION

Foreign remittance plays an important role in our national economy. It acts as one of the major sources of bank's deposit, import financing as well as exchange gain & commission. Currently, about 8.5 million Bangladeshi nationals are living and working around 155 countries all over the world. As per World Bank's statistics Bangladesh is one of the top ten remittance receiving countries of the world.

Considering the significant importance of inward foreign remittance, Mercantile Bank Ltd formed a separate Division titled as "NRB Division" aiming to focus on serving the emerging needs of the Non-Resident Bangladeshis (NRBs) and to ensure quality remittance services to the beneficiaries. This Division is involved in securing foreign remittances ensuring quality services to the Bangladeshi Expatriates living and residing abroad as well as their target beneficiaries in Bangladesh.

Mercantile Bank Ltd. has remittance drawing arrangement with 33 Exchange Companies all over the world. It includes reputed global web based companies like Western Union, MoneyGram, RIA Financials, NEC Italy, NEC Money Transfer Ltd., Xpress Money Services Ltd., Placid Express, Tarns-Fast Remittance, USA, Prabhu Money Transfer, Al Ansari Cash Express, Instant Cash Worldwide & IME (M) Sdn. Bhd. Currently we are securing inward foreign remittance from about 155 countries round the globe through our global partners. Recently we have commenced remittance services through BRAC Saajan Exchange Ltd., UK to introduce wide range of diversity towards ensuring service excellence in remittance industry.

In year 2017, Mercantile Bank Ltd. fetched inward Foreign Remittance for USD 370.64 Million equivalent to BDT2,999.68 Crore by routing 469,000 numbers of transactions having a substantial growth for 17.97% in comparison to the last corresponding year. Mercantile Bank Ltd. has awarded Top Ten Remittance Award-2017 with their outstanding remittance service throughout the year. The summarized position of the division is given as follows:

Particulars	Achievement 2017	2016	Growth (%)
No. of Exchange Houses	33	33	-
No. of Sub-Agent Banks	09	08	-
No. of Transactions	469,000	3,88,176	20.82%
Volume of Remittance in BDT (Crore)	2,999.68	2,542.70	17.97%
Volume of Remittance in USD (Million)	370.64	323.88	14.44%
Market Share in terms of volume	2.75%	2.38%	0.37%



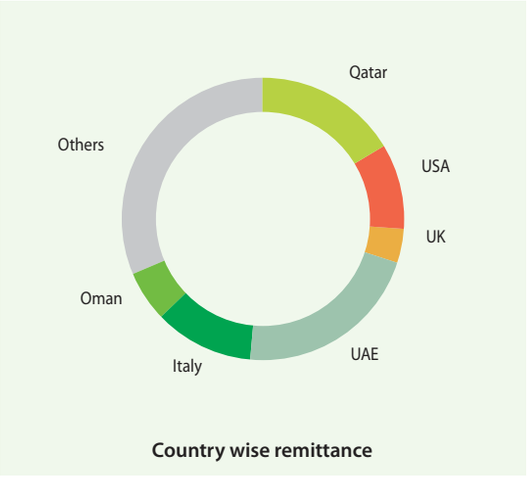
(Mr. Adil Raihain, Deputy Managing Director of the Bank received Top Ten Remittance Award 2017 on behalf of bank from Mr. Shahriar Alam, Honorable State Minister, Ministry of Foreign Affairs)

Besides, we have our fully owned subsidiary named "Mercantile Exchange House (UK) Ltd." in London, United Kingdom. This subsidiary renders the best remittance services to the expatriates living and working in UK. We usually receive a substantial amount of remittances through Mercantile Exchange House (UK) Ltd. In the year 2017 we received remittance equivalent to BDT 94.97 Crore from our exchange house. For boosting up remittances from UK, last year the Board of Directors of Mercantile Exchange House (UK) Ltd visited UK and exchange views and ideas with Bangladeshi expatriates living in London.



(The board of directors of the subsidiary was exchanging views and ideas with the Expatriates in United Kingdom)

Mercantile Bank Ltd. is determined to ensure utmost customer satisfaction through providing wide range of remittance services throughout the world. Currently, we have drawing arrangement with different exchange companies that cover Middle East Countries, Europe and America. Moreover, through the global exchange companies, we have extended our services to most part of the world. The country wise remittance routed through Mercantile Bank Limited can be expressed through following pie-chart.



Country wise remittance

With the above chart, it is clearly expressed that we routed maximum remittances through our global partners. Besides, we are one of the most potential market leaders in UAE, Qatar, Italy and USA remittance market.

Mercantile Bank Ltd. performs as one of the most prominent principal agents of Western Union Money Transfer and Xpress Money Services Ltd. in Bangladesh having nine Sub Agent Banks namely The City Bank Ltd., Al Arafah Islami Bank Ltd., Standard Bank Ltd., Bangladesh Commerce Bank Ltd., NRB Commercial Bank Ltd., Modhumati Bank Ltd., NRB Bank Ltd., South Bangla Agriculture & Commerce Bank Ltd. and Bangladesh Development Bank Ltd.

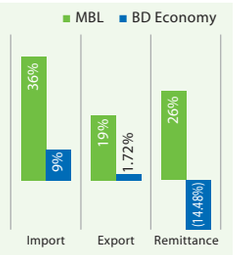
INTERNATIONAL DIVISION

Foreign Trade Business Performance in 2017: Mercantile Bank Limited (MBL), since inception has been rendering all sorts of foreign trade transactions related support to its clients efficiently and effectively. For this, over the years MBL has established sturdy correspondent banking network with top-ranked and best-rated foreign banks across the globe, arranged sufficient amount of credit line (both funded and non funded) to meet the LC advising, adding confirmation and bill discounting need of our customers.

During the year 2017, MBL issued total 40,452 Import LCs among which 20,243 was Local LC and remaining was Foreign LC. In terms of percentage, composition of Local and Foreign LC was 50:50. Total number of Import LC issue increased by almost 10.00% in 2017 as compared to that in the year of 2016.

Particulars	2017	2016	Growth (%)
No. of Foreign LC Opened	20,209	17,677	14.32%
No. of Local LC Opened	20,243	19,133	5.80%
No. of Total LC Opened	**40,452**	**36,810**	**9.89%**

On the other hand, MBL achieved significant growth of its business in the arena of Import, Export and Remittance. While comparing MBL's performance with national economy, MBL surpassed national economy in the arena of Import, Export and Remittances. MBL's Import, Export and Remittance growth was 36%, 19% and 26% respectively in the year 2017 whereas this figure was 9.00%, 1.72% and -14.48% in national economy during FY 2016-17.



Ex-Im-Remittance Performance

Particulars	2017	2016	Growth (%)
Import			
BDT in Million	190,753	139,770	36%
USD in Million	2,307	1,780	
Export			
BDT in Million	134,753	113,040	19%
USD in Million	1,629	1,440	
Remittance			
BDT in Million	31,454	24,960	26%
USD in Million	380	320	

Foreign Correspondents:

MBL has been maintaining widespread correspondent banking relationship around the globe. As on December 31, 2017 MBL maintained Relationship Management Application (RMA) with 640 top ranked and best rated banks in 64 (Sixty Four) countries across the world. No. of RMA decreased as compared to that of the correspondent period in 2016 mainly due to increased inherent cost involved in maintaining stricter compliance program by all the correspondent Banks across the world. However, this reduction of correspondent network did not hamper our trade finance business because existing relationship

network was sufficient enough to accommodate our requirement. Mentionable there that closure of RMA with some banks whose channel was not used during last few years also saved our productive hour from doing KYC due diligence.

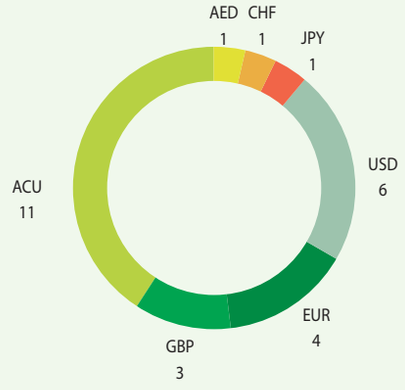


Caption: Mercantile Bank Limited (MBL) signed an agreement with Capital & Credit Risk Manager (CCRM) under which CCRM will facilitate MBL to use their web based platform for selling of Trade Finance related transactions of MBL to different banks, insurers and fund managers in the secondary market.

Nevertheless, in a bid to facilitate the increasing foreign trade business of the Bank, MBL has been continuously establishing RMA with best rated banks having sound fundamentals around. Foreign correspondents play a pivotal role in trade finance through advising, adding confirmation, discounting bills etc. Commerzbank AG, JP Morgan Chase Bank, Wells Fargo Bank NA, Standard Chartered Bank, Bank of Tokyo Mitshubishi Ltd, Mizuho Corporate Bank Ltd., HSBC, Mashreq Bank Psc, Habib American Bank, Habib Bank AG Zurich, UBAF, Unicredito Italiano Spa, Swed Bank AB, Nordea Bank AB, Banca UBAE S.P.A., Bank Muscat, Emirates NBD, United Bank Limited etc. are some of the major Foreign Correspondent Banks of MBL. Furthermore, we had 27 (Twenty Seven) Nostro Accounts in major currencies of the world. Country wise RMA list and currency wise Nostro list are given below:

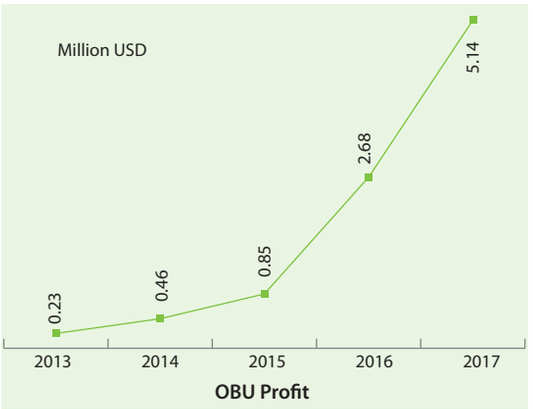
Name of the Country	No. of RMA at the end of period (Dec 31, 2017)
Algeria	1
Argentina	2
Australia	12
Austria	2
Bahrain	5
Bangladesh	53
Belgium	10
Bhutan	1
Brazil	2
Bulgaria	1
Canada	10
China	80

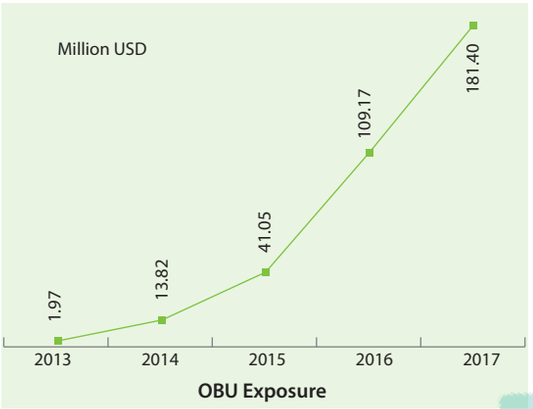
Name of the Country	No. of RMA at the end of period (Dec 31, 2017)
Combodia	2
Czech Republic	3
Cyprus	0
Denmark	3
Egypt	1
Estonia	1
Finland	2
France	9
Germany	26
Hong Kong	28
India	54
Indonesia	9
Ireland	4
Italy	32
Japan	24
Kenya	1
Korea	15
K S A	5
Kuwait	1
Latvia	2
Luxembourg	3
Mauritius	1
Malaysia	6
Maldives	2
Malta	1
Morocco	1
Nepal	1
Netherlands	5
Newzealand	1
Norway	6
OMAN	1
Pakistan	13
Philippines	3
Poland	4
Qatar	3
Russian Federation	6
Senagal	1
Singapore	25
Slovakia	2
South Africa	3
Spain	6
Sri Lanka	8
Sweden	6
Switzerland	10
Taiwan	11
Thailand	8
Turkey	5
UAE	22
U K	25
U.S.A	41
Uruguay	2
Vietnam	7



Currency wise Nostro Accounts

Off-shore Banking: At present Mercantile Bank Limited is operating two Off-shore Banking Units, as a separate business unit in compliance with the Rules and Guidelines of Bangladesh Bank under their permission letter no. BRPD (P-3)744(114)/2010 -1743 dated 04/05/2010. The Bank commenced operation at these units through its Gulshan Branch, Dhaka and Chittagong EPZ Branch, Chittagong on July 04, 2010. MBL's OBU unit exhibited good growth trend over the years. As on December 31, 2017 total exposure of OBUs reached to USD 181.4 million equivalents to BDT 15,002.80 million. During the year 2017, OBUs also made net profit of USD 5.14 million equivalent to BDT 425.34 million as against USD 2.68 million equivalent to BDT 210.72 million in 2016.



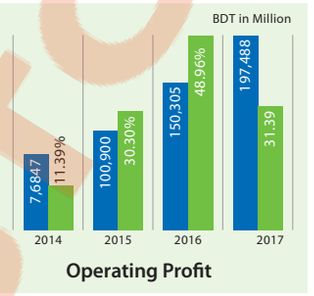


Centralized Trade Processing Center (CTPC): MBL formed Centralized Trade Processing Center (CTPC) on June 02, 2016 with a view to facilitating trade finance business need of customers of Non AD branches vide CTPC instead of through AD Branch as existing arrangement. As on December 31, 2017 9 (nine) AD branches was tagged with CTPC and during the year 2017, CTPC handled total 1,127 import LC amounting BDT 3,936 million. CTPC also made profit of BDT 14.40 million during the year 2017.

CARD BUSINESS

MBL started Card operation in 2002 and ATM operation in 2004 by participating in a Local network Q-Cash consortium aiming to extend modern banking facilities to its customers. In 2006 MBL becomes the principal member of VISA International and started issuing VISA cards. Since inception, the Bank launched different card products including Credit Card, Debit Card and Prepaid Cards. Presently, MBL has three types of Credit Cards - Local, International and Dual in three categories- Platinum, Gold and Classic. MBL has prepaid Cards also of thee types-local, International and Dual. MBL launched three new pre-paid products - MBL VISA Medical Card for Bangladeshi nationals visiting abroad for treatment, MBL VISA International Student card for the students going different countries for higher education, MBL VISA Virtual card for individual who needs to use the number only for a specific E-commerce transaction.

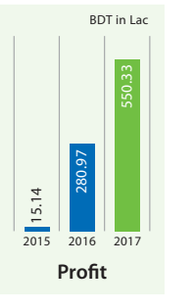
It is to be mentionable here that MBL Card business is growing promptly. As on 31, December 2017, total number of Cards is 1,97,488 where Debit and prepaid cards are 1,87,258 and Credit Cards are 10,230. Card base of Card division is increasing significantly. Year wise Card growth is shown as under:



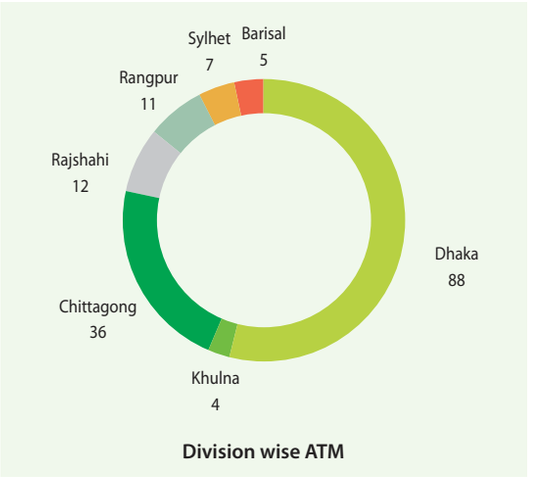
Year	No of Cards	Growth
2014	76,847	11.39%
2015	1,00,900	30.30%
2016	1,50,305	48.96%
2017	1,97,488	31.39%

Card Division earns a significant profit in the year 2017. The profit of the Division from card business is increasing. Year wise profit shown as under:

Year	Profit (Tk. in lac)
2015	15.14
2016	280.97
2017	550.33

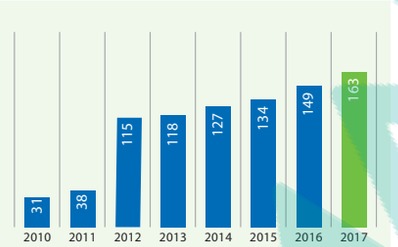


MBL has been operating 163 ATMs attached with Branches and different important location all over the country along with 20 CDMs (Cash Deposit Machine). No fee is needed for withdrawal of cash from MBL ATM booth by MBL's cardholders and from any other Q-cash ATM by charging Tk.10 only. Moreover, our VISA cardholder can also withdraw cash from any Visa ATMs in home and abroad. Recently, MBL has been connected with National Payment Switch of Bangladesh (NPSB) network implemented by Bangladesh Bank. A cardholder has to pay Tk.15 per transaction (including vat) for cash withdrawal using others Bank's ATM.



Division wise ATM

International / Dual credit card is accepted all over the world at numerous outlets and ATMs covering various types of merchants like hotels, restaurants, airlines & travel agents, shopping malls and departmental stores, hospitals and diagnostic centers, jewelries, electronics & computer shops, leather goods and shoe stores, mobile phone and internet service providers, fuel station and what not having VISA logo.



Division wise no. of ATM

MBL provides card cheque service for its credit cardholders through which cardholder can enjoy a full-fledged cheque book facility. A cardholder can make payment (account payee only) to any person or organization of his/her choice.

MBL introduced free access facility to Balaka Executive lounge (Operated by Ruposhi Bangla Hotel) at Hazrat Shahjalal International Airport for MBL Gold and platinum International Credit Cardholders along with one accompanying guest. Under this facility they can get free access to Balaka Executive lounge and can enjoy buffet snacks, hi-speed internet and bottomless tea-coffe at the lounge free of charge.

MBL also introduced free Priority Pass membership Card at free of cost for MBL VISA Platinum Credit Cardholders under which any platinum cardholder and his/her accompanying guest can enjoy free access to over 700 airport executive lounges all over the world regardless of which class or airline he/she flies, trips enjoy a stress –free VIP experience with priority Pass membership. Members simply show the card upon entrance to the lounge. The lounge provides you excellent leisure and working facilities along with following facilities:

01. Drinks and snacks
02. Wi-Fi
03. Flight information monitor
04. Computer access
05. Conference room
06. Free internet browsing
07. Newspaper and magazines space comfort and quiet to catch up on work, prepare for your activities ahead or stay in touch with the office
08. Entertainment facilities
09. Showers, beds and more

To secure MBL Cardholders, we have already migrated from Magstripe card to EMV (Europay, MasterCard, and Visa) Chip based Card. MBL Card Division is also going to introduce VBV (Verified by VISA) to secure online transactions against Debit and Credit Card.

Credit Card is a very popular unsecured retail loan product worldwide. Credit Card has gained noticeable popularity among the peoples of Bangladesh. The product is also very profitable for Bank. MBL has taken decision to increase Debit & Credit Card upto 2,60,000 this year by strong marketing as well as monitoring. ATM network expansion is also going on.

TREASURY DIVISION

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 Department is also regarded as a Profit Center, which generates income by trading instruments in the Financial Market. The Treasury is constituted with well set Front Office, Mid Office and Back Office.

Major Functions of Treasury Division :

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

Money Market Desk

Money market dealers arrange short and medium term funds at most economical terms which are required by the bank aside from customer deposit mobilization efforts. Money market desk ensures that the bank remains sufficiently liquid, meeting all its financial commitments and obligations to its customers besides meeting the SLR & CRR requirement at minimum risk and cost to the bank. In stress liquidity condition the desk always manages sufficient fund to provide business needs.

Investment Desk

Investment desk in Treasury Front Office operates within the policy frame approved by the Board of Directors of the Bank. The philosophy is to manage and maximize income within certain parameters and limits. It also includes use of effective duration, rate shock analysis, as well as total return to analyze and manage the investment portfolio and to determine the effect of movements on the yield and value of the bank's portfolio. Investment desk operates within available investment opportunities in the country and abroad. The desk keeps an eye on the market movement to reap on every opportunity and to get the best of every penny invested and maximize profit as well as shareholders value.

Govt. Securities Desk & Primary Dealership Business

Banks need to maintain liquidity in form of CRR (Cash Reserve Ratio) & SLR (Statutory Liquidity Ratio) as per Banking Company Act. Investment in various Govt. securities like Treasury bills and Bonds in different tenors, debentures qualify for SLR. MBL actively participates in Govt. Securities auctions for investment in SLR maintenance and also generation of risk free fixed return on Securities Investment.

With a view to activating a secondary market in Treasury bills/Bonds and other Government securities Bangladesh Bank nominated Mercantile Bank Limited as a primary dealer in the year 2009. From the very beginning we are actively trading Government securities in OTC market. We have a large number of clients including individuals and institutions.

Foreign Exchange Desk

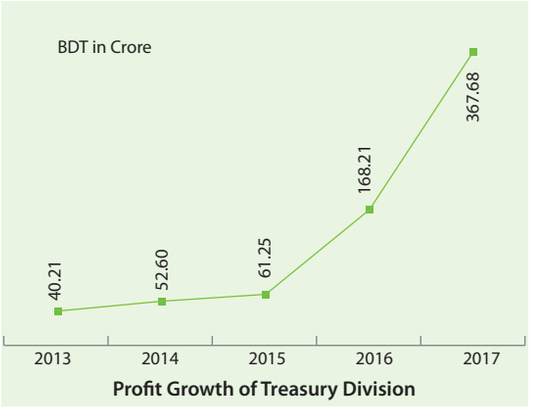
Forex Desk of Mercantile Bank is one of the leading market maker in spot, swaps, and forward transactions in inter-bank market. The Bank has good sources of Foreign Currency through its own export customers, Non-residence Remittances and local & multinational corporate houses remittances/exports. The Bank is also well equipped to price world major currency spot & forward prices. The Treasury is connected to the International Market through on-line Dealing Platforms of different international banks to quote very competitive prices on world major currency spot & forwards.

Asset Liability Management Desk

Asset Liability Management is one of the major functions of Treasury Division. Mercantile Bank has a highly efficient ALM Desk, which is an independent unit within the Treasury Department. Objective of the desk is to ensure efficient allocation of fund within an acceptable, measurable and defined risk structure. The desk monitor & analyzes various cash flows, cash positions, balance sheet gaps, daily P&L, economic trends, investment options, arbitrage opportunities, future business growth and place the facts & findings before the ALCO. Regular ALCO meeting is conducted once in month but in case of urgent situation special meeting is arranged. The desk proposes balance sheet strategy to the management.

Performance: 2017

Treasury Division is continuously working directly with branches and International Division, Financial Administration Division, NRB Division of Head office to ensure the maximum profitability of the bank. Profitability of Treasury Division is calculated separately and during 2017, Treasury Division observed an impressive profit growth of 118.58% over that of 2016.



Profit Growth of Treasury Division

CORPORATE BANKING DIVISION

Corporate Banking Division (CBD) works as the front line office for business, particularly corporate business. In line with the core principle of credit management, this division has been formed segregated from Credit Risk Management (CRM) with primary responsibility of marketing/procurement of business. People of this division keep them vigilant in search of business opportunities. They keep in touch with the customers, formulate the business proposals, summarize it and place it upward for approval from competent authority. Functions of Corporate Banking Division (CBD) can be expressed as under:

1. CBD collect/procure business keeping off & on site contact with the business houses
2. They act as the 'Gateway' for the business proposals. All the branches send their corporate business proposal to CBD.
3. CBD prepares a summary on the merit/feasibility of the proposal.
4. They place the proposal to the credit committee with the observation, opinion and comment.
5. CBD cater customer's need, negotiate pricing of loan, security issues and other loan parameters.
6. CBD also play role in business policy issues in formulation risks appetite, strategic plan for business growth, credit policy etc.

Some highlights on CBD jobs during 2016

CBD processed 1754 business proposals (except IDBP) during 2016

CBD developed a Data Bank of valued customers of peer banks of our branches across the country

CBD established a mechanism to update (quarterly) undisbursed loan continuously in view of taking it into disbursement

CBD visited 103 business premises (prospective & existing) across the country during 2016

CREDIT RISK MANAGEMENT DIVISION

Risk is inherent in all aspects of a commercial operation; however for Banks and financial institutions, credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. It also signifies the risk of making credit to a risky customer for a risky venture which is not likely to generate enough revenue to repay the money back to the bank. Credit risk is the largest and most obvious source of risk in banking and it comes from a bank's credit portfolio. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions.

Credit risk management needs to be a robust process that enables banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders. Given the fast changing, dynamic global economy and the increasing pressure of globalization, liberalization, consolidation and disintermediation, it is essential that banks have robust credit risk management policies and procedures that are sensitive and responsive to these changes.

Mercantile Bank Limited (MBL) is the emerging commercial bank in Bangladesh. Within a short period of time, MBL has managed to establish itself as a strong performer in the financial market. It is rapidly expanding and enjoying a high growth rate. Its loan portfolio is increasing every year. For this reason, efficient management of credit risk through sophisticated risk grading techniques for measuring the financial risk, business or industry risk, management risk, security risk and relationship risk of the borrowers so as to minimize the risk exposure of credit which may come from default is crucial. Following these principles, paves way for the continuous success of MBL. All commercial banks operating in Bangladesh are strictly regulated by Bangladesh Bank. Bangladesh Bank has provided a guideline for Credit Risk Management. All banks try to comply with that guideline. Mercantile Bank is not an exception of this practice. Mercantile Bank pays special attention to credit risk management. In this regard, the Bank has established a separate division responsible for Credit Risk Management. Since its

formation, CRM Division of Mercantile Bank is working to maintain a sound credit portfolio.

In 2017, CRM Division has revised and updated the Credit Policy of the Bank in commensurate with the "Guidelines on Credit Risk Management (CRM) for Banks" and "Guidelines on Environment and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh" of Bangladesh Bank. For obtaining comprehensive and reliable survey report on the collateral securities, CRM Division has prepared Policy for Valuation of Security.

Finally, it is expected that as a part of continuous up gradation, CRM Division will actively and pro-actively act to up hold the position of the Bank complying with the rules and regulations.

Role of CRM Division

» Assessing risks inherent in the credit proposal with due diligence by identification of credit risk, ways out of risk mitigation, assessment of credit requirement and evaluation of facility pricing

» Monitoring of credit portfolio through review to ensure sound asset quality

» Communicating the decision of the competent authority of the Bank regarding credit proposals and issuing Sanction Advice.

» Complying with internal & external regulatory authorities

» Identifying problematic borrowers through periodical review of different types of credits, maintain effective follow-up and supervision and take all possible measures in time to save from classification in light of: Structuring, Adequacy of security, Pricing and profitability, Financial analysis, Performance, Turnover, Repayment

» To update Bank's Credit Policy/Lending Guidelines

» To guide/assist Business wings both the business issues as well as the compliance issues

SPECIAL ASSET MANAGEMENT DIVISION

Working area of the Division segregated into 3(three) departments for arresting /restricting the increasing of NPL and to regularize/reduce the NPL of the Bank through recovery and rescheduling of the loan accounts.

Activities of Special Asset Management Division are being supervised by the Additional Managing Director & CRO of the bank.

The departments under Special Asset Management Division are:

- Monitoring & Early Alert Department (M&EAD)
- Recovery Department (RD)
- Central Collection Department (CCD)

Monitoring & Early Alert Department (M&EAD)

Monitoring and Early Alert Department (M&EAD) is working as a wing of Special Assets Management Division of the Bank from the month of August 2016 with an objective to restrict deterioration of overdue and special mention account towards non performing loan accounts.

It is quite obvious that if the overdue and SMA accounts are not arrested at the earliest, the same turn to substandard status requiring the bank to keep more provision at the cost of income thus resulting in adverse impact on the profitability of the Bank.

In order to achieve the goal, the department worked on the following areas:

- To keep a loan limit regular, M&EAD sends a sweet reminder with a list of accounts going to be expired within next (02) months to alert the Branches for taking necessary steps to get renewal of the loan limit from the concerned sanctioning authority at Head Office as well as to renew the credit limits which fall within the Branch delegation.
- Determine the overdue and SMA accounts at the beginning of each month as Early Alert Accounts, try to understand the causes of overdue from the branch management through telephonic discussion and advise accordingly for recovery of the overdue. Thereafter till recovery/regularization of the overdue account, monitoring on the branches by the department continued.
- Apart from the above, the department also monitors the expired L/Cs and PAD accounts for adjustment of the same. The department also provides a list of expired Bank Guarantees to the Branches for reversal of the same before each quarter-ends to keep the off balance sheet portfolio clean.

It is pertinent to mention here that Monitoring and Early Alert Department under Special Asset Management Division through its continuous

monitoring/follow up coupled with the efforts of Branches, recovered/regularized/adjusted Tk.1495.88 crore in 9381 nos of SMA and Overdue Accounts during the year 2017.

Thus, the year 2017 is over with many successes and in the year 2018, the Department will further strengthen its activities to make long strides to help achieve the lofty goal of the Bank.

Recovery Department (RD)

Recovery Department (RD) maintains all the files of the Branches which became classified and for recovery/regularization it takes all possible steps with the co-operation of the Branches.

RD deals with the Classified Loans i.e. all SS/DF/BL/BLW Loans under Corporate, SME (above Taka One Million), NGO linked Agriculture Loans, Home Loans of retail business.

RD meets with the customer along with the Branch official to know the problems in repayment of the loans, find out a solution for recovery/regularization through Rescheduling/ Restructuring/ Full & Final Settlement with waiver facility (reasonable ground, if any) and takes approval of the action plan of recovery/regularization of the loan account from the competent authority of the bank and communicate the same to the concerned.

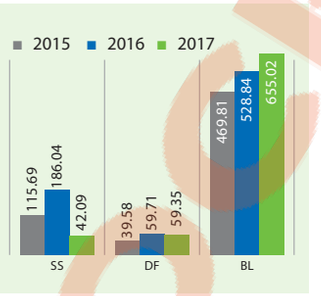
Recovery/Regularization/Rescheduling/Restructuring of SME Loans below Taka one Million, Consumer and Retail business other than Home Loan, All Agriculture Loans other than NGO linked and Loans of Cards are dealt with by the respective Divisions.

During the year by recovery and rescheduling of different SMA and Non Performing Loan accounts, the NPL position as on 31.12.2017 improved than the year ended on 31.12.2016. In the year 2017 NPL reduced at Tk. 756.47 Crore from Tk. 774.59 Crore of 2016. In percentage it is 3.79 than 5.13 of 2016.

Total Classified Loan (CL)

(Crore taka)

Year	2015	2016	2017
SS	115.69	186.04	42.09
DF	39.58	59.71	59.35
BL	469.81	528.84	655.02
Total	**625.08**	**774.59**	**756.47**
% of CL	**4.95%**	**4.92%**	**3.79%**



Central Collection Department (CCD)

Central Collection Department (CCD) is working for recovery of some non-performing loans (SS/DF/BL/BLW) including SMA upto Tk.25.00 lac of SME, Retail and Agri segments through 3rd Party Debt Collection Agency under guideline of Head Office instruction circular No.1446 dated February 25, 2015.

Proposals for such accounts of SME, Retail (other than HB/Apartment loan account), Agri loans including Cards (Monitored by Card Division) sent by the branches to the SAM Division.

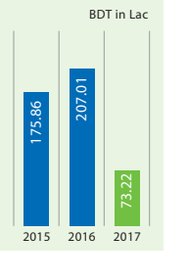
The Department appoints/engages the Recovery Agent and monitors their works to recover the classified loans within the justified/given time frame with the approval of the competent authority.

CCD contacts with the Branches after end of the each quarter for collection of fresh list of non-performing loans which appear to be not possible to recover by the branches. Those loans are handed over to the 3rd Party Debt Collection Agents.

At present 8 (eight) 3rd Party Debt Collection Agents are performing for recovery of non-performing loans. Recovery done by the 3rd Party Debt Collection Agents during the year 2015, 2016 and 2017 are as follows:

Total Recovery through 3rd Party Debt Collection Agents

Year	Amount
2015	175.86 lakh
2016	207.01 lakh
2017	73.22 lakh



AGRICULTURAL CREDIT DEPARTMENT

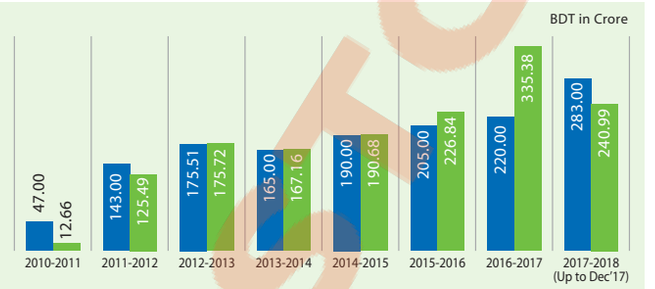
Mercantile Bank Limited started agriculture credit disbursement since 2010 by formation of a separate department namely "Agriculture Credit Department" which was renamed as "Agriculture Credit Division" in January 10, 2016.

From the inception, the division is operating agriculture credit activities as per Bangladesh Bank's Agricultural & Rural Credit Policy and Guidelines under the following ways:

- Directly to farmers (Individual/Group-wise)/Concerns
- To farmers through partnership with MFIs/NGOs (MRA Certified only)
- To farmers through Contract Farming with reputed Companies

At the beginning of each fiscal year, disbursement target of Agriculture Credit for all public and private commercial banks is fixed up by Bangladesh Bank based on 2.5% of the loan and advances position as on 31st March of the current fiscal year. As such, agriculture credit disbursement target of our bank for the last fiscal year 2016-2017 was Tk.220.00 Crore. Our Bank achieved the target for the fiscal year 2016-2017 successfully by disbursing agriculture credit for Tk.335.38 Crore.

It is noteworthy that we achieved the disbursement target of Agriculture Credit for last consecutive 05 fiscal years (FY 2012-13, FY 2013-14, FY 2014-15 , FY 2015-16 & FY 2016-17) successively and achieved letter of appreciation from Bangladesh Bank for our feat of performance in the attainment of the target.



achievement comparision for the period 2010-11 to 2017-18

Achievement as per Fiscal Year:

[Fig. Taka in Crore]

Fiscal Year	Target fixed by BB	Disbursed Amount	Achievement	Remarks
2010-2011	47.00	12.66	26.93%	-
2011-2012	143.00	125.49	87.75%	-
2012-2013	175.51	175.72	100.12%	Letter of Appreciation from BB for achieving the target.
2013-2014	165.00	167.16	100.31%	100% attainment of the disbursement target.
2014-2015	190.00	190.68	100.36%	Letter of Appreciation from BB for achieving the target.
2015-2016	205.00	226.84	110.65%	100% attainment of the disbursement target.
2016-2017	220.00	335.38	152.45%	100% attainment of the disbursement target.
2017-2018 (Up to Dec'17)	283.00	240.99	85.16%	Hopeful to achieve the target within stipulated time.





IT DIVISION

Nowadays, the use of Information Technology (IT) is must for the survival & growth of any organization and same applicable to banking industry also. By using IT in any industry, banks can minimize the operation cost; also banks can offer products & services to customers at competitive rates.Information and communication technology (ICT) has become the heart of banking sector, while banking industry is the heart of every robust economy. Information and communication technology (ICT) has in particular brought a complete paradigm shift on the bank's performance and on the customer service delivery in the banking industry. The ICT development has a significant effect on development of more flexible and user friendly banking services.

The banking sector has embraced the use of technology to serve its client's faster and also to do more with less. Emerging technologies have changed the banking industry from paper and branch based banks to digitized and networked banking services. It is now changing the way how banks are delivering services to their customers.

The 21st century will bring about an all-embracing convergence of computing, communications, information and knowledge. This will radically change the way we live, work, and think. To cope with change, IT Division, with a dedicated, dynamic and skilled team, continuous working to deliver modern ICT facilities by introducing new technology.

Core Banking Solution-Temenos T24 :

MBL uses core banking applications to service its customers where 'CORE' stands for "Centralized Online Real-time Environment". It is a browser-based, user friendly centralized full-fledged banking application that allows a bank to conduct business with the customers along with full MIS reports.129 branches of MBL and Head Office access applications from centralized data centers. MEL Core banking solutions was intended to align business processes across different branches and create a friendlier banking experience for customers – it allow customers to access their bank account and perform basic transactions from any branch of the bank. MBL caters the facilities through ATM and POS transaction 24/7, Internet Banking, SMS alert and Push-Pull services to customers.

Cyber Security :

Cyber security, also referred to as information technology security, focuses on protecting computers, networks, programs and data from unintended or unauthorized access, change or destruction. In recent days, Cyber Security scam in banking sector has shaken to all concern. Some latest concern of cyber securities are Zero Day Attacks, Advanced Persistent Threat (APT), Ransom ware, etc. Mercantile Bank has implemented necessary security solution to mitigate the Cyber Security measures in time with the security standards set out in the guidelines of Bangladesh Bank.

Business Continuity Plan :

Business continuity planning (BCP) is the creation of a strategy that recognizes the threats and risks facing a company in the event of a disaster and suggests measures to protect its personnel and assets and help continue operations.

The BCP involves defining potential risks, determining how those risks may affect operations, implementing safeguards and procedures designed to mitigate those risks, testing those procedures to ensure that they work, and periodically reviewing the process to make sure that it is up to date.

Every bank needs to comply that if any point of time the main DC(Production Environment) fail to perform (due to network, Hardware issues etc) ,DR will take control for the full support on technology side along with all systems & critical application for the bank. However in first phase, we will test our most critical system e.g. Temenos T24, the core banking system which is the heart of the bank since other system/application depends on it.

In our bank, all equipments like server, storage, router, switch, Precision Air Condition, UPS are running 24 hours in Data Center and Disaster Recovery Site. We have also established storage replication from DC to DR for data redundancy in real time over a storage area network. At present 129 (One Hundred Twenty nine) branches are already running through core banking software Temenos T24. Branch will do the transaction and observe the same. Branch will not need to do anything extra for this kind of operation. This will be changed only on technology side.

Internet Banking :

The customers of MBL are getting Internet Banking facilities, by which they can check their accounts, pay their bills and transfer fund from one account to another account, the more likely they are to actually do these things and maintain a more organized financial life. Besides, MBL has taken initiatives to launch 'inter-bank internet bank' (IBFT) during the last quarter of 2017 through which customers can transfer funds from account to account, account to debit or credit card and from debit or credit card to account. A bank customer will be able to transfer up to Tk 50,000 in a single transaction through the National Payment Switch Bangladesh or NPSB of the Bangladesh Bank. The customers can use the services to pay credit card bills, monthly installment for deposit schemes or DPS, installment of loan repayment, and insurance premiums.

RTGS :

To transfer fund through electronic settlement system, MBL has integrated with Real Time Gross Settlement (RTGS) which is safe, secure and efficient payment system. All branches of MBL are offering full-fledged RTGS that facilitates customers to transfer to or receive from any branch offering RTGS of other bank.

Utility Bill :

The consumer of different organization such as, DESCO, DPDC, TITAS, WASA and BTCL can pay their bill instantly through online payment systems of MBL.

Call Centre:

MBL has introduced Call centre, with number 16225, to provide various services to customers centrally. Currently, all sort of mobile banking and card services are being provided to customers through Call Centre. In future, other general banking services will be provided through Call certre

ANTI MONEY LAUNDERING DEPARTMENT

Money Laundering & Terrorist Financing Risk Management:

In the recent year, Money Laundering & Terrorist Financing has become a burning issue among the developed & developing countries. In the last decade, financial crime has become more organized, more sophisticated and has spread out internationally. Money Laundering risk is defined as the lost of reputation and expenses incurred as penalty for negligent in prevention of Money Laundering. Bangladesh has taken various initiatives against Money Laundering & Terrorist Financing. Mercantile Bank Limited (MBL) also predicts measures and assesses the probability of the occurrence of Money Laundering & Terrorist Financing risks to ensure the following activities:

- MBL has updated Money Laundering & Terrorist Financing Risk Management Guideline-2016 which includes Senior Management commitment to the Anti Money Laundering program.
- MBL has updated the Customer Acceptance Policy (CAP).
- The Management of the bank has formed Anti Money Laundering Department and Central Compliance Committee (CCC) at Head Office.
- MBL has nominated CAMLCO, D-CAMLCO centrally and BAMLCO at branches for monitoring compliance issue related to Anti Money Laundering Combating the Financing of Terrorism.
- The Bank arranges training for all employees though in-house experts and hired experts from Bangladesh Bank. All employees of Bank have gone undergone AML training.
- It examines and analyzes the Suspicious Transaction Report (STR) received from various branches and reports the STR to BFIU, Bangladesh Bank if needed.
- MBL has monitors the Structuring, over/under invoicing to detect unusual foreign trade transaction related to Trade Based Money Laundering.
- MBL preserve all records at least 05 (five) years from the date of closure of the account.
- MBL addresses and satisfies any query from BFIU for any account of a customer.

BASEL IMPLEMENTATION UNIT

To strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector, the Basel Committee on Banking Supervision (BCBS) issued "Basel III: A global regulatory framework for more resilient banks and banking systems" in December 2010. Basel III reforms was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source,

thus reducing the risk of spillover from the financial sector to the real economy.

MBL believes that Basel III is not merely a reporting system rather it is a new risk management technique for the Bank. Therefore, it has put extensive care and attention to implement Basel III inside the Bank. With a view to facilitating the way of implementation, the Bank has formed "Basel Implementation Unit". A supervisory committee includes top management of the Bank overseen the unit. The committee forecast the future; follow up the overall implementation status and way out the probable solution to cope with the international best practices and to make the bank's capital more risk sensitive as well as more shock resilient. The Bank has also formed a Supervisory Review Process (SRP) team to participate the dialogue with the Supervisory Review Evaluation Process (SREP) team of BB for measuring the adequate capital requirement.

The Basel III principle stands on the following three pillars:

- Pillar-I: Minimum Capital Requirement
- Pillar-II: Supervisory Review Process (SRP)
- Pillar-III: Market Discipline

As per Basel III, total regulatory capital fund of the Bank stood at BDT 2,458.14 crore and Capital to Risk weighted Assets Ratio (CRAR) stood at 11.93% on SOLO basis as on December 2017.

CORPORATE SOCIAL RESPONSIBILITIES

CSR is a process with the aim to embrace responsibility for the Bnak's actions and encourage a positive impact through its activities on the environment, customers, employees, communities, stakeholders and all other member of the public sphere. CSR is used as a framework for measuring an organization's performance against economic, social and environmental parameters. MBL believes that, true success does not consist in profit maximization only rather in doing something for the betterment of deprived part of the society. With this consideration, MBL has established a foundation in the name and style, "Mercantile Bank Foundation" in 2000. MBL contributes 1% of its Operating Profit to the Mercantile Bank Foundation every year but not less than BDT 4.00 million. The Bank has established a separate "CSR Desk" to support CSR activities. During the year 2017 MBL donated BDT 186.10 million for conducting CSR activities.

DISTRIBUTION NETWORKS

MBL distributes its products and services through various access points ranging from branches to ATMs and mobile devices.

Branch Network

Since inception, MBL has expanded its branch network at a smooth rate. During the year 2017 MBL launched 10 new branches and therefore as on December 2017, MBL has 129 branches. In the year 2017 MBL is contemplating to open more than 10 new branches to reach our products and services to the door steps of mass people and thereby attaining inclusive growth of the country. Besides, MBL has established 163 ATM booths and 20 Cash Deposit Machines (CDM) at important locations across the country. Furthermore, MBL made contract with other banks for using their ATM network for providing its customers 24 hours money withdrawing facility. In the year 2013, we have launched our mobile financial service, 'MyCash', responding the increased usage of this device in daily life of people.

Mobile Financial Services

The mobile banking service of Mercantile Bank Ltd is branded as "MYCash" and it aims to connect with the country's unbanked population. In Mobile Banking system, basic mobile handsets are being used as bank accounts and will serve as a wallet for the transaction of money. This service will enable to bring the low income un-banked people under the financial services of MBL. Additionally this service will cater the need the much needed domestic and international money transfer services through mobile phones for all categories of people.

MBL Subsidiaries

MBL has 2 (Two) subsidiaries namely Mercantile Bank Securities Ltd (MBSL) and Mercantile Exchange House (UK) Limited.

Mercantile Bank Securities Ltd

Mercantile Bank Securities Ltd (MBSL), formed on 27 June 2010 to deal with stock dealing and broking. The main operation of the subsidiary is to buy and sell off securities listed with Dhaka and Chittagong stock exchange or approved by BSEC for open market

operation for its customer. MBSL with its 07 (seven) branches extends margin loan facility to the customers against their equity for investment in the listed companies. During 2017 MBSL made BDT 69.94 million as operating profit.

Mercantile Exchange House (UK) Limited

Mercantile Exchange House (UK) Limited, a fully owned subsidiary company of MBL commenced its business operation in London, UK on December 06, 2011. Bangladeshi expatriates' living and working in the UK are remitting their hard earned money through the banking channel by leveraging our service oriented facilities. Mercantile Exchange House is committed to provide faster, easier and safer remittance services to its clienteles.

MBL Products & Services

MBL offers various types of products and services to its customers and developed several deposit and loan based schemes and products. A brief overview of its products and services are as under:

Deposit Products

- Current Deposit (CD)
- Savings Bank (SB) Deposit
- Special Notice Deposit (SND)
- Fixed Deposit Receipt (FDR)
- Scheme Deposits
- School Banking

Scheme Deposit

Monthly Saving Scheme: Monthly Savings Scheme (MSS) is one of the popular deposits schemes of MBL. The prime objective of this scheme is to encourage the people to develop their habit of saving. Under this scheme, monthly installments are in various sizes and one can adopt the schemes for a period of 03 years, 05 years, 08 years or 10 years. Total outstanding balance against MSS account was BDT 37,243.13 million as on December 2017 registering -1.50% growth over the year 2016.

Super Benefit Deposits Scheme: Under this scheme, one can earn BDT 1,000 on monthly basis by depositing BDT 2,05,000 for one year provided that he/she has up-to-date TIN certificates. Benefit start right from the first month of opening an account under the scheme and continue up to one year. As on December 2017 outstanding balance against this scheme was BDT 2,866.99 million.

Double Benefit Deposit Scheme: Under this scheme, deposited amount will be double in tenure of ten years. Minimum deposited amount is BDT 10,000 or its multiples. As on December 2017 outstanding balance against this scheme was BDT 17,631.05 million as compared to BDT 21,884.24 million in 2016 marking -19.49% growth in 2017 over 2016.

1.5 Time Benefit Deposit Scheme: Under the 1.5 Times Benefit Deposit Scheme, one can deposit a certain amount of money for 6 years 03 months. On maturity, the depositor will receive 1.5 time of the deposited amount. As on December 2017 outstanding balance against this scheme was BDT 119.09 million.

Family Maintenance Deposit Scheme: Under this scheme, one can deposit a certain amount of money for maximum five years and in return he/she will receive benefits on monthly basis. Benefit start right from the first month of opening an account under the scheme and continue up to five years. On maturity the principal amount will be paid back. As on December 2017, total outstanding balance against this scheme was BDT 1,990.60 million as compare to BDT 2,318.26 million as on December 2016, registering growth of -14.13%.

Quarterly Benefit Deposit Scheme: Under the Quarterly Benefit Deposit Scheme, one can deposit for a period of three years and in return depositor will receive benefits on quarterly basis. Benefit starts right from the first quarter of opening an account under the scheme and continues up to three years. On maturity the principal amount will be paid back. As on December 2017 outstanding balance against this scheme was BDT 49.65 million.

Education Planning Deposits Scheme: This scheme aims to meet the education expenses of depositor's children. A person aging 40 years or less can open this scheme for 10 or 15 years for his/her children not more than 10 years old. The scheme holder will deposit monthly installment of BDT 1,000 or multiples for 10 or 15 years and at maturity he/she will be paid BDT 1.50 lac for 10 years and BDT 2.80 lac for 15 years. However, at customer's desire he/she can withdraw principal and interest amount at maturity of the scheme. This scheme is fully insured. As such, in case of death of any scheme holder, Bank will pay the remaining installment in favor of the scheme holder until maturity. As on December 2017, outstanding balance against this scheme was BDT 5.53 million.

Loan Products

Consumer Credit Scheme: Consumers' Credit Scheme is one of the popular areas of collateral-free finance of the Bank. People with limited income can avail the credit facility to buy household goods including computer and other consumer durables.

Small Loan Scheme: This scheme has been designed especially for the businessmen who need credit facility for their business and can't provide tangible securities.

Lease Finance: This scheme has been designed to assist and encourage the genuine and capable entrepreneurs and professionals for acquiring capital machineries, medical equipments, computers, vehicle and other items. Flexibility and easier terms and conditions of this scheme have attracted the potential entrepreneurs to acquire the products and services and repay gradually from earnings on the basis of 'Pay as you earn'.

Doctors' Credit Scheme: Doctors' Credit Scheme is designed to facilitate financing to fresh medical graduates and established physicians to acquire medical equipments and set up clinics and hospitals.

Rural Development Scheme: Rural Development Scheme is targeted for the rural people of the country to make them self-employed through financing various income-generating projects. This scheme is operated on group basis.

Woman Entrepreneurs Development Scheme: Women Entrepreneurs Development Scheme has been introduced to encourage women in doing business. Under this scheme, the Bank finances the small and cottage industry projects sponsored by women.

SME Loan Scheme: Small and Medium Enterprise (SME) Loan Scheme has been introduced to provide financial assistance to new or experienced entrepreneurs to invest in small and medium scale industries with a comparatively low rate of interest as the same is assisted by the Bangladesh Bank with refinancing facilities.

Personal Loan Scheme: Personal Loan Scheme has been introduced to extend credit facilities to cater the needs of low and middle-income group for any purpose.

Car Loan Scheme: Car Loan Scheme has been introduced to enable middle-income people to purchase Cars/SUVs/Jeeps. Government and semi-Government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations, teachers of recognized public and private universities and businessmen are eligible to avail this loan.

Home Loan Scheme: To meet the growing need of housing for middle and lower-middle income people, MBL has introduced Home Loan Scheme. The Scheme boosts up the growth of housing sector. Such loan shall be available for purchase or construction of new apartments for self-residing purpose.

Overseas Employment Loan Scheme: Overseas Employment Loan Scheme is designed to facilitate the Bangladeshi youths seeking employment aboard but who are unable to meet the expenses to reach the workplace from their own sources. By availing loan under this scheme, the active youths of middle and lower middle class can get overseas employment by avoiding borrowing from the illustrious class or village 'MOHAJON' at a very high cost or selling their paternal properties. The scheme helps fetching foreign currency for the country as well as fulfills the Bank's commitment to encourage micro-lending for poverty alleviation, improve the quality of life and thereby contribute to socio-economic development of the country.

MBL Services

- Online Banking
- Mobile Banking (Mycash)
- Internet Banking
- Off-Shore Banking
- NRB Banking
- SMS Banking
- Locker Service
- Utility Bills Pay Service
- ATM Booth Services
- Cash Deposit Machine (CDM) Services

Responsibilities towards the staff (including health and safety)

Human Resources are one of the most important resources of MBL. What we have achieved so far has been possible for the efficient and dedicated

workforce of MBL. We, therefore ensure an open and enabling environment where our people can work with self respect, dignity and scope of showing creativity. We offer continuous and need based training for our employees to cope up with the ever changing banking industry. We offer attractive salary package to our employees and make upward revise to the salary structure with regular interval targeting to adjust the inflationary pressure in the pay structure.

In addition to monthly salary, the Bank also offers festival and incentive bonus, house furnishing allowance, annual increment, loan facilities at a privileged rate, retirement benefits, e.g., provident fund; gratuity fund, disability benefit and leave fare assistance. Each year we provide financial award to the children of our employees for doing better result in the educational institutions.

We remain proactive in implementing strategies and systems to help preventing injury or harm to employees whilst at work. Health and safety measures are in place to ensure that our people have an optimum work environment. Time to time, the Bank conducts a variety of safety and wellness activities. The Bank also extended the maternity leave from 03 months to 06 months for its female employees. MBL has appointed a Medical Consultant attached at head office to provide prompt medical service to its employees at office time.

Contribution to the National Exchequer

Being a responsible corporate body, MBL regularly pays corporate tax in time. We also deposit excise duty, withheld tax and VAT to govt. exchequer in time through deduction from employees' salary as well as payments to customers and vendors. In 2017, the Bank has made provision of BDT 1300.00 million for corporate tax as against that of BDT 1,260.00 million in 2016.

Future Prospects

In 2018, the Bank will continue to strength its position by expanding the core business activities, particularly in Trade Finance, Commercial Lending to SME and Agriculture, Structured Finance, Import and Export business. In regards to liability management, the bank will remain focused on growing its core customer deposits and also improve its deposit mix to have competitive funding cost. Our focus will be on IT development and large customer base to generate more business from existing and potential customers.

The year 2018 will be more challenging for us. Bangladesh Bank (BB) has projected steady GDP growth for 2017 driven mainly by substantial rise in export earning, vibrant domestic demands, enhanced digital technology & strong foreign exchange reserves supported by steady inflow of remittance. Thus if we perform adequately, there is no doubt we can surely achieve our goal through maximum value for our clients, shareholders & employees & contributing to the national economy with social commitments.

Segmental Business Analysis

MBL Operation Banking

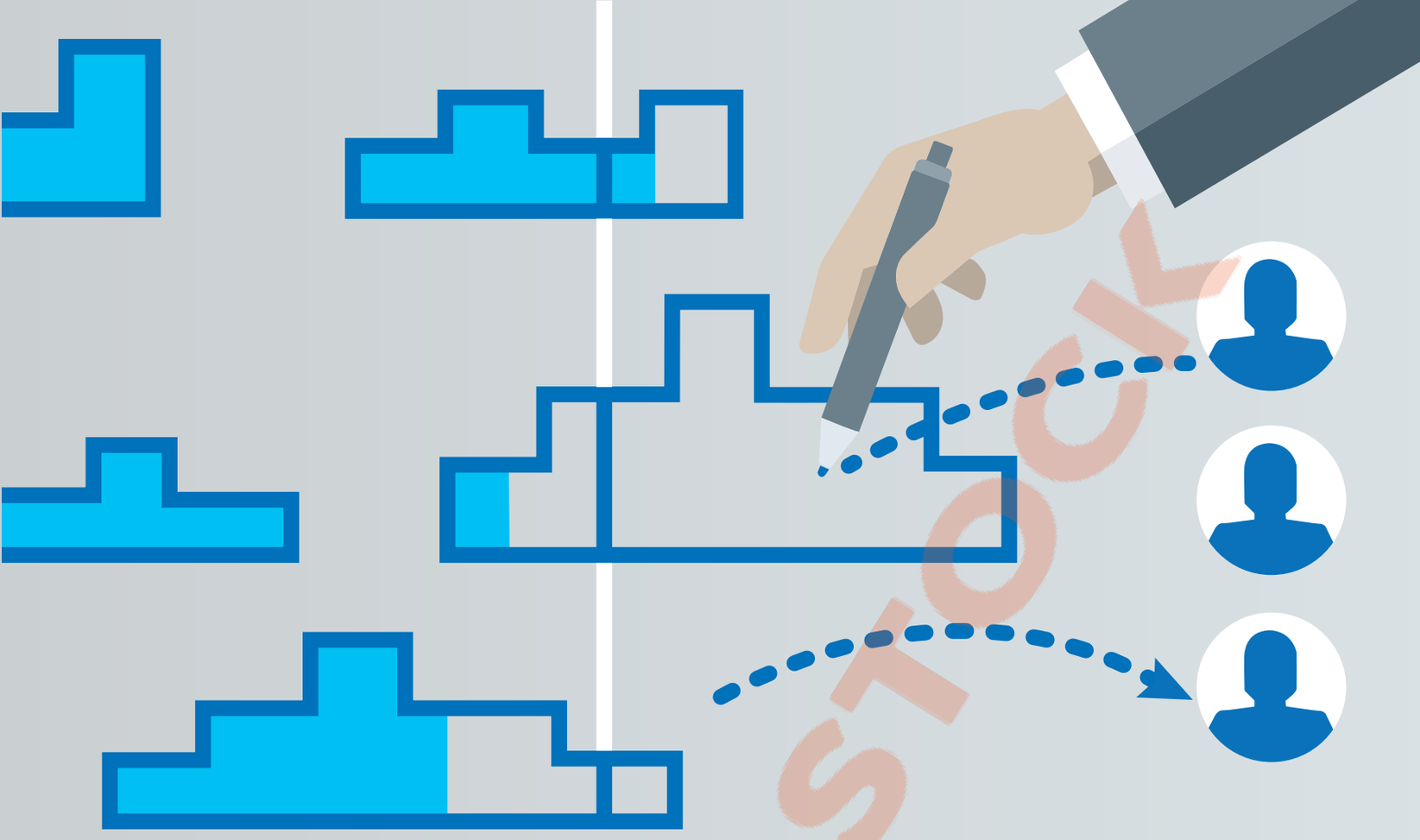
BDT in Crore

Particulars	Banking Operations		Subsidiaries	
	Core Banking	Off Shore Banking Unit (OBU)	Mercantile Exchange House (UK) Limited	Mercantile Bank Securities Limited
Operating Revenue	2345.94	129.22	2.16	24.78
Operating Profit	614.52	42.53	(0.08)	9.63
Profit Before Tax	389.24	42.53	(0.08)	3.13
Assets Employed	24,428.84	1,588.15	1.30	594.71
Capital Employed	1,758.40	-	-	364.01

Banking Operation

Particulars	Treasury Operation	Card Operation	Mobile Banking Operation
Operating Revenue	583.09	16.22	0.72
Operating Profit	367.68	5.50	(3.53)

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Report on
Human Resources Management

Corporate Priority: Combination of skilled human resources and state-of-art technology in providing banking services

'Efficiency is our Strength' echoing this corporate slogan, a great number of dedicated and highly professional pools of workforce are committed to maximizing wealth of bank. They are the most valuable asset and a key driver of bank's performance. MBL Human Capital initiatives continued to focus on building capacity and confidence to keep up the momentum and employees' resilience in pursuit to become most caring and gainfully profitable Bank. Mercantile Bank's focus on leadership, culture and capability helps to build a better workplace and an organization with which our customers want to do business and where people really want to work. Finding the right employees, developing, rewarding and retaining them are some of our highest priorities.

Human Resources of MBL

One of the biggest challenges facing companies all over the world is building and sustaining a strong talent pipeline. Our "people first" policy and practices, passion of our people to come to work, performance driven culture, quality of working environment, healthy work life balance, recognition for the performers and investing in people differentiates MBL as an excellent workplace in the country. To accomplish the goals and uphold the values, MBL have formulated an efficient recruitment policy to recruit new employees, both fresh and experienced to meet the customers' ever-increasing demand and to support the business expansions of the Bank. MBL continues to implement HR policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. Our human resources are competent enough to handle the challenges of modern banking. MBL believes that the skills and enthusiasm of its employees are a major force that helps it to achieve sustainable results.

Diversity in work place:

Our people want to feel proud of our organization, and this is an essential factor in lifting employee engagement, unlocking creativity and innovation, and driving a better outcome for our customers and shareholders. We remain committed to promoting diversity, inclusion, flexibility, health and well-being in our workforce.

Total Manpower of the Bank over the last three years:

Manpower	Dec'15	Dec'16	Dec'17
Executives	245	259	251
Officers & Staff	1,872	1,784	1941
Total	**2,117**	**2,043**	**2192**

Total Employee Distribution in 2017:

Offices	No. of Employees	Percentage (%)
Head Office	463	21.12%
Branches	1,729	78.88%
Total	**2,192**	**100.00%**

New employment creation in 2017:

Offices	No. of Employees	Percentage (%)
Head Office	6	2.26%
Branches	260	97.74%
Total	**266**	**100.00%**

Category	No. of Employees	Percentage (%)
Fresh Entrants	259	97.37%
Experienced Bankers	5	1.88%
Contractual	2	0.75%
Total	**266**	**100.00%**

Employees by region in 2017:

Region	No. of Employees	Percentage (%)
Dhaka	1492	68.07%
Chittagong	343	15.65%
Sylhet	57	2.60%
Rajshahi	141	6.43%
Barisal	50	2.28%
Khulna	40	1.82%
Rangpur	50	2.28%
Mymensingh	19	0.87%
Total	**2192**	**100.00%**

Gender positioning in 2017:

Gender	No. of Employees	Percentage (%)
Male	1673	76.32%
Female	519	23.68%
Total	**2192**	**100.00%**

Percentage of Female Employees over the three years:

Year	Female Employee	Total Employee	% of Female Employee
2015	495	2117	23.38%
2016	483	2043	23.64%
2017	519	2192	23.68%

Employee Distribution by Management Tier in 2017:

Management Tier	Layer (Designation)	Male	Female
Top Level	From EVP to MD	18	0
Mid Level	From AVP to SVP	211	22
Low Level	From TAO to FAVP	1412	497
Others	Project Manager/ Asst. Engineer (Civil)/ CSMS/ Driver etc.	32	0

Gender positioning by position in 2017:

Position	Male	Female	Total	Percentage
Executive	229	22	251	11.45
Non-Executive	1444	497	1941	88.55
Total	**1673**	**519**	**2192**	**100.00**

Employee Age distribution in 2017:

Age Group	Male	Female	Total	Percentage
30 & below	335	99	434	19.80
31-40	851	302	1153	52.60
41-50	393	113	506	23.08
51-60	87	5	92	4.20
61+	07	0	07	0.32
Total	**1673**	**519**	**2192**	**100.00**

Employee turnover rate by gender in 2017:

Gender	No. of Employees	Percentage
Male	113	72.90
Female	42	27.10
Total	**155**	**100.00**

Benefits and compensation to employee:

MBL's compensation and benefits strategy has been devised to foster high performance culture keeping market competitiveness in mind. Our management strategy is a multi-pronged one; that includes compelling employee value proposition with a competitive reward package. Every employee is paid salary on monthly basis, which is disbursed on 25th of each month or previous working day if 25th is holiday.

The following financial benefits are provided to the employees of the Bank:

Fringe Benefits to Employee:

- House Rent Allowance

- Conveyance Allowance
- Medical Allowance
- House Maintenance Allowance
- Utility Charges
- Car allowance for executives

Other Benefits:

- House Furnishing Allowance
- House building loan
- Leave fair assistance
- Charge allowances
- Risk allowance
- Medical bill
- Mobile phone allowance (talk time)
- Mobile handset allowance
- Boishakhi Vata at Bengali New Year
- Festival Bonus
- Incentives (Profit sharing for employees).
- Stipend to the children of employees and executives
- Maternity bill reimbursement to the female employees
- Providing dress with uniform and attire for Outsource employees
- Ex-gratia payment

Non financial benefits:

- Neat and clean work place
- Green Banking
- Leave plan
- Complaint cell
- In house Medical treatment + Medical expense
- Ensuring pure drinking water
- Competitive salary structure
- Training and workshop (home and abroad)
- Fare promotion policy
- Fare increment policy
- No excess pressure of works

End Service Benefits:

As a part of job satisfaction and motivation, when an employee or an executive resigned/retired/ disassociated from the service; he/she/family member/legal heir entitled various benefit as per specification of the following funds:

- Mercantile Bank Limited Employees' Gratuity Fund
- Mercantile Bank Limited Employees' Provident Fund
- Mercantile Bank Limited Employees' Welfare Fund

Under this fund an employee entitled to get the following benefits-

- Death benefit,
- Retirement benefit,
- Disability benefit.

On top of this, MBL has platforms which provide recognition for outstanding performance, we offer career development opportunities, and we are dedicated to our employees' well-being. To boost motivation, we recognize and reward top performers of the Bank. Every year, we commemorate these achievements at the MBL Day Celebration on the Foundation Day of the Bank, Annual Business Conference and other events.

Fostering Health and Safety

The bank is very careful about ensuring modern, healthy & safe workplace for its employees. To meet our commitment, MBL remains always ready to take all reasonably practicable steps to ensure the health and safety of people by the development, implementation and enforcement of policies and procedures. We remain proactive in implementing strategies and systems to help prevent injury or harm to employees whilst at work. Health and safety measures are in place to ensure that our people have an optimum work environment. All the branches & divisions of the bank are well decorated having sufficient breathing spaces and adequately equipped with fire-fighting equipment and fire drills. Time to time, the Bank conducts a variety of safety and wellness activities.

Maternity leave: As per bank's policy, any female employee who has been in the continuous service of the bank is entitled to get 6 months maternity leave with regular salary and allowances. Any female employee can avail this leave during the entire period of service. The annual performances, increment, promotion of respective employee are not affected for this long term leave.

Maternity leave availing in 2017:

No. of female employee	Average leave at a stretch
57	6 Months

Talent Acquisition

Talent acquisition is a cyclical approach that's geared towards building relationships, anticipating future hiring needs, and creating a sustainable pool of candidates. A time-consuming and hectic job is to hunt the right talent for the organization. It's just sitting by the river and waiting for the right fish to catch. MBL maintains strategic approach that develops and nurtures a talent pipeline with a long-term view. MBL recruits fresh graduates from different academic backgrounds of renowned Universities, which act as a source of creativity. Fresh graduates are recruited through comprehensive written test and Viva Voce. MBL also recruits experienced bankers from the industry having sound banking knowledge and expertise. As a part of MBL's investments in Human Capital, it has formulated Human Resources Policy including a strategic imperative for recruiting the best people from the society.

Code of Conduct and Ethical Guidelines

MBL has a Code of Conduct to guide all employees in discharging their duties and in dealing with customers, colleagues and authorities. It also sets out the standards of good banking practice that all employees must observe. As per the 'Code of Conduct and Ethical Guidelines' for MBL employees, all have to maintain the code of conduct and demonstrate highest ethical standards. These are the core values MBL people must follow and nurture. Any known or suspected incidents of illegal/unacceptable/ undesirable conduct are viewed with zero tolerance. Our core behaviors encourage our people to speak up and have open, honest conversations.

Work-life Balance

Work life balance plays a vital role for building up positive ambience. MBL wants it employees to balance the work and personal life and has organization-wide practices and policies that actively support employees to achieve success at both work and home. Management is also open and shows flexibility in regard to a balanced work-life. Employees are entitled to sufficient annual leave and sick leave with pay. To enjoy vacation with family, Bank provides Leave Fare Assistance Allowance to employees. Bank ensures its employees leave office just immediate after office hour. MBL has already built a reputation within the industry for encouraging work-life balance.

Engagement of Employee

Employee engagement, a current business buzzword has become a very important issue on the minds of MBL's management. MBL believes that getting the right people into the right seats on the bus is essential to a company's success. That is why Top Management of the bank value our employee's suggestions, ask for their ideas, listen to them carefully and then complete the planning loop. To ensure proper exchange of information and instructions and effective employee communications, management takes a positive lead. Various periodic meetings, awareness sessions, outdoor activities, meetings with renowned leaders in various fields, discussion sessions etc are organized as part of employee engagement.

Grievance Management

Since employee's behavior affects work discipline, HR Division always encourages employees to report if they have any work related grievance. In Mercantile Bank Limited there is formal procedure to address the employee grievance. Time to time competent authority also counsels employees as part of its job as people's advocate. Beside that an employee on whom any disciplinary action is imposed may prefer an appeal to the competent authority of the Bank and the appeal need to be made for review of the decision within the specific time period. Thus, we have a participative and collaborative grievance handling procedure which is very much democratic in nature.

Training and Development

MBL has a strong focus on imparting training towards enhancement of the skills and competencies of the employees to take over the challenge of modern banking. Employees are given on the desk training so that they can carry out their deskwork confidently remaining compliant. The Bank has established 'Mercantile Bank Training Institute (MBTI)' in 2002 which is the flagship learning centre where human resources of the bank are trained and couched in achieving professional excellence throughout the year, run by experienced and talented faculty members. Apart from conducting regular training

activities MBTI also determines on the development of its Faculty through extensive research & publication on renowned local & international academic & business journals. It also encourages active participation on Research & Reviews undertaken by Bangladesh Institute of Bank Management and other financial institutions. MBTI is equipped with a modern library, a well furnished dormitory, contemporary class rooms with state-of-the-art audio visual equipment with data projectors, laptops and screens and professional faculty who have extensive banking experience. The library contains books on banking law & regulations, economics, accounting, management, marketing and other related subjects. The Training Institute has fixed a target with three main dimensions-

- To bring all the employees with uniformity of work;
- Ensure 'Tailor-made' training for the employees;
- To build succession of competent employees and enable them to occupy more responsible positions as situation emerge.

Mercantile Bank Limited always focus to helping employees to grow and develop their skills, knowledge and abilities. In 2017, we invested BDT 3.63 million in training and development purpose consisting 77 courses and covered 2,931 employees of MBL across the country.

A short picture of MBTI performance during 2017 is shown below:

Employee Training in 2017:

(BDT in Lac)

Category	Total Course Conducted	Total Course Frequency	No. of Trainees	Total Invest-ment
In House	32	58	2,073	30.49
Out Reach	----	-----	----	----
Seminar/Workshop	11	19	858	5.76
Total	**43**	**77**	**2,931**	**36.25**

Training by Gender in 2017:

Gender	No. of Trainees	Percentage (%)
Male	2,460	83.93%
Female	471	16.07%
Total	**2,931**	**100%**

Training by Position in 2017:

Position	Male	Female	Total
Executive	253	18	271
Non-Executive	2,207	453	2,660
Total	**2,460**	**471**	**2,931**

Human Resource Accounting in MBL

Accounting of human resources is the valuation of human asset in monetary terms and the process of their recording and disclosure. Human Resource Accounting (HRA) helps to measure the value of employees, which helps the management to take vital decisions related to human resources in order to increase production.

We consider the following variables for Human Resource Accounting -

(BDT in million)

Ratios related to HRA	2017	2016	2015
Salary cost per employee	1.14	1.21	0.86
Operating cost per employee	2.41	2.77	1.89
Operating income per employee	11.29	10.20	9.33
Profit before provision per employee	3.00	12.17	1.86
Profit before tax per employee	1.97	1.70	1.25
Salary cost as percentage of operating cost in %	47.39	43.84	45.26
Salary cost as percentage of operating income in %	10.12	11.90	9.18

Report on Asset Liability Management

The objective of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under approved policy guidelines. Treasury front office is supported by a very structured Mid Office and Back Office. Asset Liability Committee (ALCO) monitors the Liquidity Management on a regular basis. The Management subsequently reviews and determines the limits and policies in relation to Assets & Liabilities of the Bank as per the regulatory requirement. The major reviews of the policy statement are as follows:

Liquidity Coverage Ratio (LCR)

LCR aims to ensure that a bank maintain an adequate level of unencumbered, high-quality liquid assets that can be converted in to cash to meet its liquidity needs for 30 calendar days.

Net Stable Funding Ratio (NSFR)

The NSFR aims to limit over-reliance on short term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on and off-balance sheet items.

Leverage Ratio

The leverage ratio can be summarized as a measure of capital as a proportion of total adjusted assets. More specifically, it has been defined as the average of the monthly leverage ratio over the quarter based on Tier 1 capital (the capital measure) and total exposure (the exposure measure).

Advance Deposit Ratio (ADR)

The ratio is determined by putting Advance in numerator and Liabilities (excluding capital) in denominator. The ratio should be fixed in such a manner so that there will be no unnecessary liquidity pressure on the bank in any point of time.

Wholesale Borrowing Guidelines (WBG)

The aim of wholesale borrowing (WB) guidelines is to set a limit for borrowed fund. The limit should be set in absolute amount based on bank's eligible capital (Tier-1 plus Tier-2) capital and considering liquidity needs due to maturity mismatch, borrowing capacity of the bank and historic market liquidity.

Maximum Cumulative Outflow (MCO)

MCO reflects the maximum cumulative outflow against total assets in a maturity bucket.

Contingency Funding Plan

A Contingency Funding Plan has been prepared and needs to be approved by the Board keeping in mind that enough liquidity is available to meet the fund requirements in liquidity crisis situation and should be followed in a stressed liquidity situation.

Regulatory Compliance

All regulatory compliance in respect of CRR, SLR, LCR and Capital Adequacy must be met properly by the bank.

MBL always try to maintain the above mentioned ALM guideline of Bangladesh Bank.



Report on

Internal Control & Compliance

To ensure the integrity of the management process, Bank has adequate internal controls & compliance. These are an integral part of the Bank's overall system of internal control. An effective system of internal control includes:

- a strong control environment;
- an adequate process for identifying and evaluating liquidity risk;
- the establishment of control activities such as policies and procedures;
- adequate information systems; and
- Continual review of adherence to established policies and procedures.

Our all aspects of the internal control system are effective, including all parts of the management process. The system is evaluated and reviewed regularly by the Management.

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Pestel Analysis

Macroeconomic factors	Impact on the industry	Mercantile Bank front
P-Political		
Risks to political stability will remain high owing to the threat of further terrorist attacks, social unrest and national election coming ahead. Unrest in gulf-states, bar in work-permit visa and non-permit of immigration have adverse effect in global political scenario.	Political uncertainty looming over national election which can further affect private investment. Entrepreneurs are cautiously do investment gazing at the election year which is in near-term.	It is hard to avoid and being in separate from political factors. But with a well-diversified portfolio, MBL is reducing its risk and volatility. Our focus will remain on quality asset acquisition and regularizing default accounts. Unveiling new customer centric product and services which could lead the banking business less susceptible.
E-Economic		
The GDP in Bangladesh has expanded 7.28% in 2017, the highest ever recorded. Growth in Bangladesh has exceeded expectations. Inflation is so far controlled although 2 sudden floods affect the food inflation. However, a rapid rate of economic growth is expected over the next five years. Mentioned here that, remittances to Bangladesh have slowed down negatively impacting on the country's balance of payments as Bangladesh is a manufacturing-exporting country, the export basket is largely composed of one product-RMG accounted for about 80 per cent of exports.	Bangladesh Bank set the private sector credit growth target to 16.80 percent for the second half of the fiscal year as it looks to help the government achieve 7.4 percent GDP growth. The target for the first half of fiscal 2017-18 was 16.2 percent and at the end of last month, private sector credit growth stood at 18.13. Loans at larger quantum to the Corporate clients, mega projects floated by the government and declining cost of funds have been pushing the credit growth up due to low fund cost & supply demand interactions. The diversification of manufacturing has been advocated by policy planner in Bangladesh. There are risk factors that need to be factored in, such as early floods, the Rohingya refugee influx, delays in fiscal reforms, industrial unrests and rising energy prices in projecting the future growth rates.	MBL is extending its credit facilities to diverse sectors of business & the modus operandi is different to cope up with the economical changes that may have adverse effect on banking business. On the other hand, different experienced & vigilant teams are formed to set measures, take corrective actions and find out future plans.
S-Social		
Although per capita income is now $1,610, it is built up of income of high-end group of people not mass. Bangladesh is still at the lower end in terms of starting of business. But the light of hope is that, government of Bangladesh is more focused on accomplish the goals of SDGs by taking different initiatives and projects.	Social factors will fragment customer needs, tastes and preferences. Banks are thereby cater its products and services in quest to attract potential business accordingly.	Mercantile Bank aims to increase overall standard of living through their funding, creating jobs, boosting economy, increasing per capita income that eventually contributes to GDP growth. Mercantile Bank will continue to focus on offering products and services as per customer preferences, ensure sustainability and continue to invest in CSR and other social initiatives.

Macroeconomic factors	Impact on the industry	Mercantile Bank front
T-Technological		
Technological advancement has made customers more sophisticated and altered expectation levels. Global and local business environment is now more vibrant due to this ever changing environment.	Growing dependency on technology to meet customer demand which will increase further investment in technology. To get the competitive advantage it is required to keep up with the up to date IT measures. ICT guidelines, IT security measures in banking transactions are much needed in respect to recent scams.	Mercantile Bank has already made heavy investments in technology and is in the continuous process of upgrading its state of the art core banking system.
E-Environment		
There is a growing focus on green, or more broadly, sustainable finance, both in financial markets and in the international political arena.	This has led FI's to increase regulatory focus on financing green project and environment friendly business operation.	Mercantile Bank is committed to sustainable development through the creation of long term value in terms of our environment, stakeholders and community.
L-Legal		
Industries are faced with tighter rules and regulations and application of rules are now more standardized and stringent than in the past.	Focus has to be put on the application of loan loss provisioning and capital adequacy. At the ame time strict implementation of stress testing is needed.	Mercantile Bank's track record of strict adherence with legal and regulatory compliance places it in a good position within the banking industry.

Competitive Intensity and Our Strategic Response

Financial sector of Bangladesh is majorly dominated by the banking sector. Banking industry is confronting the challenge of both internal and external risks exposure. Some of these risks are beyond control. However, with matured experience, MBL has witnessed various industry cycles, economic turmoil and hence has developed and adjusted itself with a risk identification and mitigation framework that not only protects the company from unfavorable conditions, but also helps to enhance operating viability and ensure sustainability.

A detail analysis of competitive intensity while operating in the dynamic and challenging banking sector and responses to minimize the impact of these risks on the business model is depicted below to show our risk framework through Michael Porter's risk analysis structure as well as the SWOT analysis.

PORTER'S FIVE FORCES MODEL OF COMPETITION

Porter's model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should base on and understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry. Porter refers to these forces as the microenvironment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information.

Competitive rivalry:

In Bangladesh, competition among banks has increased drastically. The banking industry faces stiff competition from 57 banks and 33 NBFIs. The competition from 57 banks in the industry, along with the intense price war had led to a decline in the number of loyal customers, making the banking industry extremely competitive. Costumers switching cost is very low, they can easily switch from one bank to another bank and very little loyalty exist. There is a little differentiation between competitors' products and services. Brand awareness is yet to develop in the industry.

MBL is focusing on different and unique product and service proposition as always to be on the race track to compete. On the other hand, for augmentation of brand value several unique and innovative ways have undertaken with the seamless services with utmost care.

Supplier power:

Deposit customers are the key supplier of money due to lower switching cost of banking industry, customers have strong bargaining power. Recent rate cuts in deposits, triggering from a highly competitive lending market have directly impacted the number of deposit customers. This source of funds either from individual customer or borrowings from other financial institutions are largely based on the market circumstances. Therefore, their power is often considered to be fluctuated ranging from medium to high.

Buyer power:

Generally, borrowers of the banks are to be considered as the buyer and they execercise high bargaining power. They create pressure for price cut with improve service quality i.e. lessen the rate of interest. In this particular area, clients are a bit forceful to compel banks. Banks are often vulnerable towards selling loans and advances to safeguard the interest of the Bank.

From the very beginning of Mercantile Bank Limited, we are offering competitive price both for deposit and loan keeping the overall economic condition in mind. As the competition is intense in the industry; MBL manages to cater extraordinary and vibrant services that differentiate MBL from other.

Threat of new entrants:

In the past few years a number of new banks and NBFIs have entered into an already matured & competitive market as well as entering new banks will intensify the competition in near future. As a result, the threat of new entrants is reasonably high.

MBL follows its own rule of map, i.e. we strive achieve the economies of scale by the way of introducing state of art technology, hiring and training of right manpower to be become efficient. Out of the box thinking and innovation is the key of MBL.

Threat of substitute products:

Some of the banking industry's largest threats of substitution are not only from rival banks but from nonbanking financial institutions. Threats of substitute products are intense and shrinking the opportunities for flourishes.

SWOT analysis

A SWOT analysis of a bank formally evaluates the financial institution's strengths, weaknesses, opportunities and threats. This analysis identifies these four main elements for better leverage its strengths to take advantage of future business opportunities while better understanding its operational weaknesses to combat threats to potential growth. A SWOT analysis can also address many other scenarios, such as new business initiatives, marketing budgets or even advertising campaigns.

Strengths • Strong Brand Value • Equipped with state-of-art-technology • Eminent and experienced Board of Directors • Pool of efficient and skilled human resources • Wide range of branch & ATM network • Wide range of products and services with competitive price to meet the demand of various classes of client • Strong Financial Position to meet all sorts of liabilities • High-quality credit rating over the years • Strict ethical and moral practices within the Bank	**Weakness** • Highly exposed to corporate segment loan exposure • Lack of full-automation in respect of different in-house report generation • Banking operation confined in many respect due to some obdurate rules and regulations • Lack of proper statistics regarding different business sector
Opportunities • Cross-selling of products and services lead to become more profitable irrespective of heavy competition. • Initiation of full atomization in terms of every aspect will lead the bank tech-savvy • Reaching customer virtually through widely accepted medium • Penetration into the rural market with the help of wide branches network • Global reach through banks' existing network	**Threats** • Entry of new banks • Insolent political ambience • Risk of private sector growth due to shortfall of energy supply. • Lack of stability in the capital market • Fear of trust is prevailing within the depositors' mind due to recent financial institutions' scam



Md. Quamrul Islam Chowdhury
Additional Managing Director and CBO

Chief Business Officer's Statement

The year 2017 could be chalked down as a prosperous one for the world economy. On the economic front, 2017 has ended with a high note, with (as) GDP is continuing to accelerate over much of the business world in the broadest cyclical upswing since the start of the decade. Even though Global financial system, as a whole, has been facing complex and interrelated challenges, for Bangladesh, it has been a mixed year of achievements and challenges. One of the major achievements of the economy has been a 7.28 percent economic growth in FY 2016-17 breaking the six percent cycle that continued for a decade or so despite slowing private investment and weak remittances. Like previous years, major boost of growth has come from the industrial sector followed by the services sector. Though average inflation has been around 5.5 percent, inflation in food sector is showing a slight increase in recent months, mainly because of agricultural loss due to sudden occurrence of two consecutive floods.

Bangladesh is surging for a consumer product market Rising per capita income has enabled growth in consumer spending. At the same time the country is enjoying demographic dividend in its workforce. Reasonably, the consumer product market in Bangladesh is growing and is drawing attention to global media. Given the prospective future growth of the consumer market, this is the precise time to have a look into the consumer Finance segment of the banking industry of the country. Banking sector performance has greatly improved in terms of quality and quantity of banking services in Bangladesh over the past two decades. Financial sectors, especially the banking sector, passed a difficult year in the segment of Non-Performing Loans (NPLs) that kept on swelling. The call-money rate has started rising on account of slow deposits and higher outstanding loans.

Mercantile Bank Ltd (MBL) has performed well in all key areas of business activities during 2017. We sought to grow responsibly given our management strategy adopted in 2016 and carried through 2017, in which we were conscious of risk-weighted assets growth and capital utilization. As we embarked on growth in 2017 with some caution, we remained watchful over asset quality concerns that could be prolonged into the years ahead. As such, we intend to continue to work closely with our borrowers and to assist them in addressing their repayment abilities. We strive to provide our customers with easy access to our financial services and to win hearts by treating each

customer with respect and fairness. Our aim is to be at the heart of the community by building and supporting those around us, through good and tough times. But more importantly, we kept to our brand promise of "বাংলার ব্যাংক" to all our stake holders.

The world is fast changing, so does the banking landscape. Changes bring challenges. Too many banks chasing too few eligible borrowers resulting free fall of interest rates and rising NPL have been the major challenges facing the industry in coming years. Nevertheless, in 2017 we have started focusing on Retail Banking business as part of risk diversification initiatives and generating new revenue stream. Consequently, we are shifting from the traditional product focus to a more client-centric strategy through direct selling strategy. The prime focus during the year has been improving asset quality, enhancing service excellence, recovering classified and written off loans and rationalizing costs. A brief review of financial performances is:

In 2017, MBL's credit concentration was

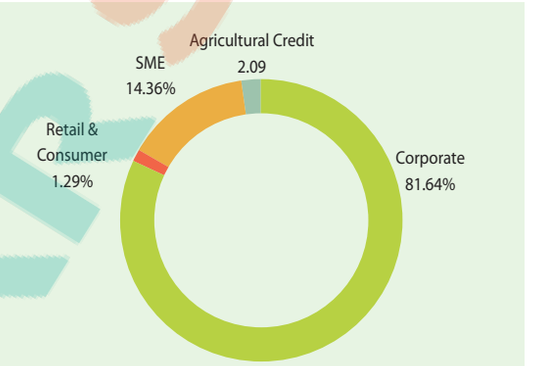
- Corporate & Commercial segment 81.64%
- SME 14.36%
- Agriculture 2.09% and
- Consumer & Retail segment 1.29%

Geographically in Dhaka Division Loans & Advances concentrated higher than earlier year by 1.37% while concentration decreased by 0.96% in Chittagong Division. The Bank did much better in restraining growth of classified loans (CL) and the year ended with 3.79% classified loan ratio which was 5.13% in the previous year.

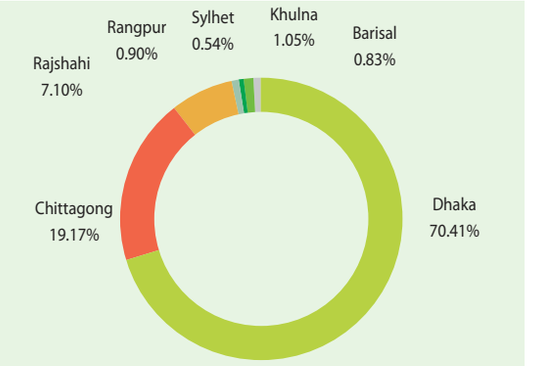
Apart from this, some other determining factors influenced MBL's business strategies in the following way:

- Decisive step forward to become stronger and grow
- More capital, lower costs
- To minimize the risks, we try to forecast the individual components of the income and expenditure taking into consideration of the expected business growth along with related risk elements.
- We take immediate action to realign our business strategies with changing environment.
- We ensure efficient allocation of human resources, fixed and variable expenses with a view to optimizing the total operating expenditure.
- Moreover, from time to time we evaluate the business performance of the individual profit centers compared to target and command area business potential, analyze the gaps and recommend strategies accordingly to keep up a healthy growth.

The year 2018 will be a turning point for Bangladesh in many ways. Bangladesh will be prepared to graduate from the least developed country status in 2018. It will also continue its efforts toward becoming a middle-income country. Policy effort should now seek to consolidate the gains and focus the banking sector agenda to achieve the country's dream of securing the upper-middle income status by 2031. A combination of growing NPLs and asset concentration, if unchecked, can jeopardize the stability of the banking sector. MBL recognizes that growth must be inclusive and sustainable to become sustainable. For us maintaining highest standard of ethics, compliance and values has always been a top priority.



Segment Wise Loan Portfolio



Distribution of Loans and Advances in 2017

Md. Quamrul Islam Chowdhury
Additional Managing Director and CBO



Mati ul Hasan
Additional Managing Director and CRO

Chief Risk Officer's Report
on Risk Management

The term Risk can be defined as the probability of loss inherent in financing or operational methods which may impair the ability to provide adequate return to the institution. Managing risk has become more challenging due to continuous changing business environment and revolutionary changes in technological advancement around the globe. Risks management has become the instrumental part of business activities at financial institutions.

Mercantile Bank Limited (MBL) is committed to ensure knowledge based risk management culture to meet the expectations of stakeholders. We have a very strong and well disciplined risk management team comprises of a pool of experienced and talent officials for establishing best possible risk management culture across the bank. MBL always ensure risk-return trade-off to maximum extent analyzing the type and degree of risk. We operate under Board approved risk framework which outlines enterprise-wide approach to risk management. Key elements of our risk program include: Cultivating a strong risk culture, which emphasize each team member's accountability for appropriate risk management to maintain a conservative financial position measured by satisfactory asset quality, capital level, funding sources, and diversity of revenue.

Risk Management Framework

Enterprise-wide statement of risk appetite guides the business and risk managers of the bank as they manage risk on daily basis. The enterprise-wide statement of risk appetite describes the nature and magnitude of risk that MBL is willing to assume in pursuit of its strategic and business objectives. Designing risk framework, program, policies, standard, procedures, control, processes and practices are effective and aligned and facilitate active and timely management of current and emerging risks across the Bank.

Our risk framework consists of three lines of defense –

1. MBL's lines of business and certain other corporate functions,

2. Second-line of defense led by our Risk Management Division reports to the Board's Risk Management Committee, and
3. Internal audit function which is led by our Internal Control and Compliance Division reports to the Board's Audit Committee.

MBL's primary risk management objectives are:

a) to support the Board as it carries out risk oversight responsibilities;

b) to support members of senior management in achieving the Company's strategic objectives and priorities by maintaining and enhancing our risk framework; and

c) to promote a strong risk culture which emphasizes each team member's accountability for appropriate risk management.

Maintaining an independent internal audit function that is primarily responsible for adopting systematic, disciplined approach to evaluating the effectiveness of risk management, control and governance processes and activities as well as evaluating risk framework adherence to relevant regulatory guidelines and appropriateness for MBL's size and risk profile.

Board Oversight of Risk

The business and affairs of the Bank are managed under the direction of the Board, whose responsibilities include overseeing the Bank's risk management structure. The Board carries out its risk oversight responsibilities directly and through the work of its Risk Management Committee, which reports to the Board. Risk Management Committee works closely with management to understand and oversee the Bank's key risk exposure. Allocating risk responsibilities among each Board committee increases the overall attention devoted to risk management. The Risk Management Committee serves as a focal point for oversight of enterprise-wide risks. The Committee additionally provides oversight of the Bank's Corporate Risk function and plays an active role in approving and overseeing the Bank's enterprise-wide risk management framework established by management to manage risk and the functional framework and oversight policies established by management for various categories of risk. The Risk Committee review and approve the enterprise statement of risk appetite annually, and also actively monitor the risk profile relative to the approved risk appetite. The Board receives reports about committee activities, including risk oversight matters, and a quarterly report from the management-level Risk Management Committee regarding current or emerging risk matters.

Management Oversight of Risk:

In addition to the Board committees that oversee the Bank's risk management framework, the Bank has established management-level Risk Management Committee to support MBL in carrying out its risk management responsibilities. This committee has a defined set of authorities and responsibilities specific to one or more risk types. The risk management committee structure is designed so that significant risks are considered and, if necessary, decided upon at the appropriate level of the Bank and by the appropriate mix of executives. The management-level Risk Management Committee, chaired by the Bank's Chief Risk Officer, oversees the management of all risk types across the Bank, and additionally provides primary oversight for credit risk, reputation risk, and strategic risk. The Risk Management Committee report to the Board's Risk Management Committee and serves as the focal point for risk governance and oversight at the management level. As part of MBL's risk appetite, we maintain matrix along with associated objectives to measure and monitor the amount of risk that the Bank is prepared to take. Actual result of these matrixes are reported to the Risk Management Committee on a monthly basis as well as to the Board's Risk Management Committee.

MBL's Risk Management Strategies

MBL has formulated its risk management process to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. The Board approves the risk appetite framework and ensures that organizational structure, policies, standards, guidelines and procedures are in place for efficient risk management and its implementation in the right perspective. The Board has already approved risk management policies and also set prescribed internal risk level to identify and manage risks with efficacy. Our Bank's Risk management processes are as follows:



Risk Management Process of Mercantile Bank Limited

Credit Risk Management

We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk naturally exists with many of our assets and exposures such as loans and advances.

Credit risk is managed through a framework set by policies and procedures established by the Board in line with Bangladesh Bank guidelines. The Bank has revised its credit Policy in 2017 that is aligned with the changes incorporated by regulators and took places in the market. Separate Corporate, SME, Retail division have been formed at Head Office which is entrusted with the duties of maintaining effective relationship with customers, marketing of credit products, exploring new business opportunities etc. Moreover, credit approval, administration; monitoring and recovery functions have been segregated towards reinforcement of credit risk management activities. For this purpose, four separate Divisions have been formed in respect to Credit Risk Management:

(a) Credit Risk Management Division;

(b) Credit Administration Division;

(c) Central Law Division and

(d) Special Asset Management Division.

Credit Risk Management Division is entrusted with the responsibilities of formulating policies/strategy for lending operations, maintaining asset quality, assessing risk in lending, sanctioning credit, etc. A thorough investment analysis is made before sanction of any credit facility at Credit Risk Management Division by the Risk review committee. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process at Head Office starts at Corporate Banking Division by the Officer and ends at Credit Risk Management Division where it is approved/declined by the competent authority. Credit approval authority has been delegated to the individual executives based on their capability, experience & business acumen. Proposals beyond their delegation are being submitted to the Management of the Bank and /or the Executive Committee or Board of Directors for approval.

Market Risk Management

Market risk is defined as the risk of loss on off-balance sheet positions arising from adverse movements of interest rate, exchange rate and equity price. The purpose of market risk management framework is to minimize the risk of loss and maximize profit in trading portfolio. MBL's strategies to address these risks are as under:-

A. Managing Interest Rate Risk

Interest Rate Risk is the risk which occurs due to adverse movement of interest rate either on assets or on the liabilities portfolio having impact on profitability of the Bank. Change in interest rate(s) may adversely affect bank's profitability that can largely be attributed for narrow spread or thin margin in financial intermediation.

MBL always 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 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 affect the money market scenario.

B. Managing Foreign Exchange Risk

Foreign Exchange Rate Risk arises from the potential change in earnings resulted from exchange rate fluctuations, adverse exchange holding and market volatility.

MBL has treasury operations consisting of back office, mid 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. Mid office monitors the overall transaction from risk perspective to address any possible risk. All foreign exchange transactions are revalued at Mark-to-Market basis in conformity with Bangladesh Bank Guidelines. All Nostro accounts are reconciled on fortnightly and monthly intervals and in the process it is ensured that no entries remain unattended beyond the specific time threshold.

C. Equity Price Risk Management

Equity price is defined as losses due to changes in market price of equity held by the bank. To measure and identify the risk, mark to market valuations of the

investment portfolios are made. To mitigate risk, our Investment Policy also emphasizes on Portfolio diversification.

Liquidity Risk Management

Liquidity risk arises from a bank's potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. Because banks matches short-term deposits (such as checking and savings accounts and other assets) into long-term loans, they are more vulnerable to liquidity risk than other financial institutions. The objective of MBL's liquidity risk management framework is to ensure that the Bank can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite.

MBL's Liquidity Risk Management Strategies

- Alignment and realignment of the Assets and Liabilities in a prudent manner to address liquidity risk.
- Diversified and sustainable deposits base by lessening reliance on corporate deposits
- Exact Cash Flow Projections
- Various ratios to maintain liquidity and to create limits for liquidity management.
- Ratios are used in conjunction with more qualitative information about borrowing capacity
- Board approved Asset-Liability Management Guidelines.

Managing Operational Risk

Operational Risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Board of Directors and Senior Management of Mercantile Bank Limited have established an organizational culture that places high priority on the agenda to ensure 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 sphere of business activities through written procedures, regular training and awareness programs. Departmental Control Function Checklist (DCFCL), Quarterly Operations Report, Loan Documentation Checklists, etc are in place covering all probable risks associated with bank's business and operations. Regular and Surprise inspection are also made on a routine basis to make sure that all control is functioning properly

Managing Internal Control And Compliance Risk

Better internal control and introduction of standardize operating procedures in all the core risk areas for attainment of preset objects ensuring compliance with the prescribed rules & regulation adopted by the regulatory bodies synchronizing with the internal policy perception/guidelines.

MBL'S Internal Control and Compliance Risk Management Strategies:

According to the Central Bank's guideline, the Bank has formed separate Internal Control and Compliance Division for an effective internal control system. Compliance Unit of ICCD ensures that the Bank complies with all regulatory requirements of the legislative bodies in conducting its business.

Managing Money Laundering Risk

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. Bangladesh Bank through BFIU Circular Letter No. 19/2017 dated September 19, 2017 advised the scheduled commercial banks operating in the country to put in place effective risk management system which includes Money Laundering & Terrorist Financing Risk Management, since money laundering, a criminal act recognized all over the world, has very severe consequences in the economy, security and the society.

Managing Information Technology Risk

ICT risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of ICT within an organization. Risks surrounding Information Technology, such as network failure, software failure, lack of skills, hacking, viruses attack and poor system integration poses threat for the organization. ICT 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 ICT audit team as per the Central Bank's guidelines to conduct audit at branch and divisional levels;

Segregated job descriptions and responsibilities to minimize ICT Risk; Need based trainings are being conducted time to time to grip 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", one of the highly sophisticated real time banking software with a view to ensuring superior customer services and at the same time controlling technology related hazards.

State of Art Data Centre and Disaster Recovery Site (DRS)

MBL procured and implemented state of the art Hardware, Software and system in its data centre and Disaster Recovery Site keeping in mind for future stability, efficiency, fault tolerance and high availability. The environmental security features of the data centre and DRS have been provided high priority. The network system of the Bank has been reconfigured with latest technologies for highest availability, efficiency and security.

Basel II & III and Borrower's Rating

Risk Based Capital Adequacy Framework i.e. Basel III, came into force fully in the Banking industry of Bangladesh from January 2015 following the BRPD Circular # 18 on December 21, 2014. The Basel III principle stands on the following three pillars. Pillar 1: Minimum Capital Requirement; Pillar 2: Supervisory Review Process; Pillar 3: Market Discipline. Under Pillar I of Basle III principle, minimum capital requirement is 10% to total Risk Weighted Assets (RWA). Therefore, reduction in RWA will lead to lower capital requirement.

To ensure smooth transition to Basel III, appropriate transitional arrangements have been accomplished for maintaining adequate capital, full regulatory adjustments to the components of capital, etc. Consequently, Basel III capital regulations would be fully implemented with in January 01, 2019.

Since, corporate exposures constitutes the major part of MBL's loan portfolio, corporate clients' credit rating play key role in determining Risk Weighted Assets (RWA) and thus total capital requirement of the Bank. As such, MBL has taken the issue of Borrower's rating as a matter of utmost priority. Customers having good rating enjoy privilege for renewal, approval of loan facility and pricing thereby to ensuring risk adjusted rate of return of our portfolio. As a result, of our continuous persuasion and vigorous effort, a good number of corporate and SME customers have conducted their credit rating by External Credit Assessment Institutions (ECAIs).

Stress Testing

Stress Testing is a risk management technique used to evaluate the potential effects of an institution's financial condition of a specific event and/or movement in a set of financial variables. It refers to the process to cover multiple risk measures across categories and complements traditional risk models. It is also an integral part of the Capital Adequacy Framework. The traditional focus of stress testing relates to exceptional but plausible shocking events. Each shocking events contains Minor, Moderate and Major Levels of shock.

MBL accomplish the quarterly Stress Testing covering Credit Risk, Market Risk and Liquidity Risk in accordance with Bangladesh Bank DOS (Department of Off-site Supervision) Circular no. 01 dated February 23, 2011.

Risk Management Report

As per guidelines of Bangladesh Bank, Risk Management Division prepares Risk Management Reports on regular basis considering all key risk indicators and places the same to Risk Management Committee of Management and Board of Directors. At the end of each month, Risk Management Report along with the minutes of the meeting of Risk Management Committee is being submitted to Bangladesh Bank by the Risk Management Division of the Bank. The monthly and half yearly comprehensive report contains identification and mitigation of risk under necessary guidance of the Senior Management of the Bank. Risk Management Report is also being submitted to the Risk Management Committee of the Board and the decisions are being communicated with relevant divisions of the Bank for necessary action.

Mati ul Hasan
Additional Managing Director and CRO



Disclosures on Risk Based Capital (Basel III)

Overview

Strong capital requirement is a necessary condition but not sufficient alone for banking sector stability. A strong liquidity base reinforced through robust supervisory standards is of equal importance. The Basel Committee on Banking Supervision (BCBS) is introducing internationally harmonized global liquidity standards. As with the global capital standards, the liquidity standards will establish minimum requirements and will promote an international level playing field to help prevent a competitive race to the bottom. The Basel Committee raised the resilience of the banking sector by strengthening the regulatory capital framework, building on the three pillars of the Basel III framework. The reforms raise both the quality and quantity of the regulatory capital base and enhance the risk coverage of the capital framework.

BCBS issued **"Basel III: A global regulatory framework for more resilient banks and banking systems"** in December 2010 to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. Basel III reforms were to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Through its reform package, BCBS also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures.

Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the procyclical amplification of these risks over time. These new global regulatory and supervisory standards mainly addressed the following areas:

- raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis
- increase the risk coverage of the capital framework
- introduce leverage ratio to serve as a backstop to the risk-based capital measure
- raise the standards for the supervisory review process (Pillar 2) and
- public disclosures (Pillar 3) etc.

Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' (Revised Regulatory Capital Framework in line with Basel III) vide its BRPD Circular 18 dated December 21, 2014. To cope up with the international best practices and to make the bank's capital shock absorbent Basel III reporting came into force in Bangladesh from January 2015. In line with the Basel framework, Bangladesh Bank issued transitional arrangements for Basel III implementation in Bangladesh and full implementation will start from January 2020. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines have to be followed by all scheduled banks for the purpose of statutory compliance.

MBL believes that Basel III is not merely a reporting system rather it is a new risk management technique for the Bank. Therefore, it has put extensive care and attention to implement Basel III inside the Bank. With a view to facilitating the way of implementation, the Bank has formed **"Basel Implementation Unit"**. A supervisory committee includes top management of the Bank overseeing the unit. The committee forecast the future; follow up the overall implementation status and way out the probable solution to cope with the international best practices and to make the bank's capital more risk sensitive as well as more shock resilient. The Bank has also formed a Supervisory Review Process (SRP) team to participate the dialogue with the Supervisory Review Evaluation Process (SREP) team of BB for measuring the adequate capital requirement.

The Basel III principle stands on the following three pillars:

- **Pillar-I: Minimum Capital Requirement**
  Banks must hold minimum regulatory capital against Credit, Market and Operational Risk inherent with Banking Business.

- **Pillar-II: Supervisory Review Process (SRP)**
  The key principle of SRP is that banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level. The assessment of adequate capital would be the outcome of the dialogue between the bank's SRP and Bangladesh Bank's SREP team.

- **Pillar-III: Market Discipline**
  The purpose of Market discipline in the Revised Capital adequacy Framework is to complement the minimum capital requirements and the supervisory review process. The aim of introducing Market discipline in the revised framework is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. For the said purpose, banks will develop a set of disclosures containing the key pieces of information on the assets, risk exposures, risk assessment processes, and hence the capital adequacy to meet the risks.

Disclosure Framework

Bank has a formal disclosure framework approved by the Board of Directors/Chief Executive Officer. The following detailed qualitative and quantitative disclosures of the Bank is furnished to provide our stakeholders with consistent and understandable disclosure framework to assess the Bank's position regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets as on December 31, 2017 in line with Bangladesh Bank's Risk Based Capital Adequacy (RBCA) guideline.

The public disclosure of prudential information is an important component of Basel Committee on Banking Supervision's framework of capital measurement and capital adequacy, known as Basel III. Bangladesh Bank has specified the standard of disclosure through Guidelines on Risk Based Capital Adequacy (December 2010) which revised in Basel III Guideline on December 2014 with effect from January 2015. The standard aims to enhance the transparency in Bangladeshi financial market by setting minimum requirement for the disclosure of information on the risk management practice and capital adequacy.

In Qualitative disclosures, bank provides a general summary of a bank's risk management objectives and policies, reporting system and definitions. For each separate risk area (e.g. credit, market, operational, banking book interest rate risk, equity) bank described their risk management objectives and policies.

In line with the Bangladesh Bank BRPD Circular no. 18 dated December 21, 2014 on 'Guidelines on Risk Based Capital Adequacy', following detailed qualitative and quantitative disclosures are provided in accordance with the central bank directions covering Scope of application, Capital structure, Capital adequacy, Credit Risk, Market Risk, Operational risk, Leverage Ratio, Liquidity Ratio, Remuneration of the Bank etc.

a) Scope of application

Qualitative Disclosures		
(a)	The name of the corporate entity in the group to which the guidelines applies.	Mercantile Bank Limited (MBL)
(b)	An outline of difference in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	MBL, the leading third generation private commercial bank incorporated as a public limited company in Bangladesh on May 20, 1999 and commenced its business on June 02, 1999. It was listed in DSE and CSE on February 16, 2004 and February 26, 2004 respectively. MBL has 129 (One Hundred Twenty Nine) branches including 5 (Five) SME/Krishi branches as on reporting date i.e. December 31, 2017. The Bank has 2 (Two) Off-shore Banking Units (OBU) operating at Gulshan and Chittagong EPZ areas. The cardinal activities of the Bank are to serve commercial banking services to its customers. The Bank has 2 (Two) subsidiaries namely "Mercantile Bank Securities Limited' and "Mercantile Exchange House (UK) Limited". **Mercantile Bank Securities Limited** Mercantile Bank Securities Limited (MBSL), a subsidiary company of MBL formed on 27 June 2010 to deal with stock dealing and broking. MBSL has started its commercial operation from 14 September 2011 through obtaining stock dealer and broker license from Bangladesh Securities and Exchange Commission (BSEC). The main operation of the subsidiary is to buy and sell off securities listed with Dhaka and Chittagong stock exchange or approved by BSEC for open market operation for its customer. Margin loan facility is also extended to its customers against their equity for investment in the listed companies. **Mercantile Exchange House (UK) Limited** Mercantile Exchange House (UK) Limited, a fully owned subsidiary company of MBL incorporated as private limited company with companies for England and Wales under registration no. 07456837 dated December 01, 2010. The company commenced its business operation on December 06, 2011. Mercantile Exchange House is committed to provide faster, easier and safer remittance services to the Bangladeshi expatriate living and working in UK.
(c)	Any restriction, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable.
(d)	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not applicable.

b) Capital Structure:

Qualitative Disclosures		
(a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.	The regulatory capital under Basel-III is composed of; • Tier 1 (going-concern capital) and • Tier 2 (gone-concern capital) Tier 1 capital is composed of; (a) Common Equity Tier 1 (CET-1) and (b) Additional Tier 1 (AT-1) Conditions set by BB for maintaining Regulatory Capital are as below; • Common Equity Tier 1 of at least 4.50% of the total RWA. • Tier 1 capital will be at least 5.50% of the total RWA. • Minimum CRAR of 10% of the total RWA. • Additional Tier 1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher. • Tier 2 Capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher. • In addition to minimum CRAR, Capital Conservation Buffer (CCB) is being introduced which maintained in the form of CET1 from year 2015. • In order to arrive at the eligible regulatory capital for the purpose of calculating CRAR, banks are required to make some regulatory adjustments/ deductions from Tier 1 and Tier 2 Capital.

Quantitative Disclosures

(b) The amount of Regulatory capital, with separate disclosure of:

(BDT in Crore)

	Particulars	Solo	Consolidated
	Tier 1 Capital		
A	Common Equity Tier 1 Capital (CET-1)		
	Fully Paid Up Capital	776.11	776.11
	Non-repayable Share Premium account	0.00	0.00
	Statutory Reserve	631.28	631.28
	General Reserve	50.00	50.00
	Retained Earning	171.47	172.53
	Dividend Equalization Account	4.57	4.57
	Minority Interest in Subsidiaries	0.00	5.06
	Others (If any item approved by Bangladesh Bank)	0.00	0.00
	Sub-Total (A)	**1,633.44**	**1,639.55**
	Regulatory Adjustments/Deductions from CET-1	3.53	3.53
	Total Common Equity Tier 1 Capital (CET-1)	**1,629.90**	**1,636.01**
B	**Additional Tier-1 Capital (AT-1)**	**0.00**	**0.00**
	Total Tier 1 Capital (A+B)	**1,629.90**	**1,636.01**
	Tier 2 Capital		
	General Provision	566.41	566.41
	Subordinated Debt/Instruments	240.00	240.00
	Revaluation Reserves (as on 31 December, 2014)	54.57	54.57
	Sub-Total	**860.98**	**860.98**
	Regulatory Adjustments/Deductions from Tier 2 Capital	32.74	32.74
	Total Tier-2 capital	**828.24**	**828.24**
	Total Eligible Capital (Tier 1+Tier 2)	**2,458.14**	**2,456.24**

(c) Regulatory Adjustments/Deductions from Capital

Regulatory Adjustments/Deductions from CET-1 Capital Shortfall in provisions required against investment in Share (Quoted Share excluding director Equity Shares)	3.53	3.53
Regulatory Adjustments/Deductions from Tier 2 Capital 60% of Revaluation Reserves for Fixed assets, Securities & Equity (phase-in deductions as per Basel III guideline)	32.74	32.74

(d) Total Eligible Capital

Total Tier 1 Capital (CET-1 Capital + AT-1 Capital)	1,629.90	1,636.01
Total Tier-2 capital	828.24	828.24
Total Eligible Capital (Tier 1 + Tier 2)	**2,458.14**	**2,464.25**

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c) Capital Adequacy

Qualitative Disclosures		
(a)	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	MBL has adopted Standardized Approach for computation of Capital Charge for Credit Risk and Market Risk while Basic Indicator Approach for Operational Risk. Total Risk Weighted Assets (RWA) of the Bank is determined by multiplying the capital charge for market risk and operational risk by the reciprocal of the minimum capital adequacy ratio i.e. 10% as on December 2017 and adding the resulting figures to the sum of risk weighted assets for credit risk. Total RWA is then used as denominator while total Eligible Regulatory Capital as on numerator to derive Capital to Risk weighted assets Ratio (CRAR) i.e. $\text{CRAR} = \frac{\text{Total Eligible Regulatory Capital x 100}}{\text{Credit RWA + Market RWA + Operational RWA}}$ The Bank's CRAR on the basis of Solo and Consolidated are 11.93% and 11.68% respectively against minimum requirement of 10% as on December 31, 2017. MBL's policy is to manage and maintain its capital at an adequate level to raise its CRAR well above than minimum requirement in line with Basel III. Ultimate goal of the capital management process of MBL is to ensure that the Bank maintains its capital base at a level to absorb all the material risks. The Bank also ensures that the capital levels comply with all regulatory requirements.

Quantitative Disclosures

Sl. No.	Particulars	(BDT in Crore)	
		Solo	Consolidated
(b)	Capital Requirement for Credit Risk	1,790.60	1,837.08
(c)	Capital Requirement for Market Risk	88.64	88.64
(d)	Capital Requirement for Operational Risk	181.56	184.29
(e)	Individual Capital Ratio		
	Capital to Risk Weighted Assets Ratio (CRAR)	11.93%	11.68%
	CET-1 Capital to RWA Ratio	7.91%	7.75%
	Total Tier-1 Capital to RWA Ratio	7.91%	7.75%
	Tier-2 Capital to RWA Ratio	4.02%	3.93%
(f)	Capital Conservation Buffer	-	-
(g)	Available Capital under Pillar 2 Requirement	397.34	354.24

d) Credit Risk

Qualitative Disclosures		
(a)	**The general qualitative disclosure requirement with respect to credit risk, including:**	
	i) Definition of past due and impaired (for accounting purposes);	As per guideline of Bangladesh Bank, All Loans and Advances are grouped into 4 (four) categories namely- Continuous Loan, Demand Loan, Fixed Term Loan and Short-Term Agricultural Credit & Micro Credit for the purpose of classification. **Any continuous Loan will be classified as:** **Sub-standard-** if it is past due/overdue for 03 (three) months or beyond but less than 06 (six) months.

		Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months **Bad/Loss-** if it is past due/overdue for 09 (nine) months or beyond. **Any Demand Loan will be classified as:** **Sub-standard-** if it remains past due/overdue for 03 (three) months or beyond but not over 06 (six) months from the date of expiry or claim by the bank or from the date of creation of forced loan. **Doubtful-** if it remains past due/overdue for 06 (six) months or beyond but not over 09 (nine) months from the date of expiry or claim by the bank or from the date of creation of forced loan. **Bad/Loss-** if it remains past due/overdue for 09 (nine) months or beyond from the date of expiry or claim by the bank or from the date of creation of forced loan. **Fixed Term Loan will be classified as:** **A. If Fixed Term Loan amounting up to BDT 10 Lac:** **Sub-standard-** If the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loan will be classified as "Sub-Standard". **Doubtful-**If the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as "Doubtful". **Bad/Loss-** If the amount of 'past due installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as "Bad/Loss". **B. If Fixed Term Loan amounting more than BDT 10 Lac:** **Sub-standard-** If the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loan will be classified as "Sub-Standard". **Doubtful-**If the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loan will be classified as "Doubtful". **Bad/Loss-** If the amount of 'past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as "Bad/Loss". **Short-Term Agricultural Credit & Micro Credit:** **Sub-standard-** If the irregular status continues, after a period of 12 (twelve) months the credit will be classified as "Sub-standard". **Doubtful-** If the irregular status continues, after a period of 36 (thirty Six) months the credit will be classified as "Doubtful". **Bad/Loss-** If the irregular status continues, after a period of 60 (sixty) months the credit will be classified as "Bad/loss". A Continuous Loan, Demand Loan or a Term Loan which will remain overdue for a period of 02 (two) months or more, will be put into the Special Mention Account (SMA).

	ii) Description of approaches followed for specific and general allowances and statistical methods;	As per Bangladesh Bank's guideline, MBL maintains General and Specific provision in the following way:

Particulars	Rate (%)
General provision on all unclassified loans/SMA of Small and Medium Enterprise (SME)	0.25%
General provision against all unclassified loans/SMA (other than loans under Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., Special Mention Account as well as SME Financing.)	1%
General provision on the unclassified/SMA amount for Consumer Financing (other than Housing Finance and Loans for professionals to set up business)	5%
General provision on the unclassified/SMA amount for Housing Finance and Loans for professionals to set up business under consumer financing scheme	2%
General provision on the unclassified/SMA amount for Loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%
General provision on the Off-Balance sheet exposures	1%
Specific Provision for classified Continuous	
Demand and Fixed Term Loans:	
Substandard	20%
Doubtful	50%
Bad/Loss	100%
Specific Provision for Short-Term Agricultural and Micro-Credits	
All credits except 'Bad/Loss'	5%
Bad/Loss	100%

	iii) Discussion of the Bank's credit risk management policy	**The Bank has adopted numerous strategies to manages its credit risk including:** • Creating credit risk awareness culture • Approved credit policy by the Board of Directors • Separate credit risk management division • Formation of law and recovery division • Formation of Recovery Team with Senior Executives • Independent internal audit and direct access to Board/Audi committee • Credit quality and portfolio diversification • Early warning system • Provision and suspension of interest • Scientific lending and credit approval process • Counterparty credit rating • Strong NPL management system

Quantitative Disclosures

(b) Total gross credit risk exposures broken down by major types of credit exposure.

Total Gross Credit Risk exposures broken down by major types of credit exposure as on December, 2017 is as under:

Particulars	BDT in Crore
Term Loan	5,126.87
Time Loan	2,116.15
Packing Credit	207.45
Loan against Trust Receipt (LTR)	568.97
Lease Finance	90.74
EDF Loan	1,063.92
Loan General	57.95
House Building Loan	393.55
Hire Purchase	707.46
Payment Against Documents (PAD)	59.30
Cash Credit (Hypo)	1,045.91
Overdraft	2,962.63
Home Loan Scheme Refinance	0.38
Personal Loan	22.15
Consumer Credit Scheme	0.76
Consumer Finance	159.05
Other Credit Scheme	0.58
Staff Loan	125.19
Credit Card	33.95
Small and Medium Enterprise (SME) Loan	2,866.34
Agricultural Credit	417.13
Bill Purchased and Discounted-Inland	412.24
Bill Purchased and Discounted-Foreign	1,527.38
Total	**19,966.07**

(c) Geographical distribution of exposure, broken down in significant areas by major types of credit exposure

Geographical Distribution of total exposure as on December, 2017 is as under:

Particulars	BDT in Crore
Urban:	
Dhaka	13,547.21
Chittagong	3,480.49
Rajshahi	1,172.62
Sylhet	90.90
Khulna	194.59
Rangpur	155.04
Barisal	145.09
Mymensingh	25.91
Sub-Total (A)	**18,811.85**
Rural	
Dhaka	515.10
Chittagong	470.67
Rajshahi	138.28
Sylhet	8.34
Rangpur	11.76
Barisal	10.07
Sub-Total (B)	**1,154.22**
Grand Total (A+B)	**19,966.07**

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(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	
		Particulars	**BDT in Crore**
		Education (School/College, University, Research institute)	21.40
		Health	149.81
		Agriculture	213.80
		Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	803.27
		Trade Finance	6,123.48
		Transport	350.13
		Shipping	922.18
		Textile (Excluding IDBP)	521.05
		Textile (IDBP)	173.42
		Readymade Garments (RMG) [excluding IDBP]	3,432.66
		Readymade Garments (RMG) [IDBP]	200.96
		Tele communication	36.71
		IT & Computer/Trade	33.83
		Power & Fuel	108.32
		Real Estate	373.85
		Cement	14.78
		Chemicals	224.65
		Leather & Leather products	188.38
		Plastic & Plastic products	31.06
		Electrical & Electronic goods	263.92
		Paper & Packaging	367.85
		Jute & Jute products	240.25
		Glass & Glass products	1.62
		Ceramics (Table ware, Sanitary ware, Tiles etc.)	107.08
		Iron & Steel	733.95
		Engineering & Construction	954.28
		Contractor Finance	124.05
		Capital Market Intermediaries	98.36
		Backward Linkage	222.63
		Consumer & Retail Products	257.99
		NBFI	729.11
		Service (Hotel, Restaurant, Travelling, Tickets, etc.)	688.36
		Others	1,252.88
		Total	**19,966.07**

(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	Residual contractual maturity breakdown of total exposure as on December 31, 2017 is as under:	
		Up to 1 (one) month	3,008.05
		Over 1 (one) month but not more than 3 (three) months	4,180.61
		Over 3 (one) months but not more than 1 (one) year	6,516.23
		Over 1 (one) year but not more than 5 (five) years	4,616.32
		Over 5 (five) years	1,644.86
		Total	**19,966.07**
(f)	**By major industry and counter party type:**		
	i) Amount of impaired loans and if available, past due loans, provided separately	Impaired Loan under 4 (four) broad categories as on December 31, 2017 is as under :	
		Particulars	**BDT in Crore**
		Continuous Loan	6,113.09
		Demand Loan	6,861.33
		Term Loan	6,984.78
		Short Term Agro Credit and Micro Credit	6.87
		Total	**19,966.07**
	ii) Specific and general provisions; and	**According to Bangladesh Bank's guideline, Specific and general provisions made as on December 31, 2017 is as under :**	
		Particulars	**BDT in Crore**
		General Provision (including SMA & OBU)	458.42
		Specific Provision (SS, DF, Bad/Loss)	396.75
		Provision for Off-balance Sheet Exposure	107.99
	iii) Charges for specific allowances and charge-offs during the periods	**During the year 2017 following provisions were made on un classified, classified and off-balance sheet exposure as per Bangladesh Bank's guideline:**	
		Particulars	**BDT in Crore**
		Provision against Un Classified Loans	66.76
		Provision against Classified Loans	129.85
		Other Provision (Off Balance Sheet Items)	28.68
(g)	Gross non-performing assets (NPAs):	**Gross non-performing assets as on December 31, 2017 is as under:**	
		Particulars	**BDT in Crore**
		Gross non-performing assets (NPAs):	---
		Non-performing Assets (NPAs) to Outstanding Loans & Advances	3.79%
		Movement of Non Performing Assets	---
		Opening balance	774.59
		Additions	291.89
		Reductions	310.01
		Closing Balance	756.47
		Movement of specific provisions for NPAs	---
		Opening balance	311.71
		Recoveries of amount from pre-written off	2.13
		Provisions made during the period	129.85
		Write-off	(46.94)
		Write-back of excess provisions	---
		Closing Balance	396.75

e) Equities: Disclosure for Banking Book Positions

Qualitative Disclosures		
(a)	**The general qualitative disclosure requirement with respect to equity risk, including:**	
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	MBL's total equity share holding comprises of two purposes i.e. capital gain and other strategic reason like equity participation and investment diversification. MBL is the director of IDLC finances Ltd. and sole purpose of such investment is not capital gain, rather maintain relationship as well as diversify its investment portfolio. Investment in equity securities are broadly fall under 2 categories: • Quoted Securities (traded in the secondary market; trading book assets) • Unquoted Securities (not traded in secondary market; banking book assets)
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in the practices.	Quoted shares are recorded at cost prices and after every quarter end if the total cost of entire portfolio is higher than the market value, provision is maintained to the extent of differential amount of cost and market value of the portfolio as per terms and condition of regulatory authority. On the other hand, unquoted share is valued at cost price or book value as per latest audited accounts.

Quantitative Disclosures

(BDT in Crore)

	Particulars	**Solo**	**Consolidate**
(b)	Value disclosed in the balance sheet of investment, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.		
	• Quoted shares	53.68	53.68
	• Un Quoted shares	842.28	842.28
(c)	The cumulative realized gain (losses) arising from sales and liquidations in the reporting periods.		
	• Realized gain (losses) from equity investments	52.41	52.41
(d)	Total unrealized gains (losses)	150.04	150.04
	Total latent revaluation gains (losses)	-	-
	Any amount of the above included in tier 2 Capital	-	-
(e)	Market value of investment in equities as on December 31, 2017	203.72	203.72
	Specific Risk- Capital Requirement is 10% of the said value	20.37	20.37
	Market value of investment in equities as on December 31, 2017	203.72	203.72
	General Risk- Capital Requirement is 10% of the said value	20.37	20.37

f) Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures		
(a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest rate risk in the banking book arises from mismatches between the future yield of an assets and their funding cost. Assets Liability Committee (ALCO) monitors the interest rate movement on a regular basis. MBL measure the Interest Rate Risk by calculating Duration Gap i.e. positive Duration Gap affects bank's profitability adversely with the increment of interest rate and negative Duration Gap increase the bank's profitability with the reduction of interest rate.

Quantitative Disclosures

(b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)

Increase of Interest Rate will affect the Bank in the following ways:

Particulars	**Minor Shock**	**Moderate Shock**	**Major Shock**
Magnitude of Shock	1%	2%	3%
Duration Gap (Years)	1.29	1.29	1.29
Total Regulatory Capital (BDT in Cr)	2,458.14	2,458.14	2,458.14
Risk Weighted Assets (BDT in Cr)	20,608.01	20,608.01	20,608.01
CRAR	11.39%	11.39%	11.39%
Revised Capital (After Shock)	2,138.67	1,819.21	1,499.74
Revised RWA	20,365.34	20,365.34	20,365.34
Revised CRAR (%)	10.50%	8.93%	7.36%

g) Market Risk

Qualitative Disclosures		
(a)	**Views of BOD on trading/investment activities**	Market Risk is the possibility of losing assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e. interest rate, exchange rate and price. Total capital requirement for MBL against its market risk is the sum of the following i) Interest Rate risk ii) Equity position risk iii) Foreign Exchange risk iv) Commodity risk All the Market Risk related policies/guidelines are duly approved by BOD. The BOD sets limit, review and update the compliance on regular basis aiming to mitigate the Market risk.
	Methods used to measure Market risk	In order to calculate the market risk for trading book purposes the Bank uses Standardized (rule based) Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately. For instance, MBL's total market risk is calculated as below: i) Capital Charge for interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. ii) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk. iii) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk. iv) Capital Charge for Commodity Position Risk = Capital Charge for General Market Risk.

(a)	**Market Risk Management system**	Treasury Division and International Division manage the Market Risk with the help of Asset Liability Committee (ALCO) and Asset Liability Management (ALM) Desk.
	Policies and Processes for mitigating market risk	Policy for managing Market Risk has been set out by the Board of Directors of the Bank where clear instructions has been given on Loan Deposit Ratio, Whole Sale Borrowing Guidelines, Medium Term Funding, Maximum Cumulative Outflow, Liquidity Contingency Plan, Local Regulatory Compliance, Recommendation / Action Plan etc. Furthermore, special emphasis has been put on the following issues for mitigating market risk: • **Interest Rate Risk Management** Treasury Division reviews the risks of changes in income of the Bank as a result of movements in market interest rates. In the normal course of business, the Bank tries to minimize the mismatches between the duration of interest rate sensitive assets and liabilities. Effective Interest Rate Risk Management is done as under: • **Market Analysis** Market analysis over interest rate movements are reviewed by the Treasury Division of the Bank. The type and level of mismatch interest rate risk of the Bank is managed and monitored from two perspectives, being an economic value perspective and an earning perspective. • **Gap Analysis** ALCO has established guidelines in line with central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level. ALCO in its regular monthly meeting analyzes Interest Rate Sensitivity by computing GAP i.e. the difference between Rate Sensitive Assets and Rate Sensitive Liability and take decision of enhancing or reducing the GAP according to prevailing market situation aiming to mitigate interest rate risk. • **Foreign Exchange Risk Management** Risk arising from potential change in earnings resulted from exchange rate fluctuations, adverse exchange positioning or change in the market prices are considered as Foreign Exchange Risk. Treasury and International Division manage this risk in the following fashion: • **Continuous Supervision** Bank's Treasury Division manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks. Treasury Division monitors the foreign exchange price changes and Back Office of the Treasury Division verifies the deals and passes the entries in the books of account. • **Treasury Back Office separated from Treasury Front Office** Treasury Back Office is conducting its operation in separate locations apart from the Treasury Front Office. Treasury Back Office is responsible for currency transactions, deal verification, limit monitoring and settlement of transactions independently. Treasury Back Office gathers the market rates from an independent source other than dealers of the same organization, which helps to avoid any conflict of interest. • **Mark-to-Market Method for Approved Securities and Foreign Exchange Revaluation** All foreign exchange reserves and balances along with approved securities are revalued at Mark-to-Market method according to Bangladesh Bank's

		guidelines. Such valuations are made after specific time interval as prescribed by Bangladesh bank. • **Nostro Accounts** Nostro accounts are maintained by the Bank with various currencies and countries. These Accounts are operated by the International Division of the Bank. All Nostro accounts are reconciled on monthly basis. The management reviews outstanding entry beyond 30 days for settlement purpose. • **Equity Risk Management** Equity Risk is the risk of loss due to adverse change in market price of equities held by the Bank. Equity Risk is managed by the following fashion: • **Investment Portfolio Valuation** Mark-to-Market valuations of the share investment portfolio is followed in measuring and identifying risk. Mark-to-Market valuation is done against a predetermined cut loss limit. • **Diversified Investment to minimize Equity Risk** MBL minimizes the Equity Risks by Portfolio diversification as per investment policy of the Bank. • **Margin Accounts are monitored very closely** Where Margin loan is allowed, security of investment, liquidity of securities, reliability of earnings and risk factors are considered and handled professionally.

Quantitative Disclosures (BDT in Crore)

	Particulars	**Solo**	**Consolidate**
Capital requirement for	Interest Rate Risk	16.21	16.21
	Equity Position Risk	40.74	40.74
	Foreign Exchange Risk	31.69	31.69
	Commodity Risk	0.00	0.00
	Total Capital Requirement for Market Risk	**88.64**	**88.64**

h) Operational Risk

Qualitative Disclosures		
(a)	Views of BOD on system to reduce Operational Risk	All the policies/guidelines including Internal Control and Compliances and Board audit are duly approved by BOD. Audit Committee of the Board directly oversees the activities of internal control and compliances aiming to check all types of lapses and irregularities inherent with operational activities of the Bank and thereby may create a notable downfall risk for the Bank. Operational risk includes legal risk, but excludes strategic and reputation risk. Operational Risk includes: • Transaction processing • Operation control • Technology and systems • Risks of physical and logical security • Unique risk arises due to outsourcing
	Performance gap of executives and staffs	The BOD of the Bank is always keen to provide a competitive, attractive and handsome remuneration package for its employees. Besides, the recruitment policy of the Bank always emphasizes on sorting out fresh graduate from the reputed universities and nurtures them until transformation to a 'Human Capital' of highest quality. Besides, the Bank's name and fame as top tier Bank of the country acts as moral boosting factor for the employees. An accommodating, welcoming, co-operative and congenial work atmosphere motivates its employees to act as a family towards achievement of goal. As such, there exists no performance gap in the Bank.
	Potential external events	Operational Risks results from inadequate or failed internal process, people and systems or from external events. Within the Bank, Operational Risk may arise from negligence and dishonesty of the employees, lack of management supervision, inadequate operational control, lack of physical security, poor technology, lack of automation, non- compliance of regulatory requirements, internal and external fraud etc. Operational Risk Management Framework has been designed to provide a sound and well-controlled operational environment and thereby mitigate the degree of operational risk.
	Approach for calculating capital charge for operational risk	Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank use Basic Indicator Approach for calculating capital charge against operational risk i.e. 15% of average positive annual gross income of the Bank over the last three years.

Quantitative Disclosures			**(BDT in Crore)**
(b)	**Particulars**	**Solo**	**Consolidate**
	Capital requirements for Operational Risk	181.56	184.29

i) Liquidity Ratio

Qualitative Disclosures		
(a)	Views of BOD on system to reduce Liquidity Risk	Board of Directors of the Bank always has been giving utmost importance to minimize the liquidity risk of the bank. In order to reduce liquidity risk strict maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR) are also being emphasized on a regular basis. Apart from these as a part of Basel-III requirement Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are also maintained under the guidance and sharp insight of our honorable Board of Directors.
	Methods used to measure Liquidity Risk	In order to measure liquidity risk various methods are being used which are as follows: • GAP analysis is being done regularly that deals with the mismatch of assets and liabilities in different time buckets like 0-30 days, 31-90 days, 91-180 days, 181-270 days, 271-365 days and beyond 1 year. In our monthly ALCO paper we show this GAP analysis based on which different strategic decisions are taken in order to reduce liquidity risk that may arise due to the mismatch between assets and liabilities. • Cash flow forecasting is another technique to measure liquidity risk that may arise due to future cash flow mismatch. In our monthly ALCO paper we show this cash flow forecasting.
	Liquidity Risk Management System	As a part of liquidity risk management system we have board approved liquidity contingency plan. In this liquidity contingency plan we have incorporated all the strategic decision to tackle any sort of liquidity crisis. As per the Bangladesh Bank ALM guideline this liquidity contingency plan is reviewed annually which is approved by the Board of Directors.
	Policies and processes for mitigating Liquidity Risk	We have board approved policies for mitigating liquidity risk. This policy is reviewed annually and placed before the Board of Directors for their kind approval.

Quantitative Disclosures	(BDT in Crore)
Liquidity Coverage Ratio (LCR)	100.79%
Net Stable Funding Ratio (NSFR)	106.16%
Stock of High quality liquid assets	4,482.86
Total net cash outflows over the next 30 calendar days	4,518.27
Available amount of stable funding	20,946.60
Required amount of stable funding	19,730.51

j) Leverage Ratio

Qualitative Disclosures		
(a)	Views of BOD on system to reduce excessive leverage	Leverage is an inherent and essential part of modern banking business. In other words, banks are highly leveraged organizations which facilitate leverage for others. Leverage, in simple terms, it is the extent to which a bank funds its assets with borrowings rather than capital. More debt relative to capital means a higher level of leverage. Banks have a range of financial incentives to operate with high leverage. But it creates risk when it crosses a certain point. Therefore, the board views that sound prudential controls are needed to ensure that the organization maintains a balance between its debt and equity. The board also believes that the bank should maintain its leverage ratio on and above the regulatory requirements which will eventually increase the public confidence on the organization.
	Policies and processes for mitigating excessive on and off balance sheet leverage	The leverage ratio is a non ¬risk based approach to the measurement of leverage. The ratio acts as a 'backstop' against the risk-based capital requirements and is also designed to constrain excess leverage. The leverage ratio is intended to achieve the following objectives: a) Constrain the build-up of leverage in the bank b) Reinforce the risk based requirements with an easy to understand and a non-risk based measure. Under Basel III, the Bank has to maintain a minimum Tier 1 Leverage ratio of 3% is being prescribed both at solo and consolidated level. To manage excessive leverage, the bank follows all regulatory requirements for capital, liquidity, commitment, Advance Deposit Ratio (ADR), Maximum Cumulative Outflow (MCO), large exposures as well as risk management which are eventually reinforcing standards set by Bangladesh Bank. The aim is to ensure that the high leverage inherent in banking business models is carefully and prudently managed.
	Approach for Calculating exposure	Leverage ratio refers to the ratio between Bank's Tier 1 capital (as numerator) and total exposure (as denominator). Total exposure includes both balance sheet exposures and off-balance sheet exposures after related deductions. Leverage Ratio= Tier 1 Capital (after related deductions) / Total Exposure (after related deductions) The capital measure for the leverage ratio is based on the Tier 1 capital after related deductions. The exposure measure for the leverage ratio follows the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the followings are applied by the bank: • On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments. • Physical or financial collateral, guarantee or credit risk mitigation purchased is not considered to reduce on-balance sheet exposure. • Netting of loans and deposits is not considered. • Off-balance sheet (OBS) items are calculated by applying a uniform 100% credit conversion factor (CCF). For any commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is applied.

Quantitative Disclosures **(BDT in Crore)**

Particulars	**Solo**	**Consolidate**
Leverage Ratio	5.58%	5.57%
On balance sheet exposure	25,662.78	25,783.97
Off balance sheet exposure	3,571.39	3,571.39
Total exposure (After deduction from On and Off balance sheet exposure)	29,230.64	29,351.84

k) Remuneration

<table>
<tr><td colspan="3">Qualitative Disclosures</td></tr>
<tr><td>(a)</td><td>Information relating to the bodies that oversee remuneration.</td><td>The Human Resources Division comprises of 9 officials (2-executives and 7 officers) including Divisional Head. Human Resources Division (HRD), Head Office of the Bank oversees the remuneration and the Division is directly supervising by the Managing Director of the Bank. The Board/Executive Committee of the Bank approves remuneration policy time to time.

The Bank does not take any external consultants in preparing remuneration policy.

The remuneration policy shall apply to all regular employees of the Bank and ensures its Pay Scale equal grade benefit of the employees as per their respective grade. Remuneration Committee of the Bank also oversees its two subsidiaries i.e. MBL Exchange House (UK) Limited and MBSL.

The senior management or employees who can take, or influence the taking of, material risk for Bank or for a material business unit are considered as material risk takers, such as;
<table>
<tr><th>Designation No of Employee</th><th>No. of Employee</th></tr>
<tr><td>Managing Director & CEO</td><td>1</td></tr>
<tr><td>Additional Managing Director</td><td>2</td></tr>
<tr><td>Deputy Managing Director</td><td>3</td></tr>
<tr><td>Senior Executive Vice President</td><td>8</td></tr>
<tr><td>Executive Vice President</td><td>4</td></tr>
<tr><td>Senior Vice President</td><td>26</td></tr>
</table></td></tr>
<tr><td>(b)</td><td>Information relating to the design and structure of remuneration processes.</td><td>Mercantile Bank always considers employee benefits to make them comfortable and get their commitment. Our human resources management comply a fair process by using a performance based system. Our remuneration policy is the same in all branches and head office level. There is no incident of discrimination has been occurred in terms of remuneration provided to male and female employees.

We believe that competitive remuneration creates opportunity to maintain and retain the performing and brilliant officers and executives in the Bank. The overall objective of the Bank's remuneration policy is to establish a framework for attracting, retaining and motivating employees, and creating incentives for delivering long-term performance.

During the past year, the Bank did not review its remuneration policy.</td></tr>
<tr><td>(c)</td><td>Description of the ways in which current and future risks are taken into account in the remuneration processes.</td><td>The following key risks have been taken into account when implementing remuneration measures; Keeping consideration of morality of the employees and posting better result, reduce turnover, retain the experienced and productive officials, free from biased etc.</td></tr>
</table>

(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	Now Banking industries becomes very competitive. In the Banking sector performance plays a very vital role on determining someone's remuneration. Performance appraisal is closely linked to other HR processes like helps to identify the training and development needs, promotions, incentives etc. The focus of the performance assessment is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does. The Bank has one set of Performance Appraisal Form (PAF) to evaluate the all categories officials of the Bank. The PAF has 3 (three) parts; **Part-A:** Basic information & Business development performance **Part-B:** Measurable Performance Rating & PAF Rating **Part-C:** Comments of Reporting Officer & Score sheet Yearly increment, promotions, incentives bonus all had now been linked up with individual performance. On the basis of grade of an individual of the Performance Appraisal Report, the Bank takes decision in allowing yearly benefits. At present the Bank does not consider such type of adjustment.
(e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	The Bank has various schemes in regards to deferred and vested variable remuneration which are as under; **Provident Fund (PF)** Provident Fund is created to provide long term benefit to the employees of the Bank as per Deed of Trust executed between the company and the trustees of the Provident Fund. Entitlement to employer's contribution happens on completion of 05 (three) years of regular service and the Bank contributes equal amount of contribution as contributed by the employee. **Gratuity** Entitlement to employer's contribution happens on completion of 5 (five) years of regular service in the Bank @ one basic pay for each completed year of service. This increases depending on years of service completed more than 10 years. **Welfare Fund** These rules called the Mercantile Bank Limited Employees' Welfare Fund Rules. This benefits Provides to the employees of the Bank on their death, disability or retirement at any time or for any other cause that may be deemed fit as per approved policy.
(f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	MBL's compensation and benefits strategy has been devised to foster high performance culture keeping market competitiveness in mind. Our management strategy is a multi-pronged one; that includes compelling employee value proposition with a competitive reward package. Our total rewards strategy has evolved with our business transformation and basic pay is benchmarked against the market to ensure competitiveness. The Bank offers satisfactory financial and nonfinancial benefits for the employees of the Bank to ensure a better life style. Such as- • Attractive compensation package • Festival and incentive bonus • Fair promotion • Annual increment • Provident fund

		• Gratuity fund • Disability benefit • Leave fare assistance • Career growth opportunities • Training and workshop (home and abroad) • Favorable work environment • Health care facilities • Loan facilities at a privileged rate etc. Besides the above, we have platforms which provide recognition for outstanding performance, we offer career development opportunities, and we are dedicated to our employees' well-being. To boost motivation, we recognize and reward top performers, long service employees, best managers, executives and officers. Bank is maintaining a welfare fund taking contribution from both employees and the bank to support the employees and their families on the ground of medical, maternity, retirement, disability and death claim. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities, a portion of retirement benefit & stipend to the employees' children. The Bank also extended the maternity leave from 03 months to 06 months for its female employees. Variable pay, as the term denotes usually does not defer between the employees of the same rank. Depending on experience, job performance and other traits, new hire in the same rank are offered remuneration that varies from each other. While in the service on recommendation and according to performance extra increment or bonus may be awarded to the employees.
Quantitative Disclosures		
(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Meeting regarding overseeing the remuneration was held on need basis.
(h)	Number of employees having received a variable remuneration award during the financial year.	90 employees having received variable remuneration award during the financial year.
	Number and total amount of guaranteed bonuses awarded during the financial year.	There are 4.5 incentive bonuses and 2 festival bonuses are awarded during the financial year.
	Number and total amount of sign-on awards made during the financial year.	Nil
	Number and total amount of severance payments made during the financial year.	Nil

<table>
<tr><td rowspan="2">(i)</td><td>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td>Nil</td></tr>
<tr><td>Total amount of deferred remuneration paid out in the financial year.</td><td>Nil</td></tr>
<tr><td rowspan="3">(j)</td><td rowspan="3">Breakdown of amount of remuneration awards for the financial year to show:
- fixed and variable.
- deferred and non-deferred.
- different forms used (cash, shares and share linked instruments, other forms).</td><td rowspan="3">Breakdown of amount of remuneration awards for the financial year 2017:
<table><tr><th>Particulars</th><th>(BDT in Crore)</th></tr><tr><td>Basic salary</td><td>93.00</td></tr><tr><td>Allowances</td><td>88.49</td></tr><tr><td>Bonus</td><td>59.64</td></tr><tr><td>Provision for Gratuity</td><td>10.00</td></tr><tr><td>Provident fund contribution</td><td>9.23</td></tr></table>Nill

All the remunerations are provided in the form of cash</td></tr>
<tr><td rowspan="4">(k)</td><td colspan="2">Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:</td></tr>
<tr><td>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</td><td>Nil</td></tr>
<tr><td>Total amount of reductions during the financial year due to ex post explicit adjustments.</td><td>Nil</td></tr>
<tr><td>Total amount of reductions during the financial year due to ex post implicit adjustments.</td><td>Nil</td></tr>
</table>

Statement of
Non-Performing Loans (NPLs) Management

Loans and advances are the major components of the asset composition of all commercial banks. The high concentration of loans and advances increases the vulnerability of assets to credit risk. The most important indicator to identify the asset quality in the loan portfolio is the ratio of gross non-performing loans (NPLs to total loans and net NPLs to net total loans).

Banking sector has undergone turmoil over the years due to various reasons: excess liquidity, very high NPL in banks, slower demand for credit from private sector as well as shrink of profitability due to the stiff competition with the peer group make the overall environment difficult for business. Moreover, credit performance of few large commodity trades and importer continues to put pressure on NPL as well as profitability of banking sectors. Establishing or maintain good governance, managing NPL including collecting bad loans and increasing profitability were major challenges for 2017 since recovery from rescheduled loans was not encouraging.

An accurate valuation of capital relies, in turn, on an accurate valuation of assets. Loans loss provisioning- the recognition that some or all of the required payments on a loan may never be made – is the single most important aspects of assets valuation to bankers and bank supervisors. It is important because loans typically make up 50% or more of the total assets of the bank. Basel II & Basel III devotes a great deal of attention to the distinction between "expected losses" and "unexpected Losses" on the bank's loan portfolio. The purpose of provisioning is to take into account expected losses. Expected losses can be assigned to loans based on a loan classification system, which has been utilize in Bangladesh for many years and is being update with circulars time to time.

Key Priorities:

In order to achieve the general goal, Mercantile Bank has identified several key areas and decided to make improvements in regulatory framework, capacity building and implementation of laws;

- Structural development of the Division all through the year;
- Enhancing Bank's capacity & strategy to deal with NPLs;
- Enabling business process & structure to facilitate NPL Management;
- Improving and promoting out-of-court debt settlement;
- Improving in-court debt resolution

Enhanced Bank's Capacity to deal up NPLs:

Furthermore, banks are required to establish efficient monitoring of lending, including the system of early warning for increased credit risk, which enable timely identification of debtors with whom this increase occurred and which includes the definition of qualitative and quantitative indicators for early observation of increased credit risk.

NPL management is one of the topmost priorities of the management of Mercantile Bank Limited. At MBL, NPL management starts from the very beginning of our business process. Step by step NPL management flow is as under:

- We have developed credit policies in line with the best practices which are the guiding principles for our recovery teams which drive their business efforts towards quality business through systematic management of any potential risk of NPL.
- Our Credit Risk Management division (CRMD) independently reviews the credit proposals, approves (as per approved delegated authority) or recommends for onward approval those cases which are screened off of potential risks ensuring adequate protection against any potential NPL. The reporting authority of CRMD is also independent of reporting line of business division.
- For managing NPL cases arising out even after all the efforts as mentioned above, a dedicated department namely SAM (Special Asset Management) Division is in place to directly monitor, put into action and intensify recovery and settlement drives through dedicated internal recovery officers and also third party collection service providers, where necessary. Litigation Unit of Central Law Division is well organized with the assistance of leading law firms of the country to ensure all out legal actions for collection.
- Risk Management Division and Internal Control & Compliance Division are consistently reviewing and monitoring the implementation and execution of the policies, procedures, and systems; blowing whistles where necessary; updating with approval of competent authority the policies, procedures, and systems with the assistance of the Information Technology (IT) Division and other stake-holding divisions;
- The senior management is vigilant to monitor and review all the relevant aspects; provides necessary directions and guidance time to time; all to ensure asset quality maintaining the NPL ratio towards its desired goals outperforming the industry ratio.
- On top of all, the Board of Directors periodically monitors and reviews the NPL movements and

performance of the management in arresting NPL; provides necessary directions and guidance, thereby ensures highest quality of assets of the company to ensure a quality asset portfolio thereby maximize business and profitability growth.

Strategies for NPL Management:

The recovery strategies are formulated based on analysis carried out through the following three sub-functions:

i) Classifications of loan portfolio
ii) Analysis of the overdue installments
iii) Processes of recover

i) Classifications of Loan Portfolio

Loans are classified into the following categories:

a) Regular accounts
b) One month's overdue accounts
c) Two months' overdue accounts
d) Three months' overdue accounts
e) Four months' overdue accounts
f) Five months' overdue accounts
g) Suspended accounts

The above mentioned classification is based on the age of the loan portfolio. The strategy of recovery is based on the age of overdue of the loan facility.

ii) Analysis of the Overdue Loans

The data of the outstanding loan portfolio is analyzed in two respects, namely, Sector-wise Age Analysis and Client-wise Age Analysis. From each of these two reports a trend analysis is carried out. The details are given below:

Sector-wise analysis:

This report provides information on the sectoral default level of the loan portfolio. If the default happens to be random in nature for a particular sector, the client-wise age analysis is emphasized. If any sectoral default is evident the following further analysis is carried out.

Industry Sales Analysis:

This analysis is carried out by collecting data from the external sources to find the causes of the sectoral sales decline. The nature of the causes (temporary or permanent) is also analyzed.

Industry Profitability Analysis:

This analysis is carried out in order to find out the fluctuation of the profit margin of the sectors. The causes of the fluctuations are also analyzed to uncover the nature of the fluctuations.

Industry liquidity Analysis:

This analysis is carried out in the context of national economic activity, monetary condition to find out the immediate liquidity situation of the industry and be prepared to face the reality of the business.

Industry Change Analysis:

This analysis is carried out to find out changes in the industry in terms of technology, investment, development of substitute product, etc.

Client-wise Age Analysis:

This analysis is carried out to discover the clients' integrity and sincerity to pay the loan installments, their business profitability and affectivity of their business strategy in the context of present business situation. The objective is to adopt correct strategy to recover the investment.

iii) Recovery Processes

The various recovery actions in order of intensity are given below:

1. Phone Call/ SMS
2. Letter/ E-mail
3. Visit
4. Reminder
5. 2nd Reminder
6. Visit conducted by higher level employee/s
7. Letter to guarantor/s
8. Final letter for legal notice
9. Legal Notice
10. Report to Central Bank and to other agencies
11. Terminate the loan
12. Ask the guarantor of payment/encashment of security
13. Litigation

The application of the above mentioned options are contingent upon the age of the overdue installments, causes of the overdue, etc. Few of the application are as follows:

a) Immediately after overdue of one installment, telephonic communication/SMS is initiated by monitoring officer. Upon failing to obtain positive

result default letter is issued to the client after closure of the due month. If the letter does not bring in result, an official visit is made by a collection officer to resolve the matter.

b) If two installments are overdue, the case is analyzed and necessary corrective action is taken by sending an overdue status and a claim letter, simultaneously telephone calls and/ or visits are made to give the continuous reminder.

c) If the above actions fail a second reminder is given to the client through letter along with telephonic conversation.

d) If consecutively three installments are overdue the client is taken as problem case. In this case a higher level management meeting is conducted, to take corrective action with respect to rescheduling, early realization, etc.

e) If the above measures fail a letter showing the details of overdue and a list of already taken corrective actions is sent to the client with C.C. to the guarantor and security provider.

f) After six monthly installments overdue or the account is overdue for six months, the case is taken as suspended case and legal notice, reporting to central bank, termination of loan, security encashment, final provisioning, litigation etc. are carried out chronologically.

NPL Status as on December 31, 2017:

During the year 2017, there was slightly deterioration in NPL status of MBL which is represented in its NPL ratio being decreased to 3.79% from previous year's 5.13%. Loans & Advances increased by 32.30% (i.e. from BDT 15,091.22 to BDT 19,966.07 crore) compared to the last year.

Loans & advances classified as per Bangladesh Bank circular: A

(Amount in BDT)

	2017	2016
Unclassified	192,096,000,279	143,166,637927
Sub-standard	420,971,564	1,860,399,885
Doubtful	593,531,289	597,091,739
Bad Loss	6,550,217,899	5,288,392,011
	199,660,721,031	**150,912,521,562**

Details movement of NPL

(Amount in thousand)

Status of Loans & Advance	2017		2016	
	Mix %	Outstanding	Mix %	Outstanding
Unclassified loans and advances:				
Unclassified (including staff loan)	94.49%	420,972	92.71%	139,905,626
Special Mention Account	1.72%	3,437,178	2.16%	3,261,012
Total unclassified loans and advances:	**96.21%**	**192,096,000**	**94.87%**	**143,166,638**
Classified loans and advances:				
Sub-standard	0.21%	420,972	1.23%	1,860,400
Doubtful	0.30%	593,531	0.40%	597,092
Bad/loss	3.28%	6,550,218	3.50%	5,288,392
Total classified loans and advances:	**3.79%**	**7,564,721**	**5.13%**	**7,745,884**
Total loans and advances :	**100%**	**199,660,721**	**100%**	**150,912,521**

Provision against NPL

Provision for Loans and Advances	2017	2016
Provision against Classified Loans (Specific Provision)	3,967,460	3,117,143
Provision against Unclassified Loans (General Provision)	4,584,179	3,916,600
	8,551,639	**7,033,743**

In order to arrest NPL, our focus is not only reducing existing NPL portfolio but also avoiding further NPL. In line with that we have strengthened our recovery & monitoring team, deployed external sources where found suitable, strengthened our legal team, thereby intensified recovery drive which brought in defaulting clients under negotiation and thereby sizable recovery was possible in year 2017. We hope substantial improvement in year 2018.



Sustainability Report

A formal definition of sustainable banking is still being developed. At this stage, it is widely understood that sustainable banking implies carrying out banking operational and business activities, with conscious consideration for the environmental and social impacts of those activities. Banking institutions implement sustainable banking both in their internal daily operations (in terms of how they manage their physical branches/locations, human capital, costs, opportunities, risks exposures) and their activities relating to external interactions with their clients and the types of projects they fund.

Mercantile bank believes that by incorporating sustainability principles into corporate strategy, funding decisions and product/service definition processes, it can be influential in supporting and promoting environmentally and/or socially responsible projects and enterprises. Innovative products and services that target certain populations (e.g. women) or that encourage purchase of green products go a long way to promoting sustainable practices.

Sustainability Management

Generally all banks play an intermediary role in the economy; because of this the possibility for banks to contribute to sustainable development is potentially profound. Board of Directors sets the framework for sustainability management by formulating business strategies and budget, policies for lending decisions, capital planning, risk appetite, corporate social responsibility, etc. The business strategy is expressed by a three years' plan discussed and summarized in annual strategy session. As a counterweight to the business activities, risk management is supervised by the Risk Management Committee of the Board through a high level management committee and independent risk management unit. Besides the risk committee, there is a Board Audit Committee to ensure compliance and internal control.

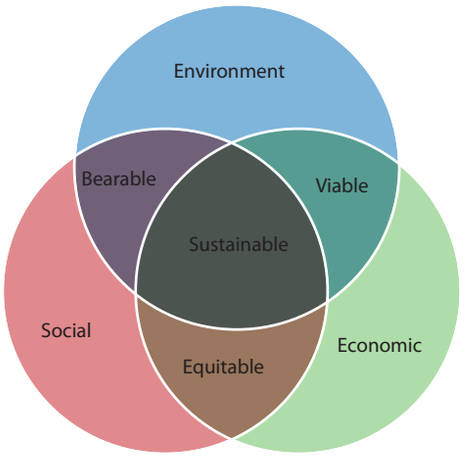
Approach to Sustainability

MBL takes a broad business approach and we strive to address sustainability issues that are relevant and meaningful for MBL as a bank and the markets in which we operate. Our stakeholders' feedback is instrumental to the success of our sustainability work. We aim to identify and seize opportunities for positive impact as well as avoiding adverse impacts through MBL's own activities or through our financial products and transactions.

Our approach to sustainability lies on:

- Integration of ethical, social and environmental criteria into the business decision making process;
- Promotion of sustainable finance with strong focus on the renewable energy and clean technology sector;

- Adaptability with our long term vision challenging the changes in natural and economic environment;
- Contribution to social and economic progress in the communities where the bank is doing business;
- Continuation of stable and lasting relationships with all related stakeholders including employees of the bank;
- Adherence to compliance, transparency, and corporate governance.



Contribution to Economy

By generating employment of 2,192 full time employees, bank has contributed to the economy. It also plays a vital role in creating job opportunities by financing the productive sectors. The Bank recruits a number of fresh graduates and experienced officers every year. In the intermediation process, the Bank mobilized resources of BDT 220,516.63 million from the surplus economic unit and deployed BDT 199,660.72 million in 2017 to deficit group. Following table depicts the Bank's performance in terms of deposit mobilization, its deployments, international business, inward foreign remittance and employments as at December 31 of 2016 and 2017:

(BDT in million)

Contribution to Economy	In 2016	In 2017
Mobilization of Deposit	156,085.77	220,516.63
Deployment of Loans and Advances	150,912.52	199,660.72
Export Business	113,035.20	134,752.90
Import Business	139,766.40	190,753.60
Remittance	24,048.20	29,976.40
Employment (in numbers)	2,043	2,192

Being a responsible corporate body, Bank plays its responsibility to the Government of Bangladesh paying corporate tax regularly in time. MBL made significant contribution to the government revenue. As per tax law, we also deposit excise duty, withheld tax and VAT to govt. exchequer in time through deduction from employees' salary as well as payments to customers and vendors. In 2017, the Bank has made provision of BDT 1,300.00 million for corporate tax against that of BDT 1,260.00 million in 2016.

Promoting Financial Inclusion

Financial inclusion is the Access and usage of a broad range of affordable, quality financial services and products, in a manner convenient to the financially excluded, unbanked and under-banked; in an appropriate but simple and dignified manner with the requisite consideration to client protection. One of the strategic priorities of MBL is to promote financial inclusion. Mercantile Bank continued its thriving to bring the unbanked population under banking services. MBL expanding its branch network across the country for attaining geographical and demographical dividend. We touch a millstone of 129 branches at the end of 2017. Bearing our slogan of "বাংলার ব্যাংক", our commitment in providing financial service to any viable business of any size or nature derives us in flourishing in corporate financing, SME financing, Agriculture financing etc. A key agenda of our fair banking is reaching more people with a wider array of financial solutions. Agriculture and SME are the priority sectors of financing in MBL. In order to facilitate the agricultural activities and promote small and medium enterprises, Bank is financing these two sectors with the assistance of Bangladesh Bank and different Micro Financing Institutions (MFIs). To facilitate Agriculture & SME Credit, the Bank has already established separate Agriculture Credit Department and SME Financing division. It has also inaugurated School Banking and Mobile banking service all over the country.

Supplier Payment Policy

Mercantile Bank always stick to well set payment policies for all suppliers and explains them in details about the payment method and system and reviews process before providing work order. Bills are paid according to the payment terms and VAT and other withholding taxes are deducted from bills as per law.

Community Responsible

Mercantile Bank is actively involved in numerous activities which are undertaken to support the society people. MBL as a legal corporate entity is fully aware of

its responsibility about how its operational activities impact on its stakeholders, the economy, the society, its staff and last but not least, the environment. In addition Bank has to directly participate in social activities to help the development of specific areas/segments.

We recognize that we have some definite responsibilities to our customers, employees, government, environment, and to the communities at large. Activities of our Corporate Responsibility are focused to encourage our culture and uphold our tradition; extending a helping hand to the deprived and the destitute; victims of natural calamities and the disabled. Even we extend our hands of cordial co-operation to the meritorious poor students. A significant contribution of BDT 186.25 million has been made by MBL under CSR in 2017, along with many other CSR initiatives in the offering. The funding policy has focused on five major areas: Community outreach, Health & Medical research, Education Arts & Culture and development of Sports. As a responsible corporate, we ensure our CSR activities are anchored on the principle of a good "Corporate Citizen". We believe in creating lasting value for our clientele, shareholders, and employees and above all for the community we operate in.

Going Green in the Future of Banking

Green Banking is a term referring to practices and guidelines that make banks sustainable in economic, environment, and social dimensions. It aims to make banking processes and the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment. As one of the key stakeholders, banks can play a vital role in development and response to the environment through "Green Banking" practice. Being a responsible corporate citizen and in line with the instructions of Bangladesh Bank, Mercantile Bank Limited has taken initiatives to formulate its Green Banking Policy with an aim to inculcate practices that make every effort for environmental friendly activities.

MBL promotes green banking to reach long term strategic objective to be a green, triple bottom line bank where every decision will be taken with both financial and environmental considerations in mind. Going Green in our Bank can not only bring awareness among our customers and our employees but also build awareness and consciousness to our society. The core business model of MBL clearly expresses its sustainability towards environment and unveils its eco-friendly motives i.e. not to harm or damage 'Green Life Belt' of mother nature which eventually ensures a pollution free breathing atmosphere for our future generations. The Bank's green banking initiatives includes Online & paperless banking, reduction of green house gas emission, mapping bank's carbon foot print, efficient energy use, environment friendly projects, plant nursery and horticulture projects etc.

Environment and Social Obligations

Our obligation to Social Responsibility maintains a long-term point of view to make economically sound, environmentally responsible and socially supportive decisions. MBL always maintains a business policy conducive to environment and the society as a whole. We facilitate the eco friendly business project or green finance like Bio-Gas Plants, solar energy, ETP, bio-gas etc. We are relentlessly working to create awareness among our employees to ensure proper use of non renewable resources like water, electricity, Gas etc. as part of our continuous endeavor to make the world livable for the human being. We take necessary steps have been adopted including green financing, creating awareness among the employees for efficient use of water, electricity & paper and giving preference to eco friendly financing to turn our bank as a 'Green Bank'.

Sustainable Human Recourse Development and healthy working Environment

Human resources are the people who make up the workforce of an organization, business sector, or economy and is a highly productive corporate asset. The overall performance of companies and corporations depends upon the extent to which it is effectively developed and utilized. Our "people first" policy and practices, passion of our people to come to work, performance driven culture, quality of working environment, healthy work life balance, recognition for the performers and investing in people differentiates MBL as an excellent workplace in the country. The bank is developing and motivating the workforce with contemporary HR policies and attractive benefits. We rely on them to communicate this value to our many stakeholders. Some of our highest priorities are finding the right employees, developing, rewarding and retaining them. Our people are our most valuable asset, embodying our commitment to maximizing wealth of the Bank.

We believe that the investment we make in our people, culture and reputation sets us apart from our peers. We remain committed to promoting diversity, inclusion, flexibility, health and well-being in our workforce. MBL's compensation and benefits strategy has been devised to foster high performance culture keeping market competitiveness in mind. Our management strategy is a multi-pronged one; that includes compelling employee value proposition with a competitive reward package. The Bank offers satisfactory financial and nonfinancial benefits for the employees of the Bank to ensure a better life style. Occupational health and safety is of paramount importance to MBL. The bank values its people and their wellbeing and is committed to providing the highest standards of safe and healthy workplace for all staff, customers and visitors.



Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) or Sustainable Responsible Business is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards and national or international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stockholders and all other members of the public sphere. It is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. However it is not charity but it is a core business strategy of an organization.

Today Corporate Social Responsibility is becoming an increasingly important activity to businesses nationally and internationally. CSR is the way in which an organization strikes a balance between economic, social and environmental imperatives on the one hand and the expectations and welfare of the shareholders on the other. This implies that Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and environment, through transparent and ethical behavior that is consistent with sustainable development and the welfare of the society.



In Mercantile Bank, we believe that financial sustainability goes hand in hand with the development of the communities and environment in which we operate. Our CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. We believe that investing in today is building for tomorrow. MBL Family always tries to be a responsible partner of our customers, shareholders employees, communities, and other stakeholders attaching highest priority to ethical conduct and integrity. This includes monetary donations and aid given to nonprofit organizations and communities. Donations are made in areas such as the arts, education, housing, health, social welfare and the environment, among others, but excluding political contributions and commercial event sponsorship.

Mercantile Bank Foundation

Bank's CSR activities are planned and implemented as business strategies after considering what we should do and how we should do it as a Foundation. Our CSR activities assist to solve societal issues and contribute to both economically and socially. Mercantile Bank Foundation (MBF) believes that our responsibility extends beyond our core business to the society in which we operate. Actually, MBF has been promoting a dialogue between the Bank and its community people. Core focus of the Foundation is to work for the distressed and disabled people around the country throughout its course of compassionate operation. Mercantile Bank Foundation are committed to helping exponentially more people improve their lives by having access to core services like education and healthcare, because we believe that accessible and affordable core services is foundational to breaking the cycle of poverty. In order to achieve this goal, MBL is a strong and dynamic organization which follows an adaptive approach through effective program and service.

Objectives of Mercantile Bank Foundation

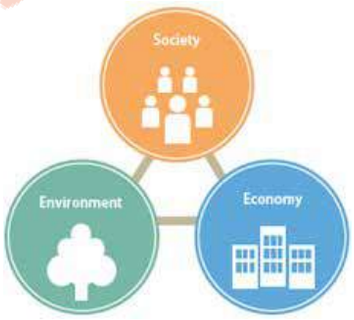
Mercantile Bank Foundation has been formed with the aim of achieving some underlying objectives including:

- To take possible initiatives in increasing social wellbeing and poverty alleviation.
- To support the education by establishing new educational institutions, providing stipends/ scholarship to the poor but brilliant students.
- To provide awards to the Scholars in different significant arenas for their outstanding contribution, as they uphold nation's pride brightly even across the geographical boundaries. These arenas are:
  - » Bengali Language and Literature
  - » Education
  - » Culture
  - » Liberation War based Research
  - » Economics and Economics related Research
  - » Healthcare
  - » Science and Technology
  - » Industry and Commerce
  - » Journalism
  - » Agriculture based Research and Development
  - » Sports
- to assist research activities on Bengali Literature through Bangla Academy
- to assist the unemployed young to make them self sufficient
- to assist the rootless and distressed orphans and mentally retarded children through taking appropriate steps for their mental perfection and self-support
- to support in establishing hospitals, clinics, etc. for improvement of the health sector, to donate one time financial endowment to poor artists, literature-patron, for ailing fatal disease-affected poor patients, to support poor fathers for arranging their daughter's marriage and to support writers and publishers through purchasing their books.

Mercantile Bank Foundation has been working constantly since 2000 just after a year of its inception as a responsible corporate citizen. MBL's social responsibilities are overseen by the Mercantile Bank Foundation. MBL contributes 1% of its Operating Profit or BDT 4.00 million, which one is maximum, to the Mercantile Bank Foundation every year, and from this amount, the Foundation cares the distressed and disabled people of the country. MBF has relentlessly pursued a range of activities with the sole purpose of benefitting its target people.

CSR Activities in MBL

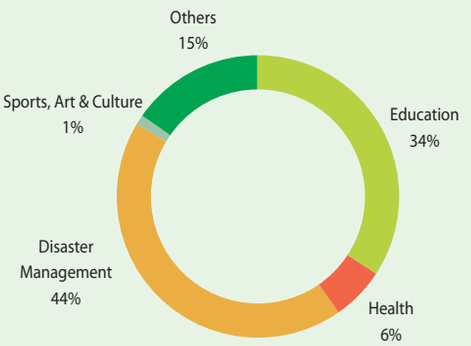
Social responsibility is an ethical framework and suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. It is a duty for every individual has to perform so as to maintain a balance between the economy and the ecosystems. In Bangladesh, as one of the key stakeholders, Mercantile Bank can play a vital role in development and response to the society through its regular practice. Our sustainability strategy is connected to our vision, would make finest corporate citizen. We leverage on the connections and relationships we have formed in order to win hearts and achieve prosperity for all. Guided by our Core Values of Teamwork, Integrity, Growth, Excellence and Efficiency, and Relationship Building, our place should be at the heart of the communities we serve. MBL's Corporate Responsibility initiatives are firmly based on the three key pillars of our Society, Economy, and Environment.



Corporate social responsibility (CSR) is a broad term used to describe a company's efforts to improve society in some way. For Mercantile Bank, CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. However it is not charity but it is a core business strategy of an organization. Always we presume to contribute to the community through different projects, but our main focus is to help millions of underprivileged children and poor people in Bangladesh. Bank promotes CSR activities, apart from its own fund, through Mercantile Bank Foundation, which acts as a helping hand to the distressed people of the country. Investment in CSR programs is always supported and encouraged by the Board of Directors. The funding policy has focused on five major areas: Community outreach, Health & Medical research, Education Arts & Culture and development of Sports.

Segment wise contribution under CSR activities of Mercantile Bank in 2017 is furnished below: (BDT in Million)

Segments	Jan-Jun 2017	Jul-Dec 2017	Total	In %
Education	30.54	33.16	63.70	34
Health	9.12	2.32	11.44	6
Disaster Management	14.10	66.81	80.91	44
Sports, Art & Culture	0.00	2.60	2.60	1
Others	10.64	16.96	27.60	15
Total	**64.40**	**121.85**	**186.25**	**100**



Segment wise contribution under CSR activities

Mercantile Bank Award-2017

Mercantile Bank Foundation always tries to continue broadening the scope of its impact through its pioneering social programmes. It is continuously exploring methods of extending the reach and effectiveness of its activities in order to fulfill its long term vision. From foundation, MBL each year on its founding anniversary award some noted intellectual personalities of the society for their outstanding performance in their respective fields.

In continuation, during 2017, the Foundation of the Bank provides awards to 11 (eleven) Scholars for their outstanding contribution in different areas under the heading "Mercantile Bank Award-2017". The Award includes a Gold Medal (2 Vori), a Crest and one time financial endowment worth BDT 1.00 lac. Hon'ble Commerce Minister of People's Republic of Bangladesh, Mr. Tofail Ahmed, M.P was the Chief Guest of the program. Mr. Fazle Kabir, Governor Bangladesh Bank was present as special guest and Shahidul Ahsan, Ex-Chairman of the Bank presided over the program. The Scholars who have been honored with Mercantile Bank Award-2017 are as under:

Arenas	Scholars Rewarded
Freedom Fighter and Liberation war based research	Mofidul Hoque
Bengali Language and Literature	Kobi Asad Chowdhury
Culture	Chhayanaut
Education	Dr. Syed Anwar Husain
Healthcare	Dr. Samanta Lal Sen
Journalism	Iqbal Sobhan Chowdhury
Economics and Economics based Research	Dr. Debapriya Bhattacharya
Commerce and Industry	Salahuddin Alamgir (CIP)
Science and Technology	Bangladesh Atomic Energy Commission
Social Development	Shuchona Foundation
Sports	Kolshindur Village (Football)

Education Scholarship Program

As a part of Mercantile Bank's CSR activities Education Scholarship Program began its journey from 2011. Education Scholarship program is an explicit expression of MBL's motive towards building the nation through extending hands of assistance to the future generation of the country. In this circumstance, Mercantile Bank Foundation launched a Scholarship program in the name and style, **"Mercantile Bank Abdul Jalil Education Scholarship"** for the meritorious and poor students across the country under the category of J.S.C, S.S.C and H.S.C.



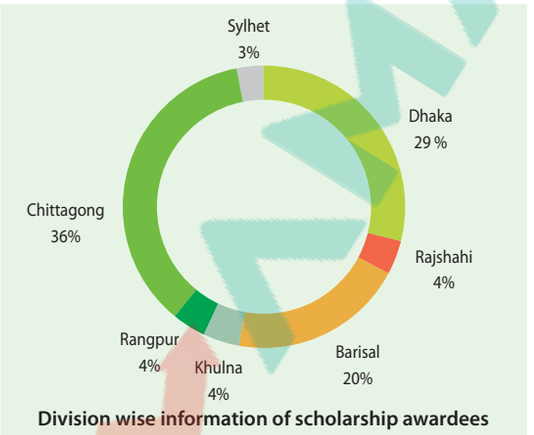
Awardees of Mercantile Bank Award-2017

In this year, Mercantile Bank Foundation is proud to have another year of success of its Education Scholarship Program. In 2017, MBL provided scholarships among the students who have successfully passed (with minimum CGPA of 4.50) J.S.C, S.S.C and H.S.C to continue their further studies. Through this program, we engage to build self-respect and capabilities to make career, educational and life-changing journey. The details information of the education scholarship program is as under:

Category	Monthly Scholarship (BDT)	No. of Beneficiary	Tenure
J.S.C	1,000.00	597	1 Year
S.S.C	1,250.00	295	1 Year
H.S.C	1,750.00	210	1 Year

Division wise information of scholarship awardees

	Numbers of Students			
Division	**J.S.C**	**S.S.C**	**H.S.C**	**Total**
Dhaka	186	74	57	317
Chittagong	251	96	45	392
Rajshahi	9	17	20	46
Khulna	17	9	19	45
Sylhet	10	7	16	33
Barisal	100	75	46	221
Rangpur	24	17	7	48
Total	**597**	**295**	**210**	**1102**



Division wise information of scholarship awardees

In 2017, MBL awarded scholarship worth BDT 16.00 million among 1102 students. We aspire to increase the number of beneficiary students in the coming days. For awarding scholarship, we sought application eligible candidates all over the country through advertisement in leading national dailies and selected 1102 awardees by a selection committee. The scholarship was given to the selected students through a formal award giving ceremony organized by MBL.







Mercantile Bank Abdul Jalil Education Scholarship Distribution program

Responsibility to the Society

Community outreach: a helping hand for populations at-risk

Responsibility to the society is included in everyday activities through various projects and events, thus realizing the mission of the Mercantile Bank. Along with the ongoing programs, Mercantile Bank Foundation is actively involved in numerous activities which are undertaken to support the society people. In addition Bank has to directly participate in social activities to help the development of specific areas/segments. MBL as a legal corporate entity is fully aware of its responsibility about how its operational activities impact on its stakeholders, the economy, the society, its staff and last but not least, the environment.

Donation to Flood Effected People

MBL has donated BDT 30.00 million to Prime Minister's Relief Fund for flood affected people as part of

Corporate Social Responsibility. MBL has also donated BDT 3.06 million to individual flood affected people in different areas.

Donation to Relief Fund

MBL has donated BDT 50.00 million to Prime Minister's Relief Fund for Rohinga refugee.

MBL continues Financial Support to BDR Mutiny affected Families

BDR mutiny in February, 2009 caused an irretrievable loss to the nation. MBL has widened its arms to share the sufferings of the revolt-affected families. In continuation, this year also MBL donated BDT 0.96 million to two BDR mutiny-affected families.

Donation to Child Day Care Centre

MBL has donated BDT 0.40 million to Child Day Care Centre of Private Banks, Motijheel.

Distribution of Winter Clothes

MBL has donated 50,000 Pieces Winter Clothes to Prime Minister's Relief Fund for clod affected people as part of Corporate Social Responsibility. MBL has also distributed winter clothes among the individual distressed peoples of the cold affected areas of the country.

Blood Donation Program

In continuation of previous year, this year Mercantile Bank arranged 'Blood Donation Program' in its anniversary with the help of 'Bangladesh Thalassaemia Hospital'.

Beside above Mercantile Bank contributed to following arena-

- Donation of BDT 25.00 million to 'Jatir Janak Bangabandhu Memorial Trust'.
- Donation of BDT 1.00 million to 'Society for the Welfare of Autistics (SWAC)'.
- Donation of BDT 1.00 million to 'DIPTO'.
- Donation of BDT 1.00 million to 'Feni Chamber of Commerce and Industry'.
- Donation of BDT 0.60 million to 'Economic Reporter's Forum (ERF)'.
- Donation of BDT 0.10 million to 'National Press Club'.

Education: teaching the young and spreading knowledge

MBL is continuing its supports to the education sector. This year, Bank contributed BDT 63.70 million to individual students and institutions. The Bank encourages the employees to have professional degrees and also gives opportunities to the employees who wish to get higher studies in abroad. The Bank provides cash money incentives to the employees who passed the Banking Diploma. Following are the major contribution of MBL in same arena-

- Donation of BDT 25.00 million to 'Prime Minister Education Relief Fund'.
- Financial support to 'Assistance for Blind Children (ABC)', Dhaka.
- Donation of BDT 1.88 million to Feni University, Feni.
- Donation of BDT 2.00 million to Shamsul Hoque Adrasha High School.
- Donation of BDT 0.50 million to Janakallyan Adrasha High School, Noakhali.
- Donation of BDT 1.50 million to Pragati Balika Bidda Niketon, Feni.
- Donation of BDT 0.70 million to Nurnesa Hafiza Madrasha, Noakhali.
- Donation of BDT 0.20 million to Goni Mondol High School, Chandpur.
- Donation of BDT 0.10 million to Alhaj Hazrat Ali Degree College, Barisal.
- Donation of BDT 0.80 million to Morshed Alam High School.

Health and Medical

From the beginning, Bank provides financial support to different medical and health institutions. Apart from institutional support, the Bank also provides financial assistance to individuals for their treatments. In 2017, Bank contributed BDT 11.44 million to different individuals and hospitals. Following are the major contribution of MBL in same arena:

- Financial aid of BDT 7.70 million to 123 individual's patients for their treatment.
- Donation of BDT 1.00 million to Sonaimuri Andha Kallan Samity Eye Hospital, Noakhali.
- Donation of BDT 1.32 million to Shaheda Gafur Ibrahim General Hospital, Patuakhali.
- Donation of BDT 1.30 million to Samsul Alam Laila Begum Community Clinic Hospital, Chittagonj.
- Donation of BDT 0.10 million to Fazila Foundation for free Clinic Project, Chittagonj.

The Arts: preserving cultural heritage and sponsoring the performing arts

Arts & Culture

Mercantile Bank always supports promotion of art and culture. As a recognized benefactor of culture, MBL takes some non-profit initiatives every year. Cultural institutions have been donated to organize cultural events in different times. Moreover, the Bank supports the writers, musicians and other performers in their inventive and creative activities. As earlier, in 2017 MBL contributes to organize and celebrate different cultural and traditional festivals.

Celebration of Bangla New Year-1424

MBL has celebrated the Bangla New year-1424 as it has been doing since inception. All its offices were decorated to a colorful festive look. Customers in the Branches were invited to share the joy of festival and they were entertained with sweets as a traditional ritual. Apart from that, MBL also donated to various cultural and educational institutes to celebrate the Bangla New Year.

Traditional Games and Sports

MBL always encourages the development of games and sports of the country. In different times, the Bank has contributed to organize a variety of traditional games and sports. In 2017, Bank contributes to different institutions/clubs to arrange games and sports.

Care to Environment: Encouraging new thinking about Environmental Challenges

Environmental sustainability is a key part of MBL's social responsibility efforts. Banks have established environmental policies, goals and practices that help guide their activities inside and out. Environmentally-oriented thinking is incorporated into a range of banking operations, lending, products and services and community activities. Banks' activities range from participation in conservation initiatives in communities across the country, to commitments to well-recognized domestic and international standards and reporting agreements. MBL believe that every small 'GREEN' step taken today would go a long way in building a greener future. We have established a separate unit to turn our Bank as a 'Green Bank'. With a view to developing green banking practices in the country, an indicative Green Banking Policy and Strategy framework has been developed for the bank. As an environment-responsive bank a lot of measures have been adopted including green financing, creating awareness among the employees for efficient use of water, electricity and paper, giving preference to eco friendly while financing and reuse of equipments. Green Banking is to provide innovative green products to support the activities that are not hazardous to environment and help to conserve the environment. MBL always try to manage the impact of operations and develop initiatives to improve its environment conducive footprint. After reducing the use of electricity and paper at the office, some of our branches and ATM's are now run on solar power.

Contribution to the Economy

The Bank has contributed to the economy by generating employment of over 2,192 full time employees. It also plays an imperative role in creating job opportunities by financing to the productive sectors. In 2017, the Bank mobilized resources of BDT 220,516.63 million from the surplus economic unit and deployed BDT 199,660.72 million to deficit group.

The Bank plays its responsibility to the Government of Bangladesh paying corporate tax regularly. As per tax law, the bank deducts at source income tax, VAT, excise duty from various payments and services for ultimate credit to government exchequer. This year, 42.50% Tax is to be paid to the National Exchequer from its operation profit. The Bank has made provision of BDT 1,300.00 million for corporate tax in 2017 against BDT 1,260.00 million in 2016.

Involving Employees in the CSR Approach

As a Corporate Citizen, Mercantile Bank Limited is striving to play its responsibility in this regard. The involvement of employees in the CSR approach is one of the most effective ways to CSR awareness. In the new CSR strategy, we have developed activities to keep employees up-to-date with our CSR goals and principles. We believe that they will put their knowledge to both at work place and in their private lives.

Raising CSR awareness among the Group's employees

MBL arranged workshop programs to raise the awareness of its employees regarding key CSR issues and its policies in this area. To build on this training, environmental awareness-raising actions have been set up locally.

Informing and encouraging dialogue

MBL's employees are also kept update about day-to-day CSR events and are invited to exchange on new issues and the Groups actions in this area



Green Banking

Environment is most complex topic the planet is facing today. Humanity has seen much center of attention on trade and industry progress, the adverse effects of this, has caused in climate change and ecological damage. The banks can play an important role between financial growth and ecological protection. Banks are now concerned to put into practice, the policies that helps to address environmental issues. The rising interest of customers for ensuring environmentally friendly services, higher expectations by community, regulatory compliance requirements are some of the reasons to go for green banking. Green banking refers to practices which considers all the social and environmental factors, aims to make use of IT and banking processes with negligible impact on the environment. Green banking will help to improve the asset quality of the banks. Green banking means promoting environmental friendly practices and reducing your carbon footprint from banking activities. Being a responsible corporate citizen and in line with the instructions of Bangladesh Bank, Mercantile Bank Limited has taken initiatives to formulate its Green Banking Policy with an aim to inculcate practices towards optimum usage of natural resources and make every effort for environmental friendly activities.

Green Banking is defined as promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities. Green Banking mainly focuses on two prolonged approaches. First, it puts emphasis on green revolution of internal operations of all banks, meaning all banks should adopt proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark from banking sectors. Secondly, all banks should adopt financing in an environment-friendly way. Generally Green Banking exposure includes: sustainable banking, ethical banking, green mortgages, green loans, green credit cards, mobile banking, online banking etc. The main objective of green banking is to minimize filth and give importance to environment and society.

Majority of our population have little awareness about environment, air and water pollution, industrial and medical, and household waste. The environment in Bangladesh is rapidly deteriorating. The key areas of environmental degradation are: air pollution; water pollution and scarcity; encroachment of rivers; improper disposal of industrial, medical and house-hold waste; deforestation; loss of open space, and loss of biodiversity. Nonetheless, Bangladesh is one of the most climate-vulnerable countries. Green banking considers social factors with environmental aspects. Green banking initiatives has already started working soundly in the developed countries. In Bangladesh, as one of the key stakeholders, banks can play a vital role in development and response to the environment through "Green Banking" practice. Being a responsible corporate citizen and in line with the instructions of Bangladesh Bank, Mercantile Bank Limited has taken initiatives to formulate its Green Banking Policy with an aim to inculcate practices towards optimum usage of natural resources and make every effort for environmental friendly activities.

Bangladesh Bank's initiatives

Green environment is one of the most important issues in today's world where people from across the countries are raising their voice on environmental pollution. A wide range of stakeholders can take bold initiatives to minimize the degradation of environment by green practices. As one of the key stakeholders, Bangladesh Bank has shown keen interest in it, and encourages the scheduled banks to take measures to create a congenial atmosphere through 'green banking methodology'.

Green Banking Initiatives of the Bangladesh Bank (BB) have two aspects: in-house green activities and non-in-house operations. Bangladesh Bank's in-house green activities include installation of a 8-kilowatt solar power system on its rooftop on March 12, 2012; environmentally harmful incineration of non re-issuable damaged bank notes is being phased out, resorting instead to shredding; steps for measuring the carbon footprint of BB's internal processes and operations are underway, eventually to set time-bound targets for carbon neutrality/emission reduction. Under the networking program, all the departments of Bangladesh Bank Head Office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting almost 3,100 PCs.

Sustainable Finance Department of Bangladesh Bank is engaging and encouraging all banks and FIs to step-up their green banking initiatives and standards. The necessary policy guidelines and work plans for banks and FIs have been put into effect by the central bank which encompasses Policy formulation and governance, Incorporation of environmental risks into CRM (credit risk management), In-house environmental management, Introduction of sector-specific green finance, Creation of a climate risk fund, Capacity building through training and awareness and Periodic reporting on green banking practices. Moreover, Bangladesh Bank also offers low-cost refinancing facilities for clients engaged in various green banking activities. Besides, development partners are also keen to invest in this sector with flexible terms and tenors.

As a regulatory body of the Banking sector, Bangladesh Bank introduced Environmental Risk Management (ERM) framework for banks and FIs in 2011. The framework includes the environmental risk factors for ensuring the sustainable development and protection of the surroundings from further deterioration. ERM aims at ensuring the habitable environment and reducing climate change. In 2011, Bangladesh Bank also introduced Green Banking Policy for all banks.

Major challenges for Green Banking

In respect to the global progress and retort to the global warming, Green Banking initiative in Bangladesh focuses on playing a significant role. Green Banking is certainly a far-sighted way for people to know about global warming. Bangladesh is one of the most vulnerable country to climate change in the world. Each businessman, consumers and human resource of the bank will contribute to the environment and make this earth a better place to live.

Green Banking practices in Bangladesh are on the rise. Banks have profound impact on the harmonization process of environmental imbalance. Government as well as banks of Bangladesh should take proper measures in respect of Green Banking to protect our environment from being spoilt. Government should also encourage the general people about the green banking practices. The central bank should supervise commercial banks whether they are practicing it. Every bank has to participate and contribute to green banking practices today to ensure a green, sustainable and healthy environment to live in.

Moreover, there are some major challenges ahead for green banking in Bangladesh. These are:

- Proper awareness and effective capacity building;
- Coordination among all the concerned authorities for green economy;
- Requires a technology, which requires huge investment in R & D;
- Green Banking Concept requires renewable and recyclable material, which is costly;
- Sharing of electronic files, voice mail and email instead of paper memos, which is a challenge in traditional banking system;
- Immediate concentration on sector wise lending policies and procedures;
- Introducing e-statements to the customers rather than usage of paper statement.

Environment Related Initiatives

MBL takes environmental stewardship ahead of each year realizing the present generation's responsibility to the future. Operating banking business under Green banking in such a way that proper and adequate attention is allocated in social, ecological and environmental factors of environment by minimizing conservation of nature and natural resources. Depending on the state, a green bank may conform to a variety of structures, utilize many different public funds, and create a diverse array of financial products. We promotes green banking to reach long term strategic objective to be a green, triple bottom line bank where every decision will be taken with both financial and environmental considerations in mind. Going Green in our Bank can not only bring awareness among our customers and our employees but also build awareness and consciousness to our society. The core business model of MBL clearly expresses its sustainability towards environment and unveils its eco-friendly motives.

Policy Formulation and Governance

A separate Sustainable Finance Unit (SFU) has been formed under Risk Management Division to oversee the green banking and CSR activities of the bank as per Bangladesh Bank Circular. To increase the share of green finance in the overall portfolio, the bank maintains a considerable fund in its annual budget allocation for green banking. Mercantile Bank Limited has formulated a comprehensive and realistic Green Banking Policy of the bank in a formal and structured manner, which has already been approved by the Board of Directors of the Bank. Bank has also formed the Risk Management Committee of the Bank comprising the members of Board of Directors, which will work as High Power Committee to review the bank's green or environmental policies, strategies and program for governing the overall green banking activities of the bank.

Incorporation of Environmental Risk in CRM

By adopting Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh, MBL closely monitors the environmental impact of every steps and effectively mitigates any risks arise thereon. Environmental Risk Management (ERM) helps identify possible sources of Environmental Risk such as Land use, Climate change, animal diseases, solid waste, etc. While financing business enterprises, MBL actively review their environmental commitment through administering Environmental Due Diligence (EDD) checklists. With more emphasis on environmental risk management programs, at MBL, a noticeable increase has occurred in the amount of screening and due diligence efforts to gather information on potential environmental risks.

Green Activities

The term 'Green' refers a wide scope of social, ethical and environmental dimensions. The prime objective of the Green banking would be better management of in-house environmental issues: generating awareness among the employees; responsible utilization of electricity, water, paper and energy and maintenance of a cleaner and more hygienic office environment, in participation of all the employees of the Bank. From green banking operations four key stakeholders namely customers, management, employees and shareholders can be benefited. We, together with Bangladesh Bank are effectively working to sustain and keep our planet green. Role of Bangladesh Bank has made our job easy to enter into green banking initiatives like Online CIB, Bangladesh Automated Clearing House (BACH), Electronic Fund Transfer Network (EFTN), Enterprise Data Warehouse System (EDWS) etc.

MBL has introduced Mobile Banking, Online Banking, SMS Banking to reduce paper use, time, and fuel consumption. After full implementation of our Core Banking Solution "TEMENOS T24", a world class proven technology platform, bank's MIS system are more robust, prompt and environment friendly at present. Mobile Banking service (MyCash) is gaining popularity day by day. These are allowing the customers to do banking transactions without coming to the bank physically. Expansion of ATM network is greatly reducing the need for cheque book and reducing consumption of security papers etc.

To reduce our energy requirement, 48 branches have been powered by solar energy and installation of solar panels in the rest of branches and Head Office is also in progress. Apart from solar panel installation, our Bank has changed interior decoration concept to get more sunlight in office premises during working hours. Use of paper has been reduced by various initiatives such as both-side printing, non-circulation of hard copy instructions, enhanced use of electronic mail for communication etc.

Bangladesh Bank is also assisting us to empowering women and farmers giving them access to finance. We are allowing substantial loan facilities to woman entrepreneurs and farmers at lower interest rate and getting refinance from Bangladesh Bank. Furthermore, we are getting refinance against Bio-gas, ETP and Solar energy finance.

Green Financing

Green banking makes great contribution to the transition to resource efficient and low carbon industries i.e., green industry. Considering the environmental degradation situation, Bank has already taken steps to address the issue for utmost positive impact on environment. Banks may utilize financial tools such as long-term and low interest rate loans, revolving loan funds, insurance products, Agriculture and SME loan or design new financial products. Bank financed various projects which are environment friendly. But the projects which contribute to degradation or deterioration of the environmental issues are usually avoided. The bank finances about 50 (fifty) sectors of green financing as per Bangladesh Bank's guidelines.

Green Products

Green banking will seek to promote cheaper, cleaner, and more reliable energy. Green banking can also reduce the need for expensive branch-banking and customer services. MBL has introduced various products such as MBL Shakti to finance for installation of ETP, Solar Energy & Bio-Gas Plant and MBL Hybrid Hoffman Kiln (HHK) for environment friendly Brick Field finance. Bank is giving focus on financing in the other environment-friendly sectors and/or projects and energy efficient industries, such as adoption of renewable energy and/or energy-efficient technology, supply of clean water, solid and hazardous waste disposal plant, bio-fertilizer plant etc.

Environment and Social Obligations

MBL is proactive to ensure necessary measures to protect environmental pollution while financing a new project or providing working capital to the existing enterprises. Green Banking is defined as promoting eco-friendly banking practices and reducing emitted carbon mark from banking activities. Green Banking mainly focuses on two prolonged approaches. First, it puts emphasis on green revolution of internal operations of all banks, meaning all banks should adopt proper ways of consuming renewable energy, digitalization and other measures to minimize carbon mark from banking sectors. Secondly, all banks should adopt financing in an environment-friendly way.

Generally Green Banking exposure includes: sustainable banking, ethical banking, green mortgages, green loans, green credit cards, mobile banking, online banking etc. The main objective of green banking is to minimize grime and give importance to environment and society. A green banking must be ethically motivated as a social, alternative or sustainable bank concerned with social and environmental impacts of its investments and other matters.

Green bank is the larger social movement towards social and environmental responsibility in the financial sector. This movement includes ethical investment, socially responsible investment, rendering corporate social responsibility. Our obligation to Social Responsibility maintains a long-term point of view to make economically sound, environmentally responsible and socially supportive decisions. We facilitate the eco friendly business project or green finance like Bio-Gas Plants, solar energy, ETP, bio-gas etc. We are relentlessly working to create awareness among our employees to ensure proper use of non renewable resources like water, electricity, Gas etc. as part of our continuous endeavor to make the world livable for the human being. We take necessary steps have been adopted including green financing, creating awareness to turn our bank as a 'Green Bank'. MBL always maintains a business policy conducive to environment and the society as a whole.

Employee Training & Awareness

Employee awareness development and training on environmental and social risk and the relevant issues and green banking aspects has become a part of regular training programs of the bank undertaken by Mercantile Bank Training Institute. To take responsibility for implementation of Green Banking initiatives employees are receiving training on regular basis. Bank's officials also attained training & workshops arranged by outside organizations such as Bangladesh Bank, BIBM, BAB, etc. Awareness development among consumers and clients would be the highest priority of MBL.

Consumer Awareness

Mercantile Bank Ltd committed to arrange and sponsor, individually and/or jointly, seminars, workshops or events on a continuous basis aimed at improving understanding and awareness on environmental and social issues by clients and other stakeholder groups and minimizing negative environmental impacts on the bank's own operations. We are also arranges more seminars and symposiums to make our clients conscious regarding environmental issues as well as to introduce our Green Products. In this, different Green Stickers has been prepared & distributed to increase consumer awareness about Importance of tree plantation, use of water, electricity and gas. Green Slogans have been included in New Year greeting cards.

MBL Green Strategic Planning toward Green Future

Green banks must abide by ethical obligations which require an objective way to determine ethical values by exploring their responsibilities towards mankind.

Banks should change their behavior in line with socio-economic situations, improving environmental conditions in their own arena. To implement Green Banking in Bangladesh, Mercantile bank follow the policy guideline issued by the Bangladesh Bank. Bank is also committed to comply with environmental regulation for maintaining ecological as well as social balance and safeguarding the globe for all living beings and their future generation. MBL is always committed to ensure proactive and prudent management for the environmental degradation from our banking operations.

In this aspect, Bank has made a Green Strategic Planning with a set of achievable targets to do the following activities related to Green Banking:

- As per Bangladesh Bank's directives on Green Banking, Bank will take necessary initiatives to implement the Green Banking Policy within deadline fixed by Bangladesh Bank;
- We will continuously monitor the meticulous compliance of green practices in internal operations & environment of the bank and thus we can protect the environment. MBL has already circulated a detailed "Green Office Guide" to strengthen the green practices throughout the Bank;
- Designing and introducing more innovative Green Products in the near future highlighting eco-benefit from green products and adding value to the existing products by inserting environmental features;
- Encouraging "Going Green" through financing in eco-friendly projects, such as: adoption of renewable energy and/or energy efficient technology, supply of clean water, establishment of effluent and/or waste water treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant, improved brick kiln projects etc. at lower interest and utmost care;
- 48 (Forty eight) branches of the bank have already been powered by solar energy and we are expecting that more branches will start their journey with solar panel in the coming days;
- Bank will enhance more services through Alternative Delivery Channel (ATM, Debit / Credit Card, Online Banking, BACPS, BEFTN, issuance of e-statement, Mobile Banking, Internet Banking etc.);
- Introducing new technology in banking operations that would not only benefit the customers but also increase the productivity of the employees;
- Introducing Video/Audio Conference in lieu of physical travel/visit;
- Bank will provide more monetary support, relief and loans at lower interest rate etc. in the natural disaster areas by which the victims will survive in the newer environment;
- Arranging more seminars and symposiums to make our clients conscious regarding environmental issues as well as to introduce our Green Products;
- Checking necessary environmental due diligence factors before lending a loan/investment and reducing of extending loans to certain environmentally harmful projects;
- Organizing rigorous Training/Workshop on Green Banking issues to educate the employees and that will continue for the coming days.



Report on Going Concern

Going concern is one of the fundamental assumptions in accounting on the basis of which all the financial statements are prepared. The financial statements of Mercantile Bank have been prepared assuming that a business entity will continue to operate in the foreseeable future without the need or intention on the part of management to liquidate the entity or to significantly restrain its operational activities. Therefore, it is assumed that the entity will realize its assets and settle its obligations in the normal course of the business. It is the responsibility of the management of the bank to determine whether the going concern assumption is appropriate in the preparation of financial statements.

The management of Mercantile Bank Limited has calculated all the ratios related to the maintenance of regulatory requirements of capital & liquidity such as CRAR, LCR, NSFR, Leverage ratio, CRR & SLR and assessed adequacy of bank's liquidity as per structured liquidity profile, and has performed stress testing to determine bank's shock absorbent capacity in different distress scenario. All the ratios and results thus calculated reveal that Mercantile Bank is running well above the level of different parameters set by the respective guidelines of Bangladesh Bank.

Integrated Reporting

(BDT in Million)

Value Addition and Distribution to Economy	Year 2016	Year 2017
Value Added		
Income from Banking Services	20,845.60	24,751.63
(-) Cost of services & supplies	13,517.24	15,150.47
Value added by Banking Services	7,328.36	9,601.16
(-) Provision for Loans & Off-balance sheet items	949.08	2,252.85
Total Value Added	**6,379.28**	**7,348.31**
Distribution of Added Value		
(a) To Employees and Directors		
Salaries and other benefits	2,480.66	2,504.06
Remuneration and fees	4.87	4.38
	2,485.53	**2,508.44**
(b) To Government		
Income Tax	1,264.86	1,300.00
VAT	45.46	59.72
Other duties & taxes	-	-
	1,310.32	**1,359.72**
(c) To Expansion and Growth		
Statutory reserve	697.47	863.54
General reserve		500.00
Retained earning	1,529.89	1,654.17
Depreciation	300.57	294.49
Deferred tax	(4.86)	-
	2,523.07	**3,312.21**
(d) To Community Investments		
Donations and Gifts	60.36	167.95
	60.36	**167.95**
Total Distributed(a+b+c+d)	**6,379.28**	**7,348.31**
Excellence in Customer Service		
Number of average customers	1,032,568	1,096,082
Number of complaints received through all channels	126	252
Complaints per 1000 customers	0.12	0.23
Usual turnaround time to resolve any complaint	4 -5 Days	4 -5 Days
Total number of complaints regarding breaches of customer privacy and losses of customer data	Nil	Nil

AMAR STOCK

Value Addition and Distribution to Economy	Year 2016	Year 2017
Financial Inclusion		
Cumulative Agricultural and Rural Credit extended through MFIs (BDT in Million)	3,524.89	2,968.79
Cumulative Agricultural Credit extended through own network (BDT in Million)	586.39	808.08
Cumulative Agricultural and Rural Credit extended from ADB fund (BDT in Million)	Nil	Nil
Total Number of individual impacted	171472	146228
Total Number of MFI partnered	34	46
Tackling Financial Crime		
Number of staffs completed training on AML	414	678
Number of Suspicious Transactions reported to Bangladesh Bank	38	51
Number of accounts closed for unsatisfactory KYC	Nil	Nil
Promoting Sustainable Finance		
Amount financed for installation of ETP to plants in operations	Nil	90.00
Amount financed in plants having ETP (loan disbursed to projects having ETP)	Nil	Nil
Amount financed to solar panel / renewable energy plants	Nil	Nil
Amount financed to Bio-fertilizer plants	Nil	Nil
Amount financed to brick kilns adopted cleaner technology (BDT in Million)	Nil	100.00
Amount financed to other green projects (solar home system through MFI)	265.00	249.42
Total Sustainable Finance	**265.00**	**439.42**
Employer of Choice		
Headcount (Permanent staff)	2043	2192
Percentage of female representation	23.35%	23.68%
Number of voluntary attrition	3	5
Number of permanent staff received training	3,282	3,022
Percentage* Growth in Headcounts	-3.50%	7.29%
Number of fresh graduates recruited as Management Trainee Officer (MTO)	13	59
Number of fresh graduates recruited in other positions	1	200
Years of service with MBL (permanent staff headcount) Less than 5 years	745	877
5 > 10 years	756	749
10 > 15 years	390	386
Over 15 years	152	180

Value Addition and Distribution to Economy	Year 2016	Year 2017
Protecting Environment		
Cost of stationery & printing (BDT in Million)	69.08	42.36
Cost of energy (lighting, gas and water) consumed by the bank	88.29	12.534
Installed capacity of solar energy to run bank premises and ATMs (in Kilowatt)	8.7	3
Percentage of bank branches connected online	100%	100%
Corporate Social Responsibility		
Contribution to CSR (BDT in Million)	66.90	186.25
Financial Assistance Received from Government		
Balance of borrowing from Bangladesh Bank under different Refinance programs (as of 31 December 2017)	413.81	468.58
Interest loss compensation received from Bangladesh Bank against disbursements in specified agricultural products @ 4% (BTD)	Nil	Nil
Governance		
No. of Incidents of non-compliance with regulations resulting in fine or penalty	Nil	Nil

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Economic Impact Report

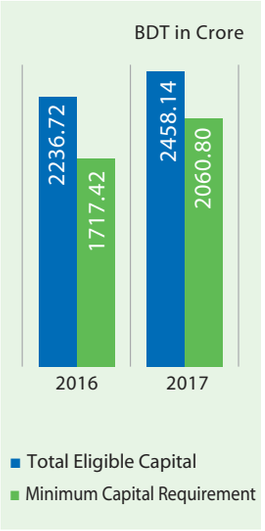
An economic impact Report (EIR) examines the effect of an event on the economy in a specified area, ranging from a single neighborhood to the entire globe. An economic impact analysis attempts to measure or estimate the change in economic activity in a specified region, caused by a specific business, organization, policy, program, project, activity, or other economic event. The effect that an event, policy change or market trend will have on economic factors such as interest rates, consumer confidence, stock market activity, or unemployment. Events such as regulatory changes, supply shortages or natural disasters can have a significant economic impact due to the way that they affect business activities.

We continue change MBL; we believe we can become the bank of choice for all of our customer and clients. Our approach delivers broader economic benefit and more valuable services to our stake holder in a unique way we do Business.

Capital Adequacy

MBL is maintaining a strong capital base. Total eligible capital of the Bank stood at BDT 2,458.14 Crore as on December 2017 which is well above than minimum requirement of BDT 2,060.80 Crore as on the same date. Capital Adequacy Ratio was 11.93% as on December 2017 as compared to minimum requirement of 10% as per Basel III.

Particulars	Dec-16	(BDT in Crore) Dec-17
Tier-1	1,433.00	1,629.19
Tier-2	803.72	828.24
Total Eligible Capital	2,236.72	2,458.14
Total Risk Weighted Assets (RWA)	17,170.42	20,608.01
Capital to Risk Weighted Assets Ratio (SOLO)	13.03%	11.93%
Tier-1 Capital to RWA	8.35%	7.91%
Tier-2 Capital to RWA	4.68%	4.02%
Minimum Capital Requirement (MCR)	1,717.42	2,060.80



Statement of
Value Added and its Distribution

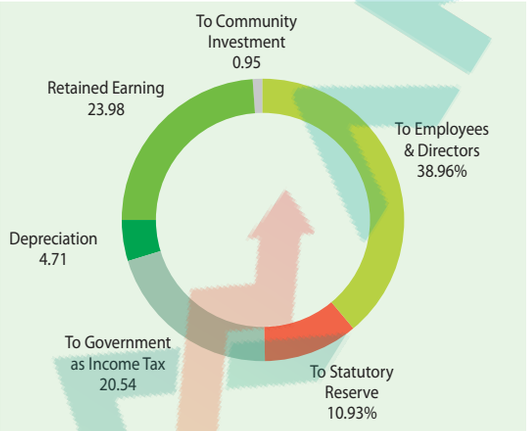
Value Added Statement is a financial statement that depicts wealth created by an organization and how is that wealth distributed among various stakeholders. Value added statement of MBL shows how much value (wealth) has been added and distributed in 2017 for its employees, government and shareholders in the form of salaries & allowances, income tax, profit after tax respectively and also indicates depreciation value of fixed assets.

BDT In million

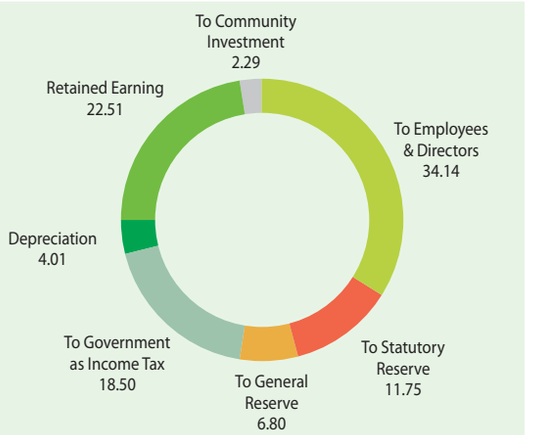
Particulars	Dec-16	Dec-17
Income from Banking Services	20,845.60	24,751.63
Less: Cost of services & Supplies	(13,517.24)	(15,150.47)
Value added by Banking Services	7,328.36	9,601.16
Non-banking income		
Provision for loans & off –balance sheet items	(949.08)	(2,252.85)
Total Value Added	**6,379.28**	**7,348.31**

BDT In million

Distribution of value addition	2016 Amount	2016 %	2017 Amount	2017 %
To Employees & Directors	2,485.53	38.96	2,508.44	34.14
To Statutory Reserve	697.47	10.93	863.54	11.75
To General Reserve	-	-	500.00	6.80
To Government as Income Tax	1,310.32	20.54	1,359.72	18.50
To Provision for Deferred Tax	(4.86)	(0.08)	-	-
Depreciation	300.57	4.71	294.49	4.01
Retained Earning	1,529.89	23.98	1,654.17	22.51
To Community Investment	60.36	0.95	167.95	2.29
Total	**6,379.28**	**100.00**	**7,348.31**	**100.00**



Distribution of value addition (%) in 2016



Distribution of value addition (%) in 2017

SMARTSTOCK

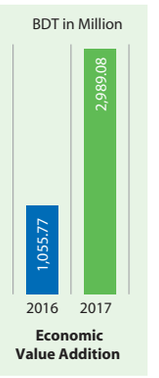
Economic Value Added (EVA) Statement

Economic Value-Added (EVA) attempts to capture the true economic profit of a company. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks. EVA is calculated by deducting the cost of equity capital employed from the post-tax profit plus provision for loans and advances. Companies which earn higher returns than cost of capital create value. Therefore, Shareholders/Equity providers are always conscious about their return on capital invested. As a commercial banking company, MBL is deeply concerned for delivering higher value to its Shareholders/Equity providers.

Economic Value Addition

BDT In million

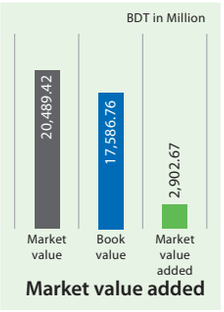
Particulars	Dec-16	Dec-17
Invested fund by shareholders		
Shareholders' equity	16,809.61	17,584.02
Add: Cumulative provision for loans and advances and off-balance sheet exposure	7,826.88	9,631.54
Total Shareholders' equity	**24,636.49**	**27,215.56**
Average Shareholders' Equity	**23,510.77**	**25,926.03**
Earnings for the year		
Profit After Tax	2,227.36	3,017.72
Add: Provision for loans and advances and off-balance sheet exposure during the year	949.08	2,252.85
Total Earnings (a)	**3,176.44**	**5,270.57**
Average cost of equity (based on weighted average rate of 10 year's treasury bond issued by the Government of Bangladesh) plus 2% risk premium	9.02%	8.80%
Total cost of average equity (b)	**2,120.67**	**2,281.49**
Economic Value Addition (a-b)	**1,055.77**	**2,989.08**



Market Value Added Statement

Market value added statement shows the difference between the total market value of the bank and the capital contributed by shareholders i.e. total book value of equity. A high Market Value Added indicates that the company has created substantial wealth for the equity holders. The share market value of the Bank stood at BDT 20,489.42 million whereas the book value of the share stood at BDT 17,586.76 million, resulting a positive Market Value Added of BDT 2,902.67 million as on December 31, 2017.

Particulars	No of Shares Outstanding	Per Share	BDT in Million
Market value	776,114,537	26.40	20,489.42
Book value	776,114,537	22.66	17,586.76
Market value added			**2,902.67**

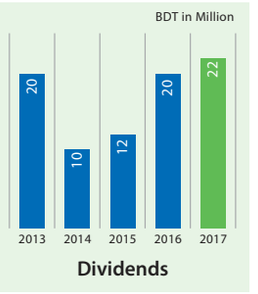


The financial performance of the Bank was sound during the year 2017. Capital market performance caused to positive Market Value Added.

Payment of Dividends

MBL has continued to pay substantial dividends to its shareholders while ploughing back sufficient profits to fund growth and capital adequacy requirements. This prudent divident policy has contributed in building the Bank's shareholders' funds to satisfactory levels and is considered as one of the major funding sources of the Bank's rapid expansion.

Considering the performance of the Bank over the past year, the Board of MBL has recommended 22% dividend (17% Cash, 5% Stock) for the year 2017.



Contribution to National Exchequer

As a corporate entity, MBL pays tax and VAT on its own income according to prevailing laws of the country. By this way, the bank has contributed extensively to the government effort in collection of revenue. During the year, the Company has contributed an amount of Tk. 4,817.70 million toward national exchequer in shape of tax and VAT on its earnings. Besides the bank deducts tax, vat, excise duties etc. from various payments and deposits the same to government exchequer.

Particulars	2017 (Amount in BDT)
Income Tax Payment on Bank's earnings	154,52,70,948.11
Income tax, VAT and Excise duty deducted at source from various payment and services by the bank	317,68,01,146.10
Income tax payment by the employees	9,56,24,773.00
Total Payment	**481,76,96,867.21**

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Sustainable Value Creation of MBL

MBL focuses on raising the level and quality of corporate philanthropy which is not only performing CSR activities in a contemporary manner but we are looking for competitive advantage and sustainable profitability in new ways. We bring more to society than just our financial value. Our value creation model is a simplified way of showing how we create value for and with our stakeholders. We always try to uphold the highest regard to our stakeholders by being honest during our communication, reasonable to customers, open to our employees and being true to our shareholders by contributing to value creation in their hands.

Trends impacting the banking landscape

The world around us is constantly changing. Below, we highlight several important trends that are impacting our operating environment as well as that of our competitors:

- Digitalization of banking is continuing.
- Technology reduced barriers to enter the financial services markets which have resulted in a wave of newcomers targeting segments underserved by other banks.
- Fluctuating interest rate volatiles both deposit and advance sections resulting depressing banks' interest margins.
- Ecosystems are developing, allowing users to access social media, online purchases, services and payments all in one app.
- A need to reduce operating costs.
- The transition to a low carbon economy carries on.
- The ever changing political landscape.

Value in

As a financial institution, our input is mostly in the areas of financial, intellectual and human capital.

- **Financial Value Creation:**

  As a bank, our value chain involves the inflow and outflow of money. We facilitate payments and transactions through:

  » Large and growing customer base

  » Solid financial position

  » Increased profitability and healthy development of costs

- **Our people**

  We believe that in addition to assisting customers a bank should also provide employees the means to be the best they can be.

- **Innovation**

  Foster innovation in respect of work to enhance customer experience and/or move beyond traditional banking through:

  » Digitalization

  » Pioneering financing initiatives & operational excellence.

  » Data analytics to identify customer needs and tailor services and products accordingly.

  » Streamline Finance, HR, Procurement and Risk functions.

  » Actions mitigate any security threat.

  » Developing thought leadership

Our Strategy

We believe all sustainable progress is driven by people with the imagination and determination to improve their future and the futures of those around them. We empower people and organization to realize their own vision for a better future. Our purpose is therefore empowering people to stay a step ahead in life and in business. Our strategy is to create a differentiating customer experience, enabled by simplifying and streamlining our organization, further striving for operational excellence, enhancing the performance culture within our company and expanding our lending capabilities. Our focus is on becoming the leading bank for more customers. We strive to strengthen our market position. Our business units offer both retail and commercial banking services. We offer a full range of retail and commercial banking services in strongly expanding economies that offer good growth opportunities. We are a network bank for our clients across the country with global reach and we are continuously investing in our business improvement program as a target oriented financial institution. We are targeting continued growth in our client base and in Industry Lending and retail banking services.

Value Out

Although our input is mainly in the areas of financial, intellectual and human capital, our output is even broader and also affects the environment and innovation.

- **Products & services**

  We strive to deliver products and services based on customers preferences and it shows that in the increased growth percentage both in our deposit and loan portfolios. Consequently our customers are valuing our products and services which have positive impact on our operating profitability and on the growth as well.

- **Making banking easier and responsive to support social well being**

  We are focusing on our banking system to be easier and proactive than before. We are now faster in opening of an account and providing general banking services as well as providing credit facilities towards the intended clients through using state of the art core banking solution and patching up with renowned network & channel. Continuous improvement and monitoring system enable us to do better and better and supporting economies of countries where we are present.

- **Our people**

  Being a responsible employer that provides staff with good working environment and opportunities for growth through

  » Improved employability and helping employees to find new opportunities.

  » Initiate performance culture

  » Build Strong employee engagement

- **Financial**

  We aim for strong and stable financial position which will surely have positive impact our shareholders' value within the jurisdiction of regulatory framework.

- **Innovation**

  We place a high priority on innovation within MBL to keep pace with the change around us and meet changing customer needs by delivering innovative products and services.

- **Social & network**

  We empower customers as well as our employees and help them to make well-informed financial decisions by the way of initiating different programs, symposiums and ceremonies.

- **Environmental**

  We help facilitate the transition to a fairer, greener economy by financing projects that accelerate clients' sustainable transitions and supporting clients that contribute solutions to environmental and social challenges.

Impact on the Society

As a large financial institution, we have a broad impact on society, both directly through our own operations and indirectly through our financing portfolio. With this influence comes responsibility. For us, this means making careful and transparent choices about how, where and with whom we do business and this is done in following ways:

- Sustainable and inclusive economic growth consistent with Sustainable Development Goal.
- Financially empowered people who contribute to a healthy economy.
- Enhanced skills set and employability of adolescents through financing and donation programs.
- Economic development and job creation in emerging areas of country through impact finance.
- Direct environmental and social impact through our reduced operational footprint, respectively human rights focus.
- Indirect impact by supporting clients in addressing environmental and social challenges impacting their business.

Products & Services

We keep developing and innovating. We offer a wide range of products and services that help our valued clients achieve their goal. MBL has many years of experience across the full range of banking products and services. We are working with our respected clients to provide the right mix of products and guidance to help their business flourish.

Deposit Products

- Current Deposit (CD) Accounts
- Savings Bank Deposit (SB) Accounts
- Special Notice Deposit (SND)
- Fixed Deposit Receipt (FDR)
- Scheme Deposits
  - Monthly Saving Scheme (MSS)
  - Double Benefit Deposit Scheme (DBDS)
  - Family Maintenance Deposit Scheme (FMDS)
  - Quarterly Benefit Deposit Scheme (QBDS)
  - 1.5 Times Benefit Deposit Scheme (1.5TBDS)
  - Advance Benefit Deposit Scheme (ABDS)
  - Education Planning Deposit Scheme (EPDS)
  - Super Benefit Deposit Scheme (SBDS)
  - School Banking



Loans & Advances

Retail Loans

- Home Loan
- Cottage Loan
- Car Loan
- Personal Loan
- House Furnishing Loan
- Doctor's Loan
- Education Loan
- Secured Over Draft (SOD)
- Refinance Scheme for Green Product/Initiatives
- Krishi / Polli Loan

Corporate Loans

- Short Term Finance
- Long Tern Finance
- Real Estate Finance
- Import Finance/Trade Finance
- Work Order Financing/Construction Business
  - Earnest Money Financing Scheme- SOD (EMF)
  - Bid Bond
  - Performance Guarantee (PG)
  - Advance Payment Guarantee (APG)
  - Shipping Guarantee
  - Customs Guarantee
  - SOD (WO)
- Export Finance (Pre-Shipment Credit/Finance)
  - Export Cash Credit (Hypothecation /Pledge)
  - Export Cash Credit Against Trust Receipt
  - Advance Against Anticipatory Letter of Credit
  - Back to Back Letter of Credit
  - Packing Credit
  - SOD (Export)
- Post-Shipment Credit/Finance
  - Negotiation of Export Documents (FDBP)
  - Purchase of Documents against DP or DA Bills
  - Structured Finance
  - Project Finance
  - Syndication

SME Financing

- CHAKA (Term Loan)
- SAMRIDDHI (Continuous Loan)
- MOUSUMI (Short Term Seasonal Loan)
- ANANNYA (Women Entrepreneur's Loan)
- SANCALOK (A mix of Term, Time & Continuous Loan)
- UNMESH (Trade Finance)
- UDAYAN (Start-up financing for the young entrepreneurs)
- FACTORING OF RECEIVALBES

Agriculture Loan

- NABANNO (Krishi / Polli Loan)
- SAKTI (ETP / Bio-Gas / Solar Energy Loan)

MBL Card

- Debit Card
- Credit Card (Local Card, International Card, Dual Currency Card)
- MBL Pre-Paid Card (Student Card, Hajj Card, Travel card)

Other Services

- Online Banking
- Mobile Banking (MyCash)
- Internet Banking
- Off-Shore Banking
- NRB Banking
- SMS Banking
- Locker Service
- Utility Bills Pay Service
- ATM Booth Services
- Cash Deposit Machine (CDM) Service

for more information please visit www.mblbd.com

বাংলার ব্যাংক
মার্কেন্টাইল ব্যাংক লিমিটেড
Mercantile Bank Limited
efficiency is our strength

ATM BOOTH

Financial Calendar

Quarterly Results

Particulars	Submission Date
Audited consolidated results for the 4th quarter ended 31 December 2016	25.02.2017
Unaudited consolidated results for the 1st quarter ended 31 March 2017	04.04.2017
Unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2017	30.07.2017
Unaudited consolidated results for the 3rd quarter ended 30 September 2017	26.10.2017

Dividends

Particulars	Record Date	Allotment Date
Distribution of 15% Cash & 5% Stock dividend in respect of financial year ended on 31 December 2016	16.03.2017	30.03.2017

Annual General Meeting (AGM)

Particulars	Notice Date	Held On
18th AGM	15.03.2017	30.03.2017

Taxation on Dividend Income

Stock dividend is tax exempted. In case of cash dividend, following is the rate of tax deduction at source on dividend income as per current fiscal act:

- If the shareholder is a company, either resident or non-resident, at the rate applicable to the company i.e. 20%
- If the shareholder is a resident person, other than company, at the rate of 10% with e-TIN number failing of which is 15%
- If the shareholder is a non-resident (Other than Bangladesh) person, other than company, at the rate of 25%

Taxation on Capital Gain

Capital gain arising from transfer or sale of Government Securities is tax exempted. Capital gain arising from transfer or sale of Stocks and Shares of publicly listed companies listed with stock exchanges is taxable at the rate of 10%. For non-resident the tax exemption on capital gain shall be allowed if the similar exemption is allowed in the country of residence of the non-resident.

Other Information

Exchange controls and other limitations affecting equity security holders.

Non-residents can buy and sell MBL's share and transfer the dividends after complying with Guidelines for Foreign Exchange Transactions 1996 and SEC Rules.

Stock Details

Particulars	DSE	CSE
Stock Symbol	MERCANBANK	MERCANBANK
Company Code	11128	22023
Listing Year	2003	2003
Market Category	A	A
Electronic Share	Yes	Yes
Market Lot (Nos.)	1	1
Face Value (Taka)	10	10
Total Number of Shares (31.12.2017)	776,114,537	776,114,537

Accessibility of Annual Report 2017

Annual Report 2017 and other information about MBL may be accessed on MBL's website www.mblbd.com. MBL provides copies of Annual Reports to the Bangladesh Securities and Exchange Commission (BSEC), Bangladesh Bank, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) for their reference. Respectable stakeholders may read them at their public reference room or library.

Shareholders' Inquiries

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AMARSTOCK



Core Financial Growth

48.10%
Operating Profit

35.48%
Profit After Tax

27.45%
Total Assets

33.44%
Deposits

32.30%
Loans and Advances

16.41%
Investments

36.48%
Import

19.21%
Export

29.09%
Earnings per Share

Five Years at a Glance

BDT in Million

Particulars	2013	2014	2015	2016	2017
Income Statement					
Interest Income	16,590.37	16,758.21	16,967.11	16,769.12	19,101.30
Interest Expenses	11,795.76	11,385.39	11,808.55	10,750.30	12,897.32
Net Interest Income	4,794.61	5,372.82	5,158.56	6,018.82	6,203.98
Non-Interest Income	2,500.35	2,623.20	2,785.45	4,076.48	5,650.33
Non-Interest Expenses	3,039.26	3,585.45	4,008.26	5,658.87	5,283.74
Net Non-Interest Income	(538.91)	(962.25)	(1,222.81)	(1,582.38)	366.59
Profit before Provision and Tax	4,255.70	4,410.57	3,935.75	4,436.43	6,570.57
Provision for Loans and Advances	1,027.00	2,122.06	1,292.47	949.08	2,252.85
Profit after Provision before Tax	3,228.70	2,288.51	2,643.28	3,487.35	4,317.72
Porvision for tax including deferred tax	1,250.00	1,100.00	1,250.00	1,260.00	1,300.00
Profit after Tax	1,978.70	1,188.51	1,393.28	2,227.35	3,017.72
Balance Sheet					
Authorized Capital	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Paid-up Capital	6,599.61	7,391.57	7,391.57	7,391.57	7,761.15
Shareholders' Equity	12,574.24	13,519.17	15,513.73	16,809.61	17,584.02
Deposits	124,566.97	140,475.84	154,869.52	165,257.45	220,516.63
Loans and Advances	97,688.50	117,060.03	126,338.83	150,912.52	199,660.72
Investments	30,090.60	32,184.09	33,829.46	32,920.69	38,322.15
Fixed Assets	3,097.60	3,198.11	3,325.79	3,175.03	3,057.50
Total Assets	144,841.87	168,474.13	182,800.17	204,127.47	260,169.93
Foreign Exchange Business					
Import	100,685.60	107,089.70	119,982.40	139,766.40	190,753.60
Export	71,671.50	78,352.70	94,027.10	113,035.20	134,752.90
Remittance	12,434.70	18,208.60	19,003.20	24,048.20	29,976.40
BIS Capital Measure (SOLO)					
Total Risk Weighted Assets under Basel III (Basel II for 2013-2014)	119,995.10	147,484.30	151,438.72	171,704.24	206,080.14
Core Capital (Tier I)	11,767.60	12,427.74	12,908.59	14,330.00	16,299.02
Supplementary Capital (Tier II)	1,942.10	6,676.21	5,063.39	8,037.17	8,282.36
Total Capital/Regulatory Capital	13,709.70	19,103.95	17,971.98	22,367.17	24,581.38
Core Capital (Tier I) to RWA	9.81%	8.43%	8.52%	8.35%	7.91%
Supplementary Capital (Tier 2) to RWA	1.62%	4.52%	3.34%	4.68%	4.02%
Capital to Risk Weighted ratio under Basel III	11.43%	12.95%	11.87%	13.03%	11.93%
Credit Quality					
Non-performing Loans (NPLs)	4,659.75	4,831.63	6,250.77	7,745.88	7,564.72
Provision for unclassified Loan	995.00	2,547.49	3,703.87	3,916.60	4,584.18
Provision for classified Loan	2,425.05	2,405.18	2,551.00	3,117.14	3,967.46
NPLs to total Loans and Advances	4.77%	4.13%	4.95%	5.13%	3.79%

BDT in Million

Particulars	2013	2014	2015	2016	2017
Common Share Information					
Market price per share (BDT)	16.70	13.70	10.70	15.10	26.40
No. of Shares Outstanding (Million)	659.96	739.16	739.16	739.16	776.11
Earning per Share (BDT) (restated:2016)	3.00	1.61	1.88	2.87	3.89
Dividend:	20%	10%	12%	20%	22%
Cash	8.00%	10.00%	12.00%	15.00%	17.00%
Stock	12.00%	0.00%	0.00%	5.00%	5.00%
Dividend Payout Ratio	66.71%	62.19%	63.66%	66.37%	56.56%
Market Capitalization	11,021.33	10,126.49	7,909.01	11,161.32	20,489.30
Book Value per Share	19.05	18.29	20.99	22.74	22.66
Market Value Book Value multiple	0.88	0.75	0.51	0.66	1.17
Price Earning Multiple (Times)	5.57	8.52	5.68	5.01	6.79
Operating Performance Ratio					
Net Interest Margin (NIM)	3.58%	3.82%	3.27%	3.43%	2.92%
Net Non-interest Margin	-0.40%	-0.68%	-0.77%	-0.90%	0.17%
Earning base in Assets (average)	90.09%	89.78%	89.85%	90.61%	91.53%
Cost Income Ratio	41.66%	44.84%	50.46%	56.05%	44.57%
Credit Deposit Ratio	80.83%	86.71%	78.54%	85.15%	84.25%
Cost of Deposit	8.93%	8.26%	7.52%	6.25%	5.85%
Yield on Loans and Advances	14.28%	13.28%	11.68%	10.37%	9.06%
Spread	5.35%	5.02%	4.16%	4.12%	3.21%
Return on Average Assets	1.33%	0.76%	0.79%	1.15%	1.30%
Return on Average Equity	16.84%	9.11%	9.60%	13.78%	17.55%
Equity Multiple (Times)	11.52%	12.46%	11.78%	12.14%	14.80%
Other Information					
No. of Branches	91	100	109	119	129
No. of Employees	1,814	1,962	2,117	2,043	2,192
No. of Correspondence Relationship	644	638	641	641	640

Horizontal/Vertical Analysis

BDT in Million

Particular	2017	2016	2015	2014	2013
Operating Performance (Income Statement)					
InInterest Income	16,280.50	13,676.26	14,112.70	13,984.50	13,344.90
Interest Expenses	12,897.32	10,518.54	11,808.55	11,385.39	11,795.76
Net Interest Income	3,383.17	3,157.72	2,304.15	2,599.11	1,549.14
Investment Income	3,451.10	2,931.91	2,877.94	2,796.03	3,266.94
Commission, exchange and brokerage	2,604.84	1,871.88	1,673.09	1,552.57	1,457.89
Other Operating Income	2,415.19	2,127.47	1,088.84	1,048.31	1,020.98
Operating Income	11,854.30	10,088.98	7,944.02	7,996.02	7,294.95
Operating Expenses	5,283.74	5,652.54	4,008.26	3,585.45	3,039.26
Earning before interest, depreciation and tax	6,865.05	4,737.01	4,167.25	4,631.97	4,447.74
Profir before provision and tax	6,570.56	4,436.44	3,935.76	4,410.57	4,255.69
Provision for loans and advances	2,252.85	949.08	1,292.47	2,122.06	1,027.00
Profit after provision before tax	4,317.72	3,487.36	2,643.29	2,288.51	3,228.69
Tax including deferred tax	1,300.00	1,260.00	1,250.00	1,100.00	1,250.00
Profit after tax	3,017.72	2,227.36	1,393.29	1,188.51	1,978.69
Balance Sheet (Financial Position)					
Authorized capital	12,000.00	12,000.00	12,000.00	12,000.00	12,000.00
Paid-up Capital	7,761.15	7,391.57	7,391.57	7,391.57	6,599.61
Shareholders' Equity	17,584.02	16,809.61	15,513.73	13,519.17	12,574.24
Deposits	220,516.63	165,257.45	154,869.52	140,475.84	124,566.97
Loans and Advances	199,660.72	150,912.52	126,338.83	117,060.03	97,688.50
Investments	38,322.15	32,920.69	33,829.46	32,184.09	30,090.60
Fixed assets including premises, furniture and fixtures	3,057.50	3,175.03	3,325.79	3,198.11	3,097.60
Earning assets	238,681.52	186,618.07	163,987.26	151,626.21	129,667.05
Total assets	260,169.93	204,127.47	182,800.17	168,474.13	144,841.87
Total liabilities	242,585.91	187,317.86	167,286.44	154,954.96	132,267.63
Other Business					
Import	190,753.60	139,766.40	119,982.40	107,089.70	100,685.60
Export	134,752.90	113,035.20	94,027.10	78,352.70	71,671.50
Remittance	29,976.40	24,048.20	19,003.20	18,208.60	12,434.70
Capital Measures					
Total risk weighted assets under Basel III	206,080.14	171,704.24	151,438.72	147,484.30	119,995.10
Tier-1 Capital (going concern capital)	16,299.02	14,330.00	12,908.59	12,427.74	11,767.62
Tier-2 Capital (gone concern capital)	8,282.36	8,037.17	5,063.39	6,676.21	1,942.06
Total Capital	24,581.38	22,367.17	17,971.98	19,103.95	13,709.68
Capital Required	20,608.01	18,243.58	15,143.87	14,748.43	11,999.51
Capital Surplus	3,973.37	4,123.59	2,828.11	4,355.52	1,710.17
Tier-1 Capital to RWA	7.91%	8.35%	8.52%	8.43%	9.81%
Tier-2 Capital RWA	4.02%	4.68%	3.34%	4.53%	1.62%
Capital to Risk Weighted Asset Ratio (CRAR)	11.93%	13.03%	11.87%	12.95%	11.43%
Leverage ratio (Basel-III)	5.58%	6.16%	6.48%	N/A	N/A
Liquidity Coverage Ratio (LCR)	100.79%	101.96%	166.57%	N/A	N/A
Net Stable Funding Ratio (NSFR)	106.16%	102.27%	109.18%	N/A	N/A
Credit Quality					
Non-performing loans (NPLs)	7,564.72	7,745.88	6,250.77	4,831.63	4,659.75
NPLs to total loans and advances	3.79%	5.13%	4.95%	4.13%	4.77%
Provision for unclassified loans	4,584.18	3,916.60	3,703.87	2,547.49	995.00
Provision for classified loans	3,967.46	3,117.14	2,551.00	2,405.18	2,425.05

BDT in Million

Particular	2017	2016	2015	2014	2013
Share Information					
Market price per share (Taka)	26.40	15.10	10.70	13.70	16.70
No. of shares outstanding (Million)	776.11	739.16	739.16	739.16	659.96
No. of shareholders (actual)	24,220	28,210	34,127	44,462	44,117
Earnings per share (Taka)	3.89	3.01	1.88	1.61	3.00
Dividend:	22%	20%	12%	10%	20%
Cash	17.00%	15.00%	12.00%	10.00%	8.00%
Bonus	5.00%	5.00%	0.00%	0.00%	12.00%
Market capitalization	20,489.30	11,161.32	7,909.01	10,126.49	11,021.33
Net asset value per share (Taka)	22.66	22.74	20.99	18.29	19.05
Price earning ratio (times)	6.79	5.02	5.68	8.52	5.57
Operating Performance Ratio (%)					
Net interest margin (NIM)	2.92%	3.43%	3.27%	3.82%	3.58%
Gross profit ratio	47.89%	36.38%	30.40%	32.06%	28.90%
Profit per employee	3.00	2.17	1.86	2.25	2.35
Net Profit Before Tax to Gross Income	17.44%	16.92%	13.38%	11.81%	16.91%
Net Profit After Tax to Gross Income	12.19%	10.81%	7.05%	6.13%	10.36%
Cost-income ratio	44.57%	56.03%	50.46%	44.84%	41.66%
Credit-deposit ratio	84.25%	85.15%	78.54%	86.71%	80.83%
Cost of Deposit	5.85%	6.25%	7.52%	8.26%	8.93%
Cost of Fund	5.38%	5.72%	6.81%	7.30%	8.07%
Yield on average advance	9.06%	10.37%	11.68%	13.28%	14.28%
Return on average assets (ROA)	1.30%	1.15%	0.79%	0.76%	1.33%
Return on average equity (ROE)	17.55%	13.78%	9.60%	9.11%	16.84%
Current Ratio		1.14	1.16	1.19	1.00
Quick Ratio		1.14	1.16	1.19	1.00
Other information					
No. of branches	129	119	109	100	91
No. of SME branches/centers	5	5	5	5	5
Number of ATM	163	149	136	127	120
No. of employees	2,192	2,043	2,117	1,962	1,814
No. of foreign correspondents	640	641	641	638	644
Rating					
Long Term	AA	AA-	AA-	AA-	AA-
Short Term	ST 2	ST 2	ST 2	ST 2	ST 2
Average earning assets	212,649.80	175,302.67	157,806.74	140,646.63	134,016.12
Average total assets	232,148.70	193,463.82	175,637.15	156,658.00	148,750.17
Average deposits	232,148.70	160,063.49	147,672.68	132,521.41	128,330.31
Average loans & advances	175,286.62	138,625.68	121,699.43	107,374.27	95,649.69
Average equity	17,196.82	16,161.67	14,516.45	13,046.71	11,749.40

Balance Sheet

BDT in Million

Particulars	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12
PROPERTY AND ASSETS										
Cash	15,678.48	25.43%	12,499.97	-5.49%	13,225.47	2.57%	12,894.27	23.95%	10,402.41	-13.42%
In hand (including foreign currencies)	2,005.64	16.43%	1,722.63	23.26%	1,397.51	-2.30%	1,430.47	-7.82%	1,551.90	5.53%
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)	13,672.84	26.87%	10,777.34	-8.88%	11,827.96	3.18%	11,463.80	29.53%	8,850.51	-16.07%
Balance with other banks and financial institutions	821.35	-76.78%	3,536.86	-7.48%	3,822.76	414.94%	742.37	-19.12%	917.82	46.85%
In Bangladesh	575.49	-81.96%	3,190.28	-10.17%	3,551.64	895.16%	356.89	-17.04%	430.20	-21.95%
Outside Bangladesh	245.85	-29.06%	346.58	27.83%	271.12	-29.67%	385.48	-20.95%	487.62	560.64%
Money at call and short notice	100.00	-	-	0.00%	800.00	0.00%	-	0.00%	-	0.00%
Investments	38,322.15	16.41%	32,920.69	-2.69%	33,829.46	5.11%	32,184.08	6.96%	30,090.61	-27.17%
Government	29,362.51	20.97%	24,271.57	-15.77%	28,817.53	-3.04%	29,720.02	3.76%	28,642.77	-28.46%
Others	8,959.64	3.59%	8,649.12	72.57%	5,011.93	103.40%	2,464.06	70.19%	1,447.84	13.16%
Loans and advances	199,660.72	32.30%	150,912.52	19.45%	126,338.83	7.93%	117,060.03	19.83%	97,688.50	4.36%
Loans, cash credits, overdrafts, etc.	180,264.52	30.75%	137,869.68	17.16%	117,680.02	6.99%	109,991.94	20.62%	91,190.59	6.16%
Bills purchased and discounted	19,396.20	48.71%	13,042.84	50.63%	8,658.81	22.51%	7,068.09	8.77%	6,497.91	-15.71%
Fixed assets including premises, furniture and fixtures	3,057.50	-3.70%	3,175.03	-4.53%	3,325.80	3.99%	3,198.11	3.24%	3,097.60	6.87%
Other assets	2,529.73	133.72%	1,082.40	-25.75%	1,457.85	-39.14%	2,395.27	-9.44%	2,644.93	20.52%
Non - banking assets	-	-	-	-	-	-	-	-	-	-
Total assets	260,169.93	27.45%	204,127.47	12.16%	182,000.17	8.03%	168,474.13	16.32%	144,841.87	-5.12%
LIABILITIES AND CAPITAL										
Liabilities										
Borrowings from other banks, financial institutions and agents	7,056.12	-19.85%	8,804.04	1492.48%	552.85	-85.03%	3,692.37	167.81%	1,378.75	-91.34%
Deposits and other accounts	209,122.95	33.98%	156,085.77	5.59%	147,816.28	9.50%	134,996.50	11.70%	120,858.00	2.33%
Current accounts and other accounts	49,514.27	41.35%	35,006.16	14.63%	30,560.45	39.92%	21,840.97	16.18%	18,798.82	-5.66%
Bills payable	2,594.35	7.12%	2,421.84	48.16%	1,634.65	17.84%	1,387.23	-0.11%	1,388.80	-19.51%
Savings bank deposits	19,511.49	17.53%	16,601.53	30.31%	12,739.77	20.94%	10,534.22	23.78%	8,510.14	23.88%
Fixed deposits	77,056.70	109.53%	36,776.57	-12.50%	42,028.79	-8.75%	46,057.22	9.80%	41,945.69	-9.31%
Deposits under schemes	60,446.15	-7.37%	65,255.56	7.24%	60,852.62	10.29%	55,176.86	9.88%	50,214.55	15.88%
Subordinated Bond	2,400.00	-20.00%	3,000.00	0.00%	3,000.00	-	3,000.00	0.00%	-	0.00%
Other liabilities	24,006.83	23.57%	19,428.05	22.06%	15,917.31	19.98%	13,266.10	32.25%	10,030.99	30.27%
Total liabilities	242,585.91	29.50%	187,317.86	11.97%	167,286.44	7.96%	154,954.97	17.15%	132,267.74	-6.68%
Capital/Shareholders' equity										
Paid up capital	7,761.15	5.00%	7,391.57	0.00%	7,391.57	0.00%	7,391.57	12.00%	6,599.61	8.00%
Statutory reserve	6,312.80	15.85%	5,449.25	14.68%	4,751.78	12.52%	4,223.12	12.16%	3,765.42	20.70%
General Reserve	500.00									
Other reserve	1,295.34	-46.70%	2,430.11	-1.93%	2,477.87	117.91%	1,137.11	33.42%	852.29	13.13%
Surplus in profit and loss account	1,714.74	11.44%	1,538.68	72.40%	892.51	16.31%	767.37	-43.45%	1,356.91	44.26%
Total Shareholders' equity	17,584.02	4.61%	16,809.61	8.35%	15,513.73	14.75%	13,519.17	7.51%	12,574.23	15.10%
Total liabilities and Shareholders' equity	260,169.93	27.45%	204,127.47	11.67%	182,800.17	8.50%	168,474.14	16.32%	144,841.97	-5.12%

Profit and Loss Account

BDT in Million

Particulars	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12
Interest income / profit on investments	16280.50	18.02%	13794.72	-2.25%	14112.7	0.92%	13,984.50	4.79%	13,344.90	6.37%
Interest / profit paid on deposits, borrowings, etc.	12897.32	19.97%	10750.30	-8.96%	11808.55	3.72%	11,385.39	-3.48%	11,795.76	11.74%
Net interest / net profit on investments	3383.17	11.13%	3044.42	32.13%	2304.15	-11.35%	2599.11	67.78%	1549.14	-22.10%
Investment income	3451.10	13.18%	3049.20	5.95%	2877.94	2.93%	2,796.03	-14.41%	3,266.94	95.76%
Commission, exchange and brokerage	2604.84	39.16%	1871.88	11.88%	1673.09	7.76%	1,552.57	6.49%	1,457.89	6.40%
Other operating income	2415.19	13.40%	2129.80	95.60%	1088.84	3.87%	1,048.31	2.68%	1,020.98	-5.74%
Total operating income (A)	11854.30	17.42%	10095.30	27.08%	7,944.02	-0.65%	7,996.02	9.61%	7,294.95	19.38%
Salaries and allowances	2,487.92	0.75%	2,469.28	37.06%	1,801.63	0.79%	1,787.53	25.15%	1,428.29	4.73%
Chief Executive's Salary and Fees	16.14	41.81%	11.38	-8.15%	12.39	5.99%	11.69	18.68%	9.85	82.41%
Directors' fees	4.38	-9.97%	4.87	40.25%	3.47	26.18%	2.75	-1.43%	2.79	-2.45%
Rent, Taxes, Insurance, Electricity, etc.	676.35	8.01%	626.19	15.27%	543.22	13.33%	479.33	11.28%	430.76	26.65%
Legal expenses	15.57	82.24%	8.54	31.84%	6.48	-49.06%	12.72	1.44%	12.54	-5.71%
Postage, Stamp, Telecommunication, etc.	61.49	-2.72%	63.21	-4.43%	66.14	26.25%	52.39	-2.33%	53.64	3.35%
Stationery, Printing, Advertisements, etc	190.63	6.47%	179.04	-1.83%	182.38	-10.77%	204.39	37.27%	148.90	-6.26%
Auditors' fees	1.55	68.01%	0.92	33.33%	0.69	15.00%	0.60	-34.78%	0.92	58.62%
Depreciation and Repair of Fixed Assets	379.96	0.64%	377.53	24.81%	302.49	12.90%	267.92	15.33%	232.30	23.37%
Other expenses	1,449.76	-24.41%	1,917.90	76.05%	1,089.38	42.19%	766.13	6.52%	719.26	13.28%
Total operating expenses (B)	5,283.74	-6.63%	5,658.87	41.18%	4,008.27	11.79%	3,585.45	17.97%	3,039.25	10.12%
Profit / (loss) before provision (C=A-B)	6,570.56	48.10%	4,436.43	12.72%	3,935.75	-10.77%	4,410.57	3.64%	4,255.70	27.01%
Provision for loans and advances										
Provision against Classified Loans (Specific provision)	667.58	19.32%	212.73	445.08%	102.64	-78.85%	485.33	-50.72%	984.80	20.39%
Provision against Unclassified Loans (General provision)	1,298.51	510.40%	559.47	-81.60%	1,156.38	-25.51%	1,552.49	5871.12%	26	-66.23%
Provision for off-balance sheet sheet	286.76	62.29%	176.70	428.41%	33.44	-60.31%	84.25	420.06%	16.20	-78.21%
Other provisions	-	-	0.17		-		-		-	
Total provision (D)	2,252.85	137.37%	949.08	-26.57%	1,292.46	-39.09%	2,122.07	106.63%	1,027.00	5.95%
Total profit / (loss) before taxes (C-D)	4,317.71	23.81%	3,487.36	31.93%	2,643.29	15.50%	2,288.50	-29.12%	3,228.70	35.58%
Provision for taxation										
Current tax	1,300.00	2.78%	1,264.86	0.77%	1,255.21	10.59%	1,135.03	-7.72%	1,230.00	23.00%
Deferred tax	-		(4.86)	-6.72%	(5.21)	-85.13%	(35.03)	-275.15%	20.00	0.00%
	1,300.00	3.17%	1,260.00	0.80%	1,250.00	13.64%	1,100.00	-12.00%	1,250.00	25.00%
Net profit after taxation	3,017.71	35.48%	2,227.36	59.86%	1,393.29	17.23%	1,188.50	-39.94%	1,978.70	43.23%

Balance Sheet

BDT in Million

Particulars	2017	%	2016	%	2015	%	2014	%	2013	%
PROPERTY AND ASSETS										
Cash	15,678.48	6.03%	12,499.97	6.12%	13,225.47	7.27%	12,894.27	7.65%	10,402.41	7.18%
In hand (including foreign currencies)	2,005.64	0.77%	1,722.63	0.84%	1,397.51	0.77%	1,430.47	0.85%	1,551.90	1.07%
"Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)"	13,672.84	5.26%	10,777.34	5.28%	11,827.96	6.50%	11,463.80	6.80%	8,850.51	6.11%
Balance with other banks and financial institutions	821.35	0.32%	3,536.86	1.73%	3,822.76	2.10%	742.37	0.44%	917.82	0.63%
In Bangladesh	575.49	0.22%	3,190.28	1.56%	3,551.64	1.95%	356.89	0.21%	430.20	0.30%
Outside Bangladesh	245.85	0.09%	346.58	0.17%	271.12	0.15%	385.48	0.23%	487.62	0.34%
Money at call and short notice	100.00	0.04%	-	0.00%	800.00	0.44%	-	-	-	-
Investments	38,322.15	14.73%	32,920.69	16.13%	33,829.46	18.59%	32,184.08	19.10%	30,090.61	20.77%
Government	29,362.51	11.29%	24,271.57	11.89%	28,817.53	15.83%	29,720.02	17.64%	28,642.77	19.78%
Others	8,959.64	3.44%	8,649.12	4.24%	5,011.93	2.75%	2,464.06	1.46%	1,447.84	1.00%
Loans and advances	199,660.72	76.74%	150,912.52	73.93%	126,338.83	69.42%	117,060.03	69.48%	97,688.50	67.44%
Loans, cash credits, overdrafts, etc./ investments 143,	180,264.52	69.29%	137,869.68	67.54%	117,680.02	64.66%	109,991.94	65.29%	91,190.59	62.96%
Bills purchased and discounted	19,396.20	7.46%	13,042.84	6.39%	8,658.81	4.76%	7,068.09	4.20%	6,497.91	4.49%
Fixed assets including premises, furniture and fixtures	3,057.50	1.18%	3,175.03	1.56%	3,325.80	1.83%	3,198.11	1.90%	3,097.60	2.14%
Other assets	2,529.73	0.97%	1,082.40	0.53%	1,457.85	0.80%	2,395.27	1.42%	2,644.93	1.83%
Non - banking assets	-	0.00%	-	0.00%	-	-	-	-	-	-
Total assets	260,169.93	100.00%	204,127.47	100.00%	182,000.17	100.00%	168,474.13	100.00%	144,841.87	100.00

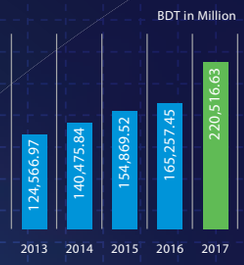
Particulars	2017	%	2016	%	2015	%	2014	%	2013	%
LIABILITIES AND CAPITAL										
Liabilities										
"Borrowings from other banks, financial institutions and agents"	7,056.12	2.71%	8,804.04	4.31%	552.85	0.30%	3,692.37	2.19%	1,378.75	0.95%
Deposits and other accounts	209,122.95	80.38%	156,085.77	76.46%	147,816.28	80.86%	134,996.50	80.13%	120,858.00	83.44%
Current accounts and other accounts	49,514.27	19.03%	35,006.16	17.16%	30,560.45	16.72%	21,840.97	12.96%	18,798.82	12.98%
Bills payable	2,594.35	1.00%	2,421.84	1.19%	1,634.65	0.89%	1,387.23	0.82%	1,388.80	0.96%
Savings bank deposits	19,511.49	7.50%	16,601.53	8.13%	12,739.77	6.97%	10,534.22	6.25%	8,510.14	5.88%
Fixed deposits	77,056.70	29.62%	36,776.57	18.02%	42,028.79	22.99%	46,057.22	27.34%	41,945.69	28.96%
Deposits under schemes	60,446.15	23.23%	65,255.56	31.97%	60,852.62	33.29%	55,176.86	32.75%	50,214.55	34.67%
Subordinated Bond	2,400.00	0.92%	3,000.00	1.47%	3,000.00	1.64%	3,000.00	1.78%	-	-
Other liabilities	24,006.83	9.23%	19,428.05	9.52%	15,917.31	8.71%	13,266.10	7.87%	10,030.99	6.93%
Total liabilities	242,585.91	93.24%	187,317.86	91.77%	167,286.44	91.51%	154,954.97	91.98%	132,267.74	91.32%
Capital/Shareholders' equity										
Paid up capital	7,761.15	2.98%	7,391.57	3.62%	7,391.57	4.04%	7,391.57	4.39%	6,599.61	4.56%
Statutory reserve	6,312.80	2.43%	5,449.25	2.67%	4,751.78	2.60%	4,223.12	2.51%	3,765.42	2.60%
General Reserve	500.00									
Other reserve	1,295.34	0.50%	2,430.11	1.19%	2,477.87	1.36%	1,137.11	0.67%	852.29	0.59%
Surplus in profit and loss account	1,714.74	0.66%	1,538.68	0.75%	892.51	0.49%	767.37	0.46%	1,356.91	0.94%
Total Shareholders' equity	17,584.02	6.76%	16,809.61	8.23%	15,513.73	8.49%	13,519.17	8.02%	12,574.23	8.68%
Total liabilities and Shareholders' equity	260,169.93	100.00%	204,127.47	100.00%	182,800.17	100.00%	168,474.14	100.00%	144,841.97	100.00%

Profit and Loss Account

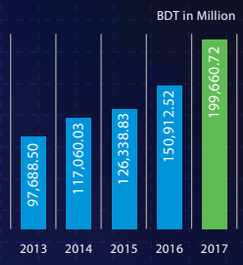
BDT in Million

Particulars	2017	%	2016	%	2015	%	2014	%	2013	%
Interest income / profit on investments	16,280.50	65.78%	13,794.72	66.18%	14112.7	71.45%	13,984.50	72.15%	13,344.90	69.90%
Interest / profit paid on deposits, borrowings, etc.	12,897.32	52.11%	10,750.30	51.57%	11808.55	59.78%	11,385.39	58.74%	11,795.76	61.79%
Net interest / net profit on investments	3,383.17	13.67%	3,044.42	14.60%	2304.15	11.67%	2599.11	13.41%	1549.14	8.11%
Investment income	3,451.10	13.94%	3,049.20	14.63%	2877.94	14.57%	2,796.03	14.43%	3,266.94	17.11%
Commission, exchange and brokerage	2,604.84	10.52%	1,871.88	8.98%	1673.09	8.47%	1,552.57	8.01%	1,457.89	7.64%
Other operating income	2,415.19	9.76%	2,129.80	10.22%	1088.84	5.51%	1,048.31	5.41%	1,020.98	5.35%
Total operating income (A)	11,854.30	47.89%	10,095.30	48.43%	7,944.02	40.22%	7,996.02	41.26%	7,294.95	38.21%
Salaries and allowances	2,487.92	10.05%	2,469.28	11.85%	1,801.63	9.12%	1,787.53	9.22%	1,428.29	7.48%
Chief Executive's Salary and Fees	16.14	0.07%	11.38	0.05%	12.39	0.06%	11.69	0.06%	9.85	0.05%
Directors' fees	4.38	0.02%	4.87	0.02%	3.47	0.02%	2.75	0.01%	2.79	0.01%
Rent, Taxes, Insurance, Electricity, etc.	676.35	2.73%	626.19	3.00%	543.22	2.75%	479.33	2.47%	430.76	2.26%
Legal expenses	15.57	0.06%	8.54	0.04%	6.48	0.03%	12.72	0.07%	12.54	0.07%
Postage, Stamp, Telecommunication, etc.	61.49	0.25%	63.21	0.30%	66.14	0.33%	52.39	0.27%	53.64	0.28%
Stationery, Printing, Advertisements, etc	190.63	0.77%	179.04	0.86%	182.38	0.92%	204.39	1.05%	148.90	0.78%
Auditors' fees	1.55	0.01%	0.92	0.00%	0.69	0.00%	0.60	0.00%	0.92	0.00%
Depreciation and Repair of Fixed Assets	379.96	1.54%	377.53	1.81%	302.49	1.53%	267.92	1.38%	232.30	1.22%
Other expenses	1,449.76	5.86%	1,917.90	9.20%	1,089.38	5.52%	766.13	3.95%	719.26	3.77%
Total operating expenses (B)	5,283.74	21.35%	5,658.87	27.15%	4,008.27	20.29%	3,585.45	18.50%	3,039.25	15.92%
Profit / (loss) before provision (C=A-B)	6,570.56	26.55%	4,436.43	21.28%	3,935.75	19.93%	4,410.57	22.76%	4,255.70	22.29%
Provision for loans and advances										
Provision against Classified Loans (Specific provision)	667.58	2.70%	559.47	2.68%	102.64	0.52%	485.33	2.50%	984.80	5.16%
Provision against Unclassified Loans (General provision)	1,298.51	5.25%	212.73	1.02%	1,156.38	5.85%	1,552.49	8.01%	26	0.14%
Provision for off-balance sheet sheet	286.76	1.16%	176.70	0.85%	33.44	0.17%	84.25	0.43%	16.20	0.08%
Other provisions	-		0.17	0.00%	-	0.00%	-	0.00%	-	0.00%
Total provision (D)	2,252.85	9.10%	949.08	4.55%	1,292.46	6.54%	2,122.07	10.95%	1,027.00	5.38%
Total profit / (loss) before taxes (C-D)	4,317.71	17.44%	3,487.36	16.73%	2,643.29	13.38%	2,288.50	11.81%	3,228.70	16.91%
Provision for taxation										
Current tax	1,300.00	5.25%	1,264.86	6.07%	1,255.21	6.35%	1,135.03	5.86%	1,230.00	6.44%
Deferred tax	-		(4.86)	-0.02%	(5.21)	-0.03%	(35.03)	-0.18%	20.00	0.10%
	1,300.00	5.25%	1,260.00	6.04%	1,250.00	6.33%	1,100.00	5.68%	1,250.00	6.55%
Net profit after taxation	3,017.71	12.19%	2,227.36	10.69%	1,393.29	7.05%	1,188.50	6.13%	1,978.70	10.36%

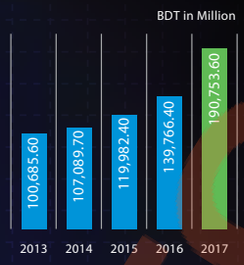
Graphical Presentation-MBL



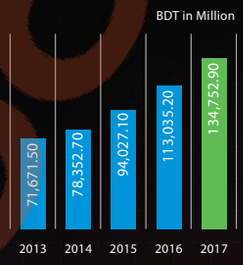
Deposits



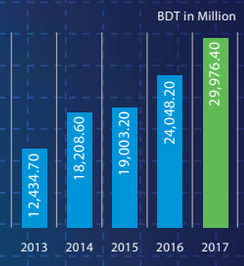
Loans and Advances



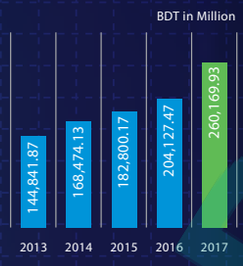
Import



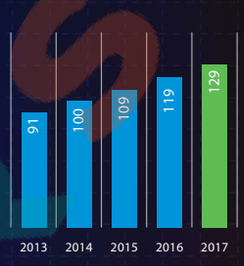
Export



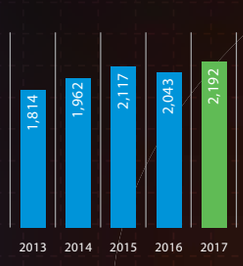
Remittance



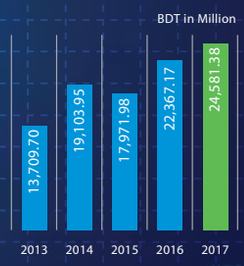
Total Assets



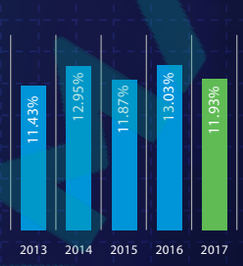
No. of Branches



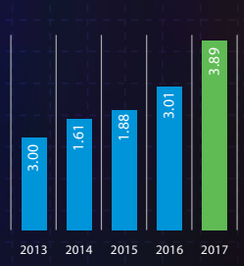
No. of Employees



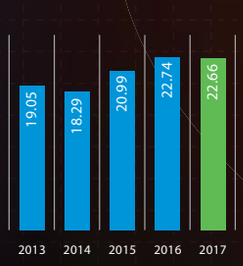
Total Capital/
Regulatory Capital



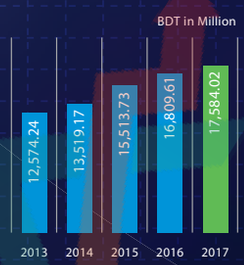
Capital to Risk Weighted
Ratio under Basel III



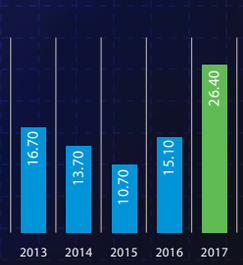
Earning per Share



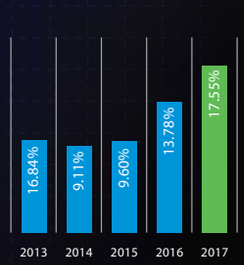
Book Value per Share



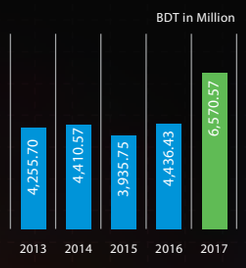
Shareholders' Equity



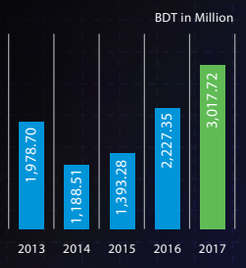
Market price per share



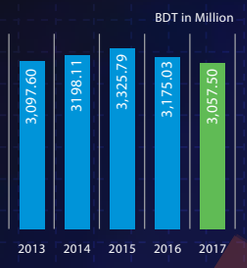
Return on Average Equity



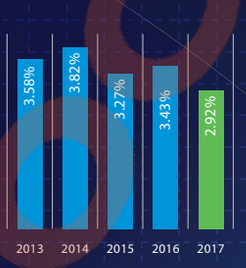
Profit before Provision and Tax



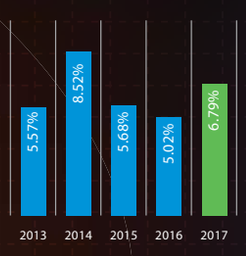
Profit after Tax



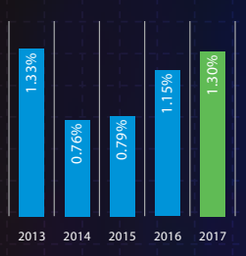
Fixed Assets



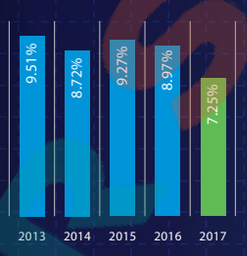
Net Interest Margin (NIM)



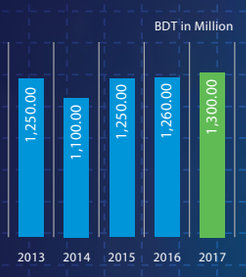
Price Earning Ratio (Times)



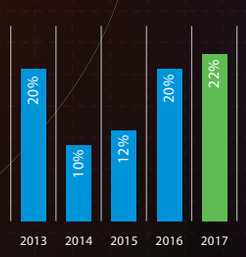
Return on Average Assets



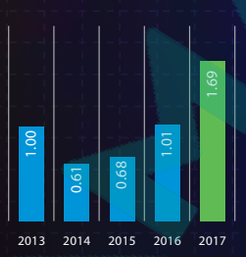
Debt Equity Ratio



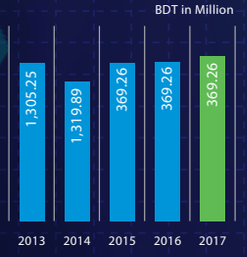
Porvision for tax including deferred tax



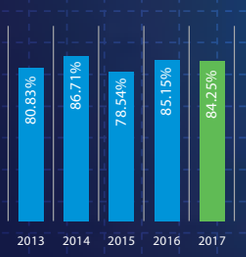
Dividend



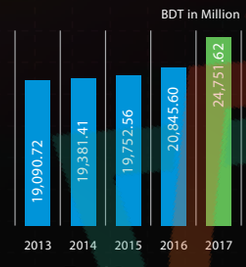
Retained By Entity per share



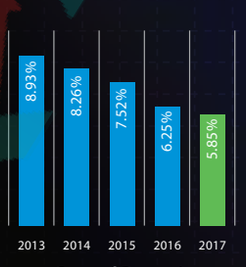
Economic Value Addition



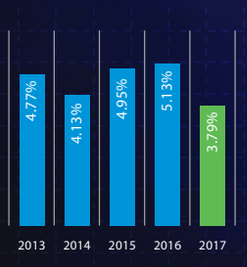
Credit Deposit Ratio



Total Revenue



Cost of Deposit



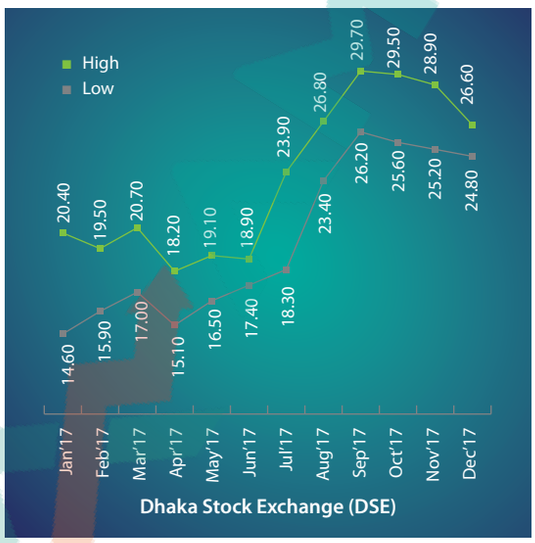
NPL (in %)

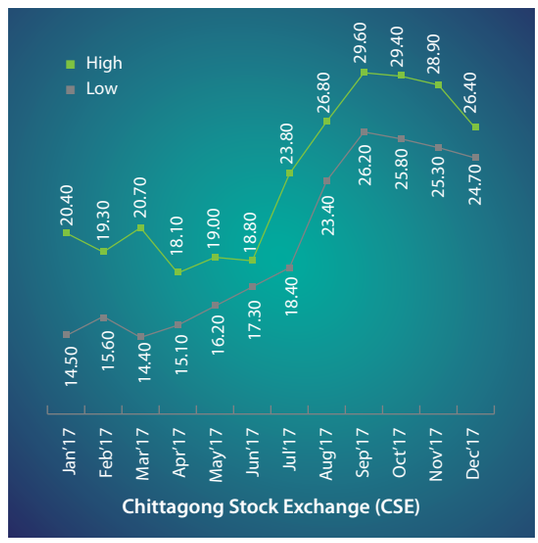
Market Performance

During the Year – 2017

Month	Dhaka Stock Exchange (DSE)			Chittagong Stock Exchange (CSE)		
	Highest Price (Tk.)	Lowest Price (Tk.)	Average Trade Volume	Highest Price (Tk.)	Lowest Price (Tk.)	Average Trade Volume
January	20.40	14.60	4,269,577	20.40	14.50	179,107
February	19.50	15.90	2,632,220	19.30	15.60	150,716
March	20.70	17.00	4,885,695	20.70	14.40	234,893
April	18.20	15.10	2,004,019	18.10	15.10	73,712
May	19.10	16.50	3,583,643	19.00	16.20	100,215
June	18.90	17.40	2,425,189	18.80	17.30	51,245
July	23.90	18.30	7,896,389	23.80	18.40	257,954
August	26.80	23.40	6,267,340	26.80	23.40	239,937
September	29.70	26.20	5,605,997	29.60	26.20	262,172
October	29.50	25.60	4,036,112	29.40	25.80	150,306
November	28.90	25.20	3,097,772	28.90	25.30	109,858
December	26.60	24.80	1,351,141	26.40	24.70	120,118

DSE monthly High & Low Price per share in BDT







Chief Financial Officer's Statement

A sound financial sector is a key to sustainable economic development for any country as it facilitates the financial mechanisms between borrowers and lenders which helps accelerate capital accumulation and makes use of resources into productive sectors effectively & efficiently. The banking system is supposed to play a major role in the efficient allocation of resources as well as contribute enormously to develop business & industries that truly do have the potential to grow & become a pillar of strength for our long term growth.

For Bangladesh 2017 has been a mixed year of success & challenges. Some macro indicators reflect the positive trends but the overall strength of the economy is weakening due to a number of developments in the second half of the year. One of the major achievement of the economy has been a 7.28 percent economic growth in FY 2016-17 breaking the Six percent cycle that continued for a couple of years. Like previous year, service sector has contributed mostly to achieve this growth. In FY 2016-17 the average inflation has been around 5.50 percent. Investment as a share of GDP has slightly went up to 30.50 percent in FY 2016-17 from 29 percent in FY 2015-16. However, the private sector's investment has been almost stagnant since FY-2015-16 hovering around 23 percent. The major boost has come from the public sector which increases to 7.40 percent in FY-2016-17 from 6.70 percent in FY 2015-16.

In 2017, the banking sector exposed to some new challenges like rise of non-performing loans, lower capital adequacy, BASEL III implementation within 2019 and extreme competition within peer banks. But the good sign is that, Bangladesh Bank has undertaken some initiative to improve the performance of the banking sector.

We, Mercantile Bank Limited turned in another set of record earnings despite challenging economic conditions in the year 2017. The results underscored the breadth and resilience of our banking operation as we successfully captured income opportunities and managed risks. Growth in the year 2017 was higher than expected as consumption picked up in response to rising income, and as private sector positive growth

though the deposit rate was undergoing over the year, spread of the bank's income was also decreased as anticipated but broad-shouldered mechanism in MBL's banking operation managed to meet all the targets.

Key Performance Indicators of the Bank as on December 31, 2017 are as follows:

		(BDT in Crore)
Particulars	2016	2017
Deposits [Growth is 33% compared to YTD: 2016]	16,525.75	22,051.66
Loans and Advances [Growth is 32% compared to YTD: 2016]	15,091.22	19,966.07
Import [Growth is 36% compared to YTD: 2016]	13,976.64	19,075.36
Export [Growth is 19% compared to YTD: 2016]	11,303.52	13,475.29
Remittance [Growth is 25% compared to YTD: 2016]	2,404.82	2,997.64
Investments [Growth is 16% compared to YTD: 2016]	3,292.07	3,832.21
Operating Profit [Growth is 48% compared to YTD: 2016]	443.64	657.06

Sustainable Growth Indicators of MBL:

Mercantile Bank Limited has successfully reduced its cost of deposit to 5.85% from 6.25% in 2016. Though to maintain the profitability intact, MBL was cautious while reducing its yield on advances at 9.06%. MBL was able to maintain its AD ratio at 84.25% keeping the regulatory parameters in mind and utilize its deposit wisely. Net interest Margin (NIM) decreased to 2.92% as on December 2017 as compared to 3.43% as on December 31, 2016. Taking of different steps in trimming down the overhead expenditures and augmentation of non-interest income actually hit the bottom line of the Bank. Attacking the further deterioration of NPL position as well as bringing down the NPL were a challenge in the present banking arena of Bangladesh. The exertion of all these is a sequential result of hitting the bottom line of Tk. 657.06 crore.

In a bid to maximize shareholders' value and strengthen our core capital, the Bank is maintaining a stable dividend policy emphasizing on stock dividend. On the other hand, MBL strives to maintain adequate capital base to remain compliant on risk based capital adequacy framework as per Basel III. We framed a five-year capital plan incorporating its future outlook of achieving capital adequacy ratio far above than minimum requirement in the upcoming future. MBL has taken numerous initiatives including issuance of bonus shares, right shares, retention of profit, corporate client's credit rating etc. in a bid to attain strong capital adequacy ratio. MBL is maintaining strong Capital to Risk Weighted Assets Ratio (CRAR) as per new risk based capital adequacy framework i.e. Basel III. CRAR of the Bank remained above compared to minimum requirement as on December 31, 2017 which is 11.93%.

Assets Quality

Our continuous endeavor to recover bad loan, stinginess while recovery of write-off loans and strong monitoring & supervision of existing loan portfolio lead the Bank to restrict its Non Performing Loans below 4% using prudent application of Bangladesh Bank's circulars on loan rescheduling and classification. Total nonperforming loan of MBL stood at 3.79% in 2017.

However, we have consolidated our position by making adequate provision amounting to BDT 8,551.64 million against the requirement of BDT 8,551.64 million.

Contribution to Government Exchequer

Being a corporate stakeholder of the country since inception MBL has been paying a commendable amount of corporate tax in every year. It also deposits excise duty, withheld tax and VAT to Govt. Exchequer on time deducted from employees' salary as well as payments to customers and vendors. In 2017, the Bank has made provision of BDT 1,300.00 million for corporate tax.

We, Mercantile Bank Limited always remain compliant, transparent and accountable in every segment of its banking operations in line with applicable laws and regulations of the land. We accomplish the tasks keeping the trustworthiness, meaningfulness & uncompromising commitment towards all our stakeholders and this categorical endeavor will definitely make the upcoming years more successful for all the stakeholders.



Dr. Md. Nurul Islam
Senior Executive Vice Present & CFO

Date: 24 March, 2018

To the Board of Directors
Mercantile Bank Limited
61, Dilkusha C/A
Dhaka-1000

Statement of Integrity of Financial Statements by the MD & CEO and CFO

In accordance with the notification of Bangladesh Securities and Exchange Commission No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 we declare the followings regarding the financial statements of Mercantile Bank Limited for the year ended 31 December 2017:

a) We have reviewed the financial statements for the year 2017 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards and applicable laws;

b) There are, to the best of knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violation of the Bank's code of conduct.

Dr. Md. Nurul Islam
Senior Executive Vice Present &
Chief Financial Officer (CFO)

Kazi Masihur Rahman
Managing Director &
Chief Executive Officer (CEO)

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Signing Ceremony of the Financial Statements 2017





Financial Statements 2017
of
Mercantile Bank Limited

UHY Syful Shamsul Alam & Co.
Chartered Accountants

AHKC
Aziz Halim Khair Choudhury
Chartered Accountants.
Exclusive Correspondent Firm of PKF International

Independent Auditors' Report to the Shareholders of Mercantile Bank Limited

We have audited the accompanying consolidated financial statements of Mercantile Bank Limited and its subsidiaries (the "Group") as well as the separate financial statements of Mercantile Bank Limited (the "Bank"), which comprise the consolidated balance sheet and the separate balance sheet as at 31 December 2017, and the consolidated and separate profit and loss accounts, consolidated and separate statements of changes in equity and consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements and Internal Controls

Management is responsible for the preparation of consolidated financial statements of the Group and also separate financial statements of the Bank that give a true and fair view in accordance with Bangladesh Financial Reporting Standards as explained in note 2.0 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements of the Group and also the separate financial statements of the Bank that are free from material misstatement, whether due to fraud or error. The Bank Companies Act, 1991 as amended in 2013 & 2018 and the Bangladesh Bank regulations require the management to ensure effective internal audit, internal control and risk management functions of the Bank. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements of the Group and the separate financial statements of the Bank based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements of the Group and the separate financial statements of the Bank are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements of the Group and separate financial statements of the Bank. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements of the Group and the separate financial statements of the Bank, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements of the Group and the separate financial statements of the Bank that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements of the Group and the separate financial statements of the Bank.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and also the separate financial statements of the Bank give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Bank as at 31 December 2017, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards as explained in note 2.0.

Other matter

The consolidated financial statements of the Group and also separate financial statements of the Bank as at and for the year ended 31 December 2016 were audited by Aziz Halim Khair Choudhury, Chartered Accountants and A. Qasem & Co., Chartered Accountants, who expressed an unmodified opinion on those statements on 25 February 2017.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, Securities and Exchange Rules 1987, the Bank Companies Act

1991 as amended in 2013 & 2018 and the rules and regulations issued by Bangladesh Bank, we also report the following:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit and made due verification thereof;

(b) to the extent noted during the course of our audit work performed on the basis stated under the Auditor's Responsibility section in forming the above opinion on the consolidated financial statements of the Group and the separate financial statements of the Bank and considering the reports of the management to Bangladesh Bank on anti-fraud internal controls and instances of fraud and forgeries as stated under the Management's Responsibility for the Financial Statements and Internal Control:

i) internal audit, internal control and risk management arrangements of the Group and the Bank as disclosed in notes 2.10 appeared to be adequate with immaterial control deficiencies as identified in management report.

ii) nothing has come to our attention regarding material instances of forgery or irregularity or administrative error and exception or anything detrimental, committed by employees of the Bank and its related entities.

(c) financial statements of subsidiary companies of the Bank namely Mercantile Bank Securities Limited and Mercantile Exchange House (UK) Limited were audited by K. M. Hasan & Co., Chartered Accountants and Jahan & Co., Chartered Management Accountants, respectively as on 31 December 2017. These accounts have been properly reflected in the consolidated financial statements;

(d) in our opinion, proper books of account as required by law have been kept by the Group and the Bank so far as it appeared from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;

(e) the consolidated balance sheet and consolidated profit and loss account of the Group and the separate balance sheet and separate profit and loss account of the Bank dealt with by the report are in agreement with the books of account;

(f) the expenditure incurred was for the purposes of the Bank's business as it appeared from our examination on a test basis;

(g) the consolidated financial statements of the Group and the separate financial statements of the Bank have been drawn up in conformity with prevailing rules, regulations and Bangladesh Financial Reporting Standards as explained in note 2.0 as well as with related guidelines, circulars issued by Bangladesh Bank and the instruction given by Bangladesh Bank vide letter no: DBI-1/110/2018-917 dated 12/03/2018 after the tripartite meeting amongst Inspection Team of Bangladesh Bank, External Auditors and the Management of Mercantile Bank Limited held on February 27, 2018.

(h) Provisions as explained in note 7.11 and 12.5.1 have been made for loans and advances which are, in our opinion, doubtful of recovery;

(i) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;

(j) the information and explanation required by us, as it appeared from our examination on a test basis, have been received and found satisfactory;

(k) we have reviewed over 80% of the risk weighted assets and spent around 6,448 person hours for the audit of the books and accounts of the Bank; and

(l) Capital to Risk- weighted Asset Ratio (CRAR) as required by the Bangladesh Bank had been maintained adequately during the year.

Syful Shamsul Alam & Co.

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Dr. Jamshed S.A. Choudhury.

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited and its Subsidiaries
Consolidated Balance Sheet
As at 31 December 2017

	Notes	Amount in BDT	
		2017	2016
Property and Assets			
Cash in hand	**3(a)**	**15,680,966,260**	**12,501,632,123**
Cash in hand (Including foreign currencies)		2,008,127,286	1,724,292,311
Balance with Bangladesh Bank & its agent bank(s) (including foreign currency)		13,672,838,974	10,777,339,812
Balance with other banks and financial institutions	**4(a)**	**934,312,772**	**3,752,891,993**
In Bangladesh		688,461,599	3,394,173,928
Outside Bangladesh		245,851,173	358,718,065
Money at call on short notice	**5(a)**	**100,000,000**	**-**
Investments	**6(a)**	**35,602,149,655**	**30,200,687,896**
Government		29,362,506,727	24,271,567,529
Others		6,239,642,928	5,929,120,367
Loans and Advances	**7(a)**	**202,940,413,744**	**154,116,150,199**
Loans, Cash Credit, Overdraft etc.		183,544,215,779	141,073,305,556
Bills purchased and discounted		19,396,197,965	13,042,844,643
Fixed assets including premises, furniture and fixtures	**8(a)**	**3,082,427,810**	**3,199,089,093**
Other assets	**9(a)**	**3,053,717,095**	**1,264,942,686**
Non- banking assets		**-**	**-**
Total Property and Assets		**261,393,987,336**	**205,035,393,990**
Liabilities and Capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	**10(a)**	**7,056,119,495**	**8,804,043,480**
Deposits and other Accounts		**209,074,458,843**	**155,783,565,760**
Current Accounts and other Accounts	11.1(a)	49,465,778,859	34,703,950,386
Bills Payable	11.2(a)	2,594,349,058	2,445,955,797
Savings Bank Deposits	11.3(a)	19,511,485,925	16,601,527,469
Fixed Deposits	11.4(a)	77,056,698,640	36,776,569,142
Deposits Under Schemes	11.5(a)	60,446,146,361	65,255,562,966
Subordinated Bond	**11.2(b)**	**2,400,000,000**	**3,000,000,000**
Other Liabilities	**12(a)**	**25,218,275,725**	**20,578,455,563**
Total Liabilities		**243,748,854,063**	**188,166,064,803**
Capital/Shareholders' Equity		**17,594,576,292**	**16,818,844,936**
Paid up Capital	13.1	7,761,145,370	7,391,567,010
General Reserve	14.1	500,000,000	-
Statutory Reserve	14(a)	6,312,796,441	5,449,253,039
Other Reserve	15(a)	1,295,336,337	2,430,109,418
Surplus in Profit & Loss Account	16(a)	1,725,298,143	1,547,915,469
Non Controlling Interest	16(b)	50,556,981	50,484,252
Total Shareholders' Equity		**17,645,133,273**	**16,869,329,187**
Total Liabilities & Shareholders' Equity		**261,393,987,336**	**205,035,393,990**

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	Notes	Amount in BDT	
		2017	2016
Off-Balance Sheet Items			
Contingent Liabilities			
Acceptances and Endorsements	17.1	47,500,722,770	26,754,596,178
Letters of Guarantee	17.2	13,500,172,474	8,300,212,805
Irrevocable Letters of Credit	17.3	43,748,154,363	33,790,013,239
Bills for Collection	17.4	7,629,978,904	10,116,331,039
Other contingent liabilities(BLW)	17.5	2,378,023,272	2,736,632,233
Total		**114,757,051,783**	**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		**114,757,051,783**	**81,697,785,494**
Net Asset Value Per Share (NAVPS)		**22.74**	**22.82**

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

Managing Director and CEO **Director** **Director** **Chairman**

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

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited and its Subsidiaries
Consolidated Profit & Loss Account
For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
Interest income	19(a)	16,327,975,923	13,864,607,540
Less: Interest Paid on deposits, borrowings etc.	21(a)	12,897,323,225	10,750,300,888
Net interest income		**3,430,652,698**	**3,114,306,653**
Investment income	20(a)	3,498,040,797	3,049,196,792
Commission, exchange and brokerage	22(a)	2,747,572,036	1,967,056,164
Other operating income	23(a)	2,445,292,648	2,145,525,281
		8,690,905,481	**7,161,778,236**
Total operating income		**12,121,558,179**	**10,276,084,889**
Salaries and allowances	24(a)	2,528,199,741	2,498,707,612
Chief Executive's salary and fees	25(a)	16,138,710	12,982,253
Directors' fees	26(a)	5,671,189	6,593,200
Rent, taxes, insurances, electricity etc.	27(a)	692,006,593	638,468,058
Legal expenses	28(a)	17,078,985	10,572,881
Postage, stamps, telecommunication etc.		63,710,692	65,357,100
Stationery, Printings, Advertisements etc.	29(a)	191,940,214	179,599,987
Auditors' fees		2,005,900	1,304,058
Charges on loan losses		-	-
Depreciation and repair of Bank's assets	30(a)	384,666,555	381,498,650
Other expenses	31(a)	1,556,237,488	1,981,630,984
Total operating expenses		**5,457,656,067**	**5,776,714,783**
Profit/(Loss) before provision		**6,663,902,112**	**4,499,370,106**
Provision for Loan and advances including off Balance Sheet items	12.5(a)	2,317,846,431	984,077,542
Provision for diminution in value of investments in shares		-	-
Other provision	12.3.1(a)	-	-
Total provision		**2,317,846,431**	**984,077,542**
Total Profit/(Loss) before Taxes		**4,346,055,681**	**3,515,292,564**
Provision for Current Tax	12.4.1(a)	1,380,571,440	1,292,248,341
Provision for Deferred Tax	12.4.2(a)	(54,457,982)	(4,861,038)
		1,326,113,458	**1,287,387,303**
Net Profit after Taxation		**3,019,942,223**	**2,227,905,261**
Appropriations			
Statutory Reserve	14	863,543,401	697,471,664
General Reserve	14.1	500,000,000	-
		1,363,543,401	**697,471,664**
Retained surplus	16(a).1	**1,656,398,822**	**1,530,433,597**
Net profit after Tax attributable to:			
Equity holders of Mercantile Bank Ltd.		1,656,326,094	1,530,426,357
Non Controlling Interest in Profit		72,728	7,240
		1,656,398,822	**1,530,433,597**
Consolidated Earnings Per Share (EPS restated for'16)	**32(a)**	**3.89**	**2.87**

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

Managing Director and CEO **Director** **Director** **Chairman**

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

Syful Shamsul Alam & Co.
Chartered Accountants

Aziz Halim Khair Choudhury
Chartered Accountants

Dated: Dhaka
24 March, 2018

Mercantile Bank Limited and its Subsidiaries
Consolidated Cash Flow Statement
For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
A) Cash flows from operating activities			
		1,740,786,019	**1,347,231,424**
IInterest received		15,200,266,039	12,996,479,400
Interest paid		(10,468,239,724)	(8,688,431,874)
Fees and commission received		1,221,479,958	1,014,397,719
Dividend receipts		98,914,472	-
Recoveries on loans previously written off		21,259,001	6,667,861
Payment to the employees		(2,528,199,741)	(2,492,476,735)
Payment to suppliers		(252,635,888)	(121,363,238)
Income tax paid		(1,552,058,099)	(1,368,041,709)
Received from other operating activities		**7,323,570,440**	**6,027,761,206**
Exchange gain		1,526,092,077	952,658,445
Other operating income		5,797,478,363	5,075,102,761
Payment for other operating activities		**(2,438,317,289)**	**(2,793,556,363)**
Rent, taxes, insurances and electricity		(692,006,593)	(638,468,058)
Legal expenses		(17,078,985)	(10,572,881)
Postage, stamps and telecommunication		(63,710,692)	(65,357,100)
Auditors' fees		(2,005,900)	(1,084,037)
Repair and maintenance		(85,467,732)	(76,962,266)
Chief Executive's salary and fees		(16,138,710)	(12,982,253)
Directors' fees		(5,671,189)	(6,593,200)
Other expenses		(1,556,237,488)	(1,981,536,568)
Operating cash flows before changes in operating assets & liabilities		**6,626,039,171**	**4,581,436,267**
(Increase)/ decrease in operating assets and liabilities		**(53,915,202,743)**	**(22,946,142,696)**
Trading securities (Treasury Bills & Bonds)		(5,090,939,198)	4,545,958,861
Loans and advances to other banks		-	-
Loans and advances to customer		(48,824,263,545)	(27,492,101,557)
Other assets (Item-wise)		**(1,777,459,746)**	**211,235,699**
Investment in shares of subsidiary companies			
In Bangladesh (Mercantile Bank OBU Unit)		(747,589,885)	-
Outside Bangladesh (Mercantile Exchange House (UK) Limited)		(4,793,379)	6,733,224
Stationery, stamps,printing materials in stock etc		(7,643,772)	12,920,087
Advance rent and advertisement		34,673,829	64,786,203
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debenture and other income receivable (Adjusting account debit)		(414,003,824)	135,332,912
Security deposit (Advance deposits)		(993,340)	(336,160)
Prelimiary, formation and organization expenses, renovation/ development expenses and prepaid expenses (MBL Center)		(19,638,491)	-
Branch adjustment (Mercantile Bank general account)		(221,246,725)	-
Suspense Account		(396,224,159)	(12,904,242)
Silver		-	-
Others (Premium on bond)		-	4,703,843
Others (Clearing adjustment account)		-	(168)
		51,957,375,804	**22,117,724,649**
Deposit from other banks		(1,747,923,985)	8,251,195,336
Deposit from customers		53,290,893,082	8,074,833,045
Other liabilities on account of customers		-	-
Other liabilities		414,406,707	5,791,696,268
Net cash flows from operating activities		**2,890,752,485**	**3,964,253,919**

	Notes	Amount in BDT	
		2017	2016
B) Cash flows from investing activities			
Brokerage House customer account		-	-
(Purchase)/ sale of property, plant and equipment		(181,770,718)	(151,484,491)
(Purchase)/sale of shares		38,502,801	21,694,389
(Purchase)/sale of bond		(1,097,770,000)	(58,880,000)
Other investment		847,659,100	(3,599,999,980)
Net cash flows from investing activities		**(393,378,817)**	**(3,788,670,082)**
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)	-
Paid for Interest on Subordinated bond		(324,000,000)	(360,000,000)
Received by issue of right share		-	-
Dividend paid		(1,108,735,052)	(886,988,042)
Net cash flows from financing activities		**(2,032,735,052)**	**(1,246,988,042)**
Net increase/(decrease) in cash & cash equivalent (A+B+C)		**464,638,616**	**(1,071,404,204)**
Cash and cash equivalent at beginning of the year		16,254,524,116	17,325,928,321
Cash and cash equivalent at the end of the year		**16,719,162,732**	**16,254,524,116**
Net Operating Cash Flow Per Share (NOCFPS)		**3.72**	**5.36**
Cash and cash equivalents at end of the year			
Cash in hand (Including foreign currencies)	3(a)	2,008,127,286	1,721,533,011
Balance with Bangladesh Bank & its agent bank(s) (including foreign currencies)	3(a)	13,672,838,974	10,777,339,812
Balance with other banks and financial institutions	4(a)	934,312,772	3,752,891,993
Prize Bonds	6.2 (b)	3,883,700	2,759,300
Money at call on short notice	5(a)	100,000,000	-
		16,719,162,732	**16,254,524,116**

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

Managing Director and CEO **Director** **Director** **Chairman**

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

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited and its Subsidiaries
Consolidated Statement of Changes in Equity
For the year ended 31 December 2017

Amount in BDT

Particulars	Paid-up Capital	Statutory Reserve	General Reserve	Other Reserve				Surplus Profit/(loss)	Total	Non Controlling Interest	Total
				Dividend Equalization Fund	Adjustment for Approved Securities	Revaluation Surplus for Fixed Assets	Net Balance of Other Reserve				
	A	B	C	D	E	F	G=(D+E+F)	H	I=(A+B+C+G+H)	J	K=(I+J)
Balance as at 1 January 2017	**7,391,567,010**	**5,449,253,039**	**-**	**45,680,250**	**1,740,817,212**	**643,611,955**	**2,430,109,418**	**1,547,915,469**	**16,818,844,936**	**50,484,252**	**16,869,329,187**
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve	-	863,543,402	-	-	-	-		(863,543,402)	-	-	-
General reserve	-	-	500,000,000	-	-	-	-	(500,000,000)	-		-
Market adjustment of approved securities (HTM)	-	-	-	-	(1,134,773,080)	-	(1,134,773,080)	-	(1,134,773,080)	-	(1,134,773,080)
Surplus/deficit on account of revaluation of properties	-	-	-		-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	-	-	-	-	-	-	-
Currency transaction difference	-	-	-	-	-	-	-	(702,735)	(702,735)	-	(702,735)
Net gains and losses not recognised in Income Statement			-	-	-	-	-	-	-		-
Net profit for the year after taxation	-		-	-	-	-	-	3,019,942,223	3,019,942,223	72,729	3,020,014,952
Transfer	-		-	-	-	-	-	-	-	-	-
Issuance of bonus shares	369,578,360	-	-	-	-	-	-	(369,578,360)	-	-	-
Bonus share premium			-	-	-	-	-	-	-		-
Cash dividend	-	-	-	-	-	-	-	(1,108,735,052)	(1,108,735,052)	-	(1,108,735,052)
Dividend equalization fund	-	-	-	-	-	-	-	-	-	-	-
Non controlling share capital/profit	-	-	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	**7,761,145,370**	**6,312,796,441**	**500,000,000**	**45,680,250**	**606,044,132**	**643,611,955**	**1,295,336,337**	**1,725,298,143**	**17,594,576,291**	**50,556,981**	**17,645,133,272**
Balance as at 31 December 2016	**7,391,567,010**	**5,449,253,039**	**-**	**45,680,250**	**1,740,817,212**	**643,611,955**	**2,430,109,418**	**1,547,915,469**	**16,818,844,936**	**50,484,252**	**16,869,329,187**

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

Managing Director and CEO | **Director** | **Director** | **Chairman**

This is the Consolidated Statement of Changes in Equity referred to in our separate report of even date.

Syful Shamsul Alam & Co.
Chartered Accountants

Aziz Halim Khair Choudhury
Chartered Accountants

Dated: Dhaka
24 March, 2018

Mercantile Bank Limited and its Subsidiaries
Consolidated Liquidity Statement
Asset and Liability Maturity Analysis
For the year ended 31 December 2017

Amount in BDT

Particulars	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	More than 5 years	Total
Assets:						
Cash in hand	2,005,641,735	1,521,100,235	2,485,551	-	12,151,738,739	15,680,966,260
Balance with other banks and financial institutions	146,697,596	505,476,019	282,139,157	-	-	934,312,772
Money at call and short notice	100,000,000	-	-	-	-	100,000,000
Investments	518,434,030	-	8,959,643,037	7,714,294,909	18,409,777,677	35,602,149,655
Loans and advances	30,080,470,535	41,806,119,054	65,162,275,215	46,163,232,884	19,728,316,056	202,940,413,744
Fixed assets including premises, furniture and fixtures	-	-	457,022,886	604,908,454	2,020,496,470	3,082,427,810
Other assets	-	1,964,539,896	163,481,972	393,466,790	532,228,436	3,053,717,095
Non-banking assets	-	-	-	-	-	-
Total Assets	**32,851,243,896**	**45,797,235,204**	**75,027,047,818**	**54,875,903,036**	**52,842,557,378**	**261,393,987,336**
Liabilities:						
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	150,000,000	-	6,906,119,495	-	-	7,056,119,495
Deposits	29,401,071,414	44,871,905,359	44,469,563,037	43,518,337,742	44,219,232,233	206,480,109,785
Other accounts	2,594,349,058	-	-	-	-	2,594,349,058
Subordinated Bond	-	-	-	-	2,400,000,000	2,400,000,000
Provision and other liabilities	-	489,975,275	14,137,398,475	10,590,901,975	-	25,218,275,725
Total Liabilities	**32,145,420,472**	**45,361,880,634**	**65,513,081,007**	**54,109,239,717**	**46,619,232,233**	**243,748,854,063**
Net Liquidity Gap	**705,823,424**	**435,354,570**	**9,513,966,811**	**766,663,319**	**6,223,325,145**	**17,645,133,273**

AMIR STOCK

Mercantile Bank Limited
Balance Sheet
As at 31 December 2017

	Notes	Amount in BDT	
		2017	2016
Property and Assets			
Cash in hand	**3**	**15,678,480,709**	**12,499,971,654**
Cash in hand (Including foreign currencies)	3.1	2,005,641,735	1,722,631,842
Balance with Bangladesh Bank & its agent bank(s) (including foreign currencies)	3.2	13,672,838,974	10,777,339,812
Balance with other banks and financial institutions	**4**	**821,345,385**	**3,536,863,426**
In Bangladesh	4.1	575,494,212	3,190,283,274
Outside Bangladesh	4.2	245,851,173	346,580,152
Money at call on short notice	**5**	**100,000,000**	**-**
Investments	**6**	**38,322,149,764**	**32,920,687,995**
Government	6.4	29,362,506,727	24,271,567,529
Others	6.5	8,959,643,037	8,649,120,466
Loans and Advances	**7**	**199,660,721,031**	**150,912,521,562**
Loans, Cash Credit, Overdraft etc.	7.A	180,264,523,067	137,869,676,919
Bills purchased and discounted	7.B	19,396,197,964	13,042,844,643
Fixed assets including premises, furniture and fixtures	**8**	**3,057,496,972**	**3,175,029,609**
Other assets	**9**	**2,529,732,363**	**1,082,399,453**
Non- banking assets		-	-
Total Property and Assets		**260,169,926,224**	**204,127,473,699**
Liabilities and Capital			
Liabilities			
Borrowings from other banks, financial institutions and agents	**10**	**7,056,119,495**	**8,804,043,480**
Deposits and other Accounts	**11**	**209,122,954,051**	**156,085,775,549**
Current Accounts and other Accounts	11.1	49,514,274,067	35,006,160,175
Bills Payable	11.2	2,594,349,058	2,445,955,797
Savings Bank Deposits	11.3	19,511,485,925	16,601,527,469
Fixed Deposits	11.4	77,056,698,640	36,776,569,142
Deposit Under Schemes	11.5	60,446,146,361	65,255,562,966
Subordinated Bond	**11.2(b)**	**2,400,000,000**	**3,000,000,000**
Other Liabilities	**12**	**24,006,832,417**	**19,428,048,424**
Total Liabilities		**242,585,905,963**	**187,317,867,453**
Capital/Shareholders' Equity			
Paid up capital	13.1	7,761,145,370	7,391,567,010
Statutory reserve	14	6,312,796,441	5,449,253,039
General reserve	14.1	500,000,000	-
Other reserve	15	1,295,336,337	2,430,109,417
Surplus in Profit & Loss Account	16	1,714,742,113	1,538,676,780
Total shareholders' Equity		**17,584,020,261**	**16,809,606,246**
Total Liabilities & Shareholders' Equity		**260,169,926,224**	**204,127,473,699**

	Notes	Amount in BDT	
		2017	2016
Off-Balance Sheet Items			
Contingent Liabilities			
Acceptances and Endorsements	17.1	47,500,722,770	26,754,596,178
Letters of Guarantee	17.2	13,500,172,474	8,300,212,805
Irrevocable Letters of Credit	17.3	43,748,154,363	33,790,013,239
Bills for Collection	17.4	7,629,978,904	10,116,331,039
Other contingent liabilities(BLW)	17.5	2,378,023,272	2,736,632,233
		114,757,051,783	**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 Off-Balance Sheet items including contingent liabilities		**114,757,051,783**	**81,697,785,494**
Net Asset Value Per Share (NAVPS)		**22.66**	**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.

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited
Profit & Loss Account
For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
Interest income	19	16,280,497,809	13,794,722,502
Less: Interest paid on deposits, borrowings etc.	21	12,897,323,225	10,750,300,888
Net interest income		**3,383,174,584**	**3,044,421,614**
Investment income	20	3,451,100,187	3,049,196,792
Commission, exchange and brokerage	22	2,604,840,269	1,871,881,144
Other operating income	23	2,415,186,666	2,129,802,611
		8,471,127,122	**7,050,880,546**
Total operating income		**11,854,301,706**	**10,095,302,161**
Salaries and allowances	24	2,487,918,808	2,469,283,725
Chief Executive's salary and fees	25	16,138,710	11,380,645
Directors' fees	26	4,381,689	4,866,800
Rent, taxes, insurances, electricity etc.	27	676,353,053	626,185,633
Legal expenses	28	15,568,813	8,543,103
Postage, stamps, telecommunication etc.		61,492,424	63,211,761
Stationery, Printings, Advertisements etc.	29	190,625,308	179,044,671
Auditors' fees		1,545,680	920,000
Charges on loan losses		-	-
Depreciation and repair of Bank's assets	30	379,957,135	377,534,484
Other expenses	31	1,449,756,644	1,917,895,473
Total operating expenses		**5,283,738,264**	**5,658,866,295**
Profit/(Loss) before provision		**6,570,563,442**	**4,436,435,866**
Provision for loans and advances including off Balance Sheet items	12.5	2,252,846,431	949,077,542
Provision for diminution in value of investments in shares		-	-
Other provision		-	-
Total provision		**2,252,846,431**	**949,077,542**
Total profit/(Loss) before taxes		**4,317,717,011**	**3,487,358,324**
Provision for Current Tax	12.4.1	1,354,457,982	1,264,861,038
Provision for Deferred Tax	12.4.2	(54,457,982)	(4,861,038)
		1,300,000,000	**1,260,000,000**
Net profit after taxation		**3,017,717,011**	**2,227,358,324**
Profit available for appropriation			
Appropriations			
Statutory reserve	14	863,543,401	697,471,664
General reserve	14.1	500,000,000	-
		1,363,543,401	**697,471,664**
Retained surplus	16	**1,654,173,610**	**1,529,886,660**
Earnings per share (EPS restated for '16)	**32**	**3.89**	**2.87**

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

Managing Director and CEO **Director** **Director** **Chairman**

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

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited
Cash Flow Statement
For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
A) Cash flows from operating activities			
		1,652,867,652	**1,284,692,416**
IInterest received		15,152,787,925	12,926,594,362
Interest paid		(10,468,239,724)	(8,688,431,874)
Fees and commission received		1,078,748,192	919,222,699
Dividend receipts		98,914,472	72,541,849
Recoveries on loans previously written off		21,259,001	6,667,861
Payment to the employees		(2,487,918,808)	(2,463,052,848)
Payment to suppliers		(190,625,308)	(120,807,923)
Income tax paid		(1,552,058,099)	(1,368,041,709)
Received from other operating activities		**7,293,464,457**	**5,939,496,687**
Exchange gain		1,526,092,077	952,658,445
Other operating income		5,767,372,380	4,986,838,242
Payment for other operating activities		**(2,310,704,745)**	**(2,709,871,264)**
Rent, taxes, insurances and electricity		(676,353,053)	(626,185,633)
Legal expenses		(15,568,813)	(8,543,103)
Postage, stamps and telecommunication		(61,492,424)	(63,211,761)
Auditors' fees		(1,545,680)	(920,000)
Repair and maintenance		(85,467,732)	(76,962,266)
Chief Executive's salary and fees		(16,138,710)	(11,380,645)
Directors' fees		(4,381,689)	(4,866,800)
Other expenses		(1,449,756,644)	(1,917,801,057)
Operating cash flows before changes in operating assets and liabilities		**6,635,627,365**	**4,514,317,839**
(Increase)/ decrease in operating assets and liabilities		**(53,839,138,667)**	**(20,027,728,426)**
Trading securities (Treasury bills & Bonds)		(5,090,939,198)	4,545,958,861
Loans and advances to other banks		-	-
Loans and advances to customers		(48,748,199,469)	(24,573,687,287)
Other assets (Item-wise)		**(1,777,459,746)**	**(15,123,379)**
Investment in shares of subsidiary companies			
In Bangladesh (Mercantile Bank OBU Unit)		(747,589,885)	163,304,393
Outside Bangladesh (Mercantile Exchange House (UK) Limited)		(4,793,379)	6,733,224
Stationery, stamps,printing materials in stock etc		(7,643,772)	12,920,087
Advance rent and advertisement		34,673,829	64,786,203
Interest accrued on investment but not collected, commission and brokerage receivable on shares and debenture and other income receivable (Adjusting account debit)		(414,003,824)	(254,330,559)
Security deposit (Advance deposits)		(993,340)	(336,160)
Prelimiary, formation and organization expenses, renovation/ development expenses and prepaid expenses (MBL Center)		(19,638,491)	-
Branch adjustment (Mercantile Bank general account)		(221,246,725)	-
Suspense Account		(396,224,159)	(12,904,242)
Silver		-	-
Others (Premium on bond)		-	4,703,843
Others (Clearing adjustment account)		-	(168)
		51,969,203,391	**19,478,577,445**
Deposit from other banks		(1,747,923,985)	8,251,195,336
Deposit from customers		53,037,178,502	8,269,491,898
Other liabilities on account of customers		-	-
Other liabilities		679,948,874	2,957,890,212
Net cash flows from operating activities		**2,988,232,342**	**3,950,043,479**

	Notes	Amount in BDT 2017	2016
B) Cash flows from investing activities			
Purchase/sale of property, plant and equipment		(177,014,477)	(149,807,631)
Purchase/sale of shares		38,502,801	21,694,389
Purchase/sale of bond		(1,097,770,000)	(58,880,000)
Other investment activities		847,659,100	(3,527,458,130)
Net cash flows from investing activities		**(388,622,576)**	**(3,714,451,372)**
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)	-
Paid for Interest on Subordinated bond		(324,000,000)	(360,000,000)
Received by issue of right share		-	-
Dividend paid		(1,108,735,052)	(886,988,041)
Net cash flows from financing activities		**(2,032,735,052)**	**(1,246,988,041)**
Net increase/(decrease) of cash & cash equivalent (A+B+C)		**566,874,714**	**(1,011,395,934)**
Cash and cash equivalent at the beginning of the year		**16,036,835,080**	**17,048,231,014**
Cash and cash equivalent at the end of the year		**16,603,709,794**	**16,036,835,080**
Net Operating Cash Flow Per Share (NOCFPS)		**3.85**	**5.34**
Cash and cash equivalents at end of the year			
Cash in hand (Including foreign currencies)	3.1	2,005,641,735	1,719,872,542
Balance with Bangladesh Bank & its agent bank(s) (including foreign currencies)	3.2	13,672,838,974	10,777,339,812
Balance with other banks and financial institutions	4	821,345,385	3,536,863,426
Prize Bonds	6.2 (b)	3,883,700	2,759,300
Money at call on short notice	5	100,000,000	-
		16,603,709,794	**16,036,835,080**

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

Managing Director and CEO **Director** **Director** **Chairman**

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

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

Mercantile Bank Limited and
Statement of Changes in Equity
For the year ended 31 December 2017

Amount in BDT

Particulars	Paid-up Capital	Statutory Reserve	General Reserve	Other Reserve				Surplus Profit/(loss)	Total
				Dividend Equalization Fund	Adjustment for Approved Securities	Revaluation Surplus for Fixed Assets	Net Balance of Other Reserve		
	A	B	C	D	E	F	G=(D+E+F)	H	I=(A+B+C+G+H)
Balance as at 1 January 2017	**7,391,567,010**	**5,449,253,039**	**-**	**45,680,250**	**1,740,817,213**	**643,611,955**	**2,430,109,418**	**1,538,676,780**	**16,809,606,246**
Changes in accounting policy	-	-	-	-		-	-	-	-
Transfer from income of OBU			-					-	-
Statutory reserve	-	863,543,402	-	-	-	-	-	(863,543,402)	-
General reserve	-	-	500,000,000	-	-	-		(500,000,000)	-
Market adjustment of approved securities (HTM)	-	-	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-	-	-	-
Surplus/deficit on account of revaluation of investments	-	-	-	-	(1,134,773,081)	-	(1,134,773,081)	-	(1,134,773,081)
Currency transaction difference	-	-	-	-	-	-	-		-
Net gains and losses not recognised			-		-	-	-	-	-
in the income statement	-	-	-	-		-	-	-	-
Net profit for the year after taxation	-	-	-		-	-	-	3,017,717,011	3,017,717,011
Transfer	-	-	-	-	-	-	-	205,136	205,136
Issuance of bonus share	369,578,360	-	-	-	-	-	-	(369,578,360)	-
Bonus share premium	-		-		-	-	-	-	-
Cash dividend	-	-	-	-	-	-	-	(1,108,735,052)	(1,108,735,052)
Dividend equalization fund	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	**7,761,145,370**	**6,312,796,441**	**500,000,000**	**45,680,250**	**606,044,132**	**643,611,955**	**1,295,336,337**	**1,714,742,113**	**17,584,020,261**
Balance as at 31 December 2016	**7,391,567,010**	**5,449,253,039**	**-**	**45,680,250**	**1,740,817,213**	**643,611,955**	**2,430,109,418**	**1,538,676,780**	**16,809,606,246**

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

Managing Director and CEO | **Director** | **Director** | **Chairman**

This is the Statement of Changes in Equity referred to in our separate report of even date.

Syful Shamsul Alam & Co.
Chartered Accountants
Dated: Dhaka
24 March, 2018

Aziz Halim Khair Choudhury
Chartered Accountants

AMARSTOCK

Mercantile Bank Limited
Liquidity Statement
Asset and Liability Maturity Analysis
For the year ended 31 December 2017

Amount in BDT

Particulars	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	More than 5 years	Total
Assets:						
Cash in hand	2,005,641,735	1,521,100,235	-	-	12,151,738,739	15,678,480,709
Balance with other banks and financial institutions	146,697,596	505,476,019	169,171,770	-	-	821,345,385
Money at call and short notice	100,000,000	-	-	-	-	100,000,000
Investments	518,434,030	-	8,959,643,037	7,714,294,909	21,129,777,788	38,322,149,764
Loans and advances	30,080,470,535	41,806,119,054	65,162,275,215	46,163,232,884	16,448,623,344	199,660,721,031
Fixed assets including premises, furniture and fixtures	-	-	457,022,886	604,908,454	1,995,565,632	3,057,496,972
Other assets	-	1,964,539,896	163,481,972	393,466,790	8,243,704	2,529,732,363
Non-banking assets	-	-	-	-	-	-
Total assets	**32,851,243,896**	**45,797,235,204**	**74,911,594,880**	**54,875,903,036**	**51,733,949,207**	**260,169,926,224**
Liabilities:						
Borrowing from Bangladesh Bank, other banks, financial institutions and agents	150,000,000		6,906,119,495	-	-	7,056,119,495
Deposits	29,401,071,414	44,871,905,359	44,469,563,037	43,518,337,742	44,267,727,441	206,528,604,993
Other accounts	2,594,349,058	-	-	-	-	2,594,349,058
Subordinated Bond	-	-	-	-	2,400,000,000	2,400,000,000
Provision and other liabilities	-	489,975,275	14,137,398,475	9,379,458,666	-	24,006,832,417
Total liabilities	**32,145,420,472**	**45,361,880,634**	**65,513,081,007**	**52,897,796,408**	**46,667,727,441**	**242,585,905,963**
Net Liquidity Gap	**705,823,424**	**435,354,570**	**9,398,513,873**	**1,978,106,628**	**5,066,221,766**	**17,584,020,261**

AMARSTOCK

Mercantile Bank Limited
Notes to the Financial Statements
As at and for the year ended 31 December 2017

1.0 Legal Status & Nature of the Bank

Mercantile Bank Limited ("the Bank") was incorporated in Bangladesh as a Public Company, Limited by shares under the Companies Act 1994 on 20 May 1999 and subsequently obtained Banking operation license from Bangladesh Bank under the Bank Company Act 1991 as amended in 2013 and commenced its commercial operation on 2 June 1999. The Bank went for public issue of shares in the year 2003 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Presently the Bank has 129 Branches and 2 (two) subsidiary companies.

1.1 Principle Activities

The principal activities of the Bank are 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.

1.2 Off-shore Banking Unit (OBU)

The Bank obtained the Off-shore Banking Unit permission vide letter no. BRPD (P-3)744(114)/2010-1743, dated 04 May 2010. The Off-shore Banking Unit commenced its commercial operation on 20 March 2011. Presently the bank has 2 (two) units in operation in Bangladesh. The Off-shore Banking Unit is governed under the rules and guidelines of Bangladesh Bank. The principal activities of the Units are to provide all kinds of commercial banking services to its customers in foreign currencies approved by the Bangladesh Bank. Separate Financial Statements of Off-shore Banking Unit has been drawn up in Annexure-G.

1.3 Mobile Banking Operation

The Bank obtained the permission for conducting the mobile banking operation under reference letter # DCMPS/PSD/37(D)/2011-753, dated 2 November 2011 of Bangladesh Bank. The Bank started its test-run in November 2012. 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.

1.4 Information about Subsidiaries

The Bank has 2 (two) subsidiaries

Mercantile Bank Securities Limited

Principle activities	:	Trading securities
Country of incorporation	:	Bangladesh
Controlling interest	:	98.61%

Mercantile Exchange House (UK) Limited

Principle activities	:	Financial services
Country of incorporation	:	UK
Controlling interest	:	100%

Detail as presented in note no. 1.4.1 to 1.4.2

1.4.1 Mercantile Bank Securities Limited

Mercantile Bank Securities Limited (MBSL) was founded in 2010 and has started its commercial operation on 14 September 2011, 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.

It is licensed by Bangladesh Securities and Exchange Commission (BSEC) to act as a stock broker as well as a stock dealer. Having seats in both Dhaka Stock Exchange Limited (TREC no. 224) and Chittagong Stock Exchange Limited (TREC no. 140), MBSL has become a trusted name to most of the Institutional investors & retail investors in Bangladesh.

MBSL offers full-fledged international standard brokerage service with margin loan facility. MBSL is also a full service Depository Participant (DP) of Central Depository Bangladesh Ltd. (CDBL). MBSL is dedicated to provide high level of professional and personalized services to its 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. Financial Statements of the Company are shown in Annexure-H.

1.4.2 Mercantile Exchange House (UK) Limited

Mercantile Exchange House (UK) Limited was incorporated as private limited company with Companies of England and Wales under registration no. 07456837 on 1 December 2010. The company is a wholly owned subsidiary company of Mercantile Bank Limited incorporated in Bangladesh, which is also the ultimate holding company. Earlier on 17 September 2010, Mercantile Bank Limited got the permission

from Bangladesh Bank for opening a fully owned subsidiary in UK. Mercantile Exchange House (UK) Limited obtained Money Laundering registration on 21 February 2011 and renewal and validity upto 1 January 2018 which issued by HM Customs and Excise.

The company got registration from Financial Services Authority (FSA) on 7 October 2010 as Small Payment Institution to carry out business under Payment Services Regulations 2009. The company started its commercial operation in London, UK on 20 September 2012. Financial Statements of the company are shown in Annexure-I.

2.0 Basis of Preparation of Financial Statements & Other Significant Accounting Policies

2.1 Basis of Accounting

2.1.1 Statement of Compliance

The Financial statements of the Bank and its subsidiaries are prepared in accordance with International Accounting Standards (IASs) & International Financial Reporting Standards (IFRSs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as Bangladesh Accounting Standards (BASs) & Bangladesh Financial Reporting Standards (BFRSs).

The financial statements have been prepared on a going concern basis under historical cost convention, except for certain investments which are stared at fair/market value and freehold land which are measured at revalued amount in accordance with the First Schedule (Sec-38) of the Bank Company Act, 1991 as amended in 2013, BRPD Circular #14 dated 25 June 2003, and DFIM Circular #11, dated 23 December 2009, other Bangladesh Bank circulars, Bangladesh Accounting Standards (BAS) & Bangladesh Financial Reporting Standards (BFRSs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). Bangladesh Financial Reporting Standards (BFRSs) the Companies Act, 1994, the Securities and Exchange Rules, 1987, Dhaka Stock Exchange (DSE) & Chittagong Stock Exchange (CSE) listing regulation and other law & rules applicable in Bangladesh. In cases where the requirements of Bangladesh Bank differ with those of BASs/BFRSs, the guidelines of the Bangladesh Bank has been applied (note-2.15)

2.1.2 Basis of Consolidation

The consolidated financial statements include the financial statements of Mercantile Bank Limited, its Off-shore Banking Units and its subsidiaries, Mercantile Bank Securities Limited and Mercantile Bank Exchange House (UK) Limited, prepared at the end of the financial year. The consolidated financial statements have been prepared in accordance with BAS 27 "Consolidated and Separate Financial Statements" and BFRS-10 "Consolidated Financial Statements". The consolidated financial statements are prepared to a common financial Period ending 31 December 2017.

The conversion policy of subsidiary companies and Off-shore Banking Units are given below.

Particulars	Price	Mercantile Bank Exchange House (UK)
For Assets & Liabilities	Closing Price	£1 = BDT 110.6319
For Income & Expenses	Average Price	£1= BDT 106.8486

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profit and loss resulting from transactions between groups is also eliminated on consolidation.

2.1.3 Cash Flow Statement

The cash flow statement has been prepared in accordance with the BAS 7 "Statement of Cash Flows" and under the guideline of BRPD Circular # 14, dated 25 June 2003 issued by the Banking Regulation & Policy Department of Bangladesh Bank.

2.1.4 Liquidity Statement

The liquidity statement of assets and liabilities has been prepared in accordance with the residual maturity grouping as on 31 December 2017 under the guidelines of BRPD Circular # 14 dated 25 June 2003 as per the following basis:

a. Balance with other Banks and financial institutions, money at call and short notice etc. are on the basis of their maturity term;

b. Investments are on the basis of their respective maturity;

c. Loans and advances/ investments are on the basis of their repayment schedules;

d. Fixed assets are on the basis of their useful lives;

e. Other assets are on the basis of their realizations/ amortizations;

f. Borrowing from other banks, financial institutions and agents etc. are as per their maturities/ repayment terms;

g. Provisions and other liabilities are on the basis of their payments/ adjustments schedule;

h. Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.

2.1.5 Use of Estimates & Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income, expenses, the accompanying disclosures & the disclosure of contingent liabilities. Actual result may differ from these estimates. Uncertainty about these assumptions & estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the accounting policies, management has made various judgments, estimates & assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis by the management of the Bank. And any revision to accounting estimates are recognized in the period in which the estimates are revised. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

2.1.6 Foreign Currencies Transaction

i) Functional & Presentational Currency

Items included in the financial statements of subsidiary are measured using the currency of the primary economic environment in which the entity operates, i e. functional currency. The consolidated financial statements are presented in BDT which is the group's presentation currency.

ii) Foreign Currency translation

Transactions in foreign currencies are converted into equivalent BDT applying the ruling rates on the dates of transaction as per BAS-21,"The Effects of Changes in Foreign Exchange Rates". Foreign currencies balances held in US dollar are converted into BDT at weighted average rate of interbank market as determined by Bangladesh Bank on the closing date of every month. Balance held in foreign currency other than US dollar are converted into equivalent US dollar at buying rates of New York closing of the previous day and converted into BDT equivalent.

Foreign currencies are translated into BDT at the following rates:

USD 1= BDT 82.7000, GBP 1 = BDT 110.6319, EURO 1= BDT 98.1070 and JYEN 1= BDT 0.7302 as on 31 December 2017.

Other foreign currency related transactions have been converted by using the rate of exchange prevailing on the dates of such transactions.

iii) Commitments

Commitments for outstanding forwarded foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent commitments for letter of credits and letter of guarantees denominated in foreign currencies are expressed in BDT terms at the rate of exchange ruling on the balance sheet date.

iv) Translation gains or losses

The resulting exchange transactions gains or losses are included in the profit or loss account, except those arising on the translation of net investment in foreign subsidiary.

v) Foreign operation

The results and financial position of the Bank's operation whose functional currency is not Bangladeshi Taka are translated into Bangladeshi Taka as follows:

a) Assets and liabilities are translated at the exchange rate prevailing at the balance sheet date;

b) Income and expenses in the income statement are translated at an average rate approximating the exchange rates at the year end;

c) Resulting exchange differences are recognized as a separate component of equity;

d) As per BAS 21, "Foreign Currency Transactions", foreign currency denominated non-monetary items of OBUs are translated at historical rate, as the OBUs are considered as an integral part of the Bank's operation not a foreign operation due to specific regulations governing the OBU and unique nature.

2.1.7 Reporting Period

These financial statements cover period from 1 January 2017 to 31 December 2017.

2.1.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet and profit & loss when there is a largely enforcement right to offset the recognized amounts and there is an intention to settle on net basis, or realized the asset and settle the liabilities.

2.2 Assets & Basis of their Valuation

2.2.1 Cash & Cash Equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with Bangladesh Bank and highly liquid financial assets which are subject to insignificant risk of changes in their fair value and are used by the Bank for its short term commitments.

2.2.2 Loans & Advances

a. Loans and advances are stated in the balance sheet on gross basis.

b. Interest is calculated on a daily product basis but charged and accounted for on accrual basis. Interest on classified loans and advances is kept in suspense account as per Bangladesh Bank instructions and such interest is not accounted for as income until realized from borrowers. Interest is not charged on bad and loss loans as per guidelines of Bangladesh Bank. Records of such interest amounts are kept in separate accounts.

c. Commission and discounts on bills purchased and discounted are recognized at the time of realization.

d. Provision for loans and advances is made on the basis of period-end review by the management following instructions contained in Bangladesh Bank BRPD Circular no. 07 dated 06 December 2005, BRPD Circular no. 14 dated 23 September 2012, BRPD Circular no. 19 dated 27 December 2012, BRPD Circular no. 05 dated 29 May 2013, BRPD Circular no. 16 dated 18 November 2014. BRPD Circular no. 08 dated 02 August 2015. Provisions and interest suspense are separately shown under other liabilities as per First Schedule of Bank Company Act 1991 (amendment upto 2013).The rates of provision for loans and advances are given below:

For Unclassified Loans and Advances

Particulars	Rate
Small and Medium Enterprise (SME)	0.25%
All unclassified loans (other than loans under Consumer financing, Loan to Brokerage House, Merchant Banking, Stock dealers' etc. and Special Mention account)	1%
Unclassified loans against Housing and Professionals to set up business under Consumer Financing	2%
Unclassified loans to Brokerage House, Merchant Banking, Stock dealers' etc.	2%
Margin Loan Account	2%
Unclassified loans against other Consumer Financing	5%
Outstanding amount of loans kept in the 'Special Mention Account' after netting off the amount of Interest Suspense.	0.25% to 5%

For Classified Loans and Advances	
Specific Provision on substandard loans and advances	20%
Specific Provision on doubtful loans and advances	50%
Specific Provision on bad/loss loans and advances	100%

Provision for short term agricultural and micro-credits	
Substandard and Doubtful	5%
Bad/Loss	100%

e. Loans and advances are written off to the extent that (i) there is no realistic prospect of recovery, (ii) and against which legal cases are pending as per guidelines of Bangladesh Bank. These write off, however, will not undermine/affect the claim amount against the borrower. Detailed memorandum records for all such write off accounts are meticulously maintained and followed up.

2.2.3 Investments

All investment in securities is initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accredited, using the effective yield method is taken to discount income as per BAS 32 "Financial Instruments:

Presentations" and BAS 39 "Financial Instruments: Recognition and Measurements". Details of investment in shares/securities are given in. The valuation methods of investments include: Please see Annexure-C.

Held To Maturity (HTM)

HTM consist the Government approved securities in the mode of Treasury bond & Bills which are classified as per Bangladesh Bank DOS Circular # 5, dated 26 May 2008 and DOS Circular # 5, dated 28 January 2009. These securities bear fixed coupon payments and are revalued annually on amortized cost method as directed by Bangladesh Bank. The change in revaluation of the securities is reflected in the Changes in Equity Statement. Please see Annexure-D.

Held For Trading (HFT)

Investments classified in this category are acquired principally for the purpose of selling or repurchasing in short-trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in the statement of income for the period in which it arises. These investments are subsequently measured at present value as per the Bangladesh Bank Guideline. Investments in securities have been revalued as mark-to-market as at 31 December 2017 and have been shown in the equity. Please see Annexure- D.

Investment in Listed Securities

These securities are bought and held primarily for the purpose of selling them in future or held for dividend income. These are valued and reported at market price as per Bangladesh Bank's guidelines. Booking of provision for Investment in securities (gain /loss net off basis) are made as per DOS Circular No. 4 dated 24 November 2011.

Investment in Unlisted Securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

All investments are stated as per following basis:

Investment Class	Initia Recognition	Measurement after initial recognition	Recording of changes
Govt. T-bills/bonds- Held to Maturity (HTM)	Cost	Amortized cost at each year end	Increase or decrease in value to equity and profit & Loss account respectively.
Govt. T-bills/bonds- Held for Trading (HFT)	Cost	Fair Value (Weekly revalued at Fair Market value through MTM valuation process)	Loss to profit & loss account, Gain to Revaluation Reserve through Profit & Loss Account.
Shares (Quoted)	Cost	Lower of Cost or Market Value (overall portfolio)	Loss (gain net off) to Profit & Loss account but no unrealized gain booking.
Share (Unquoted)	Cost	Lower of Cost or Net Asset value (NAV)	Loss to profit & Loss account but no unrealized gain booking.
Prize Bond	Cost	Cost	N/A

Investments in Subsidiary

The Bank recognizes investment in subsidiaries under cost method in the group financial statements in accordance with BAS 28 "Investment in Associates". The investments in subsidiaries are reviewed impairment test regularly to recognize investment at cost.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously as per BFRS 7 "Financial Instruments: Disclosures".

2.2.4 Property, Plant & Equipment (Fixed Assets)

I. All fixed assets are stated at cost less accumulated depreciation as per BAS 16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

II. The bank recognizes the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefit embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred.

III. Depreciation is charged on property, plant and equipment at the following rates on straight line method from the date of acquisition.

Category of Assets	Estimated useful lives (Years)	Rate
Land and Land Development	Nil	Nil
Building	40	2.5%
Furniture and Fixtures	10	10%
Office Equipment and Computer Equipment	5	20%
Vehicles	5	20%
Books	5	20%

IV. Depreciation on assets addition during the period is charged from the month of addition. Whole month depreciation charged from the month of addition.

V. On the month of disposal of fixed assets no depreciation is charged. The cost and accumulated depreciation of disposed assets are eliminated from the fixed assets schedule and gain or loss on such disposal is reflected in the income statement.

VI. Capital Work-in-Progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of building, system development, awaiting capitalization.

VII. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets have been capitalized as part of the cost of the assets.

VIII. Useful life and method of depreciation of fixed assets are reviewed at least each financial year end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, in that case management may change to reflect the changed pattern and such changed shall be accounted for as a change in an accounting estimate in accordance with BAS 8.

2.2.5 Intangible Assets

a. Intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with BAS 38 "Intangible Assets".

b. Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

c. Software represents the value of computer application software licensed for use of the Bank, other than software applied to the operation software system of computers. Intangible assets are carried at its cost less accumulated amortization and any impairment losses.

d. Initial cost comprises of license fees paid at the time of purchase and other directly attributable expenditure that are incurred in customizing the software for its intended use.

e. Software is amortized using the straight line method over the estimated useful life of 5 (five) years commencing from date of the application. Software is available for use over the best estimate of its useful economic life.

2.2.6 Assets Revaluation Reserve

The Bank has revalued assets in 2011 by an independent valuation firm as per BAS 16 "Property, Plant & Equipment" by the approval of Board of Directors of the Bank. And the revaluation amount is eligible up to 50% for the supplementary capital (Tier-II) after 20% transitional arrangements for capital deduction as per new RBCA guidelines and BRPD circular # 10, dated 24 November 2002. The tax effects on revaluation gain are measured and recognized in the financial statements as per BAS-12: "Income Taxes"

2.2.7 Impairment of Assets

As per BAS 36 "Impairment of Assets" an asset is impaired when its carrying amount exceeds its recoverable amount. The Bank assesses at the end of each reporting year whether there is any indication that an asset may be impaired and/ or whenever events or charges in circumstances indicate that the carrying value of the assets may not be recovered. If any such indication exists, the Bank makes an estimate of the recoverable amount of the assets. The carrying amount of the asset is reduced to its recoverable amount, if the recoverable amount is less than its carrying amount and impairment losses are recognized in the profit and loss account. However, impairment of financial assets is guided by the relevant Bangladesh Bank circular/ instructions and BAS 39 "Financial Instruments: Recognition & Measurement".

2.2.8 Non-Convertible Subordinated Bond

The Bank has issued 7 (Seven) years term subordinated bond during the year 2014 for BDT 3,000,000,000 to raise subordinated debt as part of the Tier-II Regulatory Capital following "Guideline of Risk Capital Adequacy" of Bangladesh Bank circular # BRPD (BIC) 661/14B (P)/ 2014 dated 15 April 2014.

2.2.9 Other Assets

Other assets of the Bank include all balance sheet items which are not covered specifically in other areas of the supervisory activity and such items may be insignificant in terms of overall financial condition of the Bank.

2.2.10 Lease

Leases are classified as finance lease whenever the terms of the lease transfer substantiality all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases as per BAS 17 "Leases".

The Bank as leasor:

Amount due from leases under finance leases are recorded as receivables at the amount of the bank's net investment in the leases. Finance Leases income is allotted to accounting periods so as to reflect a constant periodic rate to return on the Bank's net investment outstanding in respect of the leases as per BAS 17 "Leases".

The Bank as lessee:

Assets held under finance leases are recognized as assets of Bank at the fair value at the date of acquisition or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a Finance Lessee Obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income as per BAS 17 "Leases".

2.2.11 Receivables

The Bank recognizes receivables when there is a contractual right to receive cash or in form of another financial asset from another entity.

2.2.12 Non- Banking Assets

There are no assets acquired in exchange for loan in the financial statements of the Bank.

2.2.13 Reconciliation of Inter- bank & Inter- branch Account

Accounts with regard to inter-bank (in Bangladesh and outside Bangladesh) are reconciled regularly and there are no material differences, which may affect the financial statements significantly. Un-reconciled entries/ balances in inter-branch transactions as on the reporting date are not material.

2.3 Revenue Recognition

2.3.1 Interest Income

According to the BAS 18 "Revenue", the interest income is recognized on an accrual basis. Interest from loans and advances ceases to be accrued when they are classified as non-performing. It is then kept in interest suspense in a memorandum account. Interest on classified advances is accounted for on a cash receipt basis.

2.3.2 Investment Income

Interest income on investments is recognized on accrual basis using effective interest rate as per BAS 18 "Revenue". Capital gain on investments in shares is recognized as income and credited to investment income in the profit and loss statement as per BAS 39 "Financial Instruments: Recognition and Measurements". Capital Gain is recognized when it is realized.

2.3.3 Fees & Commission Income

Fees and Commission income arises on services provided by the Bank are recognized on a cash receipt basis. Commission charged to customers on letters of

credit and letters of guarantee is credited to income at the time of effecting the transactions in accordance with BAS 18 "Revenue".

2.3.4 Dividend Income on Shares

Dividend income on shares is recognized during the period in which it is declared and right to receive is established as per BAS 18 "Revenue".

2.3.5 Interest Paid & Other Expenses

In terms of the provisions of BAS 1 "Presentation of Financial Statements" interest and other expenses are recognized on accrual basis.

2.3.5.a Rebate to good borrower

As per BRPD Circular No 06 dated 19 March, 2015 and BRPD Circular No 3 dated 16 February, 2016 Banks are required to provide 10% interest rebate to the good borrower subject to some qualifying criteria. The bank has provided the rebate to the customer accordingly.

2.3.6 Dividend Payments

Final dividend is recognized when the shareholders approve it and right to receive of dividend is established to the shareholder.

2.4 Share Capital

Ordinary shares are classified as capital/ shareholders' equity which has no contractual obligation to transfer cash or in terms of other financial assets.

2.4.1 Authorized capital

Authorized capital is the maximum amount of share capital that the Bank is authorized by its Memorandum and Articles of Association.

Details are shown in Note 13

2.4.2 Paid up capital

Paid up capital represents total amount of shareholder capital that has been paid in full by the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding-up of the Bank, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

Details are shown in Note 13.3

2.5 Statutory Reserve

As per the provision of section 24 of the Bank Companies Act 1991 (as amended up to 2013) the Bank requires to transfer 20% of its current period's profit before tax to reserve until such reserve equals to its paid up capital. Accordingly Bank has transferred requisite portion of current period's profit to the statutory reserve account.

2.6 Non Controlling Interest

Non controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non controlling interest belongs to other investors & their interest is reported on the consolidated balance sheet of the parent company to reflect the claim on that subsidiary's assets. And their share of profit in the subsidiary is presented on the consolidated income statement as a non controlling interest.

2.7 Deposits & Other Accounts

Deposits by customers & banks are recognized when the bank enters into contractual arrangement with counterparties to repay the amount. The amount is initially measured by the Bank at the consideration received.

2.8 Borrowings from Other Banks, Financial Institutions & Agents

Borrowings include call deposits, Bangladesh Bank refinance, other banks borrowings, off-shore banking unit. The amounts are recognized at the repayable amount. An interest expense on this amount is charge to the profit or loss account.

2.9 Basis for Valuation of Liabilities & Provisions

2.9.1 Current Tax

Provision for current income tax has been made as prescribed in the Finance Act 2017 on the accounting profit made by the Bank after considering some of the add backs to income and disallowances of expenditure as per income tax laws in compliance with BAS 12 " Income Taxes".

2.9.2 Deferred Tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between

the carrying value of assets, liabilities, income and expenditures and their respective tax basis. Deferred tax assets and liabilities are measured using tax rate and tax laws that have been enact or substantially enacted at the balance sheet date. The impact on the account of changes in the deferred tax assets and liabilities has also been recognized in the profit and loss account as per BAS 12 "Income Taxes". Bangladesh Bank BRPD Circular no. 11 dated 12 December 2011 & BRPD Circular no. 06 dated 31 July 2011

2.9.3 Provision for Contingent Assets & Liabilities

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligations, in accordance with the BAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.9.4 Off- Balance Sheet Items & Provisions

Off-balance sheet items have been disclosed under contingent liabilities and other commitments as per Bangladesh Bank guidelines. As per BRPD Circular # 10, dated 18 September 2007, and BRPD Circular # 14, dated 23 September 2012, Banks are required to maintain provision @1% against off-balance sheet exposures (L/C and Guarantee) effective from December 2008.

2.9.5 Provisions for Nostro Accounts

As per instruction contained in the circular letter No. FEPD (FEMO)/1/2005-677, dated 13 September 2005 issued by Foreign Exchange Policy Department of Bangladesh Bank, Bank is not required to make provision regarding the un-reconciled debit balance of nostro account as on the reporting date in these financials.

2.9.6 Benefits to the Employees

The retirement benefits accrued for the employees of the Bank as on reporting date have been accounted for in accordance with the provisions of BAS 19 "Employee Benefit". Bases of enumerating the retirement benefit schemes operated by the Bank are outlined below:

Provident Fund

Provident fund benefits are given to the permanent employees' of the Bank in accordance with Bank's service rules. Accordingly, a trust deed and provident fund rules were prepared. The Commissioner of Income Tax, Taxes Zone-3, Dhaka has approved the Provident Fund as a recognized provident fund within the meaning of section 2(52), read with the provisions of part - B of the First Schedule of Income Tax Ordinance 1984.

The recognition took effect from 2 June 1999. The Fund is operated by a Board of Trustees consisting of six members (3 members from the management side and other 3 members from the Board of Directors including Managing Director) of the Bank. All confirmed employees of the Bank are continuing their contribution @10% of their basic salary as subscription to the Fund. The Bank also similarly contributes equal amount of the employees' contribution. Interest earned from the investments is credited to the members' account on yearly basis.

Gratuity Fund

The Bank has started providing Gratuity fund, which was approved by the National Board of Revenue on 5 October 2006. The Fund is operated by a Board of Trustees consisting of 7 (seven) members of whom 3 members are from the Board of Directors including Managing Director of the Bank.

Welfare Fund

Mercantile Bank Limited Employees' Welfare Fund is subscribed by monthly contribution of the employees. The Bank also contributes to the Fund from time to time. The Fund has been established to provide coverage in the event of accidental death or permanent disabilities, a portion of retirement benefit & stipend to the employees' children. Disbursement from the fund is done as per prescribed rules of employees' Welfare Fund.

Incentive Bonus

Mercantile Bank Limited started a scheme under the name and style "Incentive Bonus" for imperative motivation to all the employees work under the Bank. The criterion of payment of Incentive bonus does not exceed 10% of disclosed net profit of the Bank as per section 30(j) of Income Tax Ordinance 1984. This Bonus amount is distributed amongst the employees on annual basis based on their individual job performance.

2.10 Risk Management

The risk of Mercantile Bank Limited is defined as the possibility of losses, financial or otherwise. The risk management of the Bank covers core risk areas of banking viz. credit risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk, equity risk, operational risk and reputation risk arising from money laundering incidences. The prime objective of the risk management is that the Bank evaluates and takes well calculative business risks and thereby safeguarding the Bank's capital, its financial resources and profitability from various business risks through

its own measures and through implementing Bangladesh Bank's guidelines and following some of the best practices as under:

Core Risk Management

BDPD Circulars No.17 dated 7 October 2003 and BRPD Circular No. 4 dated 5 March 2007 require banks to put in place an effective risk management system. The risk management system of the bank covers the following risk area.

2.10.1 Credit Risk

Credit risk arises mainly from lending, trade finance, and leasing and treasury businesses. This can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the Bank. The failure may result from unwillingness of the counter party or decline in his/ her financial condition. Therefore, the Bank's credit risk management activities have been designed to address all these issues.

The Bank has segregated duties of the officers/ executives involved in credit related activities. A separate Corporate Division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customers, marketing of credit products, exploring new business opportunities, etc. Moreover, credit approval; administration, monitoring and recovery functions have been segregated.

For this purpose, three separate units have been formed within the Credit Division. These are (a) Credit Risk Management Unit (b) Credit Administration Unit and (c) Credit Monitoring and Recovery Unit. Credit Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy/ strategy for lending operation, etc. Adequate provision has been made on classified loans.

A thorough assessment is done before sanction of any credit facility at Credit Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed credit facility, etc. The assessment process starts at Corporate Division by the Relationship Manager / Officer and ends at Credit Risk Management Unit when it is approved/ declined by the competent authority. Credit approval authority has been delegated to the individual executives. Proposals beyond their delegation are approved/ declined by the Executive Committee and/ or the Management of the Bank.

In determining Single borrower / large loan limit, the instructions of Bangladesh Bank are strictly followed. Internal audit is conducted at periodical intervals to ensure compliance of Bank's and Regulatory policies. Loans are classified as per Bangladesh Bank's guidelines.

2.10.2 Liquidity Risk/ Assets Liability Management

The objective of liquidity risk management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due. To this end, the Bank is maintaining a diversified and stable funding base comprising of core retail and corporate deposits and institutional balance. Management of liquidity and funding is carried out by Treasury Department under approved policy guidelines. Treasury front office is supported by a very structured Mid Office and Back Office. Asset Liability Committee (ALCO) monitors the Liquidity Management on a regular basis. A written contingency plan is in place to manage crisis situation.

2.10.3 Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, equity and commodity prices.

Foreign Exchange Risk

Foreign exchange risk is defined as the potential change in earnings due to change in market prices. The foreign exchange risk of the Bank is minimal as all the transactions are carried out on behalf of the customers against underlying L/C commitments and other remittance requirements. No foreign exchange dealing on Bank's account was conducted during the Period.

Treasury Department independently conducts the transactions and the back office of treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by Bangladesh Bank at the month-end. All Nostro accounts are reconciled on a monthly basis and the management for its settlement reviews outstanding entry beyond 30 days. The position maintained by the bank at the end of day was within the stipulated limit prescribed by the Bangladesh Bank.

Interest Rate Risk

Interest rate risk may arise either from trading portfolio and non-trading portfolio. The trading portfolio of the Bank consists of Government Treasury Bills and Treasury Bonds with maturity varied from 1 to 20 years. The short-term movement in interest rate is

negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Asset Liability Committee (ALCO) monitors the interest rate movement on a regular basis.

2.10.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks in the Bank are managed through a comprehensive and well-articulated internal control framework. Material losses are regularly analyzed by cause and actions are taken to improve system and controls to prevent recurrence in the future.

Bank has restructured Internal Control and Compliance Division (ICCD) headed by a senior level executive in light of Core Risk guidelines of Bangladesh Bank. As a tool of Internal Control, the Audit and inspection teams undertake periodic and special audit and inspection on the branches and departments/ divisions of Head Office in order to sort out the weaknesses and defects in the control process and report to the management for taking corrective measures to protect the interests of the Bank.

The Compliance & Monitoring Units ensure timely and proper compliance of all regulatory instructions and internal policies and procedures in the day-to-day operation of the Bank by way of using various control tools. They assess the operational risk and take appropriate measures to mitigate the same for smooth operation of the Bank. ICC Division reports serious non-compliances detected by internal and external auditors with up-to-date compliance position i.e. large financial risk exposures, control weaknesses etc. to the Audit Committee of the Board for review and taking appropriate measures.

The ICC division also ensures the clear definition of organizational structure, appropriate assignment, accountability and delegation of authorities to functional management to create control and compliance culture within organization with the active guidance and supervision of senior management and Board of Directors.

2.10.5 Reputation Risk Arising from Money Laundering Incidences

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risks, the Bank has a designated Chief Compliance Officer at Head Office and Compliance Officers at branches, who independently review the transactions of the accounts to verify suspicious transactions. Manuals for prevention of money laundering have been established and transaction profile has been introduced. Training is continuously given to all the category of Officers and Executives for developing awareness and skill for identifying suspicious activities/ transactions.

2.10.6 Internal Control & Compliance Risk

To ensure the integrity of liquidity risk management process, Bank has adequate internal controls. These are an integral part of the Bank's overall system of internal control. An effective system of internal control for liquidity risk includes:

- a strong control environment;
- an adequate process for identifying and evaluating liquidity risk;
- the establishment of control activities such as policies and procedures;
- adequate information systems; and
- Continual review of adherence to established policies and procedures.

Our all aspects of the internal control system are effective, including those aspects that are not directly part of the risk management process. The system is evaluated and reviewed regularly by the Management.

Audit Committee

The Audit Committee of the Board was duly formed by the Board of Directors of the Bank in accordance with the BRPD Circular no. 11 dated 27 October 2013 of the Bangladesh Bank

Pursuant to the BSEC notification no. SEC/CMRRCD/ 2006-158/129/Admin/44 dated 07 August 2012, on Corporate Governance, the current Committee is constituted with the following 4 (four) members of the Board and the Bank hereby has been compliant with the BRPD Circular no. 11 dated 27 October 2013.

Name	Status with Bank	Status with Committee	Educational qualification
Dr. Mahmood Osman Imam, FCMA	Independent Director	Chairman	M. Com., MBA, FCMA, PhD
Md. Abdul Hannan	Director	Member	Engineer
M. Amanullah	Director	Member	Graduate
Dr. Md. Rahmat Ullah	Independent Director	Member	LLM, PhD

During the year 2017, the Audit Committee of the Board of Directors conducted 11 (Eleven) meetings in

which among other things the following issues were discussed/ evaluated/ reviewed and provided guidelines and necessary instructions:

- Reviewed the Bank's financial statements
  - Balance Sheet,
  - Profit & Loss Account,
  - Cash Flow Statement, Statement of Changes in Equity
  - Liquidity Statement and
  - Related Explanatory Notes
- Approval of Risk Based Audit Plan.
- Reviewed the performance of Mercantile Bank Securities Limited.
- Reviewed Compliance on observations, recommendations and decisions of the Audit Committee Meetings.
- Reviewed the Bank's Quarterly and Periodical financial statements
- Reviewed the Comprehensive Inspection Reports on different branches as well as different Divisions of Head Office of the Bank conducted by the Team of ICCD from time to time.

Risk Management Committee

The Risk Management Committee of Board of Directors is constituted with 5 (Five) members from the Board of Directors. The committee is formed as the third committee alongside Executive Committee and Audit Committee of the Board as per Bank Company Act 2013 (Amendment) and subsequent Bangladesh Bank BRPD Circular no. 11, dated October 27, 2013. The Risk Management Committee of the Board has been formed as follows:

Name	Status with Bank	Status with Committee
M. Amanullah	Director	Chairman
Md. Anwarul Haque	Director	Member
Al-Haj Akram Hossain (Humayun)	Director	Member
Mohd. Selim	Director	Member
Md. Shahabuddin Alam	Director	Member

The Risk Management Committee conducted 5 (five) meetings during the year 2017 where, among others, following issues were discussed:

15th Meeting Held on January 18, 2017

- Quarterly report of restructured syndicated Term Loan liability of Jamuna Builders Limited (Lead arranger & Agent: Janata Bank Limited) for the quarter ended on December 2016.

16th Meeting Held on April 3, 2017

- Information regarding Comprehensive Risk Management Report as on December, 2016.
- Information regarding Stress Testing as on December, 2016.
- Quarterly report of restructured syndicated Term Loan liability of Jamuna Builders Limited (Lead arranger & Agent: Janata Bank Limited) for the quarter ended on March 2017.
- Approval for Risk Appetite Framework on different Key Risk Indicators (KRIs) of the Bank for the Year 2017.

17th Meeting Held on May 24, 2017

- Approval of Internal Capital Adequacy Assessment Process (ICAAP) documents prepared for the year ended 2016 under Supervisory Review Process (SRP) i.e. pillar 2 of Basel III.
- Approval of Revised Internal Capital Adequacy Assessment Process (ICAAP) documents for the year 2015 under Supervisory Review Process (SRP) i.e. pillars 2 of Basel III.
- Information regarding Stress Testing as on March, 2017.

18th Meeting Held on July 23, 2017

- Approval of Fraud Detection and Management Process of the Bank.
- Approval of Management Action Trigger (MAT) of the Bank.
- Quarterly report of restructured syndicated Term Loan liability of Jamuna Builders Limited (Lead arranger & Agent: Janata Bank Limited) for the quarter ended on June 2017.
- Information on Top 20 Loan Defaulters of our Bank based on position of 30.06.2017.

19th Meeting Held on September 20, 2017

- Information regarding Stress Testing as on June, 2017.
- Information regarding Comprehensive Risk Management Report as on June, 2017.
- Approval of Organogram of Risk Management Division of the Bank.

Internal Audit

The Bank's compliance risk management system is subject to implementation by the senior management and a qualified compliance officer/ staff and reviewed by an effective and comprehensive internal audit function.

Compliance risk included in the risk assessment methodology of the internal audit function and an audit program that covers the adequacy and effectiveness of the Bank's compliance function established, including testing of controls commensurate with the perceived level of risk.

This principle implies that the compliance function and the internal audit function separate to ensure that the activities of the compliance function are subject to independent review. However, the audit function keep the head of compliance informed of any audit findings related to compliance.

2.10.7 Fraud and Forgeries

Fraud Detection and Management Process: Internal Audit (IA) team conducts surprise audit on all branches and departments/ divisions of the Head Office at least once in a year. While auditing branches and offices, the IA team thoroughly checks the operational activities of the branches/ offices including transactions in various accounts and search for any irregularities occurred in those accounts. IA team also monitors the staff accounts and if necessary investigate the suspicious transactions and report the same to the management. IA team also conducts investigation into specific allegations and submits report to the management for action. Senior management of the bank also conduct regular visit to branches and advise the branch officials to comply with all the regulatory instructions, policies and procedures of the Bank. Proper financial impact has been given in the books of accounts of the Bank as well as appropriate action has been taken for any financial irregularities due to fraud or forgery.

2.10.8 Information Technology Risk

The ICT development helps the bank to develop and maintain a competitive advantage for ensuring the Bank's profitability and survivability in the marketplace. This competitive advantage often brings bank numerous benefits including fast business transactions, increasing automation of business processes, improved customer service and provision of effective decision support in a timely manner. Among all other pivotal factors, 'Information and Communication Technology' (ICT) has been regarded as the core to bring such momentous transformation into successful reality. Consequently, the importance information security for the banks has gained much importance, and it is the critical essence for us to ensure that the ICT risks are being properly identified measured and adequate mitigation strategies are in place.

The ICT policy of the bank is in line with Bangladesh Bank latest ICT guideline and under revision process to comply with the recent technology and risk management trends. The Business Continuity Plan & Disaster Recovery Plan is tested and also under review to cope with recent change in technology. Moreover, MBL has been developing ICT Risk management policy which covered all areas of IT Risks according to Bangladesh Bank Risk Grading guidelines.

MBL has the following footprints on reducing ICT risks including fraud prevention, which will eventually ensure our sustainable banking operation in the foreseeable future:

- ICT Risk Management Policy, Process up-gradation as per the latest Bangladesh Bank ICT guideline. It can reduce regularly and compliance-related risks.
- Vulnerability Assessment and Penetration Testing (VA/PT) solution introduced
- Optimization of SWIFT System has been successfully completed
- Internet Banking Solution with two-factor authenticator (2FA) mechanisms and OTP.
- Anti-money Laundering (AML) solution implemented
- Two-factor authentication (2FA), SMS, E-mail alerts for Credit Card Transactions.
- Two-factor authentication (2FA), SMS, E-mail alerts for Credit Card Transactions.
- Duel control mechanism: Bank has introduced maker-checker roles in FCUBS & Card Management software which results internal user cannot process any CBS and Credit Card related tasks by one person.
- Human resource management Information system (HRMIS) Solution has been implemented. So to maintain and control HR related issues faster and accurately (Employee screening, recruitment, promotions, benefits, retirement, etc.) which also reduce the employee risks.
- Optimization of CORE Banking software and Database
- Improvement in ICT Awareness Risk: ITD has continuously conducting ICT awareness related training for employees which are aligned with Learning and Development Center.
- Mercantile Bank Limited has implemented the SIEM. The event management of a SIEM solution stores and interprets logs in a central location and allows analysis in near real-time, which means IT security personnel can take defensive actions much more rapidly. The information management component provides trend analysis, as well as automated and centralized reporting for compliance by collecting data into a central repository. So monitoring and security will be strengthen.
- Conventional firewalls cannot protect behavior based attacks, Zero Day Malware, for APT (Advanced Persistent Threat) or for Ransomware Attacks. The bank has implemented Next

Generation Firewall with sandboxing, which will be able to protect such types of attacks.

- Mercantile Bank Limited has implemented VMware vSphere with Operations Management which will help the bank to achieve unique business needs by providing better insights and better IT. It will help the bank to improve performance and avoid disruption, with intelligent operations from apps to storage providing simplified availability and comprehensive visibility in one place.
- Mercantile Bank limited has implemented IBM FlashSystem V9000 is designed to accelerate all types of applications and infrastructures. However, it is most often deployed to support high-performance database applications, such as IBM DB2® and those from Oracle or SAP, and to replace existing Tier 1 storage constrained by slow disk drives.

2.11 Earnings per Share

The company calculates Earnings per Share (EPS) in accordance with BAS 33 "Earnings per Share" which has been shown on the face of the Profit and Loss account and the computation of EPS is elaborated in Note-32.

Basic Earnings per Share

Basic earnings per share have been calculated in accordance with BAS 33 "Earnings per Share" which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the period.

Diluted Earnings per Share

Diluted earnings per share are calculated as dilution has been occurred during the period.

Increase of EPS from previous period

Total non-taxable income significantly increases compare to previous period.

2.12 Directors' responsibility on financial statements

The Board of Directors' responsibility is the preparation & presentation of financial statements.

2.13 Memorandum items

Memorandum items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Stock of travelers' cheque, savings certificates, wage earners bonds and other fall under the memorandum items.

2.14 Compliance report on Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)

The Institute of Chartered Accountants of Bangladesh (ICAB) is the sole authority for adoption of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs). While preparing the financial statements, Mercantile Bank Limited applied most of BASs and BFRSs as adopted by the ICAB. Details are given below:

Name of the BAS	BAS No	Status
Presentation of Financial Statements	1	Applied
Inventories	2	N/A
Statement of Cash Flows	7	Applied
Accounting Policies, Changes in Accounting Estimates & Errors	8	Applied
Events after the Reporting Period	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant & Equipment	16	Applied
Leases	17	Applied
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants & Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	Applied
Borrowing Costs	23	Applied
Related Party Disclosures	24	Applied
Accounting & Reporting by Retirement Benefit Plans	26	Applied
Consolidated & Separate Financial Statements	27	Applied
Investments in Associates	28	N/A
Interests in Joint Ventures	31	N/A
Financial Instruments: Presentation	32	Applied
Earnings per Share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities & Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition & Measurement	39	Applied
Investment Property	40	Applied
Agriculture	41	N/A

Name of the BFRS	BFRS No	Status
First- time Adoption	1	N/A
Share- based Payment	2	N/A
Business Combinations	3	N/A
Insurance Contracts	4	N/A
Non- current Assets Held for Sale & Discontinued Operations	5	N/A
Exploration for & Evaluation of Mineral Resources	6	N/A
Financial Instruments: Disclosures	7	N/A
Operating Segments	8	Applied
Consolidated Financial Statements	10	Applied
Joint Arrangement	11	N/A
Disclosure of Interest in Other Entities	12	N/A
Fair Value Measurement	13	Applied

2.15 Departures from BAS/BFRS

The consolidated financial statements of the Bank as at and for the 31 December 2017 have been prepared under the historical cost convention except investments and in accordance with the "first schedule" (section 38) of the Bank Companies Act 1991 as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars, Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and exchange Rules 1987, Dhaka and Chittagong Stock Exchange's listing regulations. In case, any requirement of provisions and circulars issued by Bangladesh Bank differ with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail.

As such the Bank has departed from those contradictory requirements of BFRSs in order to comply with the rules and regulations of Bangladesh Bank which are disclosed below:

i) Investments in shares and securities

BFRS:

As per requirements of 'BAS 39- Financial Instruments: Recognition & Measurement' investment in shares and securities generally falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value (as measured in accordance with BFRS 13- Fair Value Measurement) at the year-end is taken to profit and loss account or revaluation reserve respectively.

Bangladesh Bank:

As per BRPD circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognized at cost.

ii) Revaluation gain/loss on Government securities

BFRS:

As per requirement of 'BAS 39- Financial Instruments: Recognition & Measurement' where securities will fall under the category of Held for Trading (HFT), any change in the fair value of held for trading assets is recognized through profit and loss account. Securities designated as Held to Maturity (HTM) are measured at amortized cost method and interest income is recognized through the profit and loss account.

Bangladesh Bank:

HFT securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized in other reserves as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HFT securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized in other reserve as a part of equity.

iii) Provision on loans and advances

BFRS:

As per 'BAS 39- Financial Instruments: Recognition & Measurement' an entity should start the impairment assessment by considering whether objective evidence of impairment exists for financial assets that are individually significant. For financial assets that are not individually significant, the assessment can be performed on an individual or collective (portfolio) basis.

Bangladesh Bank:

As per BRPD Circular No. 14 (23 September 2012), BRPD circular No.19 (27 December 2012), BRPD circular No.05 (29 May 2013) and BRPD circular No 08 (02 August 2015) a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also provision for sub-standard loans, doubtful loans and bad losses has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue. Again as per BRPD circular no.10 dated 18 September 2007 and BRPD circular no. 14

dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by BAS 39.

iv) Recognition of interest in suspense A/C

BFRS:

Loans and advances to customers are generally classified as 'loans and receivables' as per 'BAS 39- Financial Instruments: Recognition & Measurement' and interest income is recognized through effective interest rate method over the term of the loan. Once a loan is impaired, interest income is recognized in profit and loss account on the same basis based on revised carrying amount.

Bangladesh Bank:

As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognized as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

v) Other comprehensive income

BFRS:

As per 'BAS 1- Presentation of Financial Statements' Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single Other Comprehensive Income statement.

Bangladesh Bank:

Bangladesh Bank has issued templates for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to be included in a single Other Comprehensive Income (OCI) Statement. As such the Bank does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

vi) Financial instruments - presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in 'BAS 39- Financial Instruments: Recognition & Measurement'. As such full disclosure and presentation requirements of 'BFRS 7- Financial Instruments: Disclosures' and 'BAS 32-Financial Instruments: Presentation' cannot be made in the financial statements.

Repo & Reserve Repo transaction

BFRS:

When an entity sells a financial asset and simultaneously entries into an agreement to repurchase asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is treated as a loan and the underlying asset continues to be recognized in the entry's financial statements. The difference between selling price and repurchase price will be treated as interest expense. Same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank:

As per DOS Circular letter No. 6 dated 15 July 2010 and subsequent clarification in Dos circular no. 2 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is account ted for as a normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

However, as per DMD circular letter No. 7 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) programme, whereby such banks may enter collateralized repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognize the asset.

vii) Financial guarantees

BFRS:

As per 'BAS 39- Financial Instruments: Recognition & Measurement' financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank:

As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee will be treated as off-balance sheet items. No liability is recognized for the guarantee except the cash margin.

viii) Cash and cash equivalents

BFRS:

Cash and cash equivalent items should be reported as cash item as per 'BAS 7- Statement of Cash Flows'.

Bangladesh Bank:

Some cash and cash equivalent items such as 'money at call and on short notice', treasury bills, Bangladesh Bank bills and prize bond are not shown as cash and cash equivalents. Money at call and on short notice presented on the face of the balance sheet and treasury bills, prize bonds are shown in investments.

ix) Non banking assets

BFRS:

No indication of Non-banking asset is found in any BFRS.

Bangladesh Bank:

As per BRPD circular no. 14 dated 25 June 2003, there must exist a face item named Non-banking asset.

x) Cash flow statement

BFRS:

AS per 'BAS 7- Statement of Cash Flows' The Cash flow statement can be prepared using either the direct method or the indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank:

As per BRPD circular no. 14 dated 25 June 2003, cash flow is the mixture of direct and indirect methods.

xi) Balance with Bangladesh Bank (CRR)

BFRS:

Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per 'BAS 7- Statement of Cash Flows'.

Bangladesh Bank:

Balance with Bangladesh Bank is treated as cash and cash equivalents.

xii) Presentation of intangible asset

BFRS:

An intangible asset must be identified and recognized. And the disclosure must be given as per 'BAS 38-Intangible Assets'.

Bangladesh Bank:

There is no regulation for intangible assets in BRPD circular no.14 dated 25 June 2003.

xiii) Off balance sheet items

BFRS:

There is no concept of off-balance sheet items in any BFRS; hence there is no requirement for disclosure of off-balance sheet items on the face of the balance sheet.

Bangladesh Bank:

As per BRPD circular no.14 dated 25 June 2003, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must be disclosed separately on the face of the balance sheet.

xiv) Loans and advances net of provision

BFRS:

Loans and advances should be presented net of provisions.

Bangladesh Bank:

As per BRPD circular no.14 dated 25 June 2003, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

[Also refer to Note-2.14 Compliance of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs)]

2.16 Approval of financial statements

The Board of Directors' approved the financial statements 2017 on 24 March 2018.

2.17 Component of Financial Statements

As per BAS 1 "Presentation of Financial Statements" and as recommended in the BRPD Circular # 14, dated 25 June 2003 issued by the Banking Regulation and Policy Department of Bangladesh Bank the Financial Statement includes;

a) Balance Sheet (Statement of Financial Position);
b) Profit & Loss account (Statement of Profit or Loss & Other Comprehensive Income);
c) Statement of Changes in Equity;
d) Statement of Cash Flows;
e) Liquidity Statement; and
f) Significant Accounting Policies and Explanatory
g) Notes to the Financial Statements.

2.18 Implementation of BASEL-III

Basel III refers to the latest capital and liquidity standards prescribed by the Bank for International Settlements (BIS). Bangladesh has entered into the Basel III regime effective from January 1, 2015. Bangladesh Bank (BB) amended its capital standard which was based on Basel II and circulated new regulatory capital and liquidity guidelines in line with Basel III of BIS. The Basel III reform measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress thus reducing the risk of spillover from the financial sector to the real economy, improve risk management and strengthen banks' transparency and disclosures. The new capital and liquidity standards have great implications for banks.

2.19 Rating

Emerging Credit Rating Limited (ECRL) on the basis of Financial Statements as rated Mercantile Bank Limited. The summary of their ratings is given below:

ECRL

ECRL rated the Mercantile Bank Limited to "AA" (Pronounced as Double A) in the long term. The above gradation has been done in consideration with its financial viability and consequent improvement in asset quality, capital adequacy, stable source of fund, diversified product lines etc. Financial institutions rated in this category are adjudged the financial institution that is subservient to have high safety to timely repayment of financial obligations. It means Bank rated in the category is adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicate a corporate entity a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. ECRL rated the Mercantile Bank Limited to ST-2 in the short term. This rate shows High Grade of the Bank it indicates high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. Both long-term and short-term rating is valid for one year i.e. from 22 May, 2017 to 21 May, 2018.

2.20 General

a) Wherever considered necessary, previous period's figures have been rearranged for the purpose of comparison;

b) Figures appearing in the Financial Statements have been rounded off to the nearest Taka;

c) The expenses, irrespective of capital or revenue nature, accrued/ due but not paid have been provided for in the books of the Bank.

	Amount in BDT	
	2017	**2016**
3 Cash		
Cash in hand (including foreign currencies)	2,005,641,735	1,722,631,842
Balance with Bangladesh Bank & its agent bank(s) (including foreign currency)	13,672,838,974	10,777,339,812
	15,678,480,709	**12,499,971,654**
3.1 Cash in hand (including foreign currencies)		
In local currency	1,966,288,451	1,694,948,031
In foreign currency	39,353,284	27,683,810
	2,005,641,735	**1,722,631,842**
3.2 Balance with Bangladesh Bank & its agent bank(s) (including foreign currency)		
Bangladesh Bank		
In local currency	13,323,245,667	10,396,303,735
In foreign currencies 3.2.a	69,292,602	118,259,530
	13,392,538,269	**10,514,563,265**
Agent banks(s)		
Sonali Bank Limited. - Local Currency	280,300,705	262,776,547
	13,672,838,974	**10,777,339,812**

			Amount in BDT	
			2017	2016
3.2.a Balance with Bangladesh Bank in Foreign Currencies				
Currencies	Amount in Dec-2017	Exchange Rate (Average at BDT)		
USD	713,292.11	82.7000	58,989,258	112,201,347
GBP	11,627.86	110.6319	1,286,412	1,111,479
EURO	91,905.91	98.1070	9,016,613	4,946,411
JPY	437.00	0.7302	319	293
			69,292,602	**118,259,530**

3.3 Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been maintained on the basis of total time and demand liabilities and in accordance with the Section 33 of the Bank Companies Act, 1991 and clause (1) of Article 36 of Bangladesh Bank order,1972 (as amended up to 2003), DOS Circular# 01 Dated 19 January 2014 and MPD Circular # 1 dated 23 June 2014. The Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) calculated on the Bank's total demand and time liabilities and maintained on a fortnight average basis. CRR 6.5% maintained with the Bangladesh Bank's current account and SLR 13% is to be maintained in the form of securities which include Treasury Bills, Government Treasury Bonds, Bangladesh Bank Bills and Other Securities approved by the Bangladesh Bank, such as, T&T Bonds and also balance held with Sonali Bank Limited, cash in hand and vault, balance of FC clearing account maintained with Bangladesh Bank. Both the reserves are maintained by the Bank in excess of the statutory requirements, as shown below:

a)	**Cash Reserve Ratio (CRR): 6.5% of average demand and time liabilities:**		
	Required Reserve	12,151,738,739	9,636,451,340
	Actual reserve held with Bangladesh Bank (Note-3.2)	13,323,245,667	10,396,303,735
	Surplus	**1,171,506,929**	**759,852,395**
b)	**Statutory Liquidity Ratio (SLR): 13% of average demand and time liabilities:**		
	Required reserve	24,303,477,478	20,878,977,890
	Actual reserve held (Note-3.5)	32,539,655,391	26,754,051,765
	Surplus	8,236,177,913	5,875,073,875

3.4 Maturity grouping of cash

Maturity-wise groupings (inside and outside Bangladesh)		
Payable on demand	15,678,480,709	12,499,971,654
Up to 1(one) month	-	-
Over 1(one) month but not more than 3 (three) months	-	-
Over 3 (three) months but not more than 1 (one) year	-	-
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	15,678,480,709	**12,499,971,654**

	Amount in BDT	
	2017	2016
3.5 Held for Statutory Liquidity Ratio		
Cash in hand (Note-3.1)	2,005,641,735	1,722,631,842
Surplus of CRR	1,171,506,929	759,852,395
Government securities (Note-6.2a)	499,836,859	442,428,939
Government bonds (Note-6.2b)	28,862,669,868	23,829,138,590
	32,539,655,391	**26,754,051,765**
3(a) Consolidated Cash		
Cash in hand (Including foreign currencies)		
Mercantile Bank Limited	2,005,641,735	1,722,631,842
Mercantile Bank Securities Limited	81,852	112,068
Mercantile Exchange House (UK) Limited	2,403,699	1,548,402
	2,008,127,286	**1,724,292,311**
Balance with Bangladesh Bank and its agent bank. (Including foreign currencies)		
Mercantile Bank Limited	13,672,838,974	10,777,339,812
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	13,672,838,974	**10,777,339,812**
	15,680,966,260	**12,501,632,123**
4. Balance with other banks and financial institutions		
4.1 In Bangladesh		
Current accounts		
Sonali Bank Limited	1,200,085	1,200,085
Agrani Bank Limited	1,540,654	7,333,789
Janata Bank Limited	129,683,988	5,673,719
Rupali Bank Limited	11,771	11,770
United Commercial Bank Limited	357,208	1,360,858
Standard Bank Limited	2,000,000	2,000,000
Bangladesh Commerce Bank Ltd	996,225	996,225
NRB Commercial Bank Limited	2,083,002	1,839,248
Modhumoti Bank Limited	2,342,425	1,819,664
NRB Bank Limited	1,921,187	153,593
Al Arafah Islami Bank Limited	2,500,000	2,500,000
South Bangla Agriculture Bank Limited	2,004,016	1,985,507
AB Bank Limited	26,005	26,005
National Bank Limited	31,030	29,935
	146,697,596	**26,930,398**

	Amount in BDT	
	2017	2016
Short-notice deposits accounts		
Standard Chartered (VISA settlement)	6,537,310	5,131,957
Trust bank (Q-CASH settlement)	66,545,634	10,105,381
National Bank Limited	38,257,362	4,475,538
Arab Bangladesh Bank Limited	6,616	6,616
Agrani Bank Limited	98,844,329	84,572,930
South East Bank Limited	3,297,713	605,504
Mercantile Bank Securities Limited	-	59,076
NRB Global Bank Limited	-	200,000,000
The Premier Bank Limited	-	500,000,000
Standard Bank Limited	-	-
	213,488,964	**804,957,002**
Off-shore Banking Unit	145,289,459	38,378,288
	505,476,019	**870,265,688**
Financial institutions		
PFI Securities Limited	6,333	17,586
IIDFC Finance Limited	20,000,000	20,000,000
Prime Finance & Investment Limited	-	100,000,000
IDLC Finance Limited	-	600,000,000
LankaBangla Finance Limited	-	300,000,000
Phoenix Finance & Investments	-	250,000,000
Delta Brac Housing Finance Corporation Ltd (DBH)	-	500,000,000
Meridian Finance & Investment Limited	50,000,000	50,000,000
Industrial Promotion and Development Company Limited	-	200,000,000
United Finance Limited	-	300,000,000
Mercantile Bank Securities Limited	11,860	-
	70,018,193	**2,320,017,586**
Sub-Total	**575,494,212**	**3,190,283,274**

4.2 Outside Bangladesh (Nostro accounts)

	Country	Currency		
Standard Chartered Bank, New York	USA	USD	28,157,976	12,359,348
Mashreq Bank, New York	USA	USD	17,819,872	6,955,815
HSBC, New York	USA	USD	-	156,327
Wells Fargo Bank, New York	USA	USD	64,749,393	99,846,560

			Amount in BDT	
			2017	2016
Commerzbank, Frankfurt	Germany	USD	4,116,515	6,452,769
Standard Chartered Bank ,London	UK	GBP	11,121,192	4,856,239
The Bank of Tokyo Mitsubishi Ltd., Tokyo	Japan	Japanees Yen	1,209,191	7,080,455
Arab Bangladesh Bank Ltd., Mumbai	India	ACU	5,838,869	10,214,471
Commerzbank, Frankfurt	Germany	EURO	9,847,870	6,728,896
Standard Chartered Bank, Frankfurt	Germany	EURO	2,679,327	618,139
Unicredito Italiano, Milan	Italy	EURO	114,036	31,932,163
Hatton National Bank, Colombo	Srilanka	ACU	463,535	86,160
Bank of Bhutan, Phuentsholing	Bhutan	ACU	4,182,906	7,939,129
United Bank of India, Kolkata	India	ACU	1,879,808	1,374,089
Sonali Bank, Kolkata	India	ACU	328,751	630,763
Nepal BD Bank Limited., Kathmandu	Nepal	ACU	18,211,445	4,603,518
Standard Chartered Bank, Mumbai	India	ACU	812,751	43,885,708
Meezan Bank Ltd. Karachi,(Former HSBC,Karachi)	Pakistan	ACU	52	50
ICICI, Mumbai	India	ACU	2,486,134	3,175,255
Habib Bank AG Zurich	Switzerland	Swiss Franc	2,433,022	1,385,598
Mashreq Bank, Mumbai	India	ACU	11,439,396	1,143,737
Habib American Bank	USA	USD	24,557,609	41,657,950
JP Morgan Chase Bank NY	USA	USD	26,838,528	5,698,724
Habib Metropolitan Bank	Pakistan	ACU	1,496,287	23,640,809
Habib Allied Bank UK	UK	GBP	-	23,280,957
Sonali Bank, UK	UK	USD	-	557,789
Sonali Bank, UK	UK	EURO	-	318,734
Mashreq Bank Dubai	Dubai	Dirham	5,066,708	-
Sub-Total			**245,851,173**	**346,580,152**
Total			**821,345,385**	**3,536,863,426**

4.3 Maturity-wise groupings (inside and outside Bangladesh)

Payable on demand	505,476,019	870,265,688
Up to 1 (one) month	-	-
Over 1 (one) month but not more than 3 (three) months	245,851,173	346,580,152
Over 3 (three) months but not more than 1 (one) year	70,018,193	2,320,017,586
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	821,345,385	**3,536,863,426**

	Amount in BDT	
	2017	2016
4(a) Consolidated Balance with Other Banks and Financial Institutions		
In Bangladesh		
Mercantile Bank Limited	575,494,212	3,190,283,274
Mercantile Bank Securities Limited	277,978,908	652,621,590
Mercantile Exchange House (UK) Limited	-	-
	853,473,120	**3,842,904,864**
Inter Company Transaction	(165,011,521)	(448,730,936)
	688,461,599	**3,394,173,928**
Outside Bangladesh (Nostro Accounts)		
Mercantile Bank Limited	245,851,173	346,580,152
Mercantile Exchange House (UK) Limited	-	12,137,913
	245,851,173	**358,718,065**
	934,312,772	**3,752,891,993**
5. Money at call and short notice		
First Finance & Investment Limited	100,000,000	-
	100,000,000	**-**
5(a) Consolidated money at call and short notice		
Mercantile Bank Limited.	100,000,000	-
Mercantile Bank Securities Limited.	-	-
Mercantile Exchange House (UK) Limited	-	-
	100,000,000	**-**
6. Investments		
Government securities (Note- 6.1)	29,362,506,727	24,271,567,529
Other investments (Note- 6.5)	8,959,643,037	8,649,120,466
	38,322,149,765	**32,920,687,995**
6.1 Investment classified as per Bangladesh Bank circular:		
Held for trading (HFT)	3,300,118,315	7,482,075,052
Held to maturity (HTM)	25,926,696,668	16,654,925,133
Other securities	135,691,744	134,567,344
	29,362,506,727	**24,271,567,529**

	Amount in BDT	
	2017	2016
6.2 Investment classified as per nature:		
a) Government securities:		
7 days BB Bills	499,836,859	-
91 days BB Bills	-	-
182 Days Treasury Bills	-	-
364 days Treasury Bills	-	442,428,939
	499,836,859	**442,428,939**
b) Government bonds:		
2 Years Treasury Bond	-	403,623,822
5 Years Treasury Bond	3,000,246,362	2,029,025,850
10 Years Treasury Bond	7,243,620,964	8,027,929,392
15 Years Treasury Bond	7,008,506,663	5,504,077,291
20 Years Treasury Bond	11,606,412,180	7,861,722,935
Prize Bonds	3,883,700	2,759,300
	28,862,669,868	**23,829,138,590**
Total (a+b)	**29,362,506,727**	**24,271,567,529**
Other investments (Note- 6.5)	8,959,643,037	8,649,120,466
	38,322,149,765	**32,920,687,995**

Note:- Value of securities for the year 2017 are also adjusted with the values determined by mark-to-market method.

6.3 Maturity grouping of Government bonds :		
Payable on demand	3,883,700	2,759,300
Up to 1 (one) month	514,550,330	740,000,000
Over 1 (one) month but not more than 3 (three) months	-	24,606,629
Over 3 (three) months but not more than 1 (one) year	-	999,888,420
Over 1 (one) year but not more than 5 (five) years	7,714,294,909	5,004,513,720
Over 5 (five) years	21,129,777,788	17,499,799,460
	29,362,506,727	**24,271,567,529**
6.4 Types of Government securities		
A. Held to Maturity (HTM) securities		
7 days BB Bill	499,836,859	-
5 Years Treasury Bond	1,632,976,165	966,549,000
10 Years Treasury Bond	6,845,234,651	5,438,013,160
15 Years Treasury Bond	6,618,728,620	4,534,683,276
20 Years Treasury Bond	10,329,920,373	5,715,679,697
	25,926,696,668	**16,654,925,133**

	Amount in BDT	
	2017	2016
B. Held for Trading (HFT) securities		
91 days Treasury Bills	-	-
182 days Treasury Bills	-	-
364 days Treasury Bills	-	442,428,939
2 Years Treasury Bond	-	403,623,823
5 Years Treasury Bond	1,367,270,197	1,062,476,849
10 Years Treasury Bond	398,386,313	2,589,916,232
15 Years Treasury Bond	389,778,042	969,394,015
20 Years Treasury Bond	1,144,683,762	2,014,235,194
	3,300,118,315	**7,482,075,052**
C. Other Securities		
Encumbered Treasury Bond (lien with Bangladesh Bank)	131,808,044	131,808,044
Prize Bonds	3,883,700	2,759,300
	135,691,744	**134,567,344**
Total (A+B+C))	**29,362,506,727**	**24,271,567,529**

6.5 Other Investments

A. Investment in shares		
a) Unquoted		
Central Depository Bangladesh Limited	5,138,890	5,138,890
SWIFT	5,218,706	5,218,706
Mercantile Bank Securities Limited	3,550,000,000	3,550,000,000
Mercantile Exchange House UK Limited	111	99
Market Stabilization Fund Asset Management Co. Limited	2,000,000	2,000,000
Aman Cotton	1,255,360	-
	3,563,613,067	**3,562,357,695**
b) Quoted		
Al-Arafah Islami Bank Limited	-	2,074,410
Aftab Auto mobiles	-	14,586,015
Bank Asia Limited	-	10,029,928
Beximco Limited	30,947,879	30,947,879
Eastern Bank Limited	-	5,164,616
Eastland Insurance	1,852,762	1,852,762
IDLC Finance Limited	233,135,524	136,887,000
IFIC Bank Limited	-	1,019,349
Lanka Bangla Finance Limited	23,501,702	23,501,702
MBL 1st Mutual Fund	200,000,000	200,000,000
National Bank Limited	5,729,116	5,729,116

	Amount in BDT	
	2017	2016
Navana CNG	3,488,726	3,488,726
Prime Finance & Investment Limited	8,517,764	8,517,764
RAK Ceramics Limited	12,980,620	12,980,621
Saiham Cotton	-	1,457,001
Salam	-	1,546,662
Social Islami Bank Limited	-	3,868,613
Square Pharmaceuticals Limited	-	4,251,263
Summit Power Company Limited	-	86,999,885
The City Bank Limited	-	3,880,736
Titas Gas	4,706,628	4,706,629
Nahee Aluminum	62,247	-
Oimex	64,810	-
Uttara Bank Limited	1,792,193	1,792,094
ITCL	10,000,000	10,000,000
	536,779,970	**575,282,771**
Market price of quoted shares	**2,037,232,049**	**1,417,809,716**
Gain/(Loss) arises	**1,500,452,078**	**842,526,945**
Gain/(Loss) has been determined on consolidated basis.		
b(I) Investment in Commercial Paper(Non-Trade)		
Danish Condensed Milk BD. Limited	-	500,000,000
Shanta Holdings	-	250,000,000
	-	**750,000,000**
B. Bonds		
FSIBL Mudaraba Subordinated Bond	72,000,000	108,000,000
N B L Subordinated Bond	-	20,480,000
The City Bank Subordinated Bond	587,250,000	783,000,000
Southeast Bank Subordinated Bond	200,000,000	250,000,000
Eastern Bank Subordinated Bond	250,000,000	250,000,000
Exim Bank Subordinated Bond	250,000,000	250,000,000
Prime Bank Subordinated Bond	250,000,000	250,000,000
Bank Asia Subordinated Bond	500,000,000	500,000,000
Jamuna Bank Subordinated Bond	500,000,000	500,000,000
United Commercial Bank Subordinated Bond	500,000,000	500,000,000
Alarafa Islami Bank Subordinated Bond	250,000,000	250,000,000
Trust Bank Limited	100,000,000	100,000,000
SIBL 2nd Mudaraba Subordinated Bond	250,000,000	-
The City Bank 2nd Mudaraba Subordinated Bond	400,000,000	-

	Amount in BDT	
	2017	2016
First Security Islami 2nd Mudaraba	200,000,000	-
United Commercial Bank 3rd Subordinated Bond	200,000,000	-
Standard Bank Ltd Subordinated Bond	350,000,000	-
	4,859,250,000	**3,761,480,000**
	8,959,643,037	**8,649,120,466**

6.6 (i) Disclosures regarding outstanding Repo

Counterparty name	Agreement date	Reversal date	Amount
	Nil		
	Total		

(ii) Disclosures regarding outstanding Reverse Repo as on 31 December 2017:

Counterparty name	Agreement date	Reversal date	Amount
	Nil		

(iii) Disclosure regarding overall transaction of Repo and Reverse Repo

Counterparty name	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding
Security sold under Repo			
I) with Bangladesh Bank	332,500,000	332,500,000	332,500,000
ii) with other Banks & FIs	69,899,984	1,682,449,489	876,174,736
Security purchased under Reverse Repo			
I) From Bangladesh Bank	-	-	-
ii) From other Banks & FIs	503,841,528	503,841,528	503,841,528

6(a) Consolidated Investment

Investment - Government Securities		
Mercantile Bank Limited	29,362,506,727	24,271,567,529
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	29,362,506,727	**24,271,567,529**
Other Investments		
Mercantile Bank Limited	8,959,643,037	8,649,120,466
Mercantile Bank Securities Limited	830,000,000	830,000,000
Mercantile Exchange House (UK) Limited	-	-
	9,789,643,037	**9,479,120,466**
Inter company transaction	(3,550,000,111)	(3,550,000,099)
	6,239,642,928	**5,929,120,367**
	35,602,149,655	**30,200,687,896**

	Amount in BDT	
	2017	2016
7. Loans and Advances		
Loans, Cash Credit and Overdraft etc. (Note A)	180,264,523,067	137,869,676,919
Bills Purchased and Discounted (Note B)	19,396,197,964	13,042,844,643
	199,660,721,031	**150,912,521,562**
A. Loans, Cash Credit and Overdraft, etc.		
Term Loan	51,268,680,186	43,761,705,985
Time Loan	21,161,491,770	14,136,815,187
Packing Credit	2,074,512,481	1,548,226,606
Loan Against Trust Receipt (LTR)	5,689,746,314	4,581,696,407
Lease Finance	907,357,451	1,132,517,783
EDF Loan	10,639,218,138	7,809,074,756
Loan General	579,519,020	597,883,291
House Building Loan	3,935,504,977	2,890,640,355
Hire Purchase	7,074,578,863	5,326,803,146
Payment Against Documents (PAD)	593,048,668	369,819,363
Cash Credit (Hypo)	10,459,121,643	12,179,623,046
Overdraft	29,626,343,542	23,015,186,144
Home Loan Scheme Refinance	3,824,038	5,259,700
Personal Loan	221,532,650	150,682,832
Consumers Credit Schemes	7,607,975	10,825,370
Consumers Finance	1,590,469,396	1,182,876,109
Other Credit Schemes	5,847,119	1,797,439
Staff Loan	1,251,914,224	1,142,450,616
Credit Card	339,543,572	284,791,342
Small and Medium Enterprise(SME) Loan	28,663,374,792	14,542,978,240
Agricultural Credit	4,171,286,248	3,198,023,202
	180,264,523,067	**137,869,676,919**
B. Bills Purchased and Discounted		
Payable in Bangladesh	4,122,373,137	2,840,868,686
Payable outside Bangladesh	15,273,824,828	10,201,975,957
	19,396,197,964	**13,042,844,643**
7.1 Net loans, advances and leases/ investment		
Gross performing loans, advances and leases/ investment (Note-7)	199,660,721,031	150,912,521,562
Non-performing loans, advances and leases/ investment (Note-7.13(x))	(7,564,720,752)	(7,745,883,635)
Provision for loans, advances and leases/ investment (Note-12.5.1)	(8,551,638,063)	(7,033,743,000)
	(16,116,358,815)	**(14,779,626,635)**
	183,544,362,217	**136,132,894,927**

	Amount in BDT	
	2017	2016
7.2 Residual maturity grouping of loans, advances and leases/ Investments		
including bill purchased and discounted		
Up to 1 (one) month	30,080,470,535	27,494,941,715
Over 1 (one) month but not more than 3 (three) months	41,806,119,054	24,894,932,966
Over 3 (three) months but not more than 1 (one) year	65,162,275,215	51,131,514,144
Over 1 (one) year but not more than 5 (five) years	46,163,232,883	31,223,241,734
Over 5 (five) years	16,448,623,344	16,167,891,003
	199,660,721,031	**150,912,521,562**
7.3 Loans and advances (broad categories)		
In Bangladesh	**199,660,721,031**	**150,912,521,562**
Loans and advances	139,271,700,431	101,542,349,946
Leases/investments	907,357,451	1,132,517,783
Cash credits	10,459,121,643	12,179,623,046
Bill Purchased and discounted	19,396,197,964	13,042,844,643
Overdraft	29,626,343,542	23,015,186,144
Outside Bangladesh	-	-
Total	**199,660,721,031**	**150,912,521,562**
7.3.1 Residual maturity grouping of loans and advances		
Up to 1(one) month	20,058,540,977	13,130,500,699
Over 1(one) month but not more than 3 (three) months	19,611,343,346	12,940,318,257
Over 3 (three) months but not more than 1 (one) year	41,578,437,939	33,000,854,650
Over 1 (one) year but not more than 5 (five) years	39,574,754,825	26,310,600,077
Over 5 (five) years	18,448,623,344	16,160,076,263
	139,271,700,431	**101,542,349,946**
7.3.2 Residual maturity grouping of leases / investments		
Lease rental receivable within 1 year	411,857,655	415,678,566
Above 1 year but within 5 years	770,442,659	752,552,658
Above 5 years	210,946,049	285,977,326
Total lease rental receivable	**1,393,246,363**	**1,454,208,550**
Unearned interest receivable	(485,888,912)	(321,690,767)
	907,357,451	**1,132,517,783**
7.3.3 Residual maturity grouping of cash credit		
Up to 1 (one) month	2,279,654,191	1,702,491,502
Over 1 (one) month but not more than 3 (three) months	937,299,363	1,859,473,701
Over 3 (three) months but not more than 1 (one) year	7,242,168,089	8,617,657,843
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	10,459,121,643	**12,179,623,046**

	Amount in BDT	
	2017	2016
7.3.4 Residual maturity grouping of bill purchased and discounted		
Up to 1 (one) month	3,259,390,698	2,900,053,438
Over 1 (one) month but not more than 3 (three) months	15,479,011,115	9,584,250,552
Over 3 (three) months but not more than 1 (one) year	657,796,151	558,540,653
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	19,396,197,964	**13,042,844,643**
7.3.5 Residual maturity grouping of overdraft		
Up to 1 (one) month	5,151,442,968	3,013,404,707
Over 1 (one) month but not more than 3 (three) months	6,434,433,095	4,482,614,456
Over 3 (three) months but not more than 1 (one) year	18,004,450,974	15,499,935,665
Over 1 (one) year but not more than 5 (five) years	36,016,505	19,231,316
Over 5 (five) years	-	-
	29,626,343,542	**23,015,186,144**
7.4 Significant Concentration of Credit		
Advances to Directors and Others	-	-
Advances to Managing Director and Chief Executive	-	-
Advances to customers	63,221,804,420	37,614,420,946
Industry-wise	135,187,002,387	112,155,650,000
Staff loan	1,251,914,224	1,142,450,616
	199,660,721,031	**150,912,521,562**
7.5 Geographical location-wise break-up		
Urban		
Dhaka	135,472,147,919	99,651,084,840
Chittagong	34,804,862,362	26,944,329,560
Rajshahi	11,726,238,619	9,635,711,011
Sylhet	909,020,189	1,005,060,739
Khulna	1,945,873,377	1,209,774,755
Rangpur	1,550,374,937	1,146,649,787
Barisal	1,450,935,177	1,197,731,137
Mymensingh	259,093,665	-
	188,118,546,245	**140,790,341,829**
Rural		
Dhaka	5,150,984,627	4,416,065,800
Chittagong	4,706,670,227	4,287,538,990
Rajshahi	1,382,804,995	1,184,226,269
Sylhet	83,429,229	77,495,312
Rangpur	117,599,454	89,821,075
Barisal	100,686,254	67,032,287
	11,542,174,786	**10,122,179,733**
	199,660,721,031	**150,912,521,562**

	Amount in Lac	
	2017	2016
7.6 Sector wise break-up of Loans		
Education (School/College, University, Research institute)	2,140	3,211
Health	14,981	12,541
Agriculture	21,380	80,224
Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	80,327	83,202
Trade Finance	612,348	274,207
Transport	35,013	34,410
Shipping	92,218	65,015
Textile (Excluding IDBP)	52,105	64,340
Textile (IDBP)	17,342	6,751
Readymade Garments (RMG) [excluding IDBP]	343,266	203,080
Readymade Garments (RMG) [IDBP]	20,096	26,112
Tele communication	3,671	8,430
IT & Computer/Trade	3,383	4,060
Power & Fuel	10,832	3,800
Real Estate	37,385	82,742
Cement	1,478	2,602
Chemicals	22,465	13,995
Leather & Leather products	18,838	27,488
Plastic & Plastic products	3,106	8,665
Electrical & Electronic goods	26,392	11,609
Paper & Packaging	36,785	38,180
Jute & Jute products	24,025	23,449
Glass & Glass products	162	782
Ceramics (Table ware, Sanitary ware, Tiles etc.)	10,708	10,532
Iron & Steel	73,395	96,657
Engineering & Construction	95,428	17,642
Contractor Finance	12,405	22,692
Capital Market Intermediaries	9,836	43,261
Backward Linkage	22,263	18,908
Consumer & Retail Products	25,799	9,458
Non Bank Financial Institution (NBFI)	72,911	37,197
Service (Hotel, Restaurant, Travelling, Tickets, etc.)	68,836	7,445
Others	125,288	166,441
Total	**1,996,607**	**1,509,125**

AMARSTOCK

	Amount in BDT	
	2017	2016
7.7 Loan and advances allowed to each customer exceeding 10% of Bank's total capital		
Total loans and advances	54,203,035,000	39,176,249,000
No. of customers	33	28
Classified amount thereon	-	217,974,275
Measures taken for recovery	nil	nil

The amount represents the sum of total loan allowed to each customer exceeding @ 10% of Capital Fund.

7.8 Details of large loans and advances

Number of clients with outstanding amount exceeding 10% of total capital of the Bank is 33. Total capital of the Bank was BDT 2,458.14 crore as at 31 December 2017.

SL	Name of Clients	Outstanding		Total	Branch
		Funded	Non-Funded (BDT)		
1	Azmat Group	656,897,000	667,401,000	1,324,298,000	Main
2	Hasan Flour Mill	-	757,109,000	757,109,000	Main
3	Natural Group	1,082,705,000	2,238,658,000	3,321,363,000	Main
4	Jamuna Group	3,139,428,000	3,287,079,000	6,426,507,000	Main
5	United Group	-	1,250,000,000	1,250,000,000	Main
6	Bashundhara Group	3,014,818,000	1,589,908,000	4,604,726,000	Main
7	Pioneer Group	541,947,000	1,042,978,000	1,584,925,000	Main
8	Creative Group	1,697,759,000	698,710,000	2,396,469,000	Main
9	Mercantile Bank Securities Ltd	983,552,000	-	983,552,000	Main
10	Interstoff Group	1,380,360,000	1,681,800,000	3,062,160,000	Dhanmondi
11	Abul Khair Group	3,193,185,000	4,175,005,000	7,368,190,000	Agrabad
12	T.K. Group	1,178,306,000	324,864,000	1,503,170,000	Agrabad
13	Sanmar Hotels	3,190,757,000	44,736,000	3,235,493,000	Agrabad
14	Kabir Group	111,564,000	1,061,096,000	1,172,660,000	Agrabad
15	BSRM Group	1,015,875,000	1,583,686,000	2,599,561,000	Jubilee Road
16	Starlight Group	3,392,235,000	5,906,792,000	9,299,027,000	Mohakhali
17	Nitol Motors	2,360,057,000	700,624,000	3,060,681,000	Mohakhali
18	TRZ Group	1,910,717,000	803,187,000	2,713,904,000	Mohakhali
19	Rising Group	1,348,935,000	1,628,906,000	2,977,841,000	Banani
20	ACI Ltd	2,411,842,000	159,903,000	2,571,745,000	Banani
21	KDS Group	1,195,060,000	610,037,000	1,805,097,000	Khatungonj
22	S. Alam Group	3,413,436,000	1,724,091,000	5,137,527,000	Khatungonj
23	PHP Group	-	142,873,000	142,873,000	Khatungonj
24	Deshbandhu Group	2,785,550,000	991,869,000	3,777,419,000	Motijheel
25	Pran RFL Group	2,160,592,000	1,859,196,000	4,019,788,000	Motijheel
26	Jamuna Industrial Agro	2,738,198,000	4,332,000	2,742,530,000	Rajshahi
27	Rokeya Group	1,304,185,000	-	1,304,185,000	Rajshahi
28	Sheema Group	425,697,000	1,877,077,000	2,302,774,000	O.R Nizam Road
29	Robin Group	1,661,190,000	336,373,000	1,997,563,000	Gulshan
30	IFAD Group	1,209,985,000	947,215,000	2,157,200,000	Satmosjid Branch
31	Ananda Shipyard	1,530,975,000	-	1,530,975,000	Eng. Institution
32	Energy Pack Engineering Ltd	948,811,000	687,316,000	1,636,127,000	Intt. Airport Road
33	S.Q Birichinia Ltd	2,218,417,000	2,836,926,000	5,055,343,000	Gulshan
	Total	**54,203,035,000**	**41,619,747,000**	**95,822,782,000**	

7.8.1Loan and advances related with large loan restructuring

The bank has participated syndication loan of Jamuna Builders Limited with lead arranger of Janata Bank Limited. In addition, these loans have been restructured as large loan restructuring complied with BRPD circular # 04 dated January 29, 2015. Details are given below :

BDT in Lac

Nature of facility	Amount	Validity	Outstanding as on 31.12.2017	Total Provision kept	CL Status
Syndication Term Loan (Restructured)	4,246.28	30/06/2027	5,103.20	102.06	SMA (RST)

	Amount in BDT	
	2017	2016
7.9 Loans & advances classified as per Bangladesh Bank circular		
Unclassified	192,096,000,279	143,166,637,927
Sub-standard	420,971,564	1,860,399,885
Doubtful	593,531,289	597,091,739
Bad Loss	6,550,217,899	5,288,392,011
	199,660,721,031	**150,912,521,562**

Details of loans and advances as follows: (Figure in thousand)

	Dec-17		Dec-16	
Status of loans and advances	**Mix %**	**Outstanding**	**Mix %**	**Outstanding**
Unclassified loans and advances :				
Unclassified (including staff loan)	94.49%	188,658,822	92.71%	139,905,626
Special Mention Account	1.72%	3,437,178	2.16%	3,261,012
Total unclassified loans and advances :	**96.21%**	**192,096,000**	**94.87%**	**143,166,638**
Classified loans and advances :				
Sub-standard	0.21%	420,972	1.23%	1,860,400
Doubtful	0.30%	593,531	0.40%	597,092
Bad/loss	3.28%	6,550,218	3.50%	5,288,392
Total classified loans and advances :	**3.79%**	**7,564,721**	**5.13%**	**7,745,884**
Total loans and advances :	**100%**	**199,660,721**	**100%**	**150,912,522**

7.9.1 Base for provision

SMA	**3,437,177,943**	**3,261,011,625**
Base for provision		
Sub-standard	127,727,345	483,848,467
Doubtful	278,211,549	113,564,539
Bad Loss	3,803,300,365	2,694,481,968
	4,209,239,259	**3,291,894,974**

	Amount in BDT	
	2017	2016
7.10 Nature wise loans & advances		
Continuous	61,130,906,218	45,261,471,405
Demand Loan	68,613,320,093	45,352,630,277
Term Loans up to 5 (five) years	68,664,580,496	54,889,392,047
Term Loans above 5 (five) years	-	4,266,577,217
Term Loans above 5 (five) years - Staff Loan	1,251,914,224	1,142,450,616
	199,660,721,031	**150,912,521,562**
7.11 Provision for loans and advances		
*** General provision (including SMA)	4,953,309,000	4,605,838,789
OBU	150,000,000	85,917,000
Specific provision (classified loans and advances)		
Sub-standard	25,475,116	96,664,102
Doubtful	138,683,582	55,997,141
Bad/ Loss	3,803,300,365	2,964,481,968
Total	**9,070,768,063**	**7,808,899,000**
*** less: Chargeable amount during next years	**519,130,000**	**779,130,000**
Required provision for Current Year	**8,551,638,063**	**7,029,769,000**
Total provision maintained (Note-12.5.1)	**8,551,638,063**	**7,033,743,000**
Excess/(short) provision	**-**	**3,974,000**

*** General provision (including SMA) has been made during the period after adjustment of the deferral amount Tk. 519,130,000 which will be equally adjusted in the year 2018 & 2019 as per BB letter no. DBI-1/110/2018-1007 dated 18.03.2018.

Provision for loans and advances:

(Figure in thousand)

Status of loans and advances	Outstanding Amount (BDT)	Base for Provision	Provision (%)	Provision
Unclassified loans and advances :				
Unclassified (SMEF)	27,138,914	27,117,550	0.25%	67,794
Unclassified (other credit)	142,703,677	142,109,040	1%	4,245,679
Unclassified (OBU)	15,002,079	15,002,079	1%	150,000
Unclassified (HF, LP & BH/MBS/ SDS against share)	2,591,502	2,294,214	2%	45,884
Unclassified (other than HF, LP & short term agri. Loan)	520,844	818,132	5%	40,907
Agri Loan	65,894	65,894	2.5%	659
Unclassified (staff loan)	1,251,914	-	0%	-
Special Mention Account	3,450,650	3,437,178	0.25% -5%	33,256
Total unclassified loans and advances :	**192,725,474**	**190,844,087**		**4,584,179**
Classified loans and advances :				
Sub - standard	420,972	127,727	20%	25,475
Doubtful	593,531	278,212	50%	138,684
Bad/ loss	6,550,218	3,803,300	100%	3,803,300
Total classified loans and advances :	**7,564,721**	**4,209,239**		**3,967,460**
Total loans and advances :	**200,290,194**	**195,053,326**		**8,551,639**

7.12 Provision for off-balance sheet exposures

Particulars of off-balance sheet exposures	Amount	Base for provision	Rate 1% Amount (BDT)	Provision Amount (BDT)
Acceptances and endorsements less margin	47,500,722,770	47,500,722,770	475,007,228	
Letter of guarantee less margin	13,500,172,474	13,500,172,474	135,001,725	
Letter of credit less margin	43,748,154,363	39,358,567,605	393,585,676	
Bills for collection	7,629,978,904	7,629,978,904	76,299,789	
Other contingent liabilities(BLW)	2,378,023,272	2,378,023,272	-	
Required provision on off-balance exp	**114,757,051,783**	**110,367,465,025**	**1,079,894,418**	**1,079,894,418**
Total Provision maintained				**1,079,900,000**
Excess/(short) provision				**5,582**

7.13 Particulars of loans and advances

		Amount in BDT	
		2017	2016
i)	Loans considered good in respect of which the Bank Company is fully secured	190,423,967,752	141,744,636,421
ii)	Loans considered good for which the Bank holds no other Security than the debtors personal security	29,550,068	17,673,388
iii)	Loans considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors	390,568,235	261,877,502
iv)	Loans adversely classified; provision not maintained there against	-	-
		190,844,086,055	**142,024,187,311**
v)	Loans due by directors or executives of the Banking Company or any of them taken either severally or jointly with any other person (Staff Loan)	1,251,914,224	1,142,450,616
vi)	Loans due by companies or firms in which the directors of the Bank Company are interested as directors, partners or managing agents or in case of private companies, as members.	-	-
		-	-
vii)	Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either separately or jointly with any other person (Staff Loan)	1,251,914,224	1,142,450,616
viii)	Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies, as members	-	-
ix)	Due from other banking companies	-	-
x)	Total amount of classified advances on which interest is not credited to income	7,564,720,752	7,745,883,635

DHAKA STOCK

		Amount in BDT	
		2017	2016
a.	Movement of classified loans and advances		
	Opening balance 01 January 2016	7,745,883,635	6,250,774,000
	Increase/(decrease) during the period	(181,162,883)	1,495,109,635
		7,564,720,752	**7,745,883,635**
b.	Amount of provision kept against loan classified as 'Bad/Loss' on the reporting date of Balance Sheet	2,754,443,816	2,694,481,968
c.	Interest creditable to the Interest Suspense Account	2,579,918,226	2,049,937,142
xi)	Amount of written off loans		
	Opening Balance	2,383,548,798	2,391,993,594
	Amount written off during the Period	576,767,921	972,851
	Amount Recovered / Adjustment	(21,576,705)	(9,417,647)
	Cumulative Balance	**2,938,740,014**	**2,383,548,798**

7.14 Listing of assets pledged as security/ collaterals

Fixed assets	176,630,896,000	142,692,250,000
Cash & quasi-cash	24,831,394,000	21,026,548,000
Others	1,240,876,000	1,360,577,000
	202,703,166,000	**165,079,375,000**

7.15 Suits filed by the bank branch-wise details

Main Branch	3,106,647,978	3,118,454,169
Dhanmondi Branch	898,730,815	739,406,342
Motijheel Branch	17,742,100	17,742,100
Nayabazar Branch	156,876,021	156,510,589
Kawran Bazar	353,771,464	344,432,670
Rajshahi Branch	49,549,821	48,800,000
Noagaon Branch	231,697,981	231,682,981
Agrabad Branch	5,181,553,012	2,942,556,985
Sylhet Branch	90,942,784	72,353,785
Comilla Branch	38,438,670	38,438,670
Khatungonj Branch	833,991,956	818,496,673
Sapahar Branch	5,186,083	5,186,041
Jubliee Road Branch	6,902,326	6,902,326
Banani Branch	1,233,736,213	1,099,802,355
Uttara Branch	7,746,464	7,746,000
O R Nizam Road Branch	8,544,354	562,612
Madam Bibi Hat Branch	1,830,177,979	665,418,509

AMARSTOCK

	Amount in BDT	
	2017	2016
Mogh Bazar Branch	10,706,972	9,136,000
Faridgonj Branch	3,481,000	2,778,652
Khulna Branch	3,233,742	3,233,000
Rangpur Branch	24,596,227	12,085,363
Sk.Mujib Road Branch	12,672,532	12,672,533
Elephent Road Branch	8,982,000	7,342,880
Mazar Road Branch	22,685,409	19,766,000
Bijoynagar Branch	42,644,374	42,644,374
Joypara Branch	16,190,512	16,190,512
Aganar Branch	537,510	537,510
Patiya Branch	1,500,000	1,500,000
Satmasjid Road Branch	220,923,752	145,980,802
Dinajpur Branch	5,622,971	
Ashulia	1,861,958	-
International Airport Road Branch	42,532,339	-
Chowmuhani Branch	61,064,877	-
A.K. Khan Moor Branch	1,424,368	-
Kushtia Branch	7,132,502	-
Moulvibazar Branch	15,849,676	-
Sunamgonj Branch	4,196,295	-
Beanibazar Branch	30,002,628	-
Gulshan Branch	6,230,949	-
	14,596,308,616	**10,588,360,433**

7(a) Consolidated loans and advances

Loans and advances		
Mercantile Bank Limited	180,264,523,067	137,869,676,919
Mercantile Bank Securities Limited	4,300,859,483	4,878,310,917
Mercantile Exchange House (UK) Limited	-	-
	184,565,382,550	**142,747,987,836**
Inter company transactions	(1,021,166,771)	(1,674,682,280)
	183,544,215,779	**141,073,305,556**
Bills purchased and discounted		
Mercantile Bank Limited	19,396,197,964	13,042,844,643
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	19,396,197,964	**13,042,844,643**
Inter company transaction	-	-
	19,396,197,964	**13,042,844,643**
Total	**202,940,413,743**	**154,116,150,199**

	Amount in BDT	
	2017	2016
8. Fixed assets including premises, furniture and fixtures-at cost less accumulated depreciation (Annexure-A)		
Freehold properties		
Land & land development	1,341,807,978	1,341,807,978
Building	653,757,654	671,679,700
Furniture & fixtures	456,836,576	462,542,345
Office equipment & Computer equipment	549,801,526	656,215,383
Vehicles	55,106,928	42,637,385
Books	186,310	146,817
Total	**3,057,496,972**	**3,175,029,609**

8(a). Consolidated fixed assets including premises, furniture and fixtures

Mercantile Bank Limited	3,057,496,972	3,175,029,609
Mercantile Bank Securities Limited	17,348,460	19,315,529
Mercantile Exchange House (UK) Limited	7,582,379	4,743,955
	3,082,427,810	**3,199,089,093**

Fixed assets of the Bank specially land & land development been revalued by a professional valuation firm M/s Jarip O Paridarshan. Gain arisen from such revaluation is duly accounted for in the year 2011.

9 Other assets (Annexure-C)		
Investment in shares of subsidiary companies		
In Bangladesh (Mercantile Bank OBU Unit)	5,746,028,700	7,844,136,601
Outside Bangladesh (Mercantile Exchange House (UK) Limited)	38,027,115	33,233,736
Stationery, stamps,printing materials in stock etc	21,032,933	13,389,161
Advance rent and advertisement	307,549,639	342,223,468
Interest accrued on investment but not collected,commission and brokerage receivable on shares and debenture and other income receivable (Adjusting account debit-Note 9.2)	1,209,687,720	795,683,896
Security deposit (Advance deposits)	8,243,704	7,250,364
Prelimiary, formation and organization expenses, renovation/ development expenses and prepaid expenses (MBL Center)	19,638,491	-
Branch adjustment (Mercantile Bank general account)	-	108,880,111
Suspense Account (Note 9.1)	925,457,760	529,233,601
Silver	-	-
Others (Clearing adjustment account)	95,000	95,000
	8,275,761,063	**9,674,125,939**
Intra company transaction (OBU)	(5,746,028,700)	(8,591,726,486)
	2,529,732,363	**1,082,399,453**

	Amount in BDT	
	2017	2016
9.1 Suspense Account		
Advance against TA/DA	69,651	15,000
Encashment of PSP/BSP/WEDB	520,732,770	165,368,607
Others	404,655,339	363,849,994
	925,457,760	**529,233,601**

9.2 Interest accrued on investment but not collected,commission and brokerage receivable on shares and debenture and other income receivable (Adjusting account debit)

Accrued interest	1,127,709,884	749,663,471
Other accruals (Note - 9.2.1)	81,977,836	46,020,425
	1,209,687,720	**795,683,896**

9.2.1 Other accruals

Prepaid insurance premium	20,217,630	7,334,219
Prepaid expenditure others	55,195,262	29,212,411
Fees receivable	2,977,200	5,745,100
Dividend receivable on share	1,035,020	-
Discount receivable	1,173,974	1,173,974
Protested bills	264,062	509,199
Other receivables	1,114,689	2,045,521
	81,977,836	**46,020,425**

9.3 Mercantile Bank General Account **BDT in '000"**

Mercantile Bank General Account represents outstanding inter-branch and Head Office transactions (Net) originated but yet to be responded by the Balance Sheet date. However, the un-respondent entries of 31 December 2017 (position on 25.01.2018) are given below:

Particulars	No of entries	Amount	No of entries	Amount
	Dr.		Cr.	
Up to 3 months	-	-	-	-
Over 3 months but within 6 months	-	-	-	-
Over 6 months but within 1 year	-	-	-	-
Over 1 year but within 5 years	-	-	-	-
	-	-	-	-

9(a) Consolidated other assets

Mercantile Bank Limited.	2,529,732,363	1,082,399,453
Mercantile Bank Securities Limited.	520,873,100	181,110,023
Mercantile Exchange House (UK) Limited	3,111,633	1,433,210
	3,053,717,095	**1,264,942,686**

	Amount in BDT	
	2017	2016
10. Borrowings from other banks, financial institutions and agents		
In Bangladesh	7,056,119,495	8,804,043,480
Outside Bangladesh	-	-
	7,056,119,495	**8,804,043,480**
10.1 In Bangladesh - Interest bearing		
Call Deposits (10.1a)	150,000,000	3,030,000,000
	150,000,000	**3,030,000,000**
Other Borrowings		
Bangladesh Bank Refinance (10.1b)	639,823,038	654,633,365
Other Bank Borrowings (10.1c)	-	5,080,000,000
Off-shore Banking Unit	12,012,325,157	8,631,136,601
	12,652,148,195	**14,365,769,966**
Inter company transaction	(5,746,028,700)	(8,591,726,486)
	6,906,119,495	**5,774,043,480**
10.1a Money at Call		
United Commercial Bank Limited	-	250,000,000
BASIC Bank Limited	-	1,000,000,000
Prime Bank Limited	-	390,000,000
National Bank Limited	-	900,000,000
Dhaka Bank Limited	-	50,000,000
State Bank of India	150,000,000	140,000,000
Janata Bank Limited	-	200,000,000
Pubali Bank Limited	-	100,000,000
	150,000,000	**3,030,000,000**
10.1b Bangladesh Bank Refinance		
Refinance for Women Ent. SME	330,573,393	457,247,202
Refinance for Home Loan	17,547,208	20,946,543
Refinance for SME	9,213,940	25,240,332
Refinance for ETP	47,535,398	10,150,000
Refinance Against Fininance Brick Kiln	23,982,146	28,214,288
Refinance Against Jute Sector	15,000,000	30,000,000
Refinance Against Fin. Incl SC(FIS)	3,908,453	1,810,000
Refinance for Agro Processing Ind	192,062,500	81,025,000
	639,823,038	**654,633,365**

	Amount in BDT	
	2017	2016
10.1c Other Bank Borrowings		
Short Notice		
Mitual Trust Bank Limited	-	500,000,000
AB Bank Limited	-	1,000,000,000
IFIC Bank Limited	-	700,000,000
Midland Bank Limited	-	100,000,000
Bank Asia Limited		1,000,000,000
HSBC Limited	-	380,000,000
Trust Bank Limited		500,000,000
Premier Bank Limited	-	400,000,000
	-	**4,580,000,000**
Term Notice		
Uttara Bank Limited	-	500,000,000
	-	**5,080,000,000**
10.2 Outside Bangladesh	**-**	**-**
	7,056,119,495	**8,804,043,480**
10.3 Security wise grouping		
Secured borrowings	639,823,038	5,734,633,365
Unsecured borrowings	6,266,296,457	39,410,115
	6,906,119,495	**5,774,043,480**
10.4 Nature of repayment		
Repayable on demand	6,266,296,457	39,410,115
Others	639,823,038	5,734,633,365
	6,906,119,495	**5,774,043,480**
10.5Maturity grouping of borrowings from other banks, financial institutions and agents		
Up to 1 (one) month	6,266,296,457	39,410,115
Over 1 (one) month but not more than 3 (three) months	-	-
Over 3 (three) months but not more than 1 (one) year	639,823,038	5,734,633,365
Over 1 (one) year but not more than 5 (five) years	-	-
Over 5 (five) years	-	-
	6,906,119,495	**5,774,043,480**
10(a) Consolidated borrowings from other banks, financial institutions		
Inside Bangladesh		
Mercantile Bank Limited	7,056,119,495	8,804,043,480
Mercantile Bank Securities Limited	983,551,925	1,641,006,300
Mercantile Exchange House (UK) Limited	37,614,846	33,675,980
	8,077,286,266	**10,478,725,760**

	Amount in BDT	
	2017	2016
Outside Bangladesh		
Mercantile Bank Limited	-	-
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	-	-
	8,077,286,266	**10,478,725,760**
Inter company transaction	(1,021,166,771)	(1,674,682,280)
	7,056,119,495	**8,804,043,480**
11. Deposits and other accounts		
A. Deposits received from Banks (Note- A-1)	**7,756,356,426**	**179,400,000**
B. Other than Bank	**201,366,597,625**	**155,906,375,549**
Payable on demand (Note- B-1)	26,719,702,990	23,966,806,289
Time Deposits (Note - B-2)	174,646,894,635	131,939,569,260
	209,122,954,051	**156,085,775,549**
Maturity Analysis (Deposits received from other than Banks)		
Repayable on demand	22,937,756,475	14,779,254,875
Repayable within 1 (one) month	31,499,907,571	26,985,879,546
Repayable over 1 (one) month but within 3 (three) months	34,383,305,359	25,978,546,570
Repayable over 3 (three) months but within 1 (one) year	37,009,563,037	28,959,305,255
Repayable over 1 (one) year but within 5 (five) years	41,978,337,742	31,852,879,537
Repayable over 5 (five) years but within 10 (ten) years	33,557,727,441	27,350,509,766
Unclaimed deposits 10 (ten) years and above	-	-
	201,366,597,625	**155,906,375,549**
A-1 Deposits received from Banks		
Term deposit	7,710,000,000	-
Current deposit	7,840,578	9,400,000
Special Notice deposits	38,141,088	170,000,000
Saving deposits	374,760	-
	7,756,356,426	**179,400,000**
Maturity wise grouping		
Repayable on demand	8,215,338	9,400,000
Repayable within 1 (one) month	38,141,088	170,000,000
Repayable over 1 (one) month but within 3 (three) months	7,710,000,000	-
Repayable over 3 (three) months but within 1 (one) year	-	-
Repayable over 1 (one) year but within 5 (five) years	-	-
Repayable over 5 (five) years but within 10 (ten) years	-	-
Unclaimed deposits 10 (ten) years and above	-	-
	7,756,356,426	**179,400,000**

	Amount in BDT	
	2017	2016
B-1 Payable on demand		
Current deposits	8,372,758,555	8,465,936,536
Saving deposits (9%) - (Note 11.3)	1,756,033,733	1,494,137,472
Foreign currency deposits (non interest bearing)	1,486,304,792	1,225,941,965
Bills payable (Note-11.2)	2,594,349,058	2,445,955,797
Sundry deposits (Note - 11.1.1)	7,339,613,882	5,368,883,340
Foreign currency held against Back to Back L/C	5,170,642,969	4,965,951,179
	26,719,702,990	**23,966,806,289**
B- 2 Time deposits		
Saving deposits (91%) - (Note-11.3)	17,755,077,432	15,107,389,997
Fixed deposits (Note-11.4)	69,346,698,640	36,776,569,142
Special Notice deposits	26,867,099,272	14,674,168,817
Deposits under schemes (Note-11.5)	60,446,146,361	65,255,562,966
Non-resident taka deposit	146,119,721	61,100,974
Deposit under Q-cash	85,753,209	64,777,364
	174,646,894,635	**131,939,569,260**
11.1 Current accounts & other accounts		
Current deposits	8,380,599,133	8,475,336,536
Special Notice deposits	26,905,240,360	14,844,168,817
Foreign currency deposits	1,486,304,792	1,225,941,965
Deposit under Q-cash & My cash	85,753,209	64,777,364
Non-resident taka deposits	146,119,721	61,100,974
Sundry deposit (Notes 11.1.1)	7,339,613,882	5,368,883,340
Foreign currency held against Back to Back L/C	5,170,642,969	4,965,951,179
	49,514,274,067	**35,006,160,175**
11.1.1 Details of sundry deposit		
Sundry Creditors	500,294,305	244,461,862
Withholding Tax - IT	362,504,688	171,542,974
Withholding Tax - Excise Duty	140,839,638	112,855,649
Withholding Tax - VAT	43,247,925	41,626,538
Margin on Letter of Guarantee	571,365,323	512,597,817
Margin on L/C	2,637,950,047	2,409,931,612
Margin on FDBP/IBP	75,286	4,000
Margin on Inward bill collection	3,062,360	34,050,043
Other Margin Account	3,919,236	4,469,357
Sale proceeds of PSP/BSP	350,750,000	21,515,000
Advance deposit against lease	22,363,500	22,332,300

	Amount in BDT	
	2017	2016
Security deposit	13,769,551	8,253,605
Payable to employee welfare fund	-	200
Export bill agency commission	18,544,153	10,577,645
Export bill reserve margin	151,740,241	184,492,370
Other sundry deposit	2,519,187,629	1,590,172,368
	7,339,613,882	**5,368,883,340**

11.2 Bills payable

Demand Draft	3,103,065	11,294,395
Security deposit receipt	4,685,650	24,113,850
Pay Order	2,576,582,967	2,409,478,633
Pay Slip	9,977,376	1,068,919
	2,594,349,058	**2,445,955,797**
Maturity wise Grouping Bills Payable		
Repayable within 1 (one) month	2,594,349,058	2,445,955,797
Repayable over 1 (one) month but within 3 (three) months	-	-
Repayable over 3 (three) months but within 1 (one) year	-	-
Repayable over 1 (one) year but within 5 (five) years	-	-
Repayable over 5 (five) years but within 10 (ten) years	-	-
Unclaimed deposits 10 (ten) years and above	-	-
	2,594,349,058	**2,445,955,797**

11.3 Savings Bank deposits

As per BRPD Circular No. 03 of 07 July 1997, total saving bank deposits amount is distributed into:

9% of total Savings Bank deposits (Demand deposits)	1,756,033,733	1,494,137,472
91% of total Savings Bank deposits (Time deposits)	17,755,452,192	15,107,389,997
	19,511,485,925	**16,601,527,469**

11.4 Fixed deposits

Customer deposits (Note-11.4.1)	77,056,698,640	36,776,569,142
	77,056,698,640	**36,776,569,142**

11.4.1 Fixed Deposits - maturity wise Grouping

Repayable within 1 (one) month	2,402,555,203	1,190,399,940
Repayable over 1 (one) month but within 3 (three) months	42,186,682,881	23,438,308,446
Repayable over 3 (three) months but within 1 (one) year	32,390,270,348	12,078,214,355
Repayable over 1 (one) year but within 5 (five) years	77,190,207	69,646,402
Repayable over 5 (five) years but within 10 (ten) years	-	-
Unclaimed deposits for 10 (ten) years and above	-	-
	77,056,698,640	**36,776,569,142**

	Amount in BDT	
	2017	2016
11.5 Deposits under schemes		
Monthly Savings Scheme	37,243,127,014	37,811,106,624
Double Benefit Deposit Scheme	17,631,047,769	21,884,239,582
Family Maintenance Deposit Scheme	1,990,597,825	2,318,262,575
Special Savings Scheme	315,205,108	295,417,799
Pension and Family Support Scheme	224,909,312	219,318,300
Quarterly Benefit Deposit Scheme	49,650,000	57,200,000
One & Half Time Benefit Scheme	119,090,764	78,071,058
Super Benefit Scheme	2,866,985,667	2,587,734,611
Education Planning Deposit Scheme	5,532,902	4,212,418
	60,446,146,361	**65,255,562,966**
11(a) Consolidated deposits and other accounts		
11.1(a) Current and other accounts		
Deposits Received from Banks		
Mercantile Bank Limited	7,756,356,426	179,400,000
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	7,756,356,426	**179,400,000**
Other than Bank		
Mercantile Bank Limited	41,757,917,641	34,826,760,175
Mercantile Bank Securities Limited	116,516,313	146,521,148
	41,874,433,954	**34,973,281,323**
Inter Company Transaction	(165,011,521)	(448,730,936)
	41,709,422,433	**34,524,550,386**
	49,465,778,859	**34,703,950,386**
11.2(a) Bills Payable		
Mercantile Bank Limited	2,594,349,058	2,445,955,797
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	2,594,349,058	**2,445,955,797**
Maturity wise Grouping Bills Payable		
Repayable within 1 (one) month	2,594,349,058	2,445,955,797
Repayable over 1 (one) month but within 3 (three) months	-	-
Repayable over 3 (three) months but within 1 (one) year	-	-
Repayable over 1 (one) year but within 5 (five) years	-	-
Repayable over 5 (five) years but within 10 (ten) years	-	-
Unclaimed Deposits 10 (ten) years and above	-	-
	2,594,349,058	**2,445,955,797**

	Amount in BDT	
	2017	2016
11.2(b) Subordinated Bond		
BRAC Bank Limited	800,000,000	1,000,000,000
ONE Bank Limited	400,000,000	500,000,000
NRBC Bank Limited	360,000,000	450,000,000
Dhaka Bank Limited	240,000,000	300,000,000
NRB Bank Limited	160,000,000	200,000,000
Pubali Bank Limited	80,000,000	100,000,000
IDLC Finance Limited	240,000,000	300,000,000
United Finance Limited	80,000,000	100,000,000
National Life Insurance Company Limited	40,000,000	50,000,000
	2,400,000,000	**3,000,000,000**
11.3(a) Savings Bank Deposits		
Mercantile Bank Limited	19,511,485,925	16,601,527,469
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	19,511,485,925	**16,601,527,469**
11.4(a) Fixed Deposits		
Mercantile Bank Limited	77,056,698,640	36,776,569,142
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	77,056,698,640	**36,776,569,142**
11.4.1(a) Fixed Deposits - Maturity wise Grouping		
Repayable within 1 (one) month	2,402,555,203	1,190,399,940
Repayable over 1 (one) month but within 3 (three) months	42,186,682,881	23,438,308,446
Repayable Over 3 (three) months but within 1 (one) year	32,390,270,348	12,078,214,355
Repayable Over 1 (one) year but within 5 (five) years	77,190,207	69,646,402
Repayable Over 5 (five) years but within 10 (ten) years	-	-
Unclaimed Deposits for 10 (ten) years and above	-	-
	77,056,698,640	**36,776,569,142**
11.5(a) Deposits Under Schemes		
Mercantile Bank Limited	60,446,146,361	65,255,562,966
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	60,446,146,361	**65,255,562,966**

	Amount in BDT	
	2017	2016
12. Other liabilities		
Gratuity Fund (Note-12.1)	-	-
Provision for Fixed Assets (Note-12.2)	85,000,000	85,000,000
Other Provision (Note-12.2.1)	20,324,062	509,199
Provision for Off Balance Sheet Items (Note-12.3)	1,079,900,000	793,142,367
Provision for Incentive Bonus	488,429,595	456,031,938
Provision for Current Tax (Note-12.4.1)	(385,133,449)	(187,533,373)
Provision for Deferred Tax (Note-12.4.2)	(29,714,405)	24,743,577
Provision for Loans and Advances (Note-12.5.1)	8,551,638,063	7,033,743,000
Adjusting Account Credit (Note-12.6)	2,264,966,863	1,584,973,772
Interest Suspense Account (Note-12.7)	2,579,918,226	2,049,937,142
Provision for Audit fees	1,545,680	805,000
Foreign Currency held against EDF L/C	9,128,711,057	7,586,695,801
Mercantile Bank general account	221,246,725	-
Lease Payable (Note-12.8)	-	-
	24,006,832,417	**19,428,048,424**
12.1 Gratuity Fund		
Beginning of the year	-	-
Add: During the period	100,000,000	120,000,000
	100,000,000	**120,000,000**
Transferred to savings Account (Gratuity Fund)	100,000,000	120,000,000
	-	**-**
12.2 Provision for Fixed Assets		
Provision held at the beginning of the year	85,000,000	85,000,000
Provision made during the period	-	-
	85,000,000	**85,000,000**
12.2.1 Other Provision		
I. Protested Bill	509,199	509,199
Less Adjustment	(185,137)	-
	324,062	**509,199**
II. M B L Foundation	20,000,000	-
	20,324,062	**509,199**

A Land is included under freehold properties- land (Note-8), located at Gulshan, Plot# 3, Block# CWN (C), Gulshan Avenue, Gulshan, Dhaka-1212, Municipality Holding# 105, Gulshan Avenue, Gulshan. Area of land is 1 bigha 2 chattaks purchased in the year 2005 for Bank's own use as per decision of the Board of Directors in its 73rd meeting held on 23 August 2005. The land is under litigation and possession of the land is yet to be taken. In this connection a provision has been made as per Bangladesh Bank's instruction.

Provision was made for land as per instruction of Bangladesh Bank vide letter no. DBI-1(vigilance) / 5050 (15)/ 2006-400, 20 March 2006.

	Amount in BDT	
	2017	2016
12.3 Provision for Off Balance Sheet Items		
Provision held at the beginning of the year	793,142,367	616,446,601
Provision made during the period	286,757,633	176,695,766
	1,079,900,000	**793,142,367**
12.3 (a) Consolidated current years provision for off-balance sheet		
Mercantile Bank Limited	286,757,633	176,695,766
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	286,757,633	**176,695,766**
12.3.1 (a) Consolidated current years other provision		
Mercantile Bank Limited	-	-
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	-	**-**

12.4 Provision for Income Tax

Current tax liabilities for the current and prior periods have been measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax law that have been enacted or substantively enacted by the Balance Sheet date (BAS 12 "Income Taxes" ; Para 46).

Advance tax		
Provision held at the beginning of the year	12,041,855,510	10,673,818,294
Tax paid during the period	1,552,058,099	1,368,037,216
	13,593,913,609	**12,041,855,510**
Provision for Tax		
Provision held at the beginning of the year	11,879,065,755	10,619,065,755
Provision made during the period	1,354,457,982	1,260,000,000
	13,233,523,737	**11,879,065,755**
Tax liabilities/(Assets)	**(360,389,872)**	**(162,789,755)**
12.4.1 Current Tax liabilities/(Assets)		
Provision held at the beginning of the year	11,854,322,178	10,589,461,140
Provision made during the period	1,354,457,982	1,264,861,038
	13,208,780,160	**11,854,322,178**
Advance tax paid	(13,593,913,609)	(12,041,855,551)
	(385,133,449)	**(187,533,373)**

	Amount in BDT	
	2017	2016
12.4.2 Deferred Tax liabilities/(Assets)		
Provision held at the beginning of the year	24,743,577	29,604,615
Provision made during the Period	(54,457,982)	(4,861,038)
	(29,714,405)	**24,743,577**
12.4.3. Tax status of the bank		
12.4.1(a) Consolidated tax provision		
Mercantile Bank Limited	1,354,457,982	1,264,861,038
Mercantile Bank Securities Limited	26,113,458	27,387,303
Mercantile Exchange House (UK) Limited	-	-
	1,380,571,440	**1,292,248,341**
12.4.2(a) Consolidated deferred tax provision		
Mercantile Bank Limited	(54,457,982)	(4,861,038)
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	(54,457,982)	**(4,861,038)**
12.5 Provision made for loans & advances including off-balance sheet and diminution in value of investment in shares items		
Provision against Un Classified Loans	667,579,000	212,732,000
Provision against Classified Loans	1,298,509,798	559,475,139
Other Provision (Protested Bill)	-	174,637
Other Provision (Off-Balance Sheet Items) (Note-12.3)	286,757,633	176,695,766
Provision for diminution in value of investments in shares	-	-
	2,252,846,431	**949,077,542**
12.5(a) Provision made for loans & advances including off-balance sheet items		
Mercantile Bank Limited	2,252,846,431	949,077,542
Mercantile Bank Securities Limited	65,000,000	35,000,000
Mercantile Exchange House (UK) Limited	-	-
	2,317,846,431	**984,077,542**
12.5.1 Provision for loans and advances		
a. Provision against Classified Loans (Specific Provision)	3,967,459,063	3,117,143,000
b. Provision against Unclassified Loans (General Provision)	4,584,179,000	3,916,600,000
	8,551,638,063	**7,033,743,000**

		Amount in BDT	
		2017	2016
a	**Movement of Provision against Classified Loans and Advances (Specific Provision)**		
	Provision held at the beginning of the year	3,117,143,000	2,551,000,000
	Fully Provided Debts written off	(469,452,736)	-
	Recoveries of amounts previously written off	21,259,001	6,667,861
	Specific Provision for the year		-
	Recoveries and Provisions no longer required	-	-
	Net Charge to Profit and Loss Account	1,298,509,798	559,475,139
	Provision held at the end of the period	**3,967,459,063**	**3,117,143,000**
b.	**Provision against Unclassified Loans**		
	Provision held at the beginning of the year	3,916,600,000	3,703,868,000
	Adjustment during the period	-	-
***	Addition during the period	667,579,000	212,732,000
		4,584,179,000	**3,916,600,000**

*** Provision has been made during the period after adjustment of the defferal amount Tk 519,130,000 which will be adjusted in the year 2018 & 2019 equally as per BB letter no. DBI-1/110/2018-1007 dated 18.03.2018.

Provision at the end of the year (a+b)	**8,551,638,063**	**7,033,743,000**

12.5.1(a) Consolidated Provision for Loans and Advances

Mercantile Bank Limited	8,551,638,063	7,033,743,000
Mercantile Bank Securities Limited	65,000,000	35,000,000
Mercantile Exchange House (UK) Limited	-	-
	8,616,638,063	**7,068,743,000**

12.6 Adjusting Account Credit

Interest Payable	2,105,083,501	1,470,110,326
Other payable	159,883,362	114,863,446
	2,264,966,863	**1,584,973,772**

12.7 Interest Suspense Account

Opening balance	2,049,937,142	1,794,421,414
*** Amount transferred during the period	958,766,084	618,998,728
	3,008,703,226	**2,413,420,142**
Amount recovered and waiver during the period	321,470,000	363,112,000
Amount written off during the period	107,315,000	371,000
	(428,785,000)	**(363,483,000)**
Balance at the end of the period	**2,579,918,226**	**2,049,937,142**

*** Interest Suspenese account has been made after adjustment of Tk119.64 lac as per tripartite decision and BB letter no.DBI-1/110/2018-917 dated 12.03.2018

	Amount in BDT	
	2017	2016
12.8 Obligation Under Finance Lease (Lease Payable)		
Lease rental payable within 1 year	-	4,434,714
Above 1 year but within 5 years	-	(4,434,714)
Total lease rental payable	-	-
Finance charge payable	-	-
	-	-
12(a) Consolidated Other Liabilities		
Mercantile Bank Limited	24,006,832,417	19,428,048,424
Mercantile Bank Securities Limited	1,206,971,014	1,139,076,558
Mercantile Exchange House (UK) Limited	4,472,295	11,330,581
	25,218,275,725	**20,578,455,563**
13. Capital		
Authorized capital		
1,200,000,000 Ordinary shares of BDT 10 each	**12,000,000,000**	**12,000,000,000**
13.1 Issued, Subscribed and Fully Paid-up Capital		
Total 776,114,537 Ordinary shares of BDT 10 each were issued, subscribed and fully paid up as at 31 December 2017.		
Opening balance	7,391,567,010	7,391,567,010
Issued for cash	-	-
Right shares	-	-
Issued for other than cash (Bonus shares)	369,578,360	-
Closing balance	**7,761,145,370**	**7,391,567,010**
Issued for cash	245,000,000	245,000,000
IPO	319,765,000	319,765,000
Right shares	1,438,942,300	1,438,942,300
Bonus shares	5,757,438,070	5,387,859,710
	7,761,145,370	**7,391,567,010**
13(a) Consolidated Paid-up Capital		
Mercantile Bank Limited	7,761,145,370	7,391,567,010
Mercantile Bank Securities Limited	3,600,000,000	3,600,000,000
Mercantile Exchange House (UK) Limited	111	99
	11,361,145,481	**10,991,567,109**
Inter Company Transaction	(3,550,000,111)	(3,550,000,099)
	7,811,145,370	**7,441,567,010**

13.2 History of Paid-up capital

Accounting year	Declaration	No. of shares	Value in capital (BDT)	Cumulative (BDT)
1999	Initial	24,500,000	245,000,000	245,000,000
2000	Bonus	3,185,000	31,850,000	276,850,000
2001	Bonus	2,768,500	27,685,000	304,535,000
2002	Bonus	1,523,000	15,230,000	319,765,000
2003	IPO	31,976,500	319,765,000	639,530,000
2003	Bonus	15,988,250	159,882,500	799,412,500
2004	Bonus	19,985,310	199,853,100	999,265,600
2005	Bonus	19,985,310	199,853,100	1,199,118,700
2006	Bonus	29,977,960	299,779,600	1,498,898,300
2007	Bonus	29,977,960	299,779,600	1,798,677,900
2008	Bonus	35,973,550	359,735,500	2,158,413,400
2009	Bonus	47,485,090	474,850,900	2,633,264,300
2010	Right Share	143,894,230	1,438,942,300	4,072,206,600
2010	Bonus	89,588,540	895,885,400	4,968,092,000
2011	Bonus	114,266,116	1,142,661,160	6,110,753,160
2012	Bonus	48,886,025	488,860,250	6,599,613,410
2013	Bonus	79,195,360	791,953,600	7,391,567,010
2014		-	-	7,391,567,010
2015		-	-	7,391,567,010
2016	Bonus	36,957,836	369,578,360	7,761,145,370
Total		**776,114,537**	**7,761,145,370**	**-**

13.3 Particulars of Fully Paid-up Share Capital

	No. of Shares		(%)	
	Dec-17	Dec-16	Dec-17	Dec-16
Sponsor	290,759,948	275,601,198	37.46%	37.29%
Financial Institutions	149,045,606	57,668,146	19.20%	7.80%
General Public	269,697,839	405,887,357	34.75%	54.91%
Foreign	66,611,144	-	8.58%	0.00%
	776,114,537	**739,156,701**	**100%**	**100%**

13.4 Classification of Shareholders by Holding as on 31 December 2017

	No. of Share Holders	No. of Shares	(%) of Holdings
1 to 499 Shares	6,991	1,183,057	0.15%
500 to 5,000 Shares	12,204	22,133,770	2.85%
5,001 to 10,000 Shares	2,103	13,804,971	1.78%
10,001 to 20,000 Shares	1,269	15,607,334	2.01%
20,001 to 30,000 Shares	448	9,120,154	1.18%
30,001 to 40,000 Shares	234	7,411,914	0.96%
40,001 to 50,000 Shares	182	7,752,543	1.00%
50,001 to 100,000 Shares	322	21,365,760	2.75%
100,001 to 1,000,000 Shares	360	100,743,095	12.98%
1,000,001 to 99999999 Shares	107	576,991,939	74.34%
	24,220	**776,114,537**	**100.00%**

13.5 Capital to Risk Weighted Asset Ratio (CRAR)-under BASEL-III

	Amount in BDT	
	2017	**2016**
Tier – I Capital (Going Concern Capital)		
a) Common Equity Tier I (CET-I)		
Paid up Capital	7,761,145,370	7,391,567,010
Statutory Reserve	6,312,796,441	5,449,253,039
Retained Earnings	1,714,742,113	1,538,676,780
General Reserve	500,000,000	-
Dividend Equalization Fund	45,680,250	45,680,250
	16,334,364,174	**14,425,177,079**
Regulatory Adjustment from CET-I	**(35,345,970)**	**(95,180,818)**
	16,299,018,204	**14,329,996,260**
b) Additional Tier-I (AT-I)	**-**	**-**
Tier-I Capital (a+b)	**16,299,018,204**	**14,329,996,260**
Tier-II Capital (Gone Concern Capital)		
General Provision	5,664,079,000	4,709,742,367
Revaluation Reserve for Fixed Assets	321,805,978	321,805,978
Revaluation Reserve for Equity Investment	-	-
Subordinated Bond	2,400,000,000	3,000,000,000
Revaluation Reserve for Securities	223,908,457	223,908,457
	8,609,793,434	**8,255,456,801**
Regulatory Adjustments from Tier-II Capital	(327,428,661)	(218,285,774)
Tire-II Capital	**8,282,364,774**	**8,037,171,028**
A. Total Capital	**24,581,382,978**	**22,367,167,288**
B. Total Risk Weighted Assets (RWA)	**206,080,141,605**	**171,704,238,842**
C. Minimum Capital Requirement (MCR) (11.25% of RWA)	**23,184,015,931**	**18,243,575,377**
D. Surplus/ (Deficiency) (A-C)	**1,397,367,047**	**4,123,591,911**
Capital to Risk Weighted Asset Ratio (CRAR)	**11.93%**	**13.03%**

Capital Requirement	Dec-17 % Required	Dec-17 % Held	Dec-16 % Required	Dec-16 % Held
Tier -I Capital (Going-Concern Capital)	5.5%	5.50%	5.5%	5.50%
Capital Conservation Buffer	1.25%	2.41%	0.63%	2.85%
Tier -II Capital (Gone-Concern Capital)	4.5%	4.02%	4.5%	4.68%
Total	**11.25%**	**11.93%**	**10.625%**	**13.03%**

13.6 Capital to Risk Weighted Asset Ratio (CRAR)-under BASEL-III

There remains a surplus of BDT 1,397,367,047 on capital and reserve fund of the Bank as per requirement of section 13A of Bank Companies Act, 1991 and BRPD circular # 09, dated 31 December 2008 respectively details of which are placed below :

	Amount in BDT	
	2017	2016
(a) Minimum Capital Requirement (MCR) (11.25% of RWA))	**23,184,015,931**	**18,243,575,377**
(b) Actual Capital:	**24,581,382,978**	**22,367,167,288**
i) Tier I Capital (Going-Concern Capital)	16,299,018,204	14,329,996,260
ii) Tier-II Capital (Gone -Concern Capital)	8,609,793,434	8,255,456,801
General provision	5,664,079,000	4,709,742,367
Exchange Equalization Account	-	-
Revaluation Reserve for Fixed Assets	321,805,978	321,805,978
Revaluation Reserve for equity Investment	-	-
Subordinated Bond	2,400,000,000	3,000,000,000
Revaluation Reserve for securities	223,908,457	223,908,457
Regulatory Adjustments from Tier-II Capital	(327,428,661)	(218,285,774)
Surplus/ (Deficiency) (b-a)	**1,397,367,047**	**4,123,591,911**

14. Statutory Reserve

Opening balance	5,449,253,039	4,751,781,375
Addition during the year (20% of pre-tax profit)	863,543,402	697,471,664
Closing balance	**6,312,796,441**	**5,449,253,039**

This has been made according to Sec. 24 of Bank Companies Act, 1991 and shall be maintained until it equals to Paid-up Capital.

14(a) Consolidated Statutory Reserve

Mercantile Bank Limited.	6,312,796,441	5,449,253,039
Mercantile Bank Securities Limited.	-	-
Mercantile Exchange House (UK) Limited	-	-
	6,312,796,441	**5,449,253,039**

14.1 General reserve

Opening balance	-	-
Transferred during the year from Profit & Loss Account	500,000,000	-
Closing balance	**500,000,000**	**-**

	Amount in BDT	
	2017	2016
15. Other reserves		
A. Dividend Equalization Fund		
Opening balance	45,680,250	45,680,250
Addition during the period	-	-
Closing balance	**45,680,250**	**45,680,250**
B. Adjustment for Approved Securities HTM		
The above amount represents the adjustment made of approved securities held for adjusting against Treasury Bond held for Statutory Liquidity Reserve Requirements (SLR).		
Opening balance	563,737	30,885,323
Last years adjustment	296,476	(30,321,586)
Adjustment during the period	-	-
Closing balance	**860,213**	**563,737**
C. Reserve from revaluation		
HFT securities	605,183,919	1,740,253,476
Revaluation Reserve for Fixed Assets	643,611,955	643,611,955
	1,248,795,874	**2,383,865,431**
Total other reserves (A+B+C)	**1,295,336,337**	**2,430,109,418**
15(a) Consolidated other reserves		
Mercantile Bank Limited	1,295,336,337	2,430,109,418
Mercantile Bank Securities Limited	-	-
Mercantile Exchange House (UK) Limited	-	-
	1,295,336,337	**2,430,109,418**
16. Retained earnings/ movement of profit and loss account		
Opening balance	1,538,676,780	892,509,162
Transfer from Intt. Suspense	-	2,768,999
Cash dividend	(1,108,735,052)	(886,988,041)
Stock dividend	(369,578,360)	-
Transfer from Other Provision	205,136	500,000
Retained earnings	**60,568,504**	**8,790,120**
Profit before income tax	4,317,717,011	3,487,358,324
	4,378,285,515	**3,496,148,444**
General reserve	500,000,000	-
Statutory reserve	863,543,402	697,471,664
	3,014,742,113	**2,798,676,780**
Provision for income tax	1,354,457,982	1,264,861,038
	1,660,284,131	**1,533,815,742**
Provision for deferred tax	**(54,457,982)**	**(4,861,038)**
Closing balance	**1,714,742,113**	**1,538,676,780**

AMARSTOCK

	Amount in BDT	
	2017	2016
16.1 Consolidated retained earnings last year		
Mercantile Bank Limited	60,568,504	8,790,120
Mercantile Bank Securities Limited	34,866,122	34,344,837
Mercantile Exchange House (UK) Limited	(25,978,324)	(25,168,833)
	69,456,302	**17,966,124**
16(a).1 Consolidated retained earnings Current Year		
Mercantile Bank Limited	1,654,173,609	1,529,886,660
Mercantile Bank Securities Limited	5,236,430	521,284
Mercantile Exchange House (UK) Limited	(3,011,216)	25,653
	1,656,398,823	**1,530,433,597**
16(a) Consolidated Surplus in Profit and Loss Account		
Mercantile Bank Limited	1,714,742,113	1,538,676,780
Mercantile Bank Securities Limited	40,102,552	34,866,121
Mercantile Exchange House (UK) Limited	(28,989,541)	(25,143,180)
	1,725,855,124	**1,548,399,721**
16(a).1 Controlling Interest		
Opening balance	34,381,870	33,867,825
Addition during the year	5,163,703	514,045
Closing balance	**39,545,573**	**34,381,870**
16(b) Non Controlling Interest		
Non controlling share capital	50,000,000	50,000,000
Share of profit (N-16(b).1)	556,981	484,252
	50,556,981	**50,484,252**
16(b).1 Non Controlling Interest		
Opening balance	484,252	477,012
Addition during the year	72,728	7,240
Closing balance	**556,981**	**484,252**
16.A(1) Cash and cash equivalent		
Cash	15,678,480,709	12,499,971,654
Balance with other Banks and Financial Institutions	821,345,385	3,536,863,426
Money at call on short notice	100,000,000	-
	16,599,826,094	**16,036,835,080**
16.A(2) Consolidated cash and cash equivalent		
Cash	15,680,966,260	12,501,632,123
Balance with other Banks and Financial Institutions	934,312,772	3,752,891,993
Money at call on short notice	100,000,000	-
	16,715,279,032	**16,254,524,116**
17 Contingent liabilities		
17.1 Acceptance and endorsements		
Back to Back Bills	12,618,610,289	9,545,957,770
Banker's Liabilities PAD (EDF)	34,882,112,481	17,208,638,408
	47,500,722,770	**26,754,596,178**

	Amount in BDT	
	2017	2016
17.2 Letter of guarantees		
Money for which the Bank is contingently liable in respect of guarantees are given favoring:		
Directors	-	-
Government	7,771,072,790	5,117,773,520
Bank and other Financial Institutions	794,792,710	430,004,340
Others (Note-17.2.1)	4,934,306,974	2,752,434,945
	13,500,172,474	**8,300,212,805**
17.2.1 Letter of guarantees others		
Local	4,925,390,974	2,743,518,945
Foreign	8,916,000	8,916,000
	4,934,306,974	**2,752,434,945**
17.3 Letter of credit		
Inland	1,000,050,798	1,736,648,273
General	33,523,087,792	25,882,707,624
Back to Back L/C	9,225,015,773	6,170,657,342
	43,748,154,363	**33,790,013,239**
17.4 Bills for collection		
Outward Bills for Collection	3,617,568,396	2,373,929,130
Outward Foreign Bills for Collection	4,012,410,508	7,742,401,909
Outward Foreign Bills Lodge	-	-
	7,629,978,904	**10,116,331,039**
17.5 Other contingent liabilities		
Banker's Liabilities (BLW)	2,378,023,272	2,383,548,798
Other Commitments	-	353,083,435
	2,378,023,272	**2,736,632,233**
18 Income Statement		
Income:		
Interest, discount and similar income	19,101,298,784	16,769,119,818
Dividend income	98,914,472	72,541,849
Fees, commission and brokerage	1,078,748,192	919,222,699
Gain less losses arising from dealing securities	1,314,962,252	1,185,294,978
Gain less losses arising from investment securities	531,384,740	2,257,626
Gain less losses arising from dealing in foreign currencies	1,526,092,077	952,658,445
Income from non-banking assets	5,120,966	7,837,693
Other operating income	1,095,103,448	936,669,940
Sub. Total	**24,751,624,931**	**20,845,603,048**

	Amount in BDT	
	2017	2016
Expenses:		
Interest, fees and commission	12,897,323,225	10,750,300,888
Administrative expenses	2,508,439,207	2,485,531,170
Other operating expenses	2,480,809,654	2,872,762,906
Depreciation on banking assets	294,489,403	300,572,218
Sub. Total	**18,181,061,488**	**16,409,167,182**
Operating profit before provision	**6,570,563,442**	**4,436,435,866**

19 Interest income

Interest from Banks & other Financial Institutions (Note-19.1)	400,429,052	287,641,534
Interest from F.C. Clearing Account	76,178,686	81,490,822
Interest from Loans and Advances (Note-19.2)	15,803,890,072	13,425,590,146
	16,280,497,809	**13,794,722,502**

***Rebate to the good borrower has been offset from the interest income to the respective customer.

19.1 Interest received from Banks & other Financial Institutions

Interest from money at call and short notice	94,867,875	57,406,624
Interest from other Banks	305,499,060	228,496,250
Interest from Reverse REPO	62,117	1,738,659
	400,429,052	**287,641,534**

19.2 Interest from loans and advances

Loan General	17,598,352	20,569,538
Term Loan	3,761,170,763	3,587,010,919
Time Loan	1,733,963,899	1,194,663,199
Loan Against Trust Receipt	537,421,588	535,201,635
Packing Credit	148,108,022	129,385,640
Lease Finance	105,008,513	150,996,590
Hire Purchase	627,286,265	676,369,899
Payment Against Documents	66,758,345	77,044,333
Cash Credit (Hypo)	963,094,139	1,341,906,577
Overdraft	2,396,963,609	2,206,783,289
Consumers Credit	173,291,148	157,249,034
House Building Loan	393,097,136	376,358,712
Staff Loan	85,989,183	42,416,687
EDF Loan	195,174,839	155,399,426
Bill Purchase and Discounted	1,708,970,244	820,682,566
S M E	2,542,755,584	1,654,842,192
Agricultural Credit	329,709,840	269,336,687
Other Credit Schemes	267,355	547,480
Personal Loan	17,261,249	28,825,741
	15,803,890,072	**13,425,590,146**

	Amount in BDT	
	2017	2016
19(a) Consolidated interest income		
Mercantile Bank Limited	16,280,497,809	13,794,722,502
Mercantile Bank Securities Limited	47,478,114	78,456,203
Mercantile Exchange House (UK) Limited		-
	16,327,975,923	**13,873,178,705**
Inter Company Transaction	-	(8,571,165)
	16,327,975,923	**13,864,607,540**
20 Investment income		
Interest on Investments (Note-A)	2,820,800,974	2,974,397,317
Income on Investment in Shares (Note-B)	630,299,212	74,799,475
	3,451,100,187	**3,049,196,792**
A Interest on Investments		
Interest on Treasury Bills	31,040,962	11,934,974
Interest on Treasury Bonds	2,269,120,985	2,420,606,893
Interest on Bangladesh Bank Bill	8,846,500	32,353,310
Interest on Commercial Paper	15,607,639	90,655,556
Interest on Subordinated Bond	443,659,332	417,902,671
Interest on SWAP	52,525,558	943,913
	2,820,800,974	**2,974,397,317**
B Income on Investment in Shares		
Gain on sale of shares	531,384,740	2,257,626
Dividend on shares	98,914,472	72,541,849
	630,299,212	**74,799,475**
20(a) Consolidated Investment Income		
Mercantile Bank Limited	3,451,100,187	3,049,196,792
Mercantile Bank Securities Limited	46,940,610	-
Mercantile Exchange House (UK) Limited	-	-
	3,498,040,797	**3,049,196,792**
21 Interest paid on deposits & borrowings etc.		
Interest on Deposits	11,051,628,028	9,992,044,450
Interest on Refinance BB	34,334,108	24,416,147
Interest on Secondary Treasury Bill Purchased	196,653,210	142,081,603
Interest on Subordinated Bonds	324,000,000	360,000,000
Interest on Borrowings	1,290,707,878	231,758,688
	12,897,323,225	**10,750,300,888**

	Amount in BDT	
	2017	2016
21(a) Consolidated interest expenses		
Mercantile Bank Limited	12,897,323,225	10,750,300,888
Mercantile Bank Securities Limited	-	8,571,165
Mercantile Exchange House (UK) Limited	-	-
	12,897,323,225	**10,758,872,052**
Inter Company Transaction	-	(8,571,165)
	12,897,323,225	**10,750,300,888**
22 Commission, exchange & brokerage		
Commission	1,078,748,192	919,222,699
Exchange (Note-22.1)	1,526,092,077	952,658,445
	2,604,840,269	**1,871,881,144**

Commission income arises on services provided by the Bank and recognized on a cash receipt basis. Commission charged to customers on letter of credits and letter of guarantees are credited to income at the time of effecting the transactions.

22.1 Exchange		
Gains arising from dealing securities	-	-
Losses on dealing securities	-	-
Gains arising from investment securities	-	-
Losses on investing in securities	-	-
Gains arising from foreign trade business (including dealings)	1,526,092,077	952,658,445
Losses on foreign trading	-	-
	1,526,092,077	**952,658,445**
22(a) Consolidated Commission, Exchange & Brokerage		
Mercantile Bank Limited	2,604,840,269	1,871,881,144
Mercantile Bank Securities Limited	125,720,517	78,202,977
Mercantile Exchange House (UK) Limited	17,011,250	16,972,043
	2,747,572,036	**1,967,056,164**
23 Other Operating Income		
Charges on L/C	312,096,539	63,451,299
Services & Other Charges	203,648,222	361,690,375
Income from rent of locker	6,916,638	6,530,646
Telephone, telex and e-mail charges	6,725	10,500
On Line client fees	87,588,064	77,263,349
ATM card	44,596,184	36,476,031
VISA card	93,062,869	86,488,434
Co-brand services	3,877,197	8,506,450
Gain on sale and revaluation of securities	1,314,962,252	1,185,294,978
Gain on sale on assets	5,120,966	7,837,693
Miscellaneous earnings (Note-23.1)	343,311,011	296,252,857
	2,415,186,666	**2,129,802,611**

	Amount in BDT	
	2017	2016
23.1 Miscellaneous earnings		
Postage cost recovery	7,743,200	10,245,504
SWIFT cost recovery	101,473,725	92,735,316
Foreign correspondence cost recovery	125,267,749	97,546,101
Others	108,826,337	95,725,936
	343,311,011	**296,252,857**
23(a) Consolidated Other Operating Income		
Mercantile Bank Limited	2,415,186,666	2,129,802,611
Mercantile Bank Securities Limited	27,639,917	13,031,289
Mercantile Exchange House (UK) Limited	2,466,066	2,691,381
	2,445,292,648	**2,145,525,281**
24 Salaries and Allowances		
Basic salary	920,361,061	929,698,362
Bonus (Festival and incentive)	594,238,819	598,734,398
Bank's contribution to employees provident fund	91,431,276	85,381,282
House rent allowances	360,503,444	349,057,602
Conveyance allowance	60,431,201	58,026,614
Medical allowance	82,793,227	81,347,127
Dearness allowance	376,646,825	366,208,536
Overtime allowance	571,455	371,684
Other allowances	941,500	458,120
	2,487,918,808	**2,469,283,725**
24(a) Consolidated Salaries and Allowances		
Mercantile Bank Limited	2,487,918,808	2,469,283,725
Mercantile Bank Securities Limited	31,705,691	22,476,370
Mercantile Exchange House (UK) Limited	8,575,241	6,947,517
	2,528,199,741	**2,498,707,612**
25 Chief Executive's Salary and Allowances		
Salary	9,580,645	8,380,645
Other allowances	6,558,065	3,000,000
	16,138,710	**11,380,645**
25(a) Consolidated Chief Executive's Salary and Allowances		
Mercantile Bank Limited	16,138,710	11,380,645
Mercantile Bank Securities Limited	-	1,601,608
Mercantile Exchange House (UK) Limited	-	-
	16,138,710	**12,982,253**

	Amount in BDT	
	2017	2016
26 Directors' Fees		
Director fees	3,814,089	4,232,000
VAT on director fees	567,600	634,800
	4,381,689	**4,866,800**

"Fee of the Chairman & Directors is Taka 8,000 per meeting as per BRPD Circular Letter No. 11 Dated 04 October 2015.

No other financial benefits are extended to Board of Directors [as per section 18(1) of the Banking Companies Act (Amendment) 2013] excluding above fees."

26(a) Consolidated Directors' Fees		
Mercantile Bank Limited	4,381,689	4,866,800
Mercantile Bank Securities Limited	1,289,500	1,726,400
Mercantile Exchange House (UK) Limited	-	-
	5,671,189	**6,593,200**
27 Rent, Taxes, Insurance, Lightings etc		
Office rent	377,247,813	346,749,787
Rates, taxes & excise duty and VAT on rent	59,719,550	45,461,487
Insurance	149,126,530	145,689,141
Lighting, gas & water	90,259,160	88,285,218
	676,353,053	**626,185,633**
27(a) Consolidated Rent, Taxes, Insurance, Lightings etc		
Mercantile Bank Limited	676,353,053	626,185,633
Mercantile Bank Securities Limited	9,737,440	7,509,565
Mercantile Exchange House (UK) Limited	5,916,100	4,772,860
	692,006,593	**638,468,058**
28 Legal Expenses		
Legal fees & charges	7,015,773	3,659,937
Stamps & notary public expenses registration fees	8,553,040	4,883,166
	15,568,813	**8,543,103**
28(a) Consolidated Legal Expenses		
Mercantile Bank Limited	15,568,813	8,543,103
Mercantile Bank Securities Limited	178,625	396,989
Mercantile Exchange House (UK) Limited	1,331,547	1,632,789
	17,078,985	**10,572,881**

AMARSTOCK

	Amount in BDT	
	2017	2016
29 Stationary, Printing and Advertisements		
Printing & stationery	81,287,373	69,075,738
Advertisement	60,695,674	58,236,749
Computer expenses	48,642,261	51,732,185
	190,625,308	**179,044,671**
29(a) Consolidated Stationary, Printing and Advertisements		
Mercantile Bank Limited	190,625,308	179,044,671
Mercantile Bank Securities Limited	683,111	469,104
Mercantile Exchange House (UK) Limited	631,796	86,211
	191,940,214	**179,599,987**
30 Depreciation and Repair of Fixed Assets		
Depreciation on fixed assets (Note-30.1)	294,489,403	300,572,218
Repairs & Maintenance (Note-30.2)	85,467,732	76,962,266
	379,957,135	**377,534,484**
30.1 Depreciation on fixed assets (Annexure - A)		
Free hold property	294,489,403	297,950,245
Lease hold property	-	2,621,973
	294,489,403	**300,572,218**
30.2 Repair of Fixed Assets		
	85,467,732	76,962,266
	85,467,732	**76,962,266**
30(a) Consolidated Depreciation and Repair of Fixed Assets		
Mercantile Bank Limited	379,957,135	377,534,484
Mercantile Bank Securities Limited	4,127,736	3,518,306
Mercantile Exchange House (UK) Limited	581,684	445,860
	384,666,555	**381,498,650**

	Amount in BDT	
	2017	2016
31 Other Expenses		
Bank charges	7,191,544	3,764,854
Donation	167,945,398	60,359,957
Car expenses	148,705,295	149,487,630
Training expenses	8,267,128	10,660,425
Supporting Staff Salary	295,182,653	301,802,242
Subscription	3,471,201	2,940,590
Entertainment expenses	39,520,525	35,658,206
Travelling expenses	31,006,915	20,363,166
Conveyance, carriage & freight	10,149,626	8,781,328
Business development	33,922,071	20,562,295
Liveries & uniforms	4,122,378	3,880,776
Medical expenses	316,932	146,939
Newspapers and magazines	1,870,555	1,796,341
House Attendance Allowance	1,422,970	600,000
Professional service fees	10,246,755	2,192,650
Interest expenses lease	-	641,841
Q-cash/ATM cards/VISA cards	34,423,938	34,321,022
House furnishing	8,236,122	9,183,951
Leave encashment & LFA	188,604,595	185,718,116
Gratuity	100,000,000	120,000,000
Loss on sale of assets	3,090,226	13,968,593
Loss on sale of securities	7,333,174	54,764,379
Loss on market adjustment (Securities)	259,254,716	798,598,573
Mobile banking	18,246,635	23,433,709
Credit Rating Fees	575,000	345,000
Discount & commission paid	16,457	3,000
Miscellaneous expenses (Note-31.1)	66,633,835	53,919,889
	1,449,756,643	**1,917,895,473**

31.1 Miscellaneous expenses

Laundry & cleaning	4,195,093	3,830,985
Photograph & Photocopy	960,188	698,369
Cash caring charge	12,828,577	10,732,697
Nursery & Plantation	1,490,518	1,301,065
Cash incentive	2,525,160	4,030,249
Sundry expenses	44,634,298	33,326,524
	66,633,835	**53,919,889**

	Amount in BDT	
	2017	2016
31(a) Consolidated Other Expenses		
Mercantile Bank Limited	1,449,756,643	1,917,895,473
Mercantile Bank Securities Limited	101,601,496	58,420,892
Mercantile Exchange House (UK) Limited	4,879,348	5,314,619
	1,556,237,488	**1,981,630,984**

32 Earnings per Share (EPS)

Net profit after tax	3,017,717,011	2,227,358,324
Number of Ordinary Shares outstanding in the year	776,114,537	776,114,537
Weighted average no. of share outstanding	776,114,537	776,114,537
Earnings per Share (EPS restated Dec-16)	**3.89**	**2.87**

32(a) Consolidated Earnings per Share (EPS)

Consolidated net profit after tax	3,019,942,224	2,227,905,261
Weighted average no. of share outstanding	776,114,537	776,114,537
Consolidated Earnings per Share (EPS restated Dec-16)	**3.89**	**2.87**

Note: EPS has been calculated in accordance with BAS 33 "Earnings per Share".

33 Number of Employees

The number of employees engaged for the entire period who received a total remuneration of BDT 36,000 or above were 2192.

Break - up of No. of employees as per salary range wise

Range of Salary	No of employees
Tk. 0.00 to Tk. 20,000	4
Tk 20,001 to Tk. 50,000	418
Tk. 50,001 to Tk. 1,00,000	1154
Tk. 100,001 to Tk. 2,00,000	598
Tk. 2,00,001 and above	18
Total	**2192**

34 Related Party Disclosure

34.1 Name of Directors and their interest in the Bank and different entities-shown in Annexure - B.

34.2 Significant contracts where Bank is a party and herein Directors have interest:

Nature of contract	Name of Director & related by	Remarks
Lease agreement with Mr. M.S. Ahsan, Director of the Bank to take rent of 3rd, 4th, 5th, 13th, 14th & 15th floor of Swadesh Tower for Head Office use only.	Mr. M.S. Ahsan, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2006-3776 dated 22.11.2006.
Lease agreement with Arena Industries Ltd. represented by Mr. Tahsin Aman, Director of the said company, for 02 suits no. 9/A & 9/B on 9th floor of Eunoos Trade Centre for Head Office use only.	Mr. M. Amanullah, Director of the Bank, father of Mr. Tahsin Aman, Director of Arena Industries Ltd.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2006-3776 dated 22.11.2006.
Lease agreement with Mr. Md. Shahabuddin Alam, Director of the Bank to take rent of our CEPZ Branch.	Mr. Md. Shahabuddin Alam, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2009-2706 dated 29.07.2009.
Lease agreement with "M.A. Hannan Education & Human Resource Development Trust" to take rent of our Faridgonj Branch, Chandpur.	Mr. Md. Abdul Hannan, Director and Vice Chairman of the Bank & Chairman of "M.A. Hannan Education & Human Resource Development Trust".	Initially the agreement was executed by Mr. Md. Abdul Hannan (former landowner) after getting approval from Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2009-4159 dated 10.11.2009. But, later on Mr. Md. Abdul Hannan transferred ownership of the property in favor of "M.A. Hannan Education & Human Resource Development Trust" with approval of Bangladesh Bank vide its letter no. BRPD/(p-3)/745(44)/2017-2543 dt. 24.04.2017
Lease agreement with Mr. M.S. Ahsan, Director of the Bank for 2nd, 8th, 9th & 10th of Swadesh Tower for Head Office use only.	Mr. M.S. Ahsan, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2010-313 dated 31.01.2010.
Lease agreement with Mrs. Begum Rounak Afza to take rent of our Rajnagar Branch, Feni.	Mr. A. K. M. Shaheed Reza, Director and Chairman of the Bank & son of Mrs. Begum Rounak Afza.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)2010-1202, dated 31.03.2010.
Lease agreement with Mr. Md. Baharul Ahsan to take rent of our Bangla Bazar Branch, Noakhali.	Mr. M.S. Ahsan, Director of the Bank & Brother of Mr. Md. Baharul Ahsan.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2010-1814 dated 06.05.2010.
Lease agreement with Mr. Mohd. Selim, Director of the Bank to take rent of our Damudya Branch, Shariatpur.	Mr. Mohd. Selim, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2011-3456 dated 25.09.2011.
Lease agreement with Mr. Alhaj Akram Hossain (Humayun), Director of the Bank for ATM Booth, Bijoynagar Branch.	Mr. Alhaj Akram Hossain (Humayun), Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2011-3455 dated 25.09.2011.

Nature of contract	Name of Director & related by	Remarks
Lease agreement with Mr. M.S. Ahsan, Director of the Bank for ATM Booth at Swadesh Tower	Mr. M.S. Ahsan, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2010-3888 dated 20.10.2011.
Lease agreement with Mr. Md. Abdul Hannan, Director and Vice Chairman of the Bank for ATM Booth at Faridgonj, Chandpur.	Mr. Md. Abdul Hannan, Director and Vice Chairman of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2011-4574 dated 01.12.2011.
Lease agreement with Mr. Shawket Reza for ATM Booth at Gorat, Ashulia.	Mr. A. K. M. Shaheed Reza, Director and Chairman of the Bank & brother of Mr. Shawket Reza.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2012-2215 dated 28.05.2012.
Lease agreement with Mr. M. Amanullah to take rent of our MBL Express Service (Fast Track) at Ashulia.	Mr. M. Amanullah, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2012-3497 dated 27.08.2012.
Lease agreement with Mr. Md. Shahabuddin Alam, Director of the Bank for Central Godown for Chittagong City.	Mr. Md. Shahabuddin Alam, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2013-1121 dated 24.10.2013.
Lease agreement with "M.A. Hannan Education & Human Resource Development Trust" to take rent of our Chandpur Branch.	Mr. Md. Abdul Hannan, Director and Vice Chairman of the Bank & Chairman of "M.A. Hannan Education & Human Resource Development Trust".	Initially the agreement was executed by Mr. Md. Abdul Hannan (former landowner) after getting approval from the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2014-5723 dated 03.09.2014. But, later on Mr. Md. Abdul Hannan transferred ownership of the property in favor of "M.A. Hannan Education & Human Resource Development Trust" with approval of Bangladesh Bank vide its letter no. BRPD/(p-3)/745(44)/2017-3157 dt. 25.05.2017.
Lease agreement with Mr. A.S.M. Feroz Alam, Director and Vice Chairman of the Bank to take rent of our Kalaiya Branch, Patuakhali.	Mr. A.S.M. Feroz Alam, Director and Vice Chairman of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2014-7845 dated 10.12.2014.
Lease agreement with Mr. M. Amanullah, Director of the Bank to take rent of our Donia Branch.	Mr. M. Amanullah, Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)745(44)/2014-3575 dated 11.06.2014.
Lease agreement with Mr. Morshed Alam M.P., Director of the Bank to take rent of our Chowmuhoni Branch, Noakhali.	Mr. Morshed Alam M.P., Director of the Bank.	The lease agreement was approved by the Bangladesh Bank vide its letter no. BRPD (P-3)/745(44)/2015-17268 dated 22.11.2015.

34.3Shares issued to Directors & Executives without consideration or exercisable at discount: **Nil**

34.4 Related Party Transaction:

Transaction with related Party	Nature of transaction	Amount
Mercantile Bank Securities Limited.	Loan (SOD)	983,551,925

34.5 Lending Policies to related Parties :

Lending to related parties is effected as requirements of Section 27 (1) of Bank Companies Act 1991

34.6 Loan and Advances to Directors and their related concern : Nil

34.7 Business other than Banking business with any related concern of the Directors as per Section 18 (2) of Bank Companies Act 1991 : Nil

34.8 Investments in the Securities of Directors and their related concern : Nil

35 Reconciliation of Inter-Bank/Books of Accounts

Books of Accounts with regards to inter-bank (in Bangladesh and outside Bangladesh) are reconciled and there are no material differences, which may affect the financial statements significantly.

36 LAND UNDER LITIGATION

A Land is included under free hold properties - land (Note-8), located at Gulshan, Plot # 3, Block # CWN (C), Gulshan Avenue, Gulshan, Dhaka-1212, Municipality Holding # 105, Gulshan Avenue, Gulshan. Area of land is 1 bigha 2 chattaks purchased in the year 2005 for Bank's own use as per decision of the Board of Directors in its 73rd meeting held on August 23, 2005. The land is under litigation and possession of the land is yet to be taken. In this connection a provision has been made as per Bangladesh Bank's instruction (Note-12.2).

37 STATEMENT OF LIQUIDITY

The Liquidity Statement has been prepared in accordance with the remaining maturity grouping of the value of the assets and liabilities as on December 31, 2017 and under the guidelines of Bangladesh Bank BRPD Circular No.14 dated June 25, 2003.

38 RESTATEMENTS

Wherever considered necessary, Previous year's figures have been rearranged for the purpose of comparison with current period's presentation without any impact on the profit and value of assets and liabilities as reported in the Financial Statements.

39 Events after the reporting period

As per BAS 10 "Events after the Reporting Period" are those events favorable and unfavorable, that occurs between the end of the reporting period and the date when financial statements are authorized for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after balance sheet date); and

Those are indicative of conditions that arose after the reporting period (Non-adjusting events after balance sheet date).

(a) The Board of Directors of the company in its meeting held on 24 March 2018 approved the financial statements of the company for the year ended 31 December 2017 and authorized the same for the issue. The Broad of Directors also recommended 17% cash and 5 % Stock dividend for public shareholders only for the year ended 31 December 2017 subject to approval in the next Annual General Meeting.

(b) There is no other significant event that has occurred between the Balance sheet date and the date when the financial statements were authorized for issue by the Board of Directors.

Managing Director and CEO | **Director** | **Director** | **Chairman**

Dated: Dhaka
24 March, 2018

Annexure-A(Cons)

Consolidated Fixed Assets schedule as at 31 December 2017

Particulars	Cost				Accumulated Depreciation				Written down value at 31 December 2017
	Balance as on 1 January 2017	Additions/ Revaluation during the Period	Sales during the Period	Balance as at 31 December 2017	Balance as on 1 January 2017	Charge for the Period	Adjustment on during the Period	Balance as at 31 December 2017	
A. Freehold Property									
Land	1,341,807,978	-	-	1,341,807,978	-	-	-	-	1,341,807,978
Building	787,603,844	-	-	787,603,844	115,924,144	17,922,046	-	133,846,190	653,757,654
Furniture & Fixtures	865,948,446	64,566,538	6,343,036	924,171,948	391,556,615	60,966,957	3,568,750	448,954,822	475,217,127
Office Equipment & Computer Equipment	975,731,836	90,358,755	6,071,067	1,060,019,524	488,836,232	152,354,165	5,036,097	636,154,299	423,865,224
Vehicles	141,267,199	29,429,608	16,459,270	154,237,537	98,534,813	16,683,821	16,163,026	99,055,608	55,181,929
Books	792,966	95,362	-	888,328	646,150	55,869	-	702,018	186,310
Sub-total	**4,113,152,269**	**184,450,263**	**28,873,373**	**4,268,729,158**	**1,095,497,953**	**247,982,858**	**24,767,873**	**1,318,712,938**	**2,950,016,221**
B. Intangible asset:									
Software	448,101,377	1,368,245	-	449,469,622	266,666,600	50,391,433	-	317,058,033	132,411,589
Sub-total	**448,101,377**	**1,368,245**	**-**	**449,469,622**	**266,666,600**	**50,391,433**	**-**	**317,058,033**	**132,411,589**
Total (A+B)	**4,561,253,646**	**185,818,508**	**28,873,373**	**4,718,198,780**	**1,362,164,553**	**298,374,290**	**24,767,873**	**1,635,770,970**	**3,082,427,810**
Balance as at 31 Dec' 16	**4,494,365,600**	**114,101,722**	**47,213,676**	**4,561,253,646**	**1,148,810,795**	**251,708,761**	**38,355,003**	**1,362,164,553**	**3,199,089,093**

STOCK

Fixed Assets schedule as at 31 December 2017

Particulars	Cost				Rate (%)	Accumulated Depreciation				Written down value at 31 December 2017
	Balance as on 1 January 2017	Additions/ Revaluation during the Period	Sales during the Period	Balance as at 31 December 2017		Balance as on 1 January 2017	Charge for the Period	Adjustment on during the Period	Balance as at 31 December 2017	
A. Freehold Property										
Land	1,341,807,978	-	-	1,341,807,978	Nill	-	-	-	-	1,341,807,978
Building	787,603,844	-	-	787,603,844	2.5%	115,924,144	17,922,046	-	133,846,190	653,757,654
Furniture & Fixtures	847,308,368	56,700,097	6,343,036	897,665,430	10%	384,766,023	59,631,581	3,568,750	440,828,853	456,836,576
Office Equipment & Computer Equipment	1,002,479,387	93,500,204	6,071,068	1,089,908,523	20%	527,303,048	149,918,084	5,036,097	672,185,034	417,723,489
Vehicles	140,527,122	29,429,608	16,459,270	153,497,460	20%	97,889,736	16,663,821	16,163,026	98,390,532	55,106,928
Books	792,966	95,362	-	888,328	20%	646,150	55,869	-	702,018	186,310
Sub-total	**4,120,519,665**	**179,725,272**	**28,873,374**	**4,271,371,563**		**1,126,529,100**	**244,191,400**	**24,767,873**	**1,345,952,628**	**2,925,418,935**
B. Intangible asset:										
Software	447,677,377	1,336,995	-	449,014,372	20%	266,638,333	50,298,003	-	316,936,336	132,078,036
Sub-total	**447,677,377**	**1,336,995**	**-**	**449,014,372**		**266,638,333**	**50,298,003**	**-**	**316,936,336**	**132,078,036**
Total (A+B)	**4,568,197,042**	**181,062,267**	**28,873,374**	**4,720,385,935**		**1,393,167,433**	**294,489,403**	**24,767,873**	**1,662,888,963**	**3,057,496,972**
Balance as at 31 Dec' 16	**4,456,744,373**	**158,666,345**	**47,213,676**	**4,568,197,042**		**1,133,572,191**	**297,950,245**	**38,355,003**	**1,393,167,433**	**3,175,029,609**

ALL RIGHT BLOCK

Annexure-B

Name of Directors and their Interest in the Bank and Different Entities

SL No.	Name and address	Designation	No. of Shares held in Bank		Name of Firms/Companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Position (as proprietor, partner, director, managing agent, guarantor, employee etc.)	Nature and Value of interest in the firm/ companies in which interested.
			2017	2016			
1	2	3	4	5	6	7	8
01	A.K.M. SHAHEED REZA "Shurjamukhi" House No.: 2, Road no.: 11 Sector- 14 Uttara Model Town, Dhaka	Chairman	4,10,01,441	3,90,48,992	1. Allure Apparels Ltd. 2. Fashion Plus Ltd. 3. Reza Fabrics Ltd. 4. Global Insurance Ltd. 5. Fashion Exports 6. Reza Fashions Ltd. 7. National Credit Ratings Ltd. 8. Padma Bleaching & Dying Ltd. 9. Padma Weaving Ltd. 10. Padma Yearn Mills Ltd. 11. The Daily Observer 12. Bangla Radio FM 95.2 13. Mercantile Bank Securities Ltd.	Chairman Chairman Chairman Shareholder Proprietor Chairman Vice Chairman Chairman Chairman Chairman Director Owner Sponsor Director	40.00% 30.00% 25.00% 0.08% 100.00% 25.00% 7.00% 25.00% 25.00% 25.00% 07.00% 100.00%
02	MD. ABDUL HANNAN 190 Arambag, Inner Circular Road, Dhaka	Sponsor Director	1,77,43,768	1,68,98,828	1. Dabstar Associates Limited 2. Reu Fashion Limited 3. ZHAS Garments Limited 4. M.H. Trading 5. Murad Apparels Limited 6. Unnayan Engineers Ltd. 7. Unnayan Housing Ltd. 8. Logistic Support Ltd 9. Global Insurance Ltd 10. Pan Pacific Hospital Ltd 11. Eastern University	Chairman Chairman Chairman Proprietor Chairman Proprietor Managing Director Director Shareholder Director Director	90.00% 50.00% 50.00% 100.00% 70.00% 100.00% 50.00% 30.00% 00.01% 5.00% -

Name of Directors and their Interest in the Bank and Different Entities

SL No.	Name and address	Designation	No. of Shares held in Bank		Name of Firms/Companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Position (as proprietor, partner, director, managing agent, guarantor, employee etc.)	Nature and Value of interest in the firm/ companies in which interested.
			2017	2016			
1	2	3	4	5	6	7	8
03	MD. ANWARUL HAQUE Apartment-4-A, House-45, Road-15/A, Dhanmondi R/A, Dhaka.	Sponsor Director	1,74,94,734	1,66,61,652	1. Living Plus Ltd. 2. Holiday Travels Ltd. 3. Premier Leasing Securities Ltd. 4. Securities Broking & Management Ltd 5. Mercantile Bank Securities Ltd 6. Global Insurance Ltd. 7. Premier Leasing & Finance Ltd.	Managing Director Director Director Director Sponsor director Shareholder Sponsor Shareholder	32.00% 35.00% 0.40% - - 0.01% 0.02%
04	DR. MAHMOOD OSMAN IMAM House No- B/6, Road No- 23A Block- B, Banani, Dhaka	Independent Director	-	-	-	-	-
05	M. AMANULLAH House No.06, Road No. 80, Gulshan-2, Dhaka.	Sponsor Director	2,33,10,000	222,00,000	1. Aman Spinning Mills Ltd. 2. Mousumi Enterprises Ltd. 3. Arena HRI Limited 4. Arena Securities Ltd. 5. Arena Industries Ltd. 6. Arena Consumer Products Ltd. 7. Daily Amader Shomoy 8. Mercantile Bank Securities Ltd.	Chairman Chairman Chairman Chairman Chairman Chairman Sponsor Director Sponsor Director	20.00% 50.00% 05.00% 10.00% 25.00% 25.00% 10.00%
06	AL-HAJ AKRAM HOSSAIN (HUMAYUN) 2/C, Purana Paltan, Dhaka.	Sponsor Director	1,68,44,887	1,60,42,750	1. Akram Traders 2. FARS Holding & Associates Ltd. 3. FARS Hotels & Resorts Ltd. 4. Mercantile Bank Securities Ltd.	Proprietor Managing Director Managing Director Chairman	100.00% 25.00% 25.00%
07	MOHD. SELIM 3 & 3A, Paribagh Shanta Properties, Diganta Flat No. 12/A, Ramna, Dhaka	Sponsor Director	2,24,91,681	2,14,20,649	1. Synthia Securities Ltd 2. Sumon Cloth Store 3. Global Insurance Ltd. 4. Mercantile Bank Securities Ltd.	Chairman Proprietor Shareholder Sponsor Director	35.00% 100% 0.27%

Annexure-B

Name of Directors and their Interest in the Bank and Different Entities

SL No.	Name and address	Designation	No. of Shares held in Bank		Name of Firms/Companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Position (as proprietor, partner, director, managing agent, guarantor, employee etc.)	Nature and Value of interest in the firm/ companies in which interested.
			2017	2016			
1	2	3	4	5	6	7	8
08	MORSHED ALAM, MP House No. 12/A, Road No. 63, Gulshan-2, Dhaka-1213.	Sponsor Director	1,93,28,894	1,84,08,471	1. Bengal Windsor Thermoplastics Ltd. 2. Bengal Media Corporation Limited 3. Bengal Plastics Limited. 4. Bengal Poly and Paper Sack Ltd. 5. Bengal Adhesive & Chemical Products Ltd. 6. Bengal Flexipak Limited 7. Bengal Polymer Wares Ltd. 8. Bengal Plastic Pipes Ltd. 9. Romania Food and Beverage Ltd. 10. Power Utility Bangladesh Ltd. 11. Bengal Concept and Holdings Ltd. 12. Bengal Corrugated Carton Ind. Ltd. 13. Bengal Overseas Corporation Ltd. 14. Hamilton Metal Corporation Ltd. 15. Bengal Feed & Fisheries Ltd. 16. Designer Jeans Ltd. 17. Designer Fashion Ltd. 18. Bengal Retails Ltd. 19. Bengal Renewable Energy Limited 20. National Life Insurance Co. Ltd. 21. Linnex Electronics Bangladesh Ltd 22. Linnex Technologies Ltd 23. Euphoria Apparels Ltd. 24. Hamilton Mold & Engineering Ltd. 25. Bengal Cement Ltd. 26. Bengal Melamine Ltd. 27. Bengal Structure Development Ltd. 28. Mercantile Bank Securities Ltd.	Chairman Sponsor Director	11.17% 18.00% 37.50% 08.19% 27.27% 30.00% 26.00% 20.00% 18.00% 35.00% 23.00 % 36.36% 33.33% 42.00% 39.97% 30.95% 20.53% 15.00% 15.00% 02.00% 25.00% 25.00% 20.00% 35.00% 12.00% 30.00% 50.00%

Name of Directors and their Interest in the Bank and Different Entities

SL No.	Name and address	Designation	No. of Shares held in Bank		Name of Firms/Companies in which interested as proprietor, partner, director, managing agent, guarantor, employee etc.	Position (as proprietor, partner, director, managing agent, guarantor, employee etc.)	Nature and Value of interest in the firm/ companies in which interested.
			2017	2016			
1	2	3	4	5	6	7	8
09	MD. SHAHABUDDIN ALAM S A Group of Industries Finlay House (3rd floor), Agrabad C/A, Chittagong.	Sponsor Director	1,55,61,180	1,48,20,172	1. S.A. Oil Refinery Ltd. 2. Samannaz Super Oil Ltd. 3. Laila Vanashpati Products Ltd. 4. Kamal Vegetable Oil Ltd. 5. Sharija Oil Refinery Limited. 6. South Eastern Oil Refinery Ltd. 7. Samannaz Condensed Milk Ltd. 8. S. A. Pulp & Paper Products Ltd. 9. South Eastern Paper Mills Ltd.	Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Chairman & MD	85.00% 50.00% 50.00% 75.00% 70.00% 90.00% 87.50% 70.00% 97.00%
10	DR. MD. RAHMAT ULLAH Provost Bungalow, Kabi Jasim Uddin Hall, Dhaka University Campus, Dhaka-1000	Independent Director	-	-	-	-	-

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Annexure-C

Investment in Shares/Securities

As at 31 December 2017

SL	Name of the Company	Type of Shares	Face Value	No of Shares	Avg. cost	Total cost	Close price 31.12.2017	Total market value as on 31.12.2017
A. Listed Company								
1	Bangladesh Export Import Company Ltd.	Quoted	10	343,176	90.18	30,947,879	27.00	9,265,752
2	Eastland Insurance Company Ltd.	Quoted	10	52,064	35.59	1,852,762	23.80	1,239,123
3	IDLC Finance Ltd.	Quoted	10	20,737,791	11.24	233,135,524	85.30	1,768,933,572
4	IT Consultants Ltd.	Quoted	10	1,196,000	8.36	10,000,000	35.50	42,458,000
5	LankaBangla Finance Ltd.	Quoted	10	335,245	70.10	23,501,702	47.80	16,024,711
6	Navana CNG Ltd.	Quoted	10	31,464	110.88	3,488,726	67.10	2,111,234
7	National Bank Ltd.	Quoted	10	253,182	22.63	5,729,116	13.00	3,291,366
8	Nahee Aluminum Composite Panel ltd.	Quoted	10	6,847	9.09	62,246	73.40	502,570
9	Oimex Electrode Ltd.	Quoted	10	7,129	9.09	64,810	65.20	464,811
10	Prime Finance & Investment Ltd.	Quoted	10	65,956	129.14	8,517,764	12.20	804,663
11	RAK Ceramics (Bangladesh) Ltd.	Quoted	10	105,552	122.98	12,980,620	59.90	6,322,565
12	Titas Gas Transmission & Dist. Co. Ltd.	Quoted	10	58,500	80.46	4,706,629	44.20	2,585,700
13	Uttara Bank Ltd.	Quoted	10	34,787	51.52	1,792,193	35.30	1,227,981
Total of Shares (a						**336,779,970**		**1,855,232,049**
15	MBL 1st Mutual Fund	Quoted	10	20,000,000	10.00	200,000,000	9.10	182,000,000
Total of Mutual Fund (b)						**200,000,000**		**182,000,000**
Sub Total (a+b)						**536,779,970**		**2,037,232,049**
B. Un-Listed Company								
1	*Aman Cotton Fibrous Ltd.	Un-Quoted	10	31,384	40.00	1,255,360	40.00	1,255,360
2	CDBL	Un-Quoted	10	1,142,362	4.50	5,138,890	4.50	5,138,890
3	MBL Exchange House UK.	Un-Quoted	10			111		111
4	Mercantile Bank Securities Ltd.	Un-Quoted	10	355,000,000	10.00	3,550,000,000	10.00	3,550,000,000
5	MSF Asset Mgt. Co. Ltd.	Un-Quoted	10	200,000	10.00	2,000,000	10.00	2,000,000
6	SWIFT					5,218,706		5,218,706
Sub Total (B)						**3,563,613,067**		**3,563,613,067**
Grand Total (A+B)						**4,100,393,037**		**5,600,845,116**

*Shares alloted in IPO investment at eligible institutors quota in book building method but trade yet to be started

Annexure-D

Adjustment for Approved Securities HTM:

As at 31 December 2017

As per Bangladesh Bank's DOS Circular Letter # 5 dated May 26, 2008 all Government Securities holding by scheduled banks with effect from July 1, 2008 must be segregated into HTM (Held to Maturity) and HFT (Held for Trading). HTM securities are to be amortized at the end of each year and any increase/decrease due such amortization is to be adjusted in the changes in equity system. HFT securities are to revalued weekly as per Mark to Market method. Any increase/decrease due to such valuation (Mark to Market) can not be taken into Profit & Loss account untill sale or maturity rather the same is to be transferred to Reserve for Revaluation Accounts .

(Amount in BDT)

Market Adjustment on Approved Securities HTM	
Balance as on Januray 1, 2017	563,737
Less : Adjustment due to Bond Maturity	
Add. Adjustment of Amortization of HTM secutrities	296,476
Balance as on 31 December, 2017	**860,213**
Reserve for Revaluation (for HFT securities)	
Balance as on January 1, 2017	1,740,253,476
Add adjustment during the year in Mark to market Method on Treasury Bond	193,940,595
Add adjustment during the year in Mark to market Method on Treasury Bill	75,767,355
Less adjustment due to Maturity,sale & Repo Treasury Bond	1,323,110,536
Less adjustment due to Maturity,MTM, sale & Repo Treasury Bill	81,666,970
Balance as on 31 December, 2017	**605,183,919**

(Market adjustment on Treasury Bond is reported as per DOS circular no.220 Dated. 8 December ,2010.)

Annexure-E

Maturity Analysis of Other Assets

As at 31 December 2017

Amount inTaka

Particulars	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	More than 5 years	Total
1	2	3	4	5	6	7
Investment in shares of subsidiary companies						
In Bangladesh (Mercantile Bank OBU Unit)	5,746,028,700	-	-	-	-	5,746,028,700
Outside Bangladesh (Mercantile Exchange House (UK) Limited)	17,376,990	20,650,125	-	-	-	38,027,115
Stationery, stamps,printing materials in stock etc	5,838,100	8,549,577	6,645,256	-	-	21,032,933
Advance rent and advertisement	15,500,000	44,500,000	135,000,000	112,549,639	-	307,549,639
Interest accrued on investment but not collected,commission and brokerage receivable on shares and debenture and other income receivable (Adjusting account debit)	627,857,400	581,830,320	-	-		1,209,687,720
Security deposit (Advance deposits)	-	-	-	-	8,243,704	8,243,704
Prelimiary, formation and organization expenses, renovation/ development expenses and prepaid expenses (MBL Center)	-	-	19,555,491	83,000	-	19,638,491
Branch adjustment (Mercantile Bank general account)	-	-	-	-	-	-
Suspense Account		642,335,035	2,281,225	280,841,500		925,457,760
Silver	-	-	-	-	-	-
Others (Clearing adjustment account)	-	-	-	95,000	-	95,000
Intra company transaction (OBU)	(5,746,028,700)	-	-	-	-	(5,746,028,700)
Total	**666,572,491**	**1,297,865,057**	**163,481,972**	**393,569,139**	**8,243,704**	**2,529,732,362**

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Annexure-F

Highlights of Mercantile Bank Limited

(BDT in crore)

SL	Particulars	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
1	Paid-up Capital	776.11	739.16	739.16	739.16	659.96
2	Total Capital Fund	2,458.14	2,236.72	1,797.20	1,910.39	1,370.97
3	Capital Surplus / (deficit)	139.74	412.36	282.77	435.55	171.02
4	Total Assets	26,016.99	20,412.75	18,280.02	16,847.41	14,484.19
5	Total Deposits	22,051.66	15,608.58	14,781.63	13,499.65	12,085.79
6	Total Loans and Advances	19,966.07	15,091.25	12,633.88	11,706.00	9,768.85
7	Total Contingent Liabilities and Commitments	11,475.71	8,169.78	6,403.67	6,079.86	5,175.36
8	Credit Deposit Ratio (in %)	84.25%	85.15%	78.54%	86.71%	80.83%
9	"Percentage of Classified Loans against Total Loans and Advances (in %)"	3.79%	5.13%	4.95%	4.13%	4.77%
10	Profit after Tax and Provision	301.77	222.74	139.33	118.85	197.87
11	Amount of Classified Loans during the year	756.47	774.59	625.08	483.16	465.98
12	Provision kept against classified Loans	396.75	311.71	255.10	240.52	424.51
13	Provision Surplus/ (deficit)	-	0.40	0.01	0.27	5.91
14	Cost of Fund (in %)	5.38%	5.72%	7.32%	7.90%	8.07%
15	Interest Earning Assets	22,969.87	16,978.44	13,880.95	13,971.20	11,983.34
16	Non-interest Earning Assets	3,047.12	3,434.31	4,399.07	2,876.22	2,500.87
17	Return on Equity (ROE) (in %)	17.55%	13.78%	9.60%	9.11%	16.84%
18	Return on Assets (ROA) (in %)	1.30%	1.15%	0.79%	0.76%	1.33%
19	Income from Investment	345.11	293.19	287.79	279.60	326.69
20	Earning Per Share (Tk.) (restated dec-16)	3.89	2.87	1.88	1.61	3.00
21	Net Income Per Share (Tk)	3.89	2.87	1.88	1.61	3.00
22	Return on investment (ROI)	9.01%	8.91%	8.51%	8.69%	10.86%
23	Net assets value per share (NAVPS)	22.66	22.74	20.99	18.29	19.05
24	Cost of deposit (%)	5.85%	6.25%	7.52%	8.26%	8.93%
25	Price Earning Ratio (approximate)	6.79 Times	5 Times	7 Times	9 Times	6 Times

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Annexure-G

Mercantile Bank Limited
Off-Shore Banking Unit
Balance Sheet
As at 31 December, 2017

Particulars	Notes	Year 2017		Year 2016	
		USD	Taka	USD	Taka
Property and Assets:					
Cash:		-	-		
Cash in Hand		-	-		
Balance with Bangladesh Bank					
Balance With other Banks and Financial Institutions					
In Bangladesh	3	6,900,045.98	570,633,803	3,165,117.25	249,094,728
Outside Bangladesh					
Maoney at Call and Short Notice:					
Investments					
Loans and Advances:					
Loans, Cash Credit, Overdraft etc.	4	3,597,868.51	297,543,726	2,012,710.00	158,400,277
Time Loans		-	-	239,786.19	18,871,173
Term Loans		13,365,232.36	1,105,304,716	9,246,244.07	727,679,408
Bills Purchased & Discounted		164,440,518.81	13,599,230,906	97,671,863.12	7,686,775,628
Fixed Assets including Premises, furniture and Fixtures	5	1,497.97	123,882	2,195.80	172,809
Other Assets	6	3,733,325.36	308,746,007	10,939.90	860,970
Non-Banking Assets					
Total Assets:		**192,038,488.99**	**15,881,583,040**	**112,348,856.33**	**8,841,854,993**
Liabilities and Capital :					
Liabilities:					
Borrowings from Banks, Financial institutions and Agents	7	145,251,815.67	12,012,325,156	109,671,367.23	8,631,136,601
Deposit and Other Accounts:					
Current Deposits and Other Accounts	8	24.75	2,047	24.80	1,952
Fixed Deposits					
Term Deposits	9	41,000,000.00	3,390,700,000		
Other Liabilities	10	643,427.97	53,211,493	-	-
Total Liabilities		**186,895,268.39**	**15,456,238,696**	**109,671,392.03**	**8,631,138,553**
Capital/Shareholders' Equity:					
Retained Earnings carried forward from previous year					
Surplus in Profit & Loss Account		**5,143,220.60**	**425,344,344**	**2,677,464.30**	**210,716,440**
Total Liabilities and Shareholders' Equity:		**192,038,488.99**	**15,881,583,040**	**112,348,856.33**	**8,841,854,993**

AMARSTOCK

Mercantile Bank Limited
Off-Shore Banking Unit
Profit and Loss Account
For the year ended on 31 December, 20177

Particulars	Notes	Year 2017		Year 2016	
		USD	Taka	USD	Taka
Interest Income	11	15,586,073.53	1,288,968,281	4,192,565.72	329,954,922
Less: Interest paid on Deposits, Borrowings etc.	12	10,349,771.07	855,926,067	1,454,516.19	114,470,424
Net Interest Income		**5,236,302.46**	**433,042,214**	**2,738,049.53**	**215,484,498**
Investment Income		-	-	-	-
Commision, Exchange and Brokerage		-	-	-	-
Other Operating Income	13	34,523.59	2,855,101	27,782.60	2,186,491
Miscellaneous Earnings		4,949.51	409,324	1,836.82	144,557
Total Operating Income		**5,275,775.56**	**436,306,639**	**2,767,668.95**	**217,815,546**
Salary and Allowances	14	131,658.13	10,598,901	88,958.95	7,001,069
Rent, Taxes, Insurances, Electricity etc.		-	-	-	-
Postage, Stamps, Telecommunication etc.		-	-	-	-
Depreciation and repair of Fixed Assets	15	697.83	57,711	1,245.70	98,037
Other Expenses-Commission/Fees paid	16	199.00	16,457	-	-
Adjustment for Exchange Rate Fluctuation	17	-	289,226	-	-
Profit before Provision		**5,143,220.60**	**425,344,344**	**2,677,464.30**	**210,716,440**
Provision against Classified Loans					
Provision against Unclassified Loans					
Other Provision					
Total Provision					
Total Profit before Taxes		**5,143,220.60**	**425,344,344**	**2,677,464.30**	**210,716,440**
Provision for Taxation					
Net Profit after Taxation		**5,143,220.60**	**425,344,344**	**2,677,464.30**	**210,716,440**

** Provisions would be calculated with central operation

*** Taxes would be calculated with central operation

Mercantile Bank Limited
Off-Shore Banking Unit
Notes to the Financial Statements
For the year ended on 31 December, 2017

1. Background Information

Mercantile Bank Limited is operating two Off-Shore Banking units as a separate business unit under the Rules and Guidelines of Bangladesh bank as per the permission vide letter no. BRPD(P-3)744(114)/2010-1743 dated May 4, 2010. The Bank commenced operation of these units from July 4, 2010 at its Gulshan, Dhaka and Chittagong EPZ, Chittagong Branches.

2. Significant Accounting Policy

2.1 Basis of Accounting:

The Unit maintains its accounting records in USD form which accounts are prepared according to the Bank Companies Act 1991, Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BAS) and other applicable directives issued by Bangladesh Bank.

2.2 Common Expenses:

a. Establishment expenses have not been separately accounted for in the Financial Statements

b. Provision for taxation, loans & advances and Off-Balance Sheet items have not been separately accounted for in the Financial Statements

These are accounted for consolidation in the central accounts of Mercantile Bank Limited

	Year 2017		Year 2016	
	USD	Taka	USD	Taka
3. Balance with other Banks and Financial Institutions				
In Bangladesh	6,900,045.98	570,633,803	3,165,117.25	249,094,728
Outside Bangladesh				
	6,900,045.98	**570,633,803**	**3,165,117.25**	**249,094,728**
4. Loans & Advances				
Loans, Cash credit etc. Overdrafts	3,597,868.51	297,543,726	2,012,710.00	158,400,277
Time Loans	-	-	239,786.19	18,871,173
Term Loans	13,365,232.36	1,105,304,716	9,246,244.07	727,679,408
Bill purchased and Discounted (Export)	11,300,520.09	934,553,012	3,624,137.81	285,219,646
Bill purchased and Discounted (Foreign)	153,139,998.72	12,664,677,894	94,047,725.31	7,401,555,982
	181,403,619.68	**15,002,079,348**	**109,170,603.38**	**8,591,726,486**
5. Fixed Assets including Premises, Furniture and Fixtures				
Software	-	-	256.38	20,177
Computer, Printer & Peripherals	993.45	82,158	1,368.90	107,732
Furniture & Fixture	504.52	41,724	570.52	44,900
	1,497.97	**123,882**	**2,195.80**	**172,809**
6 Other Assets				
Interest Receivable	3,733,241.83	308,739,099	10,569.09	831,787
Prepaid Expenses	83.53	6,908	370.81	29,183
	3,733,325.36	**308,746,007**	**10,939.90**	**860,970**

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	Year 2017		Year 2016	
	USD	Taka	USD	Taka
7 Borrowing from other Banks Financial Institutions and Agents				
Bangladesh Bank	-	-	-	-
Mercantile Bank Limited	69,480,395.41	5,746,028,701	99,671,367.23	7,844,136,601
Other Banks & Financial Institutions	75,771,420.26	6,266,296,456	10,000,000.00	787,000,000
	145,251,815.67	**12,012,325,157**	**109,671,367.23**	**8,631,136,601**
8 Current Deposits and Other Accounts:				
Current Deposit				
Fixed Deposit				
Foreign Currency Deposit FCAD (Gen)	24.75	2,047	24.80	1,952
	24.75	**2,047**	**24.80**	**1,952**
9 Term Deposits and Other Accounts:				
Term Deposits includes deposits procured from various local Banks which includes:				
Agrani Bank Limited	13,000,000.00	1,075,100,000		
Bank Asia Limited	10,000,000.00	827,000,000		
Commercial Bank of Ceylon Limited	2,500,000.00	206,750,000		
Dhaka Bank Limited	7,500,000.00	620,250,000		
Mutual Trust Bank Limited	1,000,000.00	82,700,000		
National Bank Limited	1,000,000.00	82,700,000		
Southeast Bank Limited	4,000,000.00	330,800,000		
Uttara Bank Limited	2,000,000.00	165400000		
	41,000,000.00	**3,390,700,000**		
10 Other Liabilities				
Accrued Interest				
Payable to Head Office				
Intt. Payable on Borrowing/Adjusting A/C Cr.	643,427.97	53,211,493	-	-
	643,427.97	**53,211,493**	**-**	**-**
11 Interest Income				
Interest on Advances	15,586,073.53	1,288,968,281	4,192,565.72	329,954,922
Interest on Money at Call and Short Notice				
Interest on fund placement with Head Office				
Interest on foreign Currency Balances				
	15,586,073.53	**1,288,968,281**	**4,192,565.72**	**329,954,922**
12 Interest paid on Deposit, Borrowings etc.				
Interest on Deposit				
Interest paid on Borrowings	10,349,771.07	855,926,067	1,288,266.19	101,386,549
Interest paid on Borrowings from Other Banks			166,250.00	13,083,875
Interest on REPO				
	10,349,771.07	**855,926,067**	**1,454,516.19**	**114,470,424**

	Year 2017		Year 2016	
	USD	Taka	USD	Taka
13 Other Operating Income				
Investment Income				
Commission, Exchange Gain & Brokerage				
Other Operating Income/Foreign Correspon. Charge	34,523.59	2,855,101	27,782.60	2,186,491
Miscellaneous Earnings	4949.51	409324	1836.82	144557
	39,473.10	**3,264,425**	**29,619.42**	**2,331,048**
14 Salary and Allowances, Rent, Taxes, Insurances, Electricity etc.				
Basic Salary	50,476.62	4,066,018	33,777.71	2,658,306
House Rent	21,336.06	1,719,097	15,177.80	1,194,493
Medical Allowances	4,705.88	379,597	3,253.97	256,087
Conveyance Allowance	3,489.08	281,190	2,637.44	207,567
Utility Services	10,214.54	822,970	7,354.68	578,813
House Maintenance Allowances	10,214.54	822,970	7,354.68	578,813
Leave Fare Assistance	9,143.58	729,223	5,989.07	471,340
Car Allowance	7,154.39	576,000	3,678.50	289,498
Provident Fund	5,047.63	406,647	3,377.76	265,830
Bonus	9,105.51	734,000	6,238.48	490,968
Traveling Expenses (TA/DA)	-	-	-	-
Telephone Bill	345.79	27,840	89.35	7,032
Periodicals, Newspaper & Magazine	44.18	3,500	14.51	1,142
House Furnishing Allowances	287.28	22,349	15.00	1,180
Mobile Phone Set Purchase	93.05	7,500	-	-
	131,658.13	**10,598,901**	**88,958.95**	**7,001,069**
15 Free Hold Properties-Depreciation and repair of Fixed Assets				
Computer	375.45	31,050	340.00	26,758
Software	256.38	21,203	839.70	66,085
Furniture	66.00	5,458	66.00	5,194
	697.83	**57,711.00**	**1,245.70**	**98,037**
16 Other Expenses				
Comm./Arrangement Fees Paid to other Banks	199.00	16,457	-	-
	199.00	**16,457.00**	**-**	**-**

17. Expenditures against Salary and other allowances of Off-Shore Banking Unit is converted/translated from USD to BDT at the prevailing exchange rate of the day of passing vouchers. Here, the actual figure of the total sum of monthwise salary & other expenses for the Year ended on December 31, 2017 are shown in USD and Bangladesh Taka (Details mentioned in Note: 13). The difference between the amount obtained by converting the total USD amount with a single exchange rate and the actual BDT amount is shown as Adjustment for Exchange Rate Fluctuation.

*Provision will be calculated with the central accounts
*Taxes are computed with the central operation
*Assets and liabilities have been converted into BDT @ USD1.00 = BDT 82.7000 for the Year 2017 and @ USD 1.00=BDT 78.7000 for the Year 2016
*Depreciation has been charged @ 20% on Office Equipments & Machineries and @10% p.a. on Fixtures and furniture.

Financial Statements of Subsidiaries of Mercantile Bank Limited

AMARSTOCK

Annexure-H

Auditor's Report to the Shareholders of Mercantile Bank Securities Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Mercantile Bank Securities Limited, which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of **Mercantile Bank Securities Limited** is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the companies Act, 1994, the Securities and Exchange Rules 1987, conditions and regulations issued by Bangladesh Securities and Exchange Commission and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with Bangladesh Financial Reporting Standard (BFRSs), give a true and fair view of the financial position as at 31 December 2017 and its financial performance and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987, conditions and regulations issued by the Bangladesh Securities and Exchange Commission and other applicable laws and regulations.

We also report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

(b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;

(c) the company's statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and

(d) the expenditure incurred and payments made were for the purpose of the company's business.

Place: Dhaka
Dated: 24 January 2018

K. M. HASAN & CO.
Chartered Accountants

Mercantile Bank Securities Limited
Statement of Financial Position
As at 31 December 2017

	Notes	Amount in BDT	
		2017	2016
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	3.0	17,348,460	19,315,529
Investment in Share with TREC			
Dhaka Stock Exchange Ltd.		650,000,000	650,000,000
Chittagong Stock Exchange Ltd.		180,000,000	180,000,000
		830,000,000	**830,000,000**
Total Non-Current Assets		**847,348,460**	**849,315,529**
Current Assets			
Receivable from Client and others	4.0	4,302,194,268	4,878,310,917
Receivable from DSE & CSE		5,211,309	5,065,920
Advance, Deposit & Prepayment	5.0	319,856,756	90,975,031
Advance Income Tax	6.0	115,942,246	85,069,072
Investment in FDR	7.0	78,528,004	53,100,000
Cash and Cash Equivalents	8.0	278,060,760	599,633,658
Total Current Assets		**5,099,793,343**	**5,712,154,598**
Total Assets		**5,947,141,803**	**6,561,470,127**
EQUITY AND LIABILITIES			
Equity			
Share Capital	9.0	3,600,000,000	3,600,000,000
Retained Earnings	10.0	40,102,551	34,866,122
Total Equity		**3,640,102,551**	**3,634,866,122**
Non-Current Liabilities			
Borrowing from Banks	11.0	983,551,925	1,641,006,300
Total Non-Current Liabilities		**983,551,925**	**1,641,006,300**
Current Liabilities			
Payable to Clients	12.0	116,516,313	146,521,148
Other Liabilities	13.0	1,107,567,603	1,033,554,198
Payable to DSE		4,013,146	36,245,552
Provision for Income Tax	14.0	95,390,265	69,276,807
Total Current Liabilities		**1,323,487,327**	**1,285,597,705**
Total Liabilities		**2,307,039,252**	**2,926,604,005**
Total Equity and Liabilities		**5,947,141,803**	**6,561,470,127**

The financial statements should be read in conjunction with the annexed notes and were approved by the Board of Directors on 24 January 2018 and were signed on its behalf by :

Chief Executive Officer **Vice Chairman** **Chairman**

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 24 January 2018

K. M. HASAN & CO.
Chartered Accountants

Mercantile Bank Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
Operating Income	15.0	221,365,353	138,598,008
Less: Operating Expenses	16.0	95,097,776	55,106,028
Gross Profit		**126,267,577**	**83,491,980**
Less: Administrative and General Expenses	17.0	56,331,495	51,675,854
Operating Profit/(Loss)		**69,936,082**	**31,816,126**
Add: Other Income	18.0	26,413,805	31,092,461
Profit Before Provision and Income Tax		**96,349,887**	**62,908,587**
Less: Provision for Margin Loan	19.0	65,000,000	35,000,000
Profit Before Income Tax		**31,349,887**	**27,908,587**
Less: Provision for Income Tax		26,113,458	27,387,302
Net Profit After Income Tax		**5,236,429**	**521,285**
Add: Other Comprehensive Income		-	-
Total Comprehensive Income		**5,236,429**	**521,285**

The financial statements should be read in conjunction with the annexed notes and were approved by the Board of Directors on 24 January 2018 and were signed on its behalf by :

Chief Executive Officer **Vice Chairman** **Chairman**

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 24 January 2018

K. M. HASAN & CO.
Chartered Accountants

Mercantile Bank Securities Limited
Statement of Changes in Equity
For the year ended 31 December 2017

Particulars	Amount in Taka		
	Share Capital	Retained Earnings	Total
Balance as at 1 January 2017	**3,600,000,000**	**34,866,122**	**3,634,866,122**
Increase of Share Capital	-	-	-
Net profit/(loss) for the year	-	5,236,429	5,236,429
Balance as at 31 December 2017	**3,600,000,000**	**40,102,551**	**3,640,102,551**
Balance as at 1 January 2016	**650,000,000**	**34,344,837**	**684,344,837**
Increase of Share Capital	2,950,000,000	-	2,950,000,000
Net profit/(loss) for the year	-	521,285	521,285
Balance as at 31 December 2016	**3,600,000,000**	**34,866,122**	**3,634,866,122**

The financial statements should be read in conjunction with the annexed notes and were approved by the Board of Directors on 24 January 2018 and were signed on its behalf by :

Chief Executive Officer | **Vice Chairman** | **Chairman**

Signed in terms of our separate report of even date annexed.

Place: Dhaka
Dated: 24 January 2018

K. M. HASAN & CO.
Chartered Accountants

AMARSTOCK

Mercantile Bank Securities Limited
Statement of Cash Flows
For the year ended 31 December 2017

	Notes	Amount in BDT	
		2017	2016
A) Cash flows from operating activities			
Net Profit/(Loss) Before Income Tax		31,349,887	27,908,587
Adjustment for :			
Depreciation		3,522,564	2,971,832
Loss on Sale of Shares (Negative equity clients)		-	22,495,210
Cash generated from operating activities before changes in assets and liabilities		**34,872,451**	**53,375,629**
(Increase) / Decrease in Operating Assets		347,089,535	344,450,383
Increase / (Decrease) in Operating Liabilities		11,776,164	123,614,724
Income Tax paid		(30,873,174)	(19,366,410)
Net cash flows from Operating activities		**362,864,976**	**502,074,326**
B. Cash flows from Investing activities:			
Acquisition of Property, Plant & Equipment		(1,555,495)	(5,712,675)
Investment in FDR (short term)		(25,428,004)	113,900,000
Increase of Share Capital		-	2,950,000,000
Net cash used in Investing activities		**(26,983,499)**	**3,058,187,325**
C. Cash flows from Financing activities:			
Proceeds/(Payments) from Long Term Borrowing		(657,454,375)	(3,109,981,950)
ICB Pronodona Fund		-	(166,830,838)
Net cash used in financing activities		**(657,454,375)**	**(3,276,812,788)**
Increase / (Decrease) in Cash and Cash Equivalents for the year (A+B+C)		**(321,572,898)**	**283,448,863**
Cash and Cash Equivalents at the beginning of the year		**599,633,658**	**316,184,795**
Cash and Cash Equivalents at the end of the year (*)		**278,060,760**	**599,633,658**
(*) Cash and Cash Equivalents:			
Cash in Hand		81,852	112,068
Cash at Bank		277,978,908	599,521,590
		278,060,760	**599,633,658**

The financial statements should be read in conjunction with the annexed notes and were approved by the Board of Directors on 24 January 2018 and were signed on its behalf by :

Chief Executive Officer **Vice Chairman** **Chairman**

Place: Dhaka
Dated: 24 January 2018

Mercantile Bank Securities Limited
Notes to the Financial Statements
For the year ended 31 December 2017

1.0 Background Information:

Mercantile Bank Securities Limited was established on 27 June 2010 to facilitate development of sound capital market and to provide higher, better and diversified services to a wide range of customer. 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. MBSL is also a full service Depository Participant (DP) of Central Depository Bangladesh Limited (CDBL). The brokerage service is designed to provide customer with necessary support and profitability in the stock market. The company obtained DSE Membership on 04 September 2011 and CSE Membership on 25 September 2011 and started it's operation on 14 September 2011.

2.0 Significant Accounting Policies:

2.1 Basis of Accounting

The financial statements of the Mercantile Bank Securities Limited have been prepared applying accrual basis of accounting under the historical cost convention in accordance with Bangladesh Financial Reporting Standards.

2.2 Property, Plant & Equipment

Fixed assets are recorded at cost and have limited useful lives (except land). All expenses incurred for the purpose of acquiring, installing and bringing the fixed assets into its present location for intended use have to be capitalized and included in the cost of the fixed assets.

2.2.1 Depreciation

Depreciation is charged on Fixed Assets at the following rates on the Straight Line Method from date of acquisition.

Name Of Assets	Rate of Depreciation
Vehicles	20%
Office Equipment & Machineries	20%
Furniture & Fixtures	10%

2.3 Revenue Recognition:

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the company. Revenue during the year are recognized as follows:

(i) Brokerage commission is recognized as income when selling or buying order is executed;
(ii) Interest income from margin loan is calculated quarterly.

2.4 General

(i) Figures appearing in these accounts have been rounded off to the nearest Taka.
(ii) Previous year's figures have been re-arranged where necessary to conform to current year's financial presentation.

3.0 Property, Plant and Equipment

	Amount in BDT	
	2017	2016
A. Cost		
Opening Balance	36,598,528	31,525,931
Add: Addition during the year	1,555,495	5,712,675
	38,154,023	37,238,606
Less: Disposal during the year	-	640,078
Closing Balance (A)	**38,154,023**	**36,598,528**

		Amount in BDT	
		2017	2016
B. Accumulated depreciation			
Opening Balance		17,282,999	14,951,245
Add: Charged during the year		3,522,564	2,971,832
		20,805,563	17,923,077
Less: Disposal during the year		-	640,078
Closing Balance (B)		**20,805,563**	**17,282,999**
C. Written Down Value (A-B)		**17,348,460**	**19,315,529**

A schedule of Property, Plant and Equipment is given in Annexure-A.

4.0 Receivable from clients and others

General Client		681,690	684,995
Margin Client		4,300,177,793	4,875,616,382
Merchant Bank		-	2,009,540
Interest Receivable on FDR		1,334,785	-
		4,302,194,268	**4,878,310,917**

5.0 Advance, Deposit & Prepayment

Advanced against Rent		2,139,500	887,000
Other Advance		254,000	30,960
Prepaid Expenses (LFA)		9,000	9,000
Prepaid Expenses (Furniture Allowance)		-	38,071
Prepaid Expenses (Supplier)		-	10,000
Investment in Dealer A/C		317,454,256	90,000,000
		319,856,756	**90,975,031**

6.0 Advance Income Tax

Opening Balance		85,069,072	65,702,662
Add: Advance Income Tax Paid During The Year		7,781,393	3,842,434
		92,850,465	69,545,096
Add: Tax Deducted at Source During The Year		19,935,622	10,465,507
		112,786,087	80,010,603
Add: Tax Deducted at Source Against Bank Interest & Others		3,156,159	5,058,469
Closing Balance		**115,942,246**	**85,069,072**

7.0 Investment in FDR

	FDR No.		
Meridian Finance & Investment Ltd.	00089902	53,342,500	50,000,000
People's Leasing & Financial Services Ltd.	5167	3,376,969	3,100,000
People's Leasing & Financial Services Ltd.	6298	20,427,500	-
Premier Leasing & Finance Ltd.	6664	1,381,035	-
		78,528,004	**53,100,000**

8.0 Cash and Cash Equivalents

Cash in Hand	81,852	112,068
Cash at Bank (Note- 8.1)	277,978,908	599,521,590
	278,060,760	**599,633,658**

8.1 Cash at Bank

Mercantile Bank	Account No.		
MBL, Main Branch (Income Expenditure A/C)	0002230	30,099,034	6,103,059
MBL, Main Branch (MBSL Cons. Cust. A/C, SND)	0002437	134,838,730	440,370,894

		Amount in BDT	
		2017	2016
MBL, Main Branch (Public Issue Application A/C)	0002558	73,757	2,256,983
		165,011,521	**448,730,936**
One Bank			
One Bank Ltd., Principal Branch (SND A/C)	0000616	112,967,387	150,790,654
		112,967,387	150,790,654
Total Cash at Bank		**277,978,908**	**599,521,590**

9.0 Share Capital

9.1 Authorized Capital

500,000,000 Ordinary shares of Tk. 10 each		5,000,000,000	5,000,000,000
		5,000,000,000	**5,000,000,000**

9.2 Issued, Subscribed and Fully Paid-up Capital

Total 360,000,000 Ordinary shares of Tk. 10 each			
Opening Balance		3,600,000,000	650,000,000
Issued for cash		-	2,950,000,000
Closing Balance		**3,600,000,000**	**3,600,000,000**

10.0 Retained Earnings

Opening Balance		34,866,122	34,344,837
Net profit/(loss) during the year		5,236,429	521,285
Closing Balance		**40,102,551**	**34,866,122**

11.0 Borrowing from Banks

Mercantile Bank Limited		983,551,925	1,641,006,300
		983,551,925	**1,641,006,300**

The terms and conditions of the loan taken from Mercantile Bank Ltd. are as follows:

Nature of facility	: SOD General (Renewal)
Purpose	: To provide liquidity of MBSL & to meet day to day operational expenses in the business.
Facility Amount	: Tk. 16,600 lac
Rate of Interest	: Nil
Tenor of the facility	: One year
Security	: Usual charge documents of the bank and undated chequed covering the credit limit.

12.0 Payable to Clients

General Client		74,122,311	85,003,958
Margin Client		42,164,015	61,517,190
Merchant Bank		229,987	-
		116,516,313	**146,521,148**

13.0 Other Liabilities

Sundry Deposit		39,797	494,726
VAT payable		-	7,500
Payable to CDBL		1,856,383	1,550,813
Audit Fees		86,250	50,000

	Amount in BDT	
	2017	2016
Provision for Margin Loan (Note: 13.1)	105,700,000	40,700,000
Provision for Gratuity	5,117,500	6,000,000
Provident Fund	7,406,238	7,410,346
Welfare Fund	270,581	129,925
Incentive Bonus	7,000,000	2,200,000
Interest Suspense A/C	980,084,814	972,779,849
IPO Application (IPO)	6,040	2,231,040
	1,107,567,603	**1,033,554,198**

13.1 Provision for Margin Loan

Opening Balance	40,700,000	5,700,000
Add: Provision made during the year	65,000,000	35,000,000
Closing Balance	**105,700,000**	**40,700,000**

14.0 Provision for Income Tax

Opening Balance	69,276,807	41,889,505
Add: Provision for the year	-	3,842,434
	69,276,807	45,731,939
Add: Provision made during the year (TDS)	26,113,458	23,544,868
Closing Balance	**95,390,265**	**69,276,807**
Tax Deducted at Source	**23,091,781**	**15,523,976**

Tax Deducted at Source is Tk. 23,091,781 which includes TDS deducted from DSE & CSE Tk. 18,492,601, TDS deducted from bank interest Tk. 3,155,159, Trade license Tk. 1,000 and TDS deducted from Dividend Tk. 1,443,021.

15.0 Operating Income

Brokerage Commission DSE & CSE	125,683,402	78,202,977
Account Opening Fees	221,700	129,000
BO Account Maintenance Fees	907,900	2,819,500
Interest on Margin Loan	47,371,267	47,370,338
Account Closing Fees	50,597	88,117
IPO Commission	37,115	30,535
Interest Charged on Cash Client	106,847	123,037
Dividend on Shares	7,622,646	-
Cheque Dishonor Fees	45,915	47,000
Dividend Income DSE & CSE	7,215,106	9,787,504
Capital Gain on Sale of Shares	32,102,858	-
	221,365,353	**138,598,008**

16.0 Operating Expenses

Howla Charge DSE & CSE	4,242	5,634
Laga Charge DSE & CSE	8,795,648	5,218,545
CDBL Charges	5,030,491	3,394,043
Audit Fees	86,250	57,500
Directors Fees	1,289,500	1,726,400
Bank Charges	163,959	90,519
Interest on Bank Loan	-	8,571,165
Other Operating Expenses	604,740	1,161,008
Loss on Sale of Shares (Negative equity clients)	8,261	22,495,210
Expense of Authorized Capital (RJSC)	-	1,383,660

	Amount in BDT	
	2017	2016
Loss on Margin Interest Reverse	75,592,121	8,030,512
Depreciation	3,522,564	2,971,832
	95,097,776	**55,106,028**

17.0 Administrative and General Expenses

Salaries & Allowances (Note- 17.1)	26,596,152	25,595,027
Rent, Taxes, VAT, Insurances, Electricity etc.	9,737,440	7,509,565
Postage, Stamps, Telecommunication etc.	2,019,422	2,033,983
Printing & Stationery	683,111	469,104
Repairs and Maintenances	605,172	546,474
Security & Cleaner	3,060,115	2,530,775
Legal Fees	178,625	396,989
Miscellaneous	241,553	493,537
Refreshment	1,453,462	1,043,460
Utility Expenses	329,539	290,121
Fuel Costs	352,923	83,719
Excise duty	12,000	60,000
Travel Expenses	593,292	537,960
Gratuity	-	6,000,000
Incentive Bonus	7,176,406	2,200,000
Investor Awareness Program	2,400,000	1,800,000
PSSL Uniform	96,600	65,930
Capital Market Expo Expense	283,685	19,210
Business Development Exp	511,998	
	56,331,495	**51,675,854**

17.1 Salaries & Allowances

Basic Salary	12,138,722	11,546,866
Off Day, Closing & Other Allowance	278,090	-
Consolidated Salary	166,169	560,000
Arrear Salary	24,554	37,441
Bonus	2,114,150	2,199,960
Car Allowances	-	450,000
House Rent	3,930,399	3,939,167
Conveyance Allowances	1,200,215	1,115,250
Medical Allowances	1,901,141	1,654,867
House Maintenance Allowances	1,012,073	706,350
Utilities Allowance	1,012,073	706,350
PF Contribution	1,029,789	1,054,227
Furniture Allowance	5,071	32,263
Leave Fare Assistance	1,783,706	1,484,786
Gratuity	-	107,500
	26,596,152	**25,595,027**

18.0 Other Income

Bank Interest	25,079,135	30,962,828
Miscellaneous Earnings	1,334,670	129,632
	26,413,805	**31,092,461**

19.0 Provision for Margin Loan

As on 31 December 2017 our negative equity stood at Tk. 2,005,455,596 against outstanding loan Tk. 3,625,581,648 and the market value of share is Tk. 1,620,126,052. If the market value of share goes up then negative equity will be reduced.

Besides that, we have written off 40 clients' negative equity amounting Tk. 22,974 and 105 clients' positive equity amounting Tk. 14,713 as on 31 December 2017 as per approval of board of directors. However, it is mentionable that we have written off 4 clients' negative equity amounting Tk. 22,495,210 as on 31 December 2016 as per approval of board of directors. It represents that, MBSL have written off in total 87 clients' negative equity of Tk. 318,454,529 in year 2015, 2016 & 2017.

The Bangladesh Securities and Exchange Commission vide its Instruction no. SEC/CMRRCD/2009-193/196 dated 28 December 2016 and SEC/CMRRCD/209-193/203 dated 28 December 2017 allowed the stock broker to provide the loss on margin loan in 5 quarters in equal amount (20%) beginning from December 2017 to December 2018. However, MBSL has maintained a lump sum amount of Tk. 65,000,000 as provision for margin loan in 2017. In addition, the company has also transferred Tk. 7,304,965 being interest on margin loan to interest suspense account as mentioned under Note - 13.

20.0 Investment in DSE & CSE Shares & TREC

a) Investment in DSE Shares & TREC

As per the provision of the Exchange Demutualization Act, 2013 and in accordance with the Bangladesh Securities and Exchange Commission (BSEC) approved Demutualization Scheme, Dhaka Stock Exchange allotted 7,215,106 ordinary Shares of Taka 10 each and Trading Right Entitlement Certificate (TREC) in favour of the company against the membership of DSE. Out of the total 7,215,106 Shares DSE transferred and credited 2,886,042 shares directly to Company's BO Account and rest 4,329,064 shares were credited to the "Demutualization Blocked Account" maintained by the DSE.

(b) Investment in CSE Shares & TREC

As per the provision of the Exchange Demutualization Act, 2013 and in accordance with the Bangladesh Securities and Exchange Commission (BSEC) approved Demutualization Scheme, Chittagong Stock Exchange allotted 4,287,330 ordinary Shares of Taka 10 each and Trading Right Entitlement Certificate (TREC) in favor of the company against the membership of CSE. Out of the total 4,287,330 Shares CSE transferred and credited 1,714,932 shares directly to Company's BO Account and rest 2,572,398 shares were credited to the "Demutualization Blocked Account" maintained by the CSE.

21.0 Events after the reporting period

i) The Board of Directors in its 43rd board meeting held on 24 January 2018 approved the financial statements of the company for the year ended 31 December 2017 and authorized the same for issue.

ii) No material events occurred after the date of statement of financial position, non-disclosure of which could affect the ability of the users of these financial statements to make appropriate evaluation.

Chief Executive Officer **Vice Chairman** **Chairman**

Place: Dhaka

Dated: 24 January 2018

Mercantile Bank Securities Limited
Schedule of Property, Plant and Equipment
As at 31 December 2017

Annexure-A

Particulars	Cost				Rate (%)	Accumulated Depreciation				Written down value at 31 December 2017
	Balance as on 1 January 2017	Additions during the year	Adjustment/ Disposal during the year	Balance as at 31 December 2017		Balance as on 1 January 2017	Charged during the year	Adjustment/ Disposal during the year	Balance as at 31 December 2017	
Vehicle	100,000	-	-	100,000	20%	5,000	20,000	-	25,000	75,000
Furniture & Fixture	18,640,078	284,064	-	18,924,142	10%	6,790,592	1,335,376	-	8,125,968	10,798,174
Office Equipment & Computer Equipment	17,858,450	1,271,431	-	19,129,881	20%	10,487,407	2,167,188	-	12,654,595	6,475,286
As at 31 December 2017	**36,598,528**	**1,555,495**	**-**	**38,154,023**		**17,282,999**	**3,522,564**	**-**	**20,805,563**	**17,348,460**
As at 31 December 2016	**31,525,931**	**5,712,675**	**640,078**	**36,598,528**		**14,951,245**	**2,971,832**	**640,078**	**17,282,999**	**19,315,529**

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Annexure-I

Mercantile Exchange House (UK) Limited
Financial Statements

for the year ended 31 December, 2017

Directors	A.K.M. Shaheed Reza Shahidul Ahsan Kazi Masihur Rahman
Secretary	Khoyruzzaman Khan
Registered Office	108 Whitechapel Road Small Heath, London West Midlands E1 1JD
Company Details	Private Company Limited by Shares Registered In Ew - England and Wales Registered Number 7456837
Bankers	Habib Bank Uk
Accountants	Jahan & Co Chartered Management Accountants 22 Osborn Street, London E1 6TD

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Mercantile Exchange House (UK) Limited
Directors' Report

for the year ended 31 December, 2017

The directors present their report and accounts for the year ended 31 December, 2017

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgements and accounting estimates that are reasonable and prudent;

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable then to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The report of the directors has been prepared in accordance with the special provisions within Part 15 of the Companies Act 2006. This report was approved by the board on 20/02/2018

Kazi Masihur Rahman

Director

AMAR STOCK

Mercantile Exchange House (UK) Limited

Accountants' Report to the Board of Directors on the Unaudited Accounts of Mercantile Exchange House (UK) Limited

for the year ended 31 December, 2017

In order to assist you to fulfill your duties under the Companies Act 2006, we have prepared for your approval the accounts of MERCANTILE EXCHANGE HOUSE (UK) LIMITED for the year ended 31 December, 2017 as set out on pages 5 to 9 from the company's accounting records and from information and explanations you have given us.

As a practising member of the Chartered Institute of Management Accountants (CIMA), we are subject to its ethical and other professional requirements which are detailed on their website.

This report is made solely to the Board of Directors of MERCANTILE EXCHANGE HOUSE (UK) LIMITED, as a body, in accordance with the terms of our engagement letter dated . Our work has been undertaken solely to prepare for your approval the accounts of MERCANTILE EXCHANGE HOUSE (UK) LIMITED and state those matters that we have agreed to state to the Board of Directors of MERCANTILE EXCHANGE HOUSE (UK) LIMITED, as a body, in this report, in accordance with the requirements of the Chartered Institute of Management Accountants (CIMA) as detailed on their website. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than MERCANTILE EXCHANGE HOUSE (UK) LIMITED and its Board of Directors as a body for our work or for this report.

It is your duty to ensure that MERCANTILE EXCHANGE HOUSE (UK) LIMITED has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and profitability of MERCANTILE EXCHANGE HOUSE (UK) LIMITED. You consider that MERCANTILE EXCHANGE HOUSE (UK) LIMITED is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the accounts of MERCANTILE EXCHANGE HOUSE (UK) LIMITED. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.

Jahan & Co

Chartered Management Accountants

22 Osborn Street

London

E1 6TD

20/02/2018

Mercantile Exchange House (UK) Limited
Statement of Comprehensive Income

for the year ended 31 December, 2017

Particulars	Notes	2017 £	2016 £
TURNOVER	**2**	**179,206**	**155,940**
GROSS PROFIT		**179,206**	**155,940**
Distribution costs and selling expenses		(5,753)	(1,404)
Administrative expenses		(204,718)	(179,000)
Other operating income		23,080	24,725
OPERATING (LOSS) / PROFIT		**(8,185)**	**261**
Interest payable and similar charges	3	-	(2)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**4**	**(8,185)**	**259**
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**(8,185)**	**259**

Mercantile Exchange House (UK) Limited
Balance Sheet

for the year ended 31 December, 2017

Particulars	Notes	2017 £		2016 £	
FIXED ASSETS					
Tangible assets	**5**		**68,537**		**47,896**
CURRENT ASSETS					
Debtors	6	28,125		14,470	
Cash at bank and in hand		21,727		138,180	
		49,852		152,650	
CREDITORS: Amounts falling due within one year	**7**	**40,425**		**114,397**	
NET CURRENT ASSETS			**9,427**		**38,253**
TOTAL ASSETS LESS CURRENT LIABILITIES			**77,964**		**86,149**
CREDITORS: Amounts falling due after more than one year	**8**		**340,000**		**340,000**
NET LIABILITIES			**(262,036)**		**(253,851)**
CAPITAL AND RESERVES					
Called up share capital	9		1		1
Profit and loss account			(262,037)		(253,852)
SHAREHOLDERS' FUNDS			**(262,036)**		**(253,851)**

For the year ending 31/12/2017 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the board on 20/02/2018 and signed on their behalf by

Khoyruzzaman Khan
Company Secretary & CEO

Kazi Masihur Rahman
Director

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Mercantile Exchange House (UK) Limited
Notes to the Accounts
for the year ended 31 December, 2017

1. ACCOUNTING POLICIES

1a. Basis Of Accounting
The accounts have been prepared under the historical cost convention.
The accounts have been prepared in accordance with FRS102 section 1A - The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006 .

1b. Depreciation
Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives.
Fixtures and Fittings — reducing balance 5%

1c. Pension Costs
The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1d. Turnover
Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

2. EMPLOYEES

	2017	2016
	£	£
Average number of employees	4	6

3. PENSION CONTRIBUTIONS

Pension contributions	395	-
	395	**-**

4. TAX ON ORDINARY ACTIVITIES

	-	-
	-	-

5. TANGIBLE FIXED ASSETS

	Land And Buildings	Fixtures and Fittings	Total
Cost			
At 01/01/2017	4,098	52,652	56,750
Additions	-	24,032	24,032
At 31/12/2017	**4,098**	**76,684**	**80,782**
Depreciation			
At 01/01/2017	-	8,854	8,854
For the year	-	3,391	3,391
At 31/12/2017	**-**	**12,245**	**12,245**
Net Book Amounts			
At 31/12/2017	**4,098**	**64,439**	**68,537**
At 31/12/2016	**4,098**	**43,798**	**47,896**

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Mercantile Exchange House (UK) Limited
Notes to the Accounts
for the year ended 31 December, 2017

	2017	2016
	£	£
6. DEBTORS		
Amounts falling due within one year		
Receivable from BRAC Saajan	14,058	4,570
Prepayments	4,167	-
	18,225	4,570
Amounts falling due over more than one year		
Long term debtor	9,900	9,900
	9,900	9,900
	28,125	**14,470**
7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
PAYE control	-	2,579
Payable to Parent Company	38,040	108,081
Bills of exchange payable	2,301	2,301
Pension schemes	84	-
Accruals	-	1,436
	40,425	**114,397**
8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Due to group companies >1yr	340,000	340,000
	340,000	**340,000**
9. SHARE CAPITAL		
Allotted, issued and fully paid:		
1 Ordinary shares of £ 1 each	1	1
	1	**1**

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Mercantile Exchange House (UK) Limited
Trading and Profit and Loss Account

for the year ended 31 December, 2017

	2017		2016	
	£		£	
Turnover		179,206		155,940
Cost of Sales:				
Gross Profit		179,206		155,940
Other operating income		23,080		24,725
		202,286		180,665
Less:				
Distribution costs	5,753		1,404	
Administrative expenses	204,718		179,000	
Interest payable and similar charges	-		2	
		210,471		180,406
Net (loss) / profit for the year before taxation		(8,185)		259
Net (loss) / profit for the year after taxation		(8,185)		259
Retained losses brought forward		(253,852)		(254,111)
Retained losses carried forward		**(262,037)**		**(253,852)**

This page does not form part of the Company's Statutory Accounts and is prepared for the information of the Directors only

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Mercantile Exchange House (UK) Limited
Profit and Loss Account Summaries

for the year ended 31 December, 2017

	2017	2016
	£	£
Distribution Costs:		
Advertising and sales promotion	5,753	1,392
Travel	-	12
	5,753	**1,404**
Interest payable and similar charges:		
Other interest	-	2
	-	**2**
Administrative Expenses:		
Bad debts	-	110
Business Insurance	1,461	1,274
Water, Gas & Electricity	4,371	2,434
Rent & Rates	47,940	40,139
Repairs and renewals	2,053	1,790
Salaries & Wages including NIC	79,414	63,109
Building Insurance	1,597	-
Pension contributions	395	-
Staff welfare	602	399
Training	225	270
Computer & IT Expenses	160	-
Accountancy fees	3,500	3,000
Legal & Professional Fees	7,910	15,000
Compliance	4,552	-
Stationery & office supplies	889	792
Telephone & Internet	972	1,023
Sundry Tools	73	-
Fees & Subscriptions	1,095	2,107
Security costs	447	317
Bank Charges & Commission	43,671	44,931
Depreciation and Amortisation:		
Depreciation of fixtures and fittings	3,391	2,305
	204,718	**179,000**

This page does not form part of the Company's Statutory Accounts and is prepared for the information of the Directors only.

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Album



18th Annual General Meeting 2017



Annual Business Conference 2017



Board of Directors of MBL has given floral greetings to A.K.M. Shaheed Reza, Chairman of the Bank for achieving CIP status



Half Yearly Business Conference 2017 of Mercantile Bank Limited



Annual Business Conference 2017 of Mercantile Bank Securities Limited (MBSL)



'Business Performance Review Meeting' - September quarter 2017 of MBL



Floral Greetings to A.K.M. Shaheed Reza by Board of Directors of MBL for elected as Director of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)



A get together of MBL with the start-up level entrepreneurs under its new product titled 'UDAYAN'



Foundation Ceremony of "MBL Centre", own building of MBL at Satmasjid Road



Inauguration of MBL's 120th branch in Netrokona



Mercantile Bank Limited inaugurated its 121st Branch at Uday Sadur Hat, Noakhali



Mercantile Bank Limited inaugurated its 122nd Branch at 'Khepupara Branch', Patuakhali



Mercantile Bank Limited inaugurated its 123rd Branch at Tejgaon Gulshan Link Road Branch, Dhaka



Mercantile Bank Limited inaugurated its 129th Branch at 'Munshirhat', Feni



A seminar on 'Importance of SME Financing in Banking Sector; Bangladesh Bank Policies & Guidelines with Recent Changes'



Chief Guest is addressing in the Certificate Award Ceremony of Basic Training Course for Trainee Assistant Officer (TAO)



Agreement signing between MBL and Bangladesh Bank under JICA assisted Urban Building Safety Project (UBSP)



Banker-SME Nari Uddokta Somabesh & Ponno Prodorshony Mela 2017 organized by Bangladesh Bank



Mercantile Bank Limited signed an agreement with Alpha Credit Rating Limited



MBL & CareersHub Bangladesh Ltd (a concern of Careersclub Australia Pty. Ltd) jointly organized a day long workshop on 'Leadership with Influence'



Signing Ceremony of MBL and Comprehensive Holdings Limited for Construction of MBL Cenrtre



A launching ceremony of Xpress Money Remittance Services at all the branch outlets of Bangladesh Development Bank Limited in association with Mercantile Bank Limited



International Women's Day Celebration, 2017



MBL arranged a Training Program as Lead Bank on "Prevention on Money Laundering & Combating the Financing of Terrorism" held in Mymensingh



Mercantile Bank Limited donated an amount of Tk.3.00 crore to Prime Minister's Relief Fund for Flood affected People



Mercantile Bank Limited donated 50 thousand pcs Blankets to "Prime Minister's Relief Fund" for distributing among the Cold Effected People of the country



Mercantile Bank Limited donated an amount of Tk.5.00 crore to the Prime Minister's Relief Fund for the welfare of Rohingya Refugee



Mercantile Bank Limited donated Tk.5.00 lakh to the "Assistance For Blind Children (ABC)" as part of its Corporate Social Responsibility



MBL recently donated Tk.10.00 lakh to the "Dipto" (A foundation for Gender & Development) as part of Bank's Corporate Social Responsibility



Mercantile Bank Limited recently donated Tk.10.00 lakh to the "Society for the Welfare of the Autistic Children (SWAC)"



Winter Cloth Distribution Program



MBL arranged Blood Donation Campaign

Media Highlights



Bangladesh Association of Banks (BAB) donated Tk 150 billion to Prime Minister's Relief and Welfare Fund as financial assistance for the rehabilitation of Rohingya refugees Monday at PM Office. Prime Minister Sheikh Hasina seen along with top functionaries of the Private Commercial Banks in the programme.



Mercantile Bank Chairman Shahidul Ahsan spon, among others, as the chief guest after inaugurating the "Half Yearly Business Conference-2017" of the bank at FARS Hotel & Resorts in the city on Saturday with its Managing Director and CEO Kazi Mashiur Rahman in the chair.

MBL H1 business confce held



মার্কেন্টাইল ব্যাংকে আন্তর্জাতিক নারী দিবস উদ্‌যাপন



Mercantile Bank Limited (MBL) recently organized a get together with the country's entrepreneurs under its new initiated titled 'UDAYAN' held at bank's Training Institute in the city. A.K.M. Shaheed Reza, Chairman of the Bank was present as the chief guest.



Mercantile Bank Limited inaugurated its 127th branch at Manikganj Tuesday. A.K.M. Shaheed Reza, Chairman of the Bank inaugurated the branch as the chief guest. S. M. Abdul Mannan, former director and shareholder of the bank was present as Additional Managing Director delivered the welcome speech. Center: Holding#16, Dhaka-Aricha Mohasarak, Manikganj Sadar.



18th Annual General Meeting 2017

Shahidul Ahsan, Chairman of Board of Directors of Mercantile Bank Limited, presiding over its 18th Annual General Meeting (AGM) at a city hotel on Thursday. The AGM approved 20 percent Dividend



মার্কেন্টাইল ব্যাংক জাতীয় জুনিয়র ব্যাডমিন্টনের বর্ণাঢ্য উদ্বোধন

এমবিএল-মুডি চুক্তি স্বাক্ষর



Meghna Bank Ltd Managing Director and CEO Mohammed Nurul Amin receives a cheque of Tk4 lakh from Zenith Islami Life Insurance CEO Md Nurulzaman at a recent ceremony in the bank head office in Dhaka. The cheque was handed to settle the insurance claim against the death of Md Asaduzzaman Khan, a Sea Boy of the Bank. Senior executives of the bank and the insurance are also seen.



Mercantile Bank honours 11 individuals



Shahidul Ahsan, Chairman, Mercantile Bank Ltd, addressing a press conference ahead of celebrati its 18th founding anniversary at the bank's head office in the city on Monday. Kazi Mashiur Rahma Managing Director, AKM Shaheed Reza, Vice-Chairman, Akram Hossain (Humayun), ASM Fes Alam and Mosharref Hossain Directors of the bank were present.



Mercantile Bank Limited has recently donated Tk3 crore to the Prime Minister's Relief fund for people affected by flood. The bank's Chairperson, AKM Shaheed Reza, and Mercantile Bank Foundation Chairperson Shahidul Alam hand over the cheque to Prime Minister Sheikh Hasina



Mercantile Bank Limited inaugurated its 123rd branch at Khawjapara in Patuakhali recently. Chairman, Executive Committee, Akram Hossain (Humayun) and Mohd. Salim, directors



Mercantile Bank Limited inaugurated the 125th branch at Chandraghona Lakshmipur Monday. Md Quamrul Islam Chowdhury, Additional Managing Director & CEO of the bank opened the branch as the chief guest. Md Abu Taher, Chittagong Zonal Head of the bank, delivered the welcome speech in the opening ceremony.

Grindlays Bank General Manager and CFO Subhash Chandra Das and Mercantile Bank Senior Executive Vice-president and Head of International Division Dilruba Khanam exchanging documents after signing a MoU in the city recently.

মার্কেন্টাইল ব্যাংকের ১২৩তম শাখা উদ্বোধন



Mercantile Bank Chairman Shahidul Alam delivering his inaugural speech as the chief guest at the Annual Business Conference-2017 organised by the bank at a city hotel on Saturday.

MBL annual business confce held

Hajj pilgrims can pay pre-registration fees thru Mercantile Bank branches

Mercantile Bank vows to grab 7th position at the end of 2017

The bank to upgrade T-24 system





Mercantile Bank Chairman AKM Shaheed Reza inaugurating the 121st branch of the bank as the chief guest at Charmotua in Noakhali Sadar on Thursday. PHOTO: BANK

MBL opens 121st branch in Noakhali

মার্কেন্টাইল ব্যাংক আবদুল জলিল শিক্ষাবৃত্তি পেল



AKM Shaheed Reza, chairman of Mercantile Bank, opens the bank's 120th branch on Aranea Road in Chittagong yesterday. Kazi Monzur Rahman, CEO, was present.

Mercantile Bank opens branch in Patuakhali







Mercantile Bank Limited inaugurated its 122nd branch at the Khawjapara branch in Patuakhali on Thursday. Md Anowarul Haque, Chairman, Executive Committee, Akram Hossain (Humayun) and Mohd Selim, directors, A S M Feroz Alam, Sponsor of the bank and the Managing Director and CEO, Kazi Monzur Rahman inaugurated the branch.







Mercantile Bank Limited signed an agreement with FARS Hotel & Resorts recently. Under the agreement FARS Hotel & Resorts will provide 'Buy 1 Get 1 Free' on Iftar cum dinner (on set menu) during the Ramadan, 15 per cent discount on other food items, 25 per cent on room rent and 10 per cent on club membership to VISA cardholders of Mercantile Bank Limited

Mercantile Bank Limited inaugurated its 124th branch at Chhatak Bazar Chandpur recently. Md Quamrul Islam Chowdhury, Additional Managing Director & CEO of Mercantile Bank Limited inaugurated the branch as the chief guest.

Abbreviations

AC	Audit Committee
ALCO	Asset Liability Committee
ATM	Automated Teller Machine
BAS	Bangladesh Accounting Standard
BB	Bangladesh Bank
BRPD	Banking Regulation and Policy Department
CRR	Cash Reserve Ratio
CRAR	Capital to Risk Weighted Assets Ratio
CRAB	Credit Rating Agency of Bangladesh
CSR	Corporate Social Responsibility
EC	Executive Committee
EPS	Earning Per Share
EVA	Economic Value Added
GDP	Gross Domestic Product
HRD	Human Resources Division
ICAB	Institute of Chartered Accountants of Bangladesh
ICAAP	Internal Capital Adequacy Assessment Process
ICCD	Internal Control & Compliance Division
IT	Information Technology
LC	Letter of Credit
MBL	Mercantile Bank Ltd
MBSL	Mercantile Bank Securities Ltd
NAV	Net Assets Value
NPL	Non performing Loan
NIM	Net Interest Margin
NRB	Non Resident Business
OBU	Offshore Banking Unit
PCBs	Private Commercial Banks
POS	Point of Sale
ROA	Return on Assets
ROE	Return on Equity
SAM	Special Assets Management
SME	Small and Medium Enterprise
SLR	Statutory Liquidity Ratio

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বাংলার ব্যাংক

মার্কেন্টাইল ব্যাংক লিমিটেড
Mercantile Bank Limited
efficiency is our strength

Registered office: 61, Dilkusha Commercial Area, Dhaka-1000

Proxy Form

I/we, ...

of .....

being a member of Mercantile Bank Limited do hereby appoint .....

of .....

as Proxy / Attorney in my absence to attend and vote for me and on my behalf at the 19th Annual General Meeting of the Company to be held on April 30, 2018 at 11.00 am and at any adjournment thereof.

As witness my hand this ..... day of ..... 2018.

.....
Signature of Member

Revenue Stamp of
Tk. 20/=

.....
Signature of Proxy

Folio No. .....

BO No. | | | | | | | | | | | | | | | | |

Note:

a. The Proxy Form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.

b. Signature of the shareholders should agree with the specimen signature registered with the Company and Depository Register.

বাংলার ব্যাংক

মার্কেন্টাইল ব্যাংক লিমিটেড
Mercantile Bank Limited
efficiency is our strength

Registered office: 61, Dilkusha Commercial Area, Dhaka-1000

Attendance Slip

I hereby record my attendance at the 19th Annual General Meeting of the Company being held on April 30, 2018 at 11.00 a.m. in the FARS Hotel & Resorts, 212 Sahid Syed Nazrul Islam Sarani (Bijoynagar), Dhak-1000.

Name of the member / Proxy , ...

Folio No. .....

BO No. | | | | | | | | | | | | | | | | |

.....
Signature

Note: Please complete the attendance slip and hand it over at the entrance.

FARS STOCK

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www.mblbd.com

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বাংলার ব্যাংক

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efficiency is our strength

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