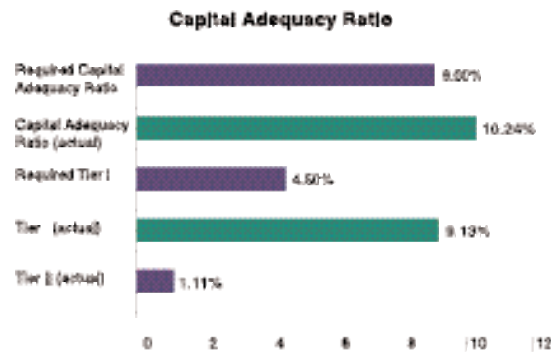
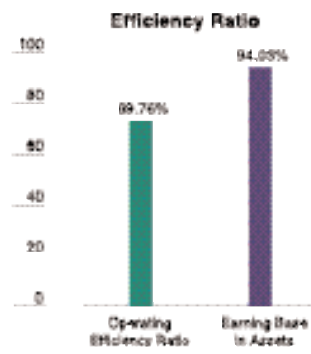
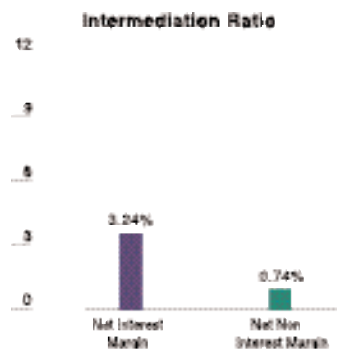


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Financial Summary 2004



(Figures in million)

| | 2004 | | 2003 | |
|-------------------------------------|-----------|--------|-----------|--------|
| | BDT | USD | BDT | USD |
| Interest Income | 2,120.82 | 34.92 | 1,588.67 | 27.18 |
| Interest Expenses | 1,509.00 | 24.84 | 1,115.82 | 19.09 |
| Net Interest Income | 611.82 | 10.08 | 472.85 | 8.09 |
| Non-Interest Income | 596.85 | 9.83 | 401.05 | 6.86 |
| Non-Interest Expenses | 386.91 | 6.37 | 298.58 | 5.11 |
| Net Non-Interest Income | 209.94 | 3.46 | 102.47 | 1.75 |
| Operating Revenue | 821.76 | 13.54 | 575.32 | 9.84 |
| Financial Ratio | | | | |
| Net Interest Margin | 3.24% | | 3.36% | |
| Net Non-Interest Margin | 0.74% | | 0.73% | |
| Earning Base in Assets | 94.03% | | 91.59% | |
| Operating Efficiency Ratio | 69.76% | | 71.09% | |
| Balances at Year-end | | | | |
| Loans | 17,669.29 | 290.89 | 10,775.95 | 184.36 |
| Investments | 3,715.46 | 61.17 | 2,107.26 | 36.05 |
| Total Assets | 24,705.05 | 406.72 | 18,324.73 | 313.51 |
| Deposits | 22,385.19 | 368.52 | 16,285.19 | 278.62 |
| Total Liabilities | 23,087.24 | 380.09 | 17,089.50 | 292.38 |
| Equity | 1,617.81 | 26.63 | 1,235.23 | 21.13 |
| Average Balances | | | | |
| Interest Earning Assets | 18,899.17 | 311.14 | 14,092.03 | 241.10 |
| Interest Bearing Liabilities | 16,000.74 | 263.42 | 11,836.38 | 202.50 |
| Advances | 14,372.47 | 236.61 | 9,246.61 | 158.20 |
| Credit Quality | | | | |
| Non-Performing Loans (NPLs) | 726.17 | 11.95 | 444.02 | 7.60 |
| NPLs to Total Credit Outstanding | 4.11% | | 4.12% | |
| Capital Adequacy Ratio (CAR) | | | | |
| Tier I | 9.13% | | 9.58% | |
| Tier II | 1.11% | | 0.90% | |
| Capital Adequacy Ratio | 10.24% | | 10.48% | |

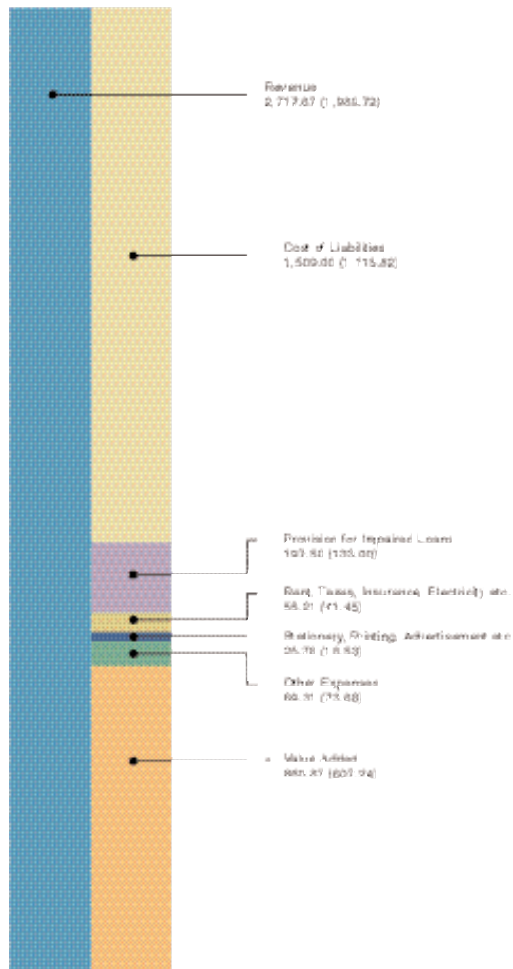
Conversion Rate : USD 1.00 = BDT 60.7423 for December 31, 2004 and USD 1.00 = BDT 58.4500 for December 31, 2003.

Value Added Statement

The value added statement for the Bank shows how the value is created and distributed among different stakeholders of the Bank. Value added to the Bank stood at BDT 860.87 million at December 31, 2004 as against BDT 607.24 million in 2003, registering a growth of 41.77% over the previous year. The greatest share of value added went to the shareholders of the Bank. The percentage of shareholders in value added increased from 38.03% in 2003 to 44.44% in 2004. The share of employees in value added marginally increased to 25.17% in 2004 from 24.69% in 2003. The share of Government in value added came down to 28.07% in 2004 from 34.81% in 2003.

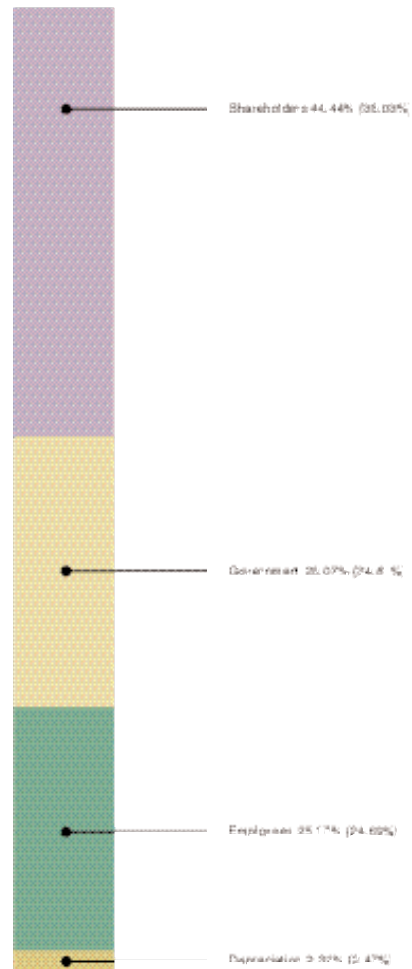
Creation of Value Added

(BDT in million, Previous Year's figure in brackets)



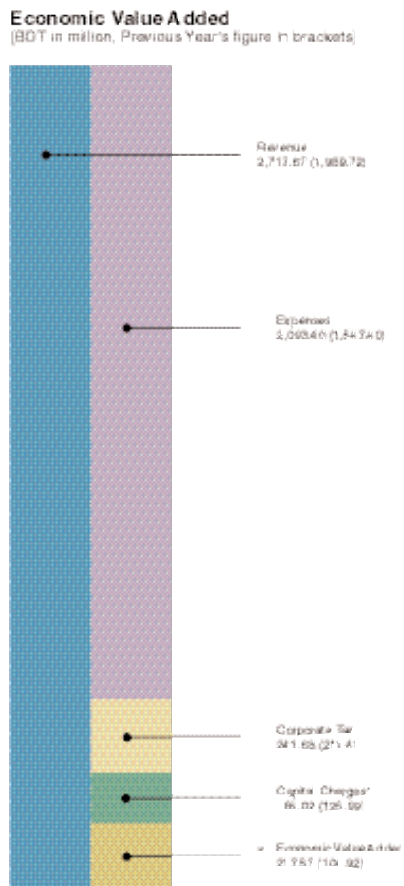
Use of Value Added

(Previous Year's figure in brackets)



Economic Value Added Statement

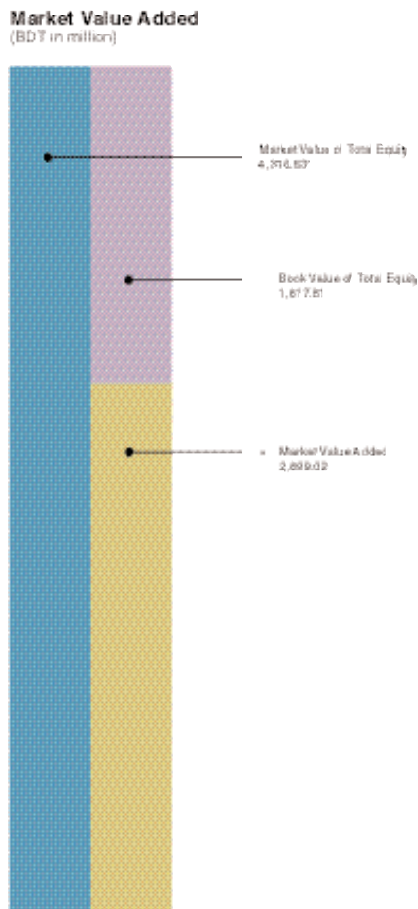
Economic Value Added (EVA) indicates the true economic profit of a company. EVA is an estimate of the amount by which earnings exceed or fall short of required minimum return for shareholders at comparable risks. EVA of the Bank stood at BDT 217.57 million at December 31, 2004 as against BDT 104.92 million in 2003, registering a growth of 107.32% over the previous year.



*Capital Charges = Required Rate of Return X Total Capital.
 Required Rate of Return = Return on 5-year Treasury Bills (8.20%) + Risk Premium (2%).
 Total Capital: BDT 1,617.81 million in 2004 and BDT 1,235.23 million in 2003.

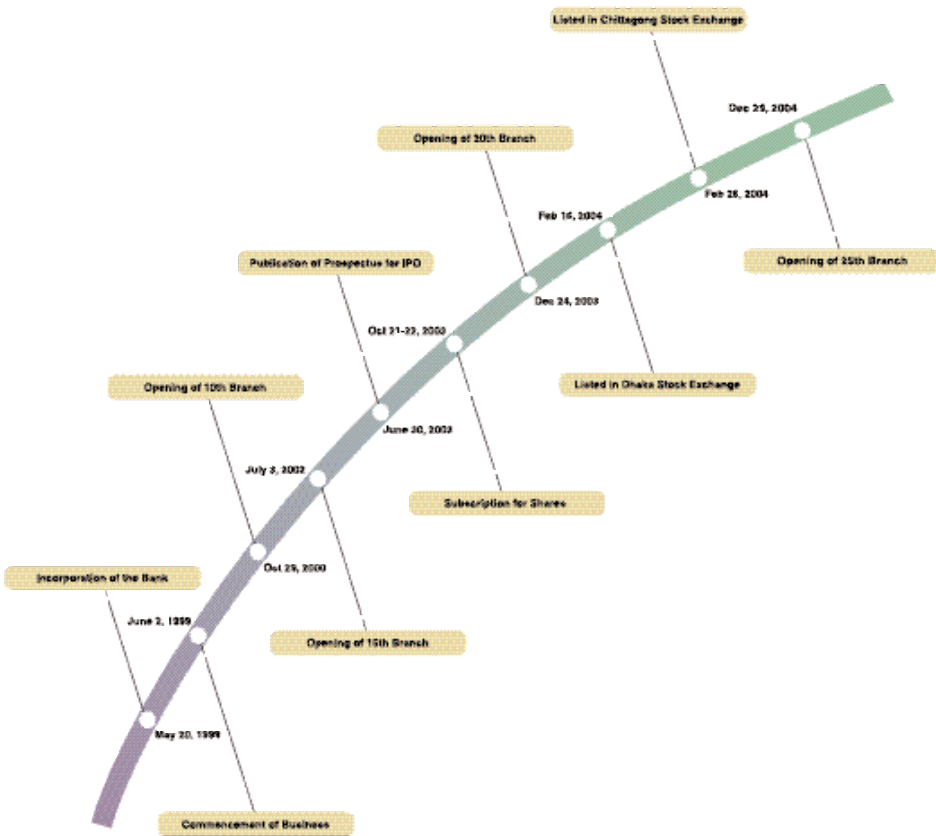
Market Value Added Statement

Market Value Added (MVA) is the difference between the equity market valuation of a listed company and the book value of equity invested in the company. A high MVA indicates that the company has created substantial wealth for the shareholders. MVA is equivalent to the present value of all future expected Economic Value Added (EVA). The equity market value of the Bank stood at BDT 4,316.83 million whereas the book value of the equity stood at BDT 1,617.81 million, resulting a Market Value Added of BDT 2,699.02 million as of December 31, 2004.



* 7,024.108 x 38.5% = 2,699.02

MBL Time Line



Message from the Chairman



First of all I would like to express my sincere thanks and deep appreciation to you : the sponsors, shareholders/stakeholders, customers, patrons and well-wishers, business partners and employees of Mercantile Bank Limited for the enormous support, patronage and dedicated services. As Chairman of the Bank, I feel honored and delighted at this opportunity to present your bank's performance during the year 2004 and its future prospects.

I am pleased to inform you that the total deposits of the Bank stood at BDT 22,385.19 million in 2004, registering a growth of 37.46% over the previous year. The total loans and advances stood at BDT 17,669.29 million as against BDT 10,775.95 million in 2003. The export and trade finance businesses of the Bank experienced a strong growth in 2004 over the previous year. The imports and exports stood at BDT 28,325.20 million and BDT 17,411.00 million respectively in 2004 as against BDT 20,380.80 million and BDT 15,250.60 million respectively in 2003.

We believe that building strong relationship with all our stakeholders, particularly our customers, is crucial for our growth and prosperity. Technology and competition have made it vital for us to forge strong bonds with our stakeholders and customers to meet their needs at their convenience. We put emphasis on meeting these continuous challenges of managing relationship. Our significant achievements over the past years, both financial and strategic, are solid indications of our strength and potential.

We are very fortunate to have a strong senior management team. They are committed to continued implementation of our policy decisions and strategic programs. We focus on creating a culture that places importance on personalized services, customers' satisfaction and excellence in banking. We believe in strong interpersonal relationship

with each other. At the same time I would like the decision-making authorities brought closer to the customers to give them the best services available. Banking is a service-oriented business and we have drawn excellent people for the purpose.

We will continue to reinforce our efforts to meet the needs and expectations of our customers. We are now setting goals and challenges for our bankers to respond better to customers' needs. We want to differentiate ourselves from our competitors through product development and personalized services.

I am a firm believer in teamwork and feel that a loyal and motivated team can produce extraordinary results. To achieve this objective, we need excellence of efforts, both of ourselves and of our officers, in a concerted and harmonious manner. We are also committed to the performance culture where recognition, promotion and rewards are based on individual merit and demonstrated performance.

The Board recommended the name of Mr. Shah Md. Nurul Alam for the position of the Managing Director and CEO of the Bank. Bangladesh Bank has kindly accorded the approval for the new assignment of Mr. Alam. Mr. Alam assumed the new position on July 12, 2004. I personally congratulate Mr. Alam and wish his success as the Managing Director and CEO of the Bank. At the same time, I express my heartiest thanks to Mr. M. Taheruddin, former Managing Director, for his leadership and dynamic role in leading the Bank and wish him good health.

Looking forward to the coming years, we at Mercantile Bank are certain that we can meet the challenges by leveraging our strengths and banking expertise as well as our product breadth, technological capabilities and strong customer base. We intend to enhance our position as the financial bridge for our customers.

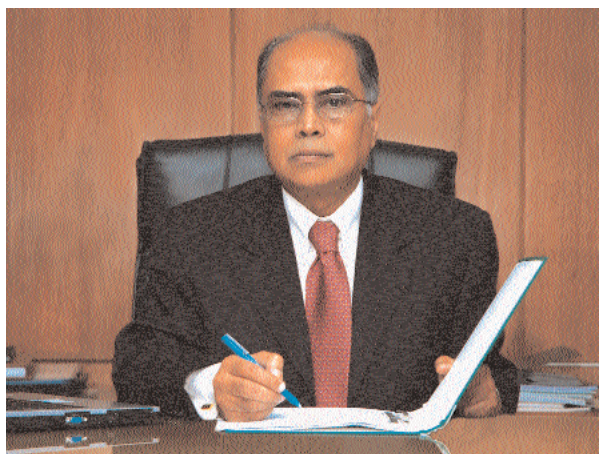
The Bank earned operating revenue of BDT 821.76 million before tax and provisions in 2004, registering a growth of 42.84% over the previous year. The after tax and provision operating revenue stood at BDT 312.58 million in 2004, registering a growth of 44.77% over the previous year. Keeping in mind the profitability of the Bank and to strengthen the capital base, the Board has recommended to the shareholders to approve the stock dividend @25% for the year 2004.

At this end, I would like to thank once again all the sponsors, shareholders / stakeholders, customers, patrons and well-wishers, business partners and the employees for their contribution to a very successful year 2004 for Mercantile Bank and look forward to even a better future.



Md. Abdul Jalil

Report of Managing Director and CEO



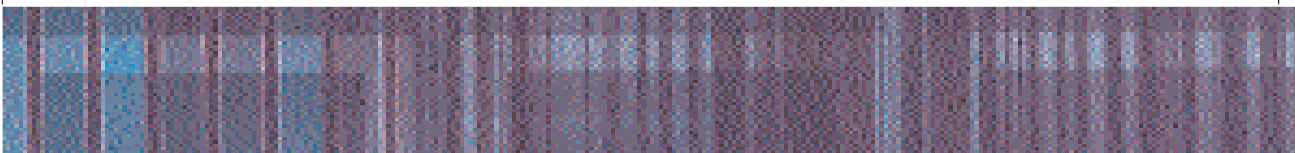
The year 2004 proved to be an exciting and challenging one for all of us at Mercantile Bank. In the period under review a substantial growth has been achieved in the areas of business and revenue. Gross revenue grew by 36.59% to reach at BDT 2,717.67 million in 2004. Interest Income increased by 33.50% to reach at BDT 2,120.82 million during the period under review. Interest expenses increased by 35.24% to reach at BDT 1,509.00 in the same year. As a result, Net Interest Income stood at BDT 611.82 million in 2004, registering a growth of 29.39% over the previous year. Fee Income grew by 48.82% in 2004 over the previous year resulting a net addition of BDT 209.94 million in the operating revenue of the Bank in 2004. Due to excellent growth in Net Interest Income and Fee Income, the Bank posted operating revenue of BDT 821.76 million in 2004, registering a growth of 42.84% over the previous year.

The Bank mobilized total deposits of BDT 22,385.19 million in 2004 as against BDT 16,285.19 million in 2003. The total loans and advances (LDOs) stood at BDT 17,669.29 million, registering a growth of 63.97% over the previous year. The export and trade finance businesses of the Bank achieved tremendous growth in 2004. Imports stood at BDT 28,325.20 million in 2004 as against BDT 20,380.80 million in 2003. Exports stood at BDT 17,411.00 million in 2004 as against BDT 15,250.60 million in 2003.

Net Interest Margin (NIM) was 3.24% in 2004 as against 3.36% in 2003. Net Interest Margin (NIM) decreased as the lower spread is being resulted from the higher deposit rate and lower yield on risk assets.

Return on Assets (ROA) was 1.45% in 2004 as against 1.18% in 2003. Return on Equity (ROE) stood at 21.91% in 2004 as against 22.49% in 2003. The Earning Per Share (EPS) was at around BDT 39.10 in 2004, lower than the position as at Dec 31, 2003 because of increase in paid-up capital. The Capital Adequacy Ratio (CAR) stood at 10.24% in 2004, reflecting a strong capital base of the Bank.

When I look back what we have achieved at Mercantile Bank, I am proud to say there is one thing that has not been changed at all: Customer Service. Our customers, large and small, commercial and individual, come to us because of the quality of our services and the friendly professionalism of our officers. Our ability to offer personalized services to our customers on day-to-day basis makes Mercantile Bank a truly unique financial institution. Our goal is to help our customers fulfill their financial dreams by creating a winning partnership with them, shareholders and associates alike.



We are closely working for acquisition of 'Integrated Banking Software' to ensure efficient delivery of banking services, with the belief that technology will help the Bank to improve productivity and to become market leader through innovation of products and services. We have already obtained license from Visa International to introduce debit and credit cards. We have introduced dematerialized (Demat) share transactions through Central Depository System (CDS) under Central Depository Bangladesh Limited (CDBL) for smooth and secured transaction of shares.

The core business of commercial banks is accepting deposits and lending money. Money lent, earns interest in excess of the interest we have to pay for the deposits we accept. This is the main stream of revenue for commercial banking. To maximize revenue we have to match the maturities of lending and maturities of funding prudently. Any mismatch in the maturities of assets and liabilities could expose the Bank to liquidity risk and interest rate risk. Asset Liability Committee (ALCO) of the Bank continuously monitors deposit and credit portfolio and advises the management how to minimize risk and to maximize returns. We also keep close eyes on exchange rate movements to hedge the Bank against unforeseen risks.

We have created a cadre of Young Professionals (YP) in banking profession. This has helped boosting productivity in the Bank. All officials are now target driven and more focused on banking. Human Resources Management Division (HRMD) provides training to the officers of the Bank to develop their knowledge base about banking activities through Training Institute of the Bank.

Apart from earning profit, the Bank has set up Mercantile Bank Foundation for extending charitable and beneficial social services to the society. The Bank contributes 1% of operating revenue or BDT 4.00 million, whichever is higher, to Mercantile Bank Foundation every year.

We are proud that we are one of the largest taxpayers in the country and, therefore, an important source of revenue for the GOB. During the year we have made provision of BDT 241.68 million as corporate tax and paid BDT 19.41 million to the National Exchequer in the form of Value Added Tax (VAT).

The strategic direction of the Bank has been clearly identified and laid down in the corporate plan and the Budget. The corporate plan and the Budget of the Bank, prepared each year, spells out the major goals and objectives for each major Strategic Business Unit (SBU), such as Corporate Credit, Consumer Banking, Treasury, Trade Finance, Remittance Services etc. It also contains detailed action plans for the achievement of these goals, along with specific time frame in keeping with vision and mission of the Bank.

In the context of current global scenario under changed WTO regime, this has become difficult to predict the profit trends in the Banking and Finance industry on a definite basis. The growth of business may be hindered because of increased degree of uncertainty, uncontrollable social factors and global economic changes. Despite uncertainty and predicament, the Bank is having positive growth. We are also confident to continue to prosper in terms of deposits and business and revenue earnings.

On behalf of the Bank, I would like to thank the Governor and other officials of Bangladesh Bank for their guidance and initiating reform activities with a view to bringing discipline in the industry. I would also like to thank the Chairman and the entire members of the Board of Directors for their valuable guidance and advices. I take special privilege to express sincere thanks and gratitude to the sponsors, shareholders/ stakeholders, patrons and well-wishers, customers and employees of the Bank.

I am proud of the accomplishments and proud of where our institution is heading to. I can only anticipate continued pride in our improvement and growth as we move into the future.



Shah Md. Nurul Alam

Board of Directors



Md. Abdul Jalil
Chairman



Md. Anwarul Haque
Director



Dr. Toufique Rahman Chowdhury
Director



Golam Faruk Ahmed
Director



Md. Nasiruddin Choudhury
Director



Morshed Alam
Director



Md. Shahabuddin Alam
Director



Md. Aman Ullah
Director



Md. Abdul Hannan
Director



Md. Selim
Director



S.M. Abdul Mannan
Director



Saber Hossain Chowdhury
Director



Shah Md. Nurul Alam
Managing Director and CEO

The Corporate Structure

Board of Directors

The Board of Directors, the apex body of the Bank, formulates policy guidelines, provides strategic planning and supervises business activities and performance of management while the Board remains accountable to the company and its shareholders. The Board is assisted by the Executive Committee and Audit Committee.

Board of Directors

Md. Abdul Jalil, Chairman
Md. Anwarul Haque
Dr. Toufique Rahman Chowdhury
Golam Faruk Ahmed
Md. Aman Ullah
Md. Abdul Hannan
Md. Selim
Md. Nasiruddin Choudhury
Morshed Alam
Md. Shahabuddin Alam
S.M. Abdul Mannan
Saber Hossain Chowdhury
Shah Md. Nurul Alam, Managing Director and CEO

Executive Committee

Morshed Alam, Chairman
Md. Anwarul Haque
Dr. Toufique Rahman Chowdhury
Golam Faruk Ahmed
Md. Aman Ullah
Md. Abdul Hannan
Md. Selim
Md. Shahabuddin Alam
S.M. Abdul Mannan
Shah Md. Nurul Alam, Managing Director and CEO

Audit Committee

Md. Aman Ullah, Chairman
Md. Nasiruddin Choudhury
Saber Hossain Chowdhury

Managing Director and CEO

Shah Md. Nurul Alam

Chief Advisor

Lutfar Rahman Sarkar

Consultant

M. Taheruddin

Company Secretary

Mir Md. Hassanul Zahed

Auditors

Hoda Vasi Chowdhury & Co.
Chartered Accountants

A. Qasem & Co.

Chartered Accountants

Tax Advisor

K M Hasan & Co.
Chartered Accountants



Management Team

Managing Director and CEO

Shah Md. Nurul Alam

Additional Managing Director

M. Nurul Islam

Deputy Managing Director

A.K.M. Shahidul Haque

Senior Executive Vice President

Md. Abul Shahjahan

Executive Vice Presidents

Md. Abdul Jalil Chowdhury

Prajna Jyoti Barua

Monindra Kumar Nath

Shafiqul Islam Khan

M A Yousuf Khan

Senior Vice Presidents

Md. Quamrul Islam Chowdhury

Choudhury Moshtaq Ahmed

Mohammad Ismail

Zulfiqer Shams Chowdhury

Md. Nazrul Hossain

Vice Presidents

S. Q. Bazlur Rashid

Samarendra Nath Nandi

Md. Aatur Rahman

Md. Rabiul Islam

Md. Habibur Rahman

Md. Rafiquzzaman

Ahmedul Haque

Md. Shoaib Ahmed

Syed Ahmadul Karim

Md. Sadruzzaman

Md. Abdus Salam

Md. Rafiqul Hoque Bhuiyan

Senior Asstt. Vice Presidents

Md. Mahmood Alam Chowdhury

Md. Nurul Islam

Shamim Ahmed

A K M Atiqur Rahman

Md. Zakir Hossain

Abdus Salam Shaikh

Md. Sayeduzzaman Chowdhury

Abdullah Md. Zaki Hasan

A M M Ariful Haque

Faisal Ahsan Chowdhury

Md. Shafiet Wahed

Assistant Vice Presidents

Shah Nawaz Siddique

Ahsanul Haq Chowdhury

Mohammad Ali

Shah Md. Sohel Khurshid

Md. Mahibbul Karim

Md. Faiz Ahsan

Md. Shawkat Jahan Khan

Muhammad Hajjaj-Bin-Mahfooz

M. Akhter Hossain

Kawser Uddin Ahmed

A. K. M. Minhajul Islam

Md. Faruque Ahmed

Md. Abul Bashar

Mrinal Paul

Md. Khalid Hussain

Md. Abul Hossain

A B M Eradul Islam

Arif Md. Shahedul Haque

Mir Md. Hassanul Zahed

Md. Jamal Uddin

K.M. Abdur Razzaque

Lutful Haidar Chowdhury

Farook Iqbal

Md. Shafiqul Islam

Head Office and Branch Network

HEAD OFFICE

61, Dilkusha Commercial Area
Dhaka-1000, Bangladesh
Tel: +880-2-9559333, 0171-535960
Fax: +880-2-9561213
Telex: 642509 MBLID BJ
E-mail: mbl@bol-online.com
Website: www.mblbd.com

BRANCH NETWORK (25)

Main Branch

61, Dilkusha Commercial Area
Dhaka-1000, Bangladesh
Tel: +880-2-9559333, 0171-535960
Fax: +880-2-9554410
Telex : 642480 MBLMB BJ

Dhanmondi Branch

Cosmos Tower
House # 2/1, Road # 28 (Old), 15 (New)
Dhanmondi Residential Area, Dhaka-1205
Tel: +880-2-9130500, 9142691, 0171-535952
Fax: +880-2-8126768
Telex: 642529 MBLDN BJ

Kawran Bazar Branch

99, Kazi Nazrul Islam Avenue
Kawran Bazar Commercial Area, Dhaka-1215
Tel: +880-2-8112440, 0171-535953
Fax: +880-2-8126882
Telex: 642438 MBLKB BJ

Agrabad Branch

Hotel Hawai Building
39, Agrabad Commercial Area, Chittagong
Tel: +880-31-716421, 723181, 0171-722924
Fax: +880-31-716459
Telex: 633134 MBLAG BJ

Joypara Branch

Samabay Super Market
Joypara Bazar, Dohar, Dhaka
Tel : +880-6223-87049, 0171-535949

Banani Branch

Awal Centre
34, Kemal Ataturk Avenue
Banani Commercial Area, Dhaka-1213
Tel: +880-2-8816473-4, 0171-535954
Fax: +880-2-8827807

Rajshahi Branch

Shaheb Bazar, Rajshahi
Tel: +880-721-771214, 0171-419079
Fax: +880-721-771215

Naogaon Branch

Chakdev, Naogaon
Tel: +880-741-53331, 0171-419057
Fax: +880-741-53330

Sylhet Branch

Laldighirpar, Sylhet
Tel: +880-821-723650-1, 0171-922810
Fax: +880-821-723722

Board Bazar Branch

Plot # 651/652, Board Bazar
Joydevpur, Gazipur
Tel: +880-2-9804435, 0171-535950
Fax: +880-2-9810152

Nayabazar Branch

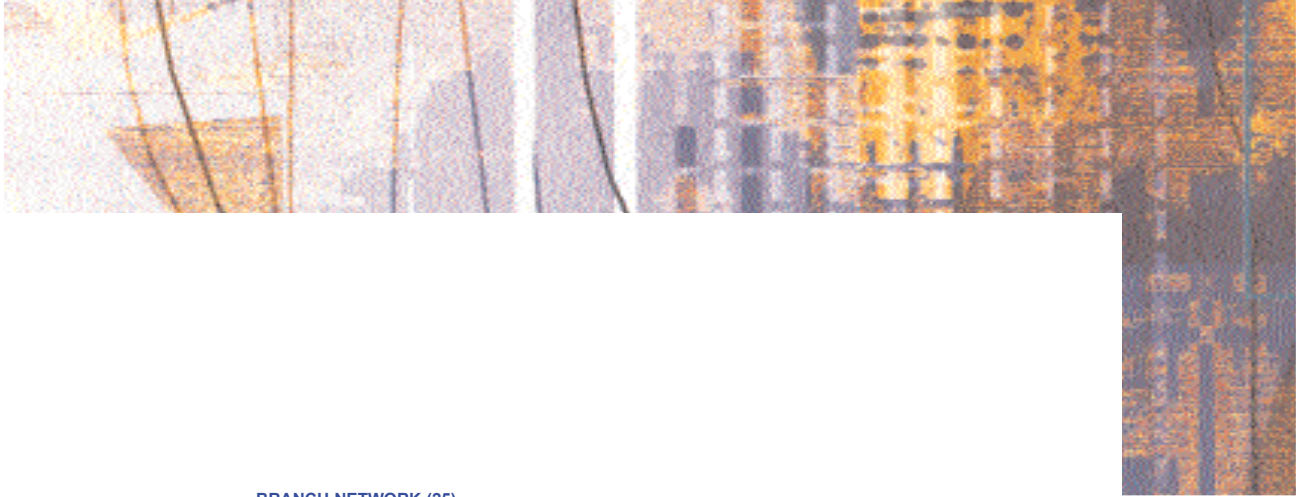
25/1, Zindabaha (1st Lane)
Nayabazar, Dhaka-1100
Tel: +880-2-7390869, 7393827, 0171-535956
Fax: +880-2-7390869

Khatunganj Branch

599, Ramjoy Mohajan Lane
Khatunganj, Chittagong
Tel: +880-31-622751, 635514, 0171-723051
Fax: +880-31-635514

Mohakhali Branch

Red Crescent Concord Tower
17, Mohakhali Commercial Area, Dhaka- 1212
Tel: +880-2-9888346, 9891520, 0171-535957
Fax: +880-2-9895797



BRANCH NETWORK (25)

Mirpur Branch

Razia Plaza (1st Floor)
184, Senpara Parbata
Mirpur-10, Dhaka-1216
Tel: +880-2-9008852, 9015661, 0171-535955
Fax: +880-2-9014582

Ashulia Branch

Bhuiyan Complex
Jamgora Bazar
Savar, Dhaka
Mobile : +880-171-535948

Uttara Branch

House # 10A, Road # 7D
Sector # 9, Uttara Model Town
Dhaka-1230
Tel: +880-2-8955881, 8955879, 0173-045295
Fax: +880-2-8955881

Jubilee Road Branch

Kamal Chamber (2nd Floor)
61, Jubilee Road
Kotwali, Chittagong
Tel: +880-31-626072, 0171-724874

Elephant Road Branch

75, Elephant Road
Dhanmondi, Dhaka-1205
Tel: +880-2-8618732, 9677364, 0173-044832
Fax: +880-2-9669458

Motijheel Branch

Malek Mansion (Ground Floor)
128, Motijheel Commercial Area, Dhaka-1000
Tel: +880-2-7161923-4, 0171-535958
Fax: +880-2-7161925

Madam Bibir Hat Branch

Bhatiary, Sitakund
Chittagong
Mobile: +880-173-103107

Khulna Branch

Rupsha Plaza
73, KDA Avenue Commercial Area
Sonadanga, Khulna
Tel : +880-41-813561, 813562, 0173-400641
Fax : +880-41-813563

Rangpur Branch

Press Club Complex
Station Road
Kotwali, Rangpur
Tel : +880-521-51299, 51323, 0173-201636
Fax : +880-521-51110

Satmasjid Road Branch

House # 735 (Old), 82/A (New)
Satmasjid Road
Dhanmondi Residential Area, Dhaka-1209
Tel : +880-2-8112463, 0173-039792

Jhilingja Branch

Hotel Sea Palace
Kalatali Road
Cox's Bazar
Tel : +880-341-62294, 0173-103662

O R Nizam Road Branch

Commercial View Complex
191, CDA Avenue
East Nasirabad, Medical College
Panchlaish, Chittagong
Mobile : +880-173-103663

CEO's Report on Risk Management

Bangladesh Bank has issued guidelines on Core Risk Management through BRPD Circular # 17 dated October 7, 2003 for implementing Risk Management practices in 5 (five) core areas of banking operation. During the year under review, the Bank has taken a number of initiatives to implement the best practices of Risk Management, with special focus on 5 (five) core areas of banking, that is, Credit Risk Management, Asset Liability Management, Foreign Exchange Risk Management, Internal Control and Compliance and Prevention of Money Laundering Activities.

Objective

Our objective is to earn competitive return from our various business activities, at acceptable risk levels. Risk management involves overseeing the risks associated with all our business activities in the environment in which we operate, and ensuring that risk-taking is within prudent boundaries and that the prices charged for products and services properly reflect the risk we take. Risk is calculated in terms of impact on income and asset value. We assess the potential effect on our business of changes in political, economic, market and operating conditions, and the creditworthiness of our clients using four primary risk categories: credit, market, liquidity and operational risk. In the management of these risks we rely on:

- | the competence and experience of our dedicated professional staff operating with due segregation of duties;
- | sophisticated, quantitatively based analytical tools;
- | ongoing investment in technology.

This combination of prudence, analytical skills and technology, together with adherence to our operating procedures, is reflected in the strength and quality of our earning over time.

Strategy

- | Identify, price and manage risk in order to maintain an appropriate risk-return relationship;
- | Use comprehensive and integrated risk measurement and reporting process to ensure that risk is managed consistently and effectively on an enterprise-wide basis; and
- | Employ proven analytical techniques supported by business experience and sound judgment to understand all dimensions of the risks taken.

Approach

- | Promote a strong, proactive culture which gives high value to disciplined and effective risk management;
- | Communicate clear and concise risk management standards through policies, directives, operating procedures and training, with adherence to the policies and procedures control framework verified by an internal audit process;
- | Employ dedicated professional personnel with a high degree of risk management expertise and experience.

CREDIT RISK

Credit risk is the potential that the borrower may not repay or fails to repay his/her debt obligation.

We are exposed to credit risk through traditional lending activities and transactions involving settlements between our counterparts. These include direct loans, commitments to extend credit and settlement exposures. Our goal is to limit the percentage of impaired loans in total loans and advances at lower level.

Objective

Maintain a well-diversified asset portfolio within approved risk tolerance levels, and earn a return appropriate to the risk profile of the portfolio.

Approach

Credit risk management of our diverse client base requires a high degree of professional accountability, clear delegation of decision-making authority, disciplined portfolio management and dynamic loan loss management.

Credit transactions for commercial and corporate loans are first evaluated by skilled appraisal officers. Credit Management Committee provides an independent assessment of all significant transactions, and a concurrence from this function is usually required prior to making a lending commitment to a customer. Our Audit and Inspection Division also reviews management processes in order to ensure that established credit policies are followed. In addition, Credit Management Committee performs periodic reviews of significant and higher risk transactions.

Diversification of risk within all loan and investment portfolios is a key requirement in effective risk management, particularly in the corporate portfolios,



where concentration of risk can be a significant issue. Exposure to specific industries is strictly monitored by Credit Management Committee of the Bank.

Performance Review

Gross impaired loans grew to BDT 726.17 million in 2004, an increase of BDT 282.15 million from the previous year. While the increase continues an adverse trend, the level of impaired loans remains within acceptable parameters and provisions for impaired loans have been adequately maintained. The provision for impaired loans for 2004 was BDT 197.50 million up from BDT 133.00 million in 2003.

Portfolio Diversification

We have well-diversified portfolio mainly focused on trade finance, garments, food and beverage. The portfolio continues to be free from undue concentrations in terms of exposure to any specific industry. We do not have exposure in any industry to the extent of one-third of total credit portfolio of the Bank.

Risk Assets Portfolio

(BDT in million)

| Sectors/Segments | 2004 | |
|---|------------------|---------------|
| | Volume | % |
| Trade Finance | 3,377.59 | 19.12 |
| Exports (RMG) | 2,792.40 | 15.80 |
| Food, Beverage, Edible Oil | 2,028.80 | 11.48 |
| Engineering (Iron and steel/electrical) | 1,202.50 | 6.81 |
| NBFIs | 1,007.15 | 5.70 |
| Construction and Housing | 942.13 | 5.33 |
| Textile (Linkage Industry) | 865.40 | 4.90 |
| Telecommunication | 305.90 | 1.73 |
| Transportation | 250.00 | 1.41 |
| Plastic and Plastic Materials | 167.20 | 0.95 |
| Paper and Publication | 148.40 | 0.84 |
| Hospital and Medical Services | 130.90 | 0.74 |
| Glass and glass products | 75.00 | 0.42 |
| Construction Industry | 66.40 | 0.38 |
| Pharmaceuticals | 44.40 | 0.25 |
| Others | 4,265.12 | 24.10 |
| Total | 17,669.29 | 100.00 |

MARKET RISK

Market risk is the potential for loss from changes in the value of financial instruments. The value of a financial instrument can be affected by changes in interest rate, foreign exchange rates and equity and commodity prices.

We are exposed to market risk when we enter into the following transactions:

- | Loans and Advances (LDOs)
- | Deposit with other Banks
- | Investment
 - q Treasury Bills
 - q Bond
 - q Shares
- | Foreign Exchange Positioning.

Objective

Identify, measure, monitor and report all market risk-taking activities, ensuring that exposures remain within approved risk tolerance levels and that the return from market risk activities is acceptable.

Approach

We have established Asset Liability Committee (ALCO) to monitor our market risk activities. The primary risk measurement methodology is Repricing Gap and its sensitivity to interest rate changes.

Repricing Gap over 12-month period stood at positive BDT 1,542.16 million as at December 31, 2004. Repricing Gap as percentage of total assets stood at 6.24%, which is within the international standard of 20%. In the position, the Net Interest Income (NII) of the Bank may decrease by BDT 15.42 million in case of 100 basis point decline in interest rate. However, in case of 100 basis point increase in interest rate, the NII of the Bank will go up by BDT 15.42 million.

Repricing Gap

(BDT in million)

| Particulars | Volume |
|---|-----------|
| Rate Sensitive Assets (RSA) | 13,557.21 |
| Rate Sensitive Liabilities (RSL) | 12,015.05 |
| Repricing Gap (RSA-RSL) | 1,542.16 |
| Repricing Gap as % of Total Assets | 6.24% |
| Impact on Net Interest Income | |
| For 100 basis point increase in interest rate | 15.42 |
| For 100 basis point decrease in interest rate | (15.42) |

CEO's Report on Risk Management

LIQUIDITY RISK

Liquidity risk is the risk that the Bank may fail to meet its obligation due to short of cash and/or cash equivalent assets. This situation may arise in the case of withdrawal of deposits, debt maturities and commitment to provide credit.

Objective

Maintain sufficient liquid assets and funding capacity to meet our financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

Approach

Our approach to liquidity management is to project liquidity requirements based on expected and stressed economic, market, political and enterprise-specific events. This enables us to ensure that we have sufficient fund available to meet our financial commitments even in times of crisis. Funds encompass both liquid assets on hand and the capability to raise additional funds.

We continuously monitor liquidity risk and actively manage our balance sheet to minimize this risk. Management establishes minimum liquid asset holding requirements, together with limits and guidelines for liability diversification and credit commitments.

Our large base of scheme deposits from individuals and strong capital position provide a long-term stable source of funding. The primary risk measurement methodology is to monitor liquid asset ratios, deposit mix, core deposits as percentage of total deposits and net liquidity gap.

Performance Review

Our ratio of liquid assets¹ to total assets stood at 26.61% at December 31, 2004 as against 37.36% at December 31, 2003.

Our secondary measure of liquidity is core deposits as a percentage of total deposits (core deposits are defined as total deposits less bank deposits). Core deposits as a percentage of total deposits stood at 88.40% in 2004 as against 88.96% in 2003.

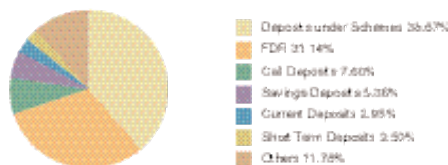
¹ Liquid Assets = Cash + Balance with Bangladesh Bank + Deposits with other Banks + Money at Call and Short Notice + Investments

Deposit Mix

(BDT in million)

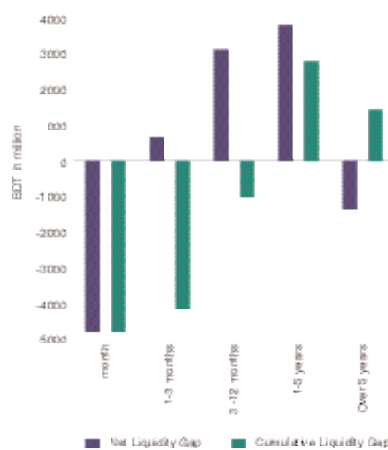
| Type | Volume | 2004 | |
|-----------------------|------------------|--------|----------------|
| | | Volume | % |
| Deposits Under Scheme | 8,658.13 | | 38.67% |
| FDR | 6,971.50 | | 31.14% |
| Call Deposits | 1,700.00 | | 7.60% |
| Savings | 1,199.96 | | 5.36% |
| Current | 660.56 | | 2.95% |
| STD | 560.19 | | 2.50% |
| Others | 2,634.85 | | 11.78% |
| Total | 22,385.19 | | 100.00% |

Deposit Mix



Net liquidity gap in 1-month bucket stood at negative BDT 4,793.61 million. But in 12-month bucket the cumulative net liquidity gap of the Bank stood at negative BDT 1,011.17 million, which was only 4.09% of total assets of the Bank as of December 31, 2004. In the position the Bank is not vulnerable to liquidity risk.

Liquidity Gap





OPERATIONAL RISK

Objective

Operational risk is inherent in all business activities, and the management of these risks is important to the achievement of organizational goals. While operational risks can never be eliminated, these can be managed, mitigated and in some cases insured against to preserve and create value.

Approach

Operational risk is managed through the establishment of effective infrastructure and controls. To this end, we have established a well-formulated framework that uses the strengths and specialized knowledge of our lines of business. Our strategy is to maximize our ability to manage and measure operational risk through implementation of a framework that takes advantages of the best practices in the industry.

Infrastructure

Key elements of the infrastructure include qualified and well-trained personnel, establishment of controls through documented policies and procedures and clear and consistent guidelines. Management regularly reviews and updates policies to ensure that risk principles are appropriately disseminated throughout the Bank, and appropriate accountabilities are established and maintained.

Governance

Internal Control and Compliance Division has been established to look into operational risk issues of the Bank. We continuously monitor the effectiveness of our management of operational risks. The Internal Control and Compliance Division reports significant operational events (if any) that occur throughout the Bank to executive management and the Board of Directors. Internal Audit and Inspection, in addition to advising senior management of the Bank, also provides regular reports to the Audit Committee of the Board of Directors on the effectiveness of internal controls.

The two components of operational risk are outlined as follows:

Operations Risks

Operations risks are controlled through regular daily functions, and managed through internal procedures and monitoring mechanisms.

Operations risks include risks to physical and logical security, transaction processing, operations control, technology and systems, as well as unique risks that arise due to outsourcing.

Business/Event Risks

Business/event risks include underlying structural and external risks. Business/event risks can also arise due to unexpected events (e.g. natural disasters) and can have a material impact if they are not planned for in advance.

Business/event risks include strategic errors or disasters, damage to Bank's image or reputation, or risks due to taxation, accounting and financial management, legal and regulatory requirements, human resources, and complex models used by the Bank.

Performance Review

Significant material losses did not occur in the Bank since the inception of the Bank in 1999; however, there is no assurance that we will not suffer from such losses in the future due to the nature of risks.

Highlights of Mercantile Bank Limited

(BDT in crore^a)

| Particulars | 2004 | 2003 |
|---|----------|----------|
| Paid-up Capital | 79.94 | 63.95 |
| Total Capital Fund | 161.78 | 123.52 |
| Capital Adequacy*(in%) | 10.24 | 10.48 |
| Total Assets | 2,470.50 | 1,832.47 |
| Total Deposits | 2,238.52 | 1,628.52 |
| Total Loans and Advances | 1,766.93 | 1,077.59 |
| Total Contingent Liabilities and Commitments | 1,129.81 | 797.86 |
| Credit Deposit Ratio(in %) | 89.30 | 74.38 |
| Percentage of Classified Loans against Total Loans and Advances(in %) | 4.11 | 4.12 |
| Profit after Tax and Provision | 31.26 | 21.59 |
| Amount of Classified Loans during the year | 28.21 | 40.65 |
| Provision kept against Classified Loans | 34.28 | 14.53 |
| Provision Surplus | 2.25 | 0.47 |
| Cost of Fund(in %) | 8.10 | 8.24 |
| Interest Earning Assets | 2,322.98 | 1,681.59 |
| Non-interest Earning Assets | 147.52 | 150.88 |
| Return on Investment (ROI)(in %) | 5.92 | 6.67 |
| Return on Assets (ROA)(in %) | 1.45 | 1.18 |
| Income from Investment | 21.98 | 14.06 |
| Earning Per Share (BDT) | 39.10 | 57.88 |
| Net Income Per Share (BDT) | 39.10 | 57.88 |
| Price Earning Ratio(approximate) | 13 Times | — |

*Required Capital Adequacy Ratio (CAR) is 9% against Risk-Weighted Assets(RWA).

^a 1 crore = 10 million



Notice of the Sixth Annual General Meeting

Notice is hereby given to all members of Mercantile Bank Limited (the "Company") that the 6th Annual General Meeting of the members of the Company will be held on Saturday, May 14, 2005, at 11:00 am in the Winter Garden of Dhaka Sheraton Hotel to transact the following business and adopt necessary resolutions :

Agenda

01. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended December 31, 2004 and the Balance Sheet as at that date together with Reports of the Auditors and Directors thereon;
02. To declare Dividend out of the profits for the year ended December 31, 2004;
03. To elect Directors in place of those who shall retire in accordance with the provision of law and the Articles of Association of the Company;
04. To appoint Auditors of the Company for the term until conclusion of the next Annual General Meeting and to fix their remuneration;
05. To transact any other business with the permission of Chair.

By Order of the Board



(Mir Md. Hassanul Zahed)
Company Secretary

Dated, April 05, 2005
Dhaka, Bangladesh

Notes :

- a) The Record Date shall be on Sunday, April 24, 2005.
- b) The Shareholders' names appearing in the Register of Members of the Company or in the Depository on the Record Date will be eligible to attend the AGM and receive the dividend.
- c) Any member of the Company eligible to attend and vote at the general meeting may appoint a proxy to attend and vote on his/her behalf.
- d) The Board of Directors have recommended 25% Stock Dividend (one bonus share for every four shares) for the year ended December 31, 2004 to be considered in the AGM.
- e) The proxy form duly filled in and signed by the Member and stamped must be submitted at the Registered Office of the Company at least 72 hours before the meeting.
- f) Members are requested to notify the changes of address, if any, well in time. For BO Account holders, the same to be rectified through their respective Depository Participants.

Directors' Report

On behalf of the Board of Directors, I have the pleasure to present the Sixth Annual Report of the Bank along with audited Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Assets Liability Maturity Analysis as of December 31, 2004. I am placing a brief review of operations during 2004, as well as of the present economic scenario of our country in the background of global situation.

World Economy

Over the past year, the global recovery has become increasingly well established. Between mid-2003 and mid-2004, global growth has averaged 5 percent well over the 4 percent historical trend with strong growth in industrial countries and exceptionally rapid expansion in emerging markets, notably China and India. This has been accompanied by a strong upturn in industrial production and global trade flows; a pickup in private consumption growth, underpinned by generally improving labor market conditions and continued strength in investment, as post bubble corporate balance sheet restructuring has proceeded. While global growth in the first quarter was much stronger than earlier expected, the momentum of the recovery slowed thereafter, while oil prices have risen sharply. While some slowdown was both inevitable and desirable following three quarters of exceptionally rapid expansion, GDP growth in several major countries including the United States and Japan fell below expectations.

From a regional perspective, the recovery has become increasingly broad based, but some regions continue to grow more vigorously than others. Despite the weakness in the second quarter, global growth continues to be driven by the United States, with strong support from Asia; activity in Latin America and some other emerging markets has also picked up strongly. The recovery in euro area is becoming more established, but remains relatively weak and is heavily dependent on external demand. Despite stronger growth outside the United States, the US current account deficit has continued to deteriorate over the past year, offset by higher surpluses in Japan and the euro area. Current account surpluses in emerging Asia have remained very high-notwithstanding generally strengthening domestic demand aided by buoyant electronics exports and the competitiveness of exchange rates in that region. Inflationary expectations have risen moderately. The inflation rate in the developed countries was 2.00% in 2004 while the other emerging markets and developing countries experienced an inflation rate of 5.70% in 2004.



The sharp rise in oil prices has contributed to the weakening of the expansion in recent months, and will likely continue to do so for several quarters. To date, however, the overall impact on the world economy appears moderate. The world economy experienced a growth of 5.10% in 2004 as against 3.90% in 2003. The economies of emerging markets and developing countries experienced a growth of 7.20% in 2004 as against 6.40% in 2003.



Bangladesh Economy

During the second quarter of fiscal year 2004-05 (FY 2005), the economy recovered from floods, which caused severe damage to country's infrastructure, agricultural and small scale economic activities. While rice crop production fell below the target, available data indicate that non-crop agriculture, manufacturing and service sector activities showed signs of strong recovery and growth, assisted partly by increased availability of credit and some acceleration of public expenditure. GDP growth rate was recorded at 5.50% in FY 2004 as against 5.20% in FY 2003.

Inflationary conditions eased during the quarter with a sharp decline in food price in December. After substantial increase at the end of the first quarter (July-September 2004), the 12-month CPI inflation declined to 5.5 percent in December 2004 due to mainly a steep decline in food price reflecting improved supply situation of major food items and easing of prices of some commodities in the international market. Non-food prices also declined during the period.

The external current account balance turned to a sizeable deficit position during the quarter while overall balance also recorded a modest negative position reflecting a seasonal decline in export growth in the face of higher than expected growth in import payments. In spite of the deficit in overall balance of payments, there has been some accumulation of official foreign exchange reserves reaching about at USD 3.22 billion in December 2004 or 2.9 months of import cover.

In the second half of 2004, gross and net NPL ratios decreased for all groups of banks while profitability situation also improved for all banks except the Nationalised Commercial Banks (NCBs). NCBs remained under strong supervision of the Bangladesh Bank and the restructuring program of the NCBs with the assistance of the external management team is now underway. Bangladesh Bank has introduced Core Risk Management in five areas: Credit Risk Management, Asset Liability Management (ALM), Foreign Exchange Risk Management, Internal Control and Compliance and Prevention of Money-laundering activities for commercial banks being implemented in 2004.

Directors' Report

Deposits

The Bank mobilized total deposits of BDT 22,385.19 million as of December 31, 2004 as compared to BDT 16,285.19 million in 2003. Competitive interest rates, deposit mobilization efforts of the Bank and confidence reposed by the customers in the Bank contributed to the notable growth in deposits. The Bank evolved a number of attractive deposit schemes to cater to the requirement of small and medium savers. This improved not only the quantum of deposits, it also brought about qualitative changes in the deposits structure.

Advances

The Bank has formulated its policy to give priority to small and medium businessmen while financing large-scale enterprises through consortium of banks. Total loans and advances of the Bank stood at BDT 17,669.29 million as of December 31, 2004 as compared to BDT 10,775.95 million in 2003. Major sectors in which the Bank extended credit included trade and commerce, garments industry, large and medium scale industries and construction.

Consumers Credit Scheme

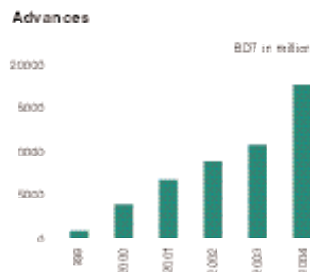
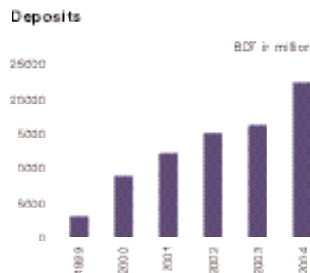
The Bank has introduced Consumers Credit Scheme to cater to the credit needs of the low and middle-income groups for household durables. Consumers Credit Scheme has attracted good response from the customers. An amount of BDT 138.54 million, which was 0.78% of the total credit portfolio, was outstanding under the Scheme as of December 31, 2004.

Small Loan Scheme

The Scheme has become popular among shopkeepers since its launching. At the end of year 2004, an amount of BDT 103.34 million was outstanding under the Scheme. Recovery rate under this Scheme was quite satisfactory.

Import Business

From the very beginning, the Bank has embarked on extensive foreign exchange business with a view to facilitating international trade transactions of the country. The Bank has established 13,285 Letters of Credit amounting to BDT 28,325.20 million as of December 31, 2004 as against 10,986 Letters of Credit amounting to BDT 20,380.80 million in 2003. Items of imports financed by the Bank included capital machinery, CR coil, electronic equipments, rice, wheat, seeds, CDSO, palmolein, cement clinkers, dyes, chemicals, raw cotton, garments accessories etc.





Export Business

The total export business handled by the Bank amounted to BDT 17,411.00 million as of December 31, 2004 as compared to BDT 15,250.60 million in 2003. The Bank has made significant contribution to Readymade Garments sector which was responsible for 75.60% of total exports of the country in 2003-04. Readymade Garments has not only generated employment of semi-skilled men and women, it has also led to emergence of forward looking entrepreneurs in the country, absence of which was regarded as a constraint to development efforts. Apart from Readymade Garments, export items handled by the Bank included jute goods, leather, plastic scrap, handicrafts etc.

Foreign Remittances

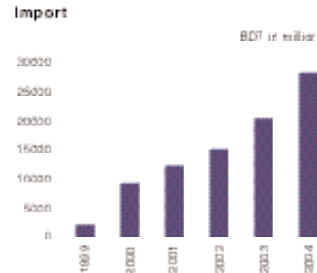
Foreign remittances handled by the Bank stood at BDT 671.30 million as of December 31, 2004 as against BDT 474.00 million in 2003. The Bank has already made foreign remittance arrangement with UniCredito Italiano, Italy and ICICI Bank Canada to expedite inward foreign remittances.

Operating Revenue

The operating revenue of the Bank stood to BDT 821.76 million in 2004 as against BDT 575.32 million in 2003. After necessary provision net profit stood at BDT 554.26 million as of December 31, 2004. An amount of BDT 241.68 million has been set aside for our tax contribution to National Exchequer.

Total Income

Total income increased from BDT 1,989.72 million in 2003 to BDT 2,717.67 million in 2004. Interest income accounted for 78.04%, exchange gains 9.87%, commission 7.99% and other income 4.10% of total income in 2004 as against 79.84%, 9.78%, 7.64% and 2.74% respectively in 2003.



Total Income

(BDT in million)

| Components | Amount | % of Total |
|-----------------|-----------------|---------------|
| Interest Income | 2,120.82 | 78.04 |
| Exchange Gains | 268.21 | 9.87 |
| Commission | 217.15 | 7.99 |
| Other Income | 111.49 | 4.10 |
| Total | 2,717.67 | 100.00 |

Directors' Report

Interest Income

Interest income increased from BDT 1,588.67 million in 2003 to BDT 2,120.82 million in 2004. Interest on loans and advances accounted for 82.79%, interest on Treasury Bills 8.65%, interest on deposits with other Banks 7.54% and other interest income 1.02% of total interest income in 2004 as against 76.85%, 14.21%, 8.85% and 0.09% respectively in 2003.

Interest Income

(BDT in million)

| Components | Amount | % of Total |
|---------------------------------------|-----------------|---------------|
| Interest on Loans and Advances | 1,755.84 | 82.79 |
| Interest on Treasury Bills | 183.41 | 8.65 |
| Interest on Deposits with other Banks | 159.81 | 7.54 |
| Other Interest Income | 21.76 | 1.02 |
| Total | 2,120.82 | 100.00 |

Interest Expenses

Interest expenses moved up from BDT 1,115.82 million in 2003 to BDT 1,509.00 million in 2004. Interest on deposits under schemes was the largest component of interest expenses and accounted for 55.85% of total interest expenses in 2004 as compared to 50.74% in 2003. Interest on FDR accounted for 36.23%, interest on savings deposits 3.61%, interest on call deposits 2.55%, interest on short-term deposits 1.52% and other interest expenses 0.24% of total interest expenses in 2004 as against 41.79%, 2.80%, 2.02%, 1.65% and 1.00% respectively in 2003.

Interest Expenses

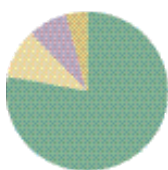
(BDT in million)

| Components | Amount | % of Total |
|---------------------------------|-----------------|---------------|
| Interest on Deposit Schemes | 842.80 | 55.85 |
| Interest on Fixed Deposits | 546.63 | 36.23 |
| Interest on Savings Deposits | 54.40 | 3.61 |
| Interest on Call Deposits | 38.54 | 2.55 |
| Interest on Short Term Deposits | 22.94 | 1.52 |
| Other Interest Expenses | 3.69 | 0.24 |
| Total | 1,509.00 | 100.00 |

Net Interest Income

Net interest income increased from BDT 472.85 million in 2003 to BDT 611.82 million in 2004. Gross interest income of the Bank amounted to BDT 2,120.82 million and interest expenses amounted to BDT 1,509.00 million during 2004.

Total Income



Interest Income 78.04%
Exchange Gains 9.67%
Commission 7.89%
Other Income 4.10%

Interest Income



Interest on Loans and Advances 82.79%
Interest on Treasury Bills 8.65%
Interest on Deposits with other Banks 7.54%
Other Interest Income 1.02%



Net Interest Margin

Bank's net interest margin, which is derived by net interest income divided by average earning assets, was 3.24% in 2004 as compared to 3.36% in 2003. Net Interest Margin (NIM) decreased as the lower spread is being resulted from the higher deposit rate and lower yield on risk assets. This indicates a reasonable spread between interest income and interest expenses.

Non-Interest Income

Non-interest income increased from BDT 401.05 million in 2003 to BDT 596.85 million in 2004. Non-interest income was 21.96% of the total income in 2004 as compared to 20.16% in 2003. Exchange gains accounted for 44.94%, commission 36.38% and other non-interest income 18.68% of non-interest income in 2004 as against 48.51%, 37.88% and 13.61% respectively in 2003.

Non-Interest Income

(BDT in million)

| Components | Amount | % of Total |
|---------------------------|---------------|---------------|
| Exchange gains | 268.21 | 44.94 |
| Commission | 217.15 | 36.38 |
| Other non-interest income | 111.49 | 18.68 |
| Total | 596.85 | 100.00 |

Total Expenses

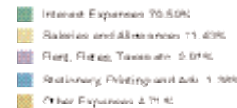
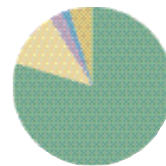
The total expenses of the Bank stood at BDT 1,895.91 million during 2004 as compared to BDT 1,414.40 million in 2003. Interest expenses accounted for 79.59%, salaries and allowances 11.43%, rent, rates, taxes etc. 2.91%, Stationery, Printing and Advertisements 1.36% and other expenses 4.71% of total expenses in 2004 as against 78.89%, 10.63%, 2.93%, 1.31% and 6.24% respectively in 2003.

Total Expenses

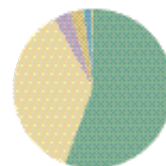
(BDT in million)

| Components | Amount | % of Total |
|---------------------------------------|-----------------|---------------|
| Interest Expenses | 1,509.00 | 79.59 |
| Salaries and Allowances | 216.64 | 11.43 |
| Rent, Rates, Taxes etc. | 55.21 | 2.91 |
| Stationery, Printing & Advertisements | 25.78 | 1.36 |
| Other Expenses | 89.28 | 4.71 |
| Total | 1,895.91 | 100.00 |

Total Expenses



Interest Expenses



Directors' Report

Non-interest Expenses

Non-interest expenses moved up from BDT 298.58 million in 2003 to BDT 386.91 million in 2004. Non-interest expenses was 20.41% of the total expenses in 2004 as compared to 21.11% in 2003. Salaries and allowances accounted for 55.99%, Rent, Rates, Taxes etc. for 14.27%, Stationery, Printing and Advertisements for 6.66%, Depreciation and Repairs for 5.16% and other expenses for 17.92% of total non-interest expenses in 2004 as against 50.36%, 13.88%, 6.21%, 5.02% and 25.34% respectively in 2003.

Non-Interest Expenses

(BDT in million)

| Components | Amount | % of Total |
|---|---------------|---------------|
| Salaries and Allowances | 216.64 | 55.99 |
| Rent, Rates, Taxes etc. | 55.21 | 14.27 |
| Stationery, Printing and Advertisements | 25.78 | 6.66 |
| Depreciation and Repairs | 19.96 | 5.16 |
| Other Expenses | 69.32 | 17.92 |
| Total | 386.91 | 100.00 |

Operating Efficiency Ratio

Operating efficiency ratio stood at 69.76% in 2004 as against 71.09% in 2003. This measures how much operating expenses are incurred to generate operating revenues.

Earning Base in Assets

Earning Base in Assets of the Bank is 94.03% in 2004 as compared to 91.59% in 2003. The ratio indicates efficient utilization of resources to earn revenues.

Profit Before Tax

The Bank earned profit before tax of BDT 554.26 million in 2004, break-up of which is as under:

Profit Before Tax

(BDT in million)

| Particulars | Amount |
|--------------------------------------|---------------|
| Interest Income | 2,120.82 |
| Interest Expenses | (1,509.00) |
| Net Interest Income | 611.82 |
| Provision against Unclassified Loans | (70.00) |
| Provision for Classified Loans | (197.50) |
| Non-Interest Income | 596.85 |
| Non-Interest Expenses | (386.91) |
| Net Non-Interest Income | 209.94 |
| Profit Before Tax | 554.26 |

The Board of Directors recommended 25% stock dividend for the year 2004. The Bank paid out 25% stock dividend to the shareholders for the year 2003.

Non-Interest Income



Exchange gains 44.84%
Commission 36.38%
Other non-interest income 18.58%

Non-Interest Expenses



Salaries and Allowances 55.99%
Rent, Rates, Taxes etc. 14.27%
Stationery, Printing and Advertisements 6.66%
Depreciation and Repairs 5.16%
Other Expenses 17.92%



Financial Position

Asset Portfolio

The Bank's total assets outstanding as of December 31, 2004 amounted to BDT 24,705.05 million as compared to BDT 18,324.73 million in 2003. Of the total assets outstanding in 2004, loans and advances constituted 71.52%, money at call and short notice 15.04%, investments 5.39%, balances with other Banks 2.08%, and other assets 5.97% as against 58.80%, 14.70%, 11.50%, 6.77% and 8.23% respectively in 2003.

Asset Portfolio

| (BDT in million) | | |
|--------------------------------|------------------|---------------|
| Components | Amount | % of Total |
| Loans and Advances | 17,669.29 | 71.52 |
| Investments | 3,715.46 | 15.04 |
| Money at Call and Short Notice | 1,332.00 | 5.39 |
| Balances with other Banks | 513.57 | 2.08 |
| Other Assets | 1,474.73 | 5.97 |
| Total | 24,705.05 | 100.00 |

Investment Portfolio

In an effort to secure more stable earnings from its investments, the Bank focused its attention on investment in Government securities and call money market. This strategy also reflected the Bank's intention to improve its capital adequacy ratio by securing assets with lower risks.

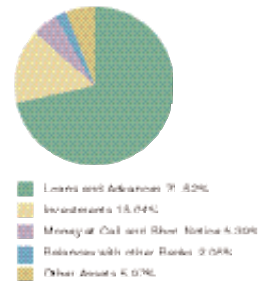
Investment Portfolio

| (BDT in million) | | |
|--------------------------------|-----------------|---------------|
| Components | Amount | % of Total |
| Treasury Bills and T & T Bond | 3,580.00 | 64.38 |
| Money at Call and Short Notice | 1,332.00 | 23.95 |
| Deposits with other Banks | 513.57 | 9.24 |
| Investment in Shares and Bonds | 135.00 | 2.43 |
| Total | 5,560.57 | 100.00 |

Funding Structure

The Bank's principal source of fund is deposits, which constituted 90.61% of total funds in 2004 as compared to 88.87% in 2003. The Bank's paid-up capital accounted for 3.24%, reserves 3.31% and other sources 2.84% of total funds in 2004 as against 3.49%, 3.25% and 4.39% respectively in 2003

Asset Portfolio



Funding Structure



Directors' Report

Funding Structure

(BDT in million)

| Components | Amount | % of Total |
|-----------------|------------------|---------------|
| Deposits | 22,385.19 | 90.61 |
| Paid-up Capital | 799.41 | 3.24 |
| Reserves | 818.40 | 3.31 |
| Others | 702.05 | 2.84 |
| Total | 24,705.05 | 100.00 |

Capital

The Authorized Capital of the Bank was BDT 1,200.00 million of 12,000,000 ordinary shares of BDT 100 each as of December 31, 2004.

Paid-up Capital of the Bank was BDT 799.4125 million of 7,994,125 ordinary shares of BDT 100 each as of December 31, 2004. The shares of the Bank have been listed both in Dhaka Stock Exchange and Chittagong Stock Exchange and are being traded at prices higher than the book value.

Capital Adequacy

As per the guidelines of Bangladesh Bank, the Bank adopted BIS (Bank for International Settlements) risk adjusted capital standards to measure capital adequacy. The Bank's Capital Adequacy Ratio stood at 10.24% at the end of December, 2004 as against minimum requirement of 9.00%.

Capital Adequacy

(BDT in million)

| Particulars | Amount |
|---|---------------------|
| Core Capital (Tier-I) | 1,442.35 |
| Paid-up Capital | 799.41 |
| Statutory Reserve | 391.88 |
| Proposed Bonus Share | — |
| Dividend Equalization Account | 45.68 |
| Retained Earnings | 205.38 |
| Supplementary Capital (Tier-II) | 175.46 |
| 1% Provision against Unclassified Loans | 173.14 |
| Exchange Equalization Fund | 2.32 |
| Total Capital | 1,617.81 |
| Total Risk-Weighted Assets | 15,793.41 |
| | Minimum |
| Capital Adequacy Ratio | Requirements |
| Tier-I | 4.50% |
| Tier-II | — |
| Total Capital | 9.00% |
| | Actual |
| Tier-I | 9.13% |
| Tier-II | 1.11% |
| Total Capital | 10.24% |



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. The number of branches of the Bank stood at 25 (Twenty Five) at the end of 2004. 20 branches are located at major trade centres of the country while remaining 5 branches are at the rural areas of the country. The Bank intends to open 5 more branches by the end of the year 2005.

Correspondent Relationship

The Bank has established correspondent relationship across the world with a number of foreign banks namely Citibank, N.A., Wachovia Bank, N.A., The Bank of Tokyo Mitsubishi Ltd., HSBC, Sumitomo Mitsui Banking Corporation, Commerzbank, Standard Chartered Bank, Scotia Bank, HypoVereinsbank, Commonwealth Bank of Australia, Toronto Dominion Bank, UniCredito Italiano, American Express Bank, MashreqBank, Hutton National Bank, Bank Austria, Mizuho Corporate Bank Ltd., Dresdner Bank AG, UBAF, Danske Bank A/S, ING Bank, United Bank of India, ICICI Bank etc. The number of foreign correspondents is 255 as of December 31, 2004. Efforts are being continued to further expand the correspondent relationship to facilitate Bank's growing foreign trade transactions.

Human Resources Development

In today's competitive business environment, the quality of human resources makes the difference. The Bank's commitment to attract high quality persons to work for it is reflected in the efforts of the Bank. In the face of today's globalization, the Bank envisages to develop highly motivated workforce and equip them with latest skills and technologies. The Bank evolves human resources development strategy with a view to ensuring good working environment, a high level of loyalty and commitment, devotion and dedication on the part of the employees.

The Bank has set up a Training Institute for providing training facilities to its executives/officers. The Training Institute has already conducted a number of foundation and specialized training courses. A number of officers was sent to Bangladesh Institute of Bank Management (BIBM) and other training institutes at home and abroad for specialized training on various aspects of banking. The Bank believes in professional excellence and considers its working force as its most valuable asset and the basis of its efficiency and strength.

Directors' Report

Management

The Board of Directors consists of eminent personalities from commerce and industry of the country. Mr. Md. Abdul Jalil, M.P., Founder Chairman of the Board of Directors, is a businessman besides being an eminent personality of the country.

The Bank is manned and managed by highly qualified and efficient professionals. The Chief Executive Officer of the Bank is Mr. Shah Md. Nurul Alam who has rich experience of managing 2(two) private sector banks as the Managing Director and CEO. Mr. Lutfar Rahman Sarkar, Chief Advisor of the Bank, is the former Governor of the Central Bank of the country. He brings with him a wealth of experience of managing both public and private sector banks. Mr. M. Taheruddin who was the CEO of the Bank from April 14, 1999 to April 13, 2004 is now the consultant of the Bank.

R&D: Investing into the Future

Excellence in banking operation depends largely on a well-equipped and efficient Research and Development Division. Such activities require the investment of substantial resources and a set of qualified personnel with multidisciplinary background. Although it is not possible at this stage to undertake R&D activities similar to those of the banks in the developed countries, Mercantile Bank has established a core Research and Planning Division comprising skilled persons from the very inception of the Bank.

Information Technology

Banking operations of the branches have been computerized to minimize costs and risks and to optimize benefits and increase overall efficiency for improved services. The Bank generates the relevant financial statements at the end of the day. The Bank has installed Reuters Screen for smooth operation of foreign currency dealings. The Bank has also hosted a web page of its own to take a place in the World Wide Web. On-line Banking has been introduced by the Bank to provide better services to the customer. The Bank has already introduced ATM 'Q-Cash'. The Bank has installed SWIFT to facilitate quick international trade and payments arrangements. The Bank has already received license from Visa International to introduce debit and credit cards.

Financial Products and Services

The Bank has launched a number of financial products and services since its inception. Among them Monthly Saving Scheme, Family Maintenance Deposit, Double Benefit Deposit Scheme, Special Saving Scheme, Pension and Family Support Deposit, Consumer Credit Scheme, Small Loan Scheme and Lease Finance Scheme have attained wide acceptance among the people.



Monthly Savings Scheme

The prime objective of this scheme is to encourage people to build up a habit of saving. Under this scheme, one can save a fixed amount of money every month and get a lucrative amount of money after five, eight or ten years.

Family Maintenance Deposit

Under this scheme, one can deposit certain amount of money for five years and in return he will receive benefits on monthly basis. Benefits start right from the first month of opening an account under the scheme and continue upto five years.



Double Benefit Deposit Scheme

Under this scheme, depositor's money will be doubled in a nine-year period.

Special Savings Scheme

Under this scheme, depositor's money will be tripled in 15-year period.

Pension and Family Support Deposit

Pension and Family Support Deposit has been evolved especially for old age. Under this scheme one can get life long benefit if he deposits specific amount per month for a period of 10 or 15 years. The scheme can also be opened in the name of minors.

Consumers' Credit Scheme

Consumers' Credit is relatively new field of collateral-free finance of the Bank. People with limited income can avail of this credit facility to buy household goods including computer and other consumer durables.

Small Loan Scheme

This scheme has been evolved especially for small shopkeepers who need credit facility for their business and cannot 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 and other items. Terms and conditions of this scheme have been made easier in order to help the potential entrepreneurs to acquire equipments of production and services and repay gradually from earnings on the basis of 'Pay as you earn'.

Directors' Report

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 has been evolved 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.

Women 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 Financing Scheme

Small and Medium Enterprise (SME) Financing Scheme has been introduced to assist new or experienced entrepreneurs to invest in small and medium scale industries.

Personal Loan Scheme

Personal Loan Scheme has been introduced to extend credit facilities to cater to the credit needs of low and middle-income group for any purpose. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations and teachers of recognized public and private schools, colleges and universities are eligible for the loan facilities.

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 for the loan facilities.

Mercantile Bank Foundation

The Bank has set up Mercantile Bank Foundation for extending charitable and beneficial social services to the society. The Bank contributes 1% of operating revenue or BDT 4.00 million, whichever is higher, to Mercantile Bank Foundation every year. The Foundation has been established with following objectives:

- 1 Mercantile Bank Prize to 8 (eight) eminent personalities of the country for the outstanding contribution in the fields of Economics and Economic Research, Bengali Language and Literature, Science and Technology, Education and Culture, Journalism, Sports, Research on Liberation War and Industry and Commerce.



- | Interest free education loan for the meritorious but poor students.
- | To conduct research on Bengali language and literature.
- | Book Purchase and Distribution Policy to encourage writers and publishers of the country.
- | Interest free Loan to the unemployed educated people.
- | Donation for handicapped artists, litterateur and distressed people.
- | Project for the development of shelter-less children.

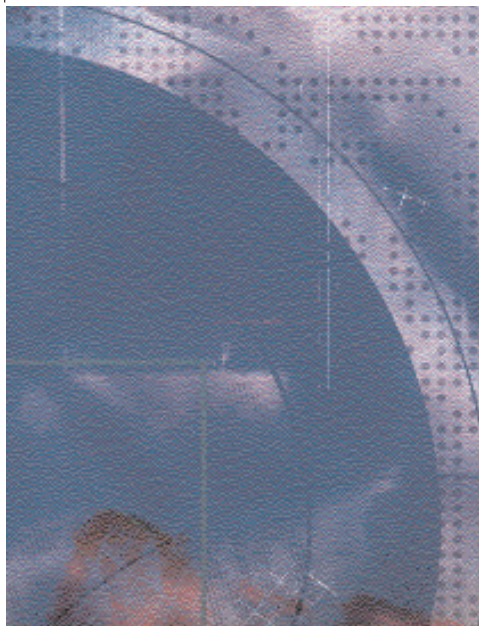
Acknowledgments

Mercantile Bank Limited has gained firm confidence in the minds of its clients within a short period of its operation. The success is primarily attributed to prompt and bold decision making, efficient and cordial services, economic use of resources and introduction of new financial products and technologies. The continued endeavors of the Management and Staff of the Bank under prudent guidance and timely support of the Board of Directors have substantially contributed to success of the Bank. The Board of Directors takes this opportunity of expressing its heart-felt appreciation and gratitude to the Government of the People's Republic of Bangladesh, Bangladesh Bank, Securities Exchange Commission (SEC), Dhaka Sock Exchange (DSE), Chittagong Stock Exchange (CSE) and Registrar of Joint Stock Companies for their help and assistance, valuable guidance and advices extended to the Bank from time to time.

The Board of Directors also expresses deep appreciation to the management and all members of staff for their meritorious and relentless services and also to the clients, the sponsors, the shareholders/stakeholders, patrons and well-wishers, whose continued support and patronage have made the results possible.

On behalf of the Board of Directors

Md. Abdul Jalil
Chairman



Auditors'

Auditors' Report

We have audited the accompanying Balance Sheet of **Mercantile Bank Limited** as at December 31, 2004 and the related Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and notes 1 to 31 to the Financial Statements for the year then ended.

Respective Responsibilities of the Bank and Auditors

Mercantile Bank management is responsible for preparing these financial statements, which give a true and fair view in accordance with Bangladesh Accounting Standard (BAS). Our responsibility is to express an independent opinion based on our audit on those financial statements and to report our opinion to the shareholders. This responsibility is established by Bangladesh Standard on Auditing (BSA).

Basis of Audit Opinion

We conducted our audit in accordance with Bangladesh Standard on Auditing (BSA). Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also includes an assessment of the significant estimates and judgments made by Mercantile Bank Limited in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

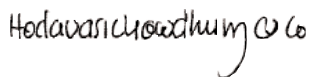
Opinion

In our opinion, the aforesaid Financial Statements prepared in accordance with Bangladesh Accounting Standard (BAS), give a true and fair view of the state of the Bank's affairs as at December 31, 2004 and of the results of its operations and its cash flows for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994 and other applicable laws and regulations.

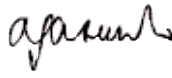
We also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) in our opinion, proper books of account as required by law have been kept by 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;

- (iii) the Bank's Balance Sheet and Profit and Loss Account together with the annexed notes 1 to 31 dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditure incurred was for the purpose of the Bank's business;
- (v) read in conjunction with the notes to the Financial Statements, the financial position of the Bank as on December 31, 2004 and the profit for the year then ended have been properly reflected in the financial statements, the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles;
- (vi) the Financial Statements have been drawn up in conformity with the Bank Companies Act, 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank;
- (vii) the Financial Statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements submitted by the branches have been properly maintained and consolidated in the financial statements;
- (ix) adequate provisions have been made for advances and other assets which are, in our opinion, doubtful of recovery;
- (x) we have reviewed 80% of the risk weighted assets of the Bank;
- (xi) the capital adequacy ratio (CAR), as required by law, has been maintained adequately during the year; and
- (xii) the information and explanations required by us have been received and found satisfactory.



Hoda Vasi Chowdhury & Co.
Chartered Accountants



A. Qasem & Co.
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh

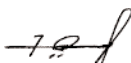
Balance Sheet as at December 31, 2004

| | NOTES | 2004 Taka | 2003 Taka |
|---|-------|-----------------------|-----------------------|
| PROPERTY AND ASSETS | | | |
| Cash | 3 | 1,013,170,468 | 805,824,531 |
| Cash in hand (Including Foreign Currencies) | | 179,769,611 | 128,984,705 |
| Balance with Bangladesh Bank and Sonali Bank (Including Foreign Currencies) | | 833,400,857 | 676,839,826 |
| Balance with other Banks and Financial Institutions | 4 | 513,571,708 | 2,693,120,982 |
| Inside Bangladesh | | 478,580,016 | 2,673,503,166 |
| Outside Bangladesh | | 34,991,692 | 19,617,816 |
| Money at Call and Short Notice | 5 | 1,332,000,000 | 1,240,000,000 |
| Investments | 6 | 3,715,464,300 | 2,107,264,900 |
| Government | | 3,580,464,300 | 2,070,369,900 |
| Others | | 135,000,000 | 36,895,000 |
| Loans and Advances | 7 | 17,669,292,271 | 10,775,945,531 |
| Loans, Cash Credit, Overdraft etc. | A | 16,766,308,540 | 10,303,124,096 |
| Bills Purchased and Discounted | B | 902,983,731 | 472,821,435 |
| Fixed Assets Including Premises, Furniture and Fixtures | 8 | 103,542,046 | 81,502,437 |
| Other Assets | 9 | 358,004,300 | 621,071,664 |
| Non Banking Assets | | - | - |
| Total Assets | | 24,705,045,093 | 18,324,730,045 |
| LIABILITIES AND CAPITAL | | | |
| Liabilities | | | |
| Borrowings from other Banks, Financial Institutions and Agents | 10 | 1,700,000,000 | 800,000,000 |
| Deposits and Other Accounts | 11 | 19,754,174,237 | 14,798,596,508 |
| Current Accounts and Other Accounts | 11.1 | 2,539,936,957 | 2,034,955,516 |
| Bills Payable | 11.2 | 359,406,512 | 324,332,820 |
| Savings Bank Deposits | 11.3 | 1,199,958,915 | 789,467,592 |
| Fixed Deposits | 11.4 | 6,971,499,286 | 5,314,266,247 |
| Bearer Certificates of Deposits | 11.5 | 25,239,025 | 28,635,943 |
| Deposits Under Schemes | 11.6 | 8,658,133,542 | 6,306,938,390 |
| Other Liabilities | 12 | 1,808,519,099 | 1,596,363,206 |
| Total Liabilities | | 23,262,693,336 | 17,194,959,714 |
| Capital/Shareholders' Equity | | | |
| Paid-up Capital | 13 | 799,412,500 | 639,530,000 |
| Statutory Reserve | 14 | 391,882,622 | 281,032,622 |
| Other Reserve | 15 | 45,680,250 | 45,680,250 |
| Surplus in Profit and Loss Account | 16 | 205,376,385 | 163,527,459 |
| Total Shareholders' Equity | | 1,442,351,757 | 1,129,770,331 |
| Total Liabilities and Shareholders' Equity | | 24,705,045,093 | 18,324,730,045 |

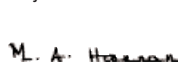
These Financial Statements should be read in conjunction with the annexed notes.



Md. Abdul Jalil
Chairman



Dr. Toufique Rahman Chowdhury
Director

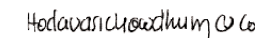



Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Auditors' Report to the Shareholders, see annexed report on even date.


Hoda Vasi Chowdhury & Co
Chartered Accountants


A. Gasem & Co
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh

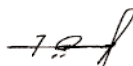
Off-Balance Sheet Items as at December 31, 2004

| | Note | 2004 Taka | 2003 Taka |
|---|----------------|-----------------------|----------------------|
| OFF-BALANCE SHEET ITEMS | | | |
| CONTINGENT LIABILITIES | | | |
| | A | | |
| Acceptances and Endorsements | | 3,662,893,640 | 3,257,885,240 |
| Letters of Guarantee | 17 | 1,180,312,925 | 697,785,462 |
| Irrevocable Letters of Credit | | 6,411,295,819 | 4,003,103,041 |
| Bills for Collection | | 43,604,165 | 19,842,527 |
| Other Contingent Liabilities | | - | - |
| Total | | 11,298,106,549 | 7,978,616,270 |
| OTHER COMMITMENTS | | | |
| | B | | |
| 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 | (A+B) | 11,298,106,549 | 7,978,616,270 |

These Financial Statements should be read in conjunction with the annexed notes.



Md. Abdul Jalil
Chairman



Dr. Toufique Rahman Chowdhury
Director



Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Auditors' Report to the Shareholders, see annexed report of even date.

Hodavasi Chowdhury & Co
Hoda Vasi Chowdhury & Co
Chartered Accountants

A. Qasem & Co
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh


Profit and Loss Account *for the year ended December 31, 2004*

| | Notes | 2004 Taka | 2003 Taka |
|---|---------|----------------------|--------------------|
| Interest Income | 18 | 1,918,208,684 | 1,448,115,807 |
| Less: Interest Paid on Deposits, Borrowings etc. | 19 | 1,508,998,033 | 1,115,815,677 |
| Net Interest Income | | 409,210,651 | 332,300,130 |
| Investment Income | 18.1 | 219,810,099 | 140,550,454 |
| Commission, Exchange and Brokerage | 20 | 485,357,039 | 346,455,034 |
| Other Operating Income | 21 | 94,289,760 | 54,595,329 |
| | | 799,456,898 | 541,600,817 |
| Total Operating Income | | 1,208,667,549 | 873,900,947 |
| Salaries and Allowances | 23 | 214,607,313 | 147,568,406 |
| Rent, Taxes, Insurances, Electricity etc. | 24 | 55,206,395 | 41,451,880 |
| Legal Expenses | 25 | 527,270 | 569,090 |
| Postage, Stamps, Telecommunication etc. | | 12,990,096 | 12,567,308 |
| Stationery, Printing, Advertisements etc. | 26 | 25,777,355 | 18,530,857 |
| Chief Executive's Salary and Fees | | 2,027,775 | 2,360,000 |
| Directors' Fees | 22 | 1,504,225 | 2,357,875 |
| Auditors' Fees | | 100,000 | 177,230 |
| Depreciation and Repair of Fixed Assets | 27 | 19,961,539 | 14,988,841 |
| Other Expenses | 28 | 54,204,155 | 58,005,243 |
| Total Operating Expenses | | 386,906,123 | 298,576,730 |
| Profit before Provision | | 821,761,426 | 575,324,217 |
| Provision for Classified Loans and Advances | 12.2 | 197,500,000 | 133,000,000 |
| Provision for Unclassified Loans and Advances | 12.2 | 70,000,000 | 15,000,000 |
| Total Provision | | 267,500,000 | 148,000,000 |
| Total Profit before Taxes | | 554,261,426 | 427,324,217 |
| Provision for Taxation | 12.1.01 | 241,680,000 | 211,411,315 |
| Net Profit after Taxation | | 312,581,426 | 215,912,902 |
| Retained Surplus brought forward from previous year | | 3,644,959 | 1,917,210 |
| Balance of Bonus Share Premium brought forward | | - | 31,197,347 |
| | | 316,226,385 | 249,027,459 |
| Appropriations | | | |
| Statutory Reserve | | 110,850,000 | 85,500,000 |
| Proposed Bonus Share | | - | 159,882,500 |
| Retained Surplus | | 205,376,385 | 3,644,959 |
| | | 316,226,385 | 249,027,459 |
| Earning Per Share (EPS) | | 39.10 | 57.88 |

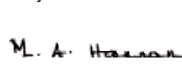
These Financial Statements should be read in conjunction with the annexed notes.



Md. Abdul Jalil
Chairman



Dr. Toufique Rahman Chowdhury
Director




Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Auditors' Report to the Shareholders, see annexed report of even date.


Hoda Vasi Chowdhury & Co
Chartered Accountants


A. Qasem & Co
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh

Cash Flow Statement *for the year ended December 31, 2004*

| | 2004 | 2003 |
|---|----------------------|----------------------|
| | Taka | Taka |
| A. Cash Flows from Operating Activities | | |
| Interest Received | 2,137,076,083 | 1,588,666,261 |
| Interest Paid | (1,508,998,033) | (1,115,815,677) |
| Fees and Commission Received | 217,146,130 | 151,913,099 |
| Payment to the Employees | (214,607,313) | (147,568,406) |
| Payment to Suppliers | (25,777,355) | (18,530,857) |
| Income Tax Paid | (198,584,398) | (81,721,132) |
| Received from other operating activities | 362,320,670 | 249,137,264 |
| Exchange Gain | 268,210,909 | 194,541,935 |
| Other Operating Income | 94,109,761 | 54,595,329 |
| Payment for other operating activities | (130,888,329) | (120,967,562) |
| Rent, Taxes, Insurances and Electricity | (55,206,395) | (41,451,880) |
| Legal Expenses | (527,270) | (569,090) |
| Postage, Stamps and Telecommunication | (12,990,096) | (12,567,308) |
| Auditors' Fees | (100,000) | (177,230) |
| Repair and Maintenance | (4,328,413) | (3,478,936) |
| Chief Executive's Salary and Fees | (2,027,775) | (2,360,000) |
| Directors' Fees | (1,504,225) | (2,357,875) |
| Other Expenses | (54,204,155) | (58,005,243) |
| Operating profit before changes in Operating Assets and Liabilities | 637,687,455 | 505,112,990 |
| Increase / Decrease in Operating Assets and Liabilities | | |
| Loans and Advances to other Banks | - | - |
| Loans and Advances to Customers | (6,893,346,740) | (1,879,752,418) |
| Other Assets (Item-wise) | (162,910,638) | (78,623,825) |
| Advance Deposits | (86,188) | (18,000) |
| Stock of Stationery | (1,806,980) | 689,330 |
| Suspense Account | (326,810) | (1,231,234) |
| Stamps in Hand | 1,131,352 | (1,374,390) |
| Advance Rent | (11,445,381) | (456,600) |
| DD Paid without Advice | (150,000) | (70,000) |
| Clearing Adjustment | (5,136,601) | - |
| Adjusting Account Debit | (145,090,030) | (76,162,931) |
| Deposit from other Banks | 900,000,000 | (729,887,824) |
| Deposit from Customers | 4,955,577,729 | 1,646,647,191 |
| Other Liabilities on account of Customers | - | - |
| Other Liabilities | 167,655,792 | 236,302,435 |
| Net Cash Received from Operating Activities | (395,336,402) | (300,201,451) |
| B. Cash Flows from Investing Activities | | |
| Sale proceeds of fixed assets | 180,000 | - |
| Dividend Received | 942,700 | - |
| Purchase/ Sale of Property, Plant and Equipment | (37,672,735) | (23,466,092) |
| Purchase/ Sale of Shares | (98,105,000) | (34,895,000) |
| Net Cash from Investing Activities | (134,655,035) | (58,361,092) |
| C. Cash Flows from Financing Activities | | |
| Receipts from Issue of Loan Capital and Debt Securities | - | - |
| Paid for Repayment of Loan and Debt Securities | - | - |
| Received by Issue of Share | 159,882,500 | 319,765,000 |
| Dividend Paid | - | (106,587,249) |
| Net Cash from Financing Activities | 159,882,500 | 213,177,751 |
| D. Net Increase/Decrease of Cash and Cash Equivalent (A+B+C) | (370,108,937) | (145,384,792) |
| Effect of Exchange Rate on Cash and Cash Equivalent | - | - |
| E. Opening Cash and Cash Equivalent | 6,809,315,413 | 6,954,700,205 |
| F. Closing Cash and Cash Equivalent (D+E) | 6,439,206,476 | 6,809,315,413 |
| Note-A | | |
| Cash in hand (Including Foreign Currencies) | 179,769,611 | 128,984,705 |
| Balance with Bangladesh Bank and Sonali Bank (Including Foreign Currencies) | 833,400,857 | 676,839,826 |
| Balance with other Banks and Financial institutions | 513,571,708 | 2,693,120,982 |
| Money at Call and Short Notice | 1,332,000,000 | 1,240,000,000 |
| Investments-Government (Note-6) | 3,580,464,300 | 2,070,369,900 |
| | 6,439,206,476 | 6,809,315,413 |

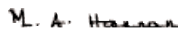
These Financial Statements should be read in conjunction with the annexed notes.



Md. Abdul Jalil
Chairman



Dr. Toufique Rahman Chowdhury
Director




Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Auditors' Report to the Shareholders, see annexed report of even date.


Hoda Vasi Chowdhury & Co
Chartered Accountants


A. Qasem & Co
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh

Statement of Changes in Equity for the year ended December 31, 2004

| | Paid-up Capital Taka | Statutory Reserve Taka | Other Reserve Taka | Bonus Share Dividend Taka | Surplus Profit/(loss) Taka | Total Taka |
|---|----------------------------|------------------------------|--------------------------|---------------------------------|----------------------------------|----------------------|
| Balance as on January 01, 2004 | 639,530,000 | 281,032,622 | 45,680,250 | 159,882,500 | 3,644,959 | 1,129,770,331 |
| Changes in accounting policy | - | - | - | - | - | - |
| Restated Balance | - | - | - | - | - | - |
| Surplus/Deficit on account of revaluation of properties | - | - | - | - | - | - |
| Surplus/Deficit on account of revaluation of investments | - | - | - | - | - | - |
| Currency transaction difference | - | - | - | - | - | - |
| Net gains and losses not recognised in the income statement | - | - | - | - | - | - |
| Net profit for the year after taxation | - | - | - | - | 312,581,426 | 312,581,426 |
| Transfer | 159,882,500 | 110,850,000 | - | (159,882,500) | (110,850,000) | - |
| Bonus Share Dividend | - | - | - | - | - | - |
| Bonus Share Premium | - | - | - | - | - | - |
| Proposed Cash Dividend | - | - | - | - | - | - |
| Dividend Equalization Fund | - | - | - | - | - | - |
| Issue of Share Capital | - | - | - | - | - | - |
| Balance as at December 31, 2004 | 799,412,500 | 391,882,622 | 45,680,250 | - | 205,376,385 | 1,442,351,757 |

These Financial Statements should be read in conjunction with the annexed notes.



Md. Abdul Jaill
Chairman



Dr. Toufique Rahman Chowdhury
Director



Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Auditors' Report to the Shareholders, see annexed report on even date.


Hoda Vasi Chowdhury & Co
Chartered Accountants


A. Qasem & Co
Chartered Accountants

Dated, March 28, 2005
Dhaka, Bangladesh

Liquidity Statement : Assets and Liability Maturity Analysis for the year ended December 31, 2004

| Assets | Upto 01 | 01-03 | 03-12 | 01-05 | More than | Total |
|--|------------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|
| | Month | Months | Month | Years | 05 years | Total |
| | Taka | Taka | Taka | Taka | Taka | Taka |
| Cash in hand | 1,013,170,468 | — | — | — | — | 1,013,170,468 |
| Balance with other Banks and financial institutions | 12,184,188 | 301,387,520 | 200,000,000 | — | — | 513,571,708 |
| Money at Call and Short Notice | 80,000,000 | 1,252,000,000 | — | — | — | 1,332,000,000 |
| Investments | 484,300 | — | 781,000,000 | 2,734,000,000 | 200,000,000 | 3,715,484,300 |
| Loans and Advances | 514,187,560 | 860,800,795 | 9,733,819,916 | 4,519,403,000 | 2,041,081,000 | 17,669,292,271 |
| Fixed Assets including premises, furniture and fixtures | — | — | — | 12,484,407 | 91,057,639 | 103,542,046 |
| Other Assets | 10,939,004 | 301,239,870 | 45,825,426 | — | — | 358,004,300 |
| Non-Banking Assets | — | — | — | — | — | — |
| Total Assets | 1,630,945,520 | 2,715,428,185 | 10,760,645,342 | 7,265,887,407 | 2,332,138,639 | 24,705,045,093 |
| Liabilities | | | | | | |
| Borrowing from Bangladesh Bank, other Banks, financial institutions and agents | 1,700,000,000 | — | — | — | — | 1,700,000,000 |
| Deposits | 3,460,650,375 | 1,949,116,142 | 6,840,495,541 | 3,463,321,366 | 3,681,184,301 | 19,394,767,725 |
| Other accounts | 359,406,512 | — | — | — | — | 359,406,512 |
| Provision and other liabilities | 904,503,305 | 102,567,652 | 801,448,142 | — | — | 1,808,519,099 |
| Total Liabilities | 6,424,560,192 | 2,051,683,794 | 7,641,943,683 | 3,463,321,366 | 3,681,184,301 | 23,262,693,336 |
| Net Liquidity Gap | (4,793,614,672) | 663,744,391 | 3,118,701,659 | 3,802,566,041 | (1,349,045,662) | 1,442,351,757 |

The following assumptions have been applied in preparing the maturity analysis:

- i) Balance with other Banks and financial institutions, Money at Call and Short Notice are on the basis of their maturity.
- ii) Investments are on the basis of their maturity.
- iii) Loans and Advances are on the basis of their maturity.
- iv) Fixed assets including premises, furniture and fixtures are on the basis of their useful life.
- v) Other assets are on the basis of their adjustment.
- vi) Borrowing from Bangladesh Bank, other Banks, financial institutions and agents are on the basis of their payment.
- vii) Deposits and other accounts are on the basis of their maturity and payment.
- viii) Provision and other liabilities are on the basis of their adjustment.

Notes to the Financial Statements *for the year ended December 31, 2004*

1.0 Legal Status and Nature of the company

The Mercantile Bank Limited was incorporated in Bangladesh as a Public Limited Company with Limited Liability under the Bank Companies Act, 1991 as on May 20, 1999 and commenced commercial operation on June 02, 1999. The Company went for public issue of shares on October 21, 2003 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange.

The commercial banking activities of the Bank encompass 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.

2.0 Significant Accounting Policies

2.1 Basis of Preparation of Financial Statements

The Financial Statements of the Bank are prepared on a going concern basis under historical cost convention and in accordance with First Schedule of Bank Companies Act 1991 as amended on June 25, 2003 section 38 (4), Bangladesh Bank circulars, Bangladesh Accounting Standards, the Companies Act 1994, the Securities and Exchange Rules 1987 and other laws and rules applicable in Bangladesh.

2.2 Consolidation of Branches

The Financial Statements of the Bank represent consolidated statement of affairs and statement of profit and loss of all branches. All significant inter-branches transactions are eliminated on consolidation.

2.3 Revenue Recognition

The revenues during the year are recognized as follows which comply with all conditions of revenue recognition as provided in BAS 18 "Revenue Recognition"

- i) Interest is calculated on daily product basis on unclassified loans and advances but charged on quarterly basis.
- ii) Interest is charged on classified loans and advances as per BRPD circular no- 16 dated December 6, 1998 and such interest is not included into income and credited to interest suspense account.
- iii) Commission and discount on Bills Purchased and Discounted are recognized at the time of realization.
- iv) Interest on investments is accounted for on accrual basis of accounting.
- v) Foreign currency transactions are converted into Taka at rates prevailing on the dates of such transactions and exchange gains or losses arising out of such transactions are recognized as income or expense for the year and dealt with exchange account.

2.4 Valuation of Assets

- i) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and depreciation thereon is charged to operating expenses.

ii) Investments

- I Government Securities (Treasury bills/bonds, T&T bonds) are stated at face value.
- I Investment in shares has been shown at cost.

2.5 Depreciation

Depreciation is charged on the assets at the following rates on reducing balance method from the date of acquisition, other than the Vehicles on which straight-line method is applied.

| Name of Assets | Rate |
|------------------------|----------|
| Furniture and Fixtures | 10% p.a. |
| Office Equipment | 20% p.a. |
| Vehicles | 20% p.a. |
| Books | 20% p.a. |

2.6 Taxation

As per Income Tax Ordinance 1984, provision for Income tax has been made @45% on adjusted and computed total income as envisaged in Finance Act 2004.

2.7 Foreign Currency Transactions

Transactions in foreign currencies were converted into equivalent Taka using the ruling rate at the date of such transactions. Assets and Liabilities outstanding as at December 31, 2004 denominated in foreign currencies are reconverted into Taka at the rate of exchange ruling on the Balance Sheet date as follows:

| Currency | Rate |
|----------|----------|
| USD | 60.7423 |
| Euro | 81.2142 |
| Yen | 0.5749 |
| GBP | 114.5330 |
| CAD | 49.2695 |
| ACU | 60.7423 |

2.8 Loans and Advances

Specific provisions were made to adjust all impaired loans and advances with their expected realizable value as per instructions contained in Bangladesh Bank BCD Circular no.34, dated November 16, 1989, BCD Circular no.20, dated December 27, 1994, BCD Circular no.12, dated September 4, 1995, BRPD circular no. 16, dated December 06, 1998 and BRPD circular no. 9, dated May 14, 2001 respectively at the following rates:

Notes to the Financial Statements *for the year ended December 31, 2004*

| Particulars | Rate |
|--|------|
| General provision on unclassified loans and advances | 1% |
| Provision on substandard loans and advances | 20% |
| Provision on doubtful loans and advances | 50% |
| Provision on bad/loss loans and advances | 100% |

2.9 Proposed Dividend

Proposed dividend has been disclosed as a separate part of shareholders' equity as per BAS-1, Presentation of Financial Statements which is in line with BAS- 30 and format prescribed by the Bangladesh Bank.

2.10 Earnings Per Share (EPS)

Earnings Per Share (EPS), shown on the face of profit and loss Account, has been calculated in accordance with BAS - 33 "Earnings Per Share" by dividing the basic earnings by the number of ordinary shares outstanding as on December 31, 2004.

2.11 Cash Flow Statement

Cash Flow Statement is prepared in accordance with BAS - 7 "Cash Flow Statement" and the cash flow from the operating activities has been presented under direct method as prescribed by the Bangladesh Bank. Closing cash and cash equivalents consist of cash with Bangladesh Bank, with its agent bank(s), government securities and deposits with other banks.

2.12 Provision for Gratuity

Consistent with past practice no provision has been made for gratuity.

2.13 Contingent Liabilities, Commitments and other Off-Balance Sheet Settlements

Like other Banking Companies, the Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. Contingent liabilities, commitments and derivatives were reflected in the Off-Balance Sheet.

2.14 General

- i) Wherever considered necessary, previous year's figures have been rearranged for the purpose of comparison;
- ii) Figures appearing in the Financial Statements have been rounded off to the nearest Taka.

| | 2004 | 2003 |
|---|----------------------|----------------------|
| | Taka | Taka |
| 3. CASH | | |
| A. Cash in hand | | |
| In local currency | 175,228,655 | 124,694,230 |
| In foreign currencies | 4,540,956 | 4,290,475 |
| | 179,769,611 | 128,984,705 |
| B. Balance with Bangladesh Bank and Sonali Bank (Including foreign currencies) | | |
| Bangladesh Bank | | |
| In local currency | 809,468,694 | 635,309,783 |
| In foreign currencies | 22,509,163 | 41,530,043 |
| | 831,977,857 | 676,839,826 |
| Sonali Bank | | |
| Sonali Bank, Cox's Bazar (As an agent of Bangladesh Bank)–Local Currency | 1,423,000 | – |
| | 833,400,857 | 676,839,826 |
| | 1,013,170,468 | 805,824,531 |
| B.1 Cash Reserve Ratio(CRR) and Statutory Liquidity Ratio(SLR) | | |
| Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have been calculated and maintained in accordance with the Section 33 of the Bank Companies Act, 1991 and Bangladesh Bank's subsequent BCD Circular No.13, dated May 24, 1992, BRPD Circular No.12, dated September 06, 1998, BRPD Circular No.12, dated September 20, 1999 and BRPD Circular No. 22 dated November 6, 2003. | | |
| B1.1 Cash Reserve Ratio(CRR): 4% of Average Demand and Time Liabilities: | | |
| Required Reserve | 775,125,000 | 589,212,000 |
| Actual Reserve held with Bangladesh Bank | 805,215,290 | 661,815,002 |
| Surplus | 30,090,290 | 72,603,002 |
| B1.2 Statutory Liquidity Ratio(SLR): 16% of Average Demand and Time Liabilities: | | |
| Required Reserve | 3,100,500,000 | 2,356,848,000 |
| Actual Reserve held | 4,216,702,356 | 2,861,169,607 |
| Surplus | 1,116,202,356 | 504,321,607 |
| 4. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS | | |
| A. Inside Bangladesh | | |
| Current Accounts | | |
| Sonali Bank | 12,091,328 | 5,375,678 |
| Agrani Bank | 92,860 | 13,371 |
| | 12,184,188 | 5,389,049 |
| Short Term Deposits | | |
| National Bank Ltd. | 14,797,799 | 11,145,441 |
| Arab Bangladesh Bank Ltd. | 439,864 | 608,257 |
| National Credit and Commerce Bank Ltd. | 291,987 | 281,018 |
| ONE Bank Ltd. | 11,870 | – |
| Dutch Bangla Bank Ltd. | 250,000,000 | 500,000,000 |
| Southeast Bank Ltd. | 854,308 | 6,079,401 |
| | 266,395,828 | 518,114,117 |
| Fixed Deposits (Note 4.C) | | |
| ONE Bank Ltd. | – | 100,000,000 |
| Arab Bangladesh Bank Ltd. | – | 350,000,000 |
| Standard Bank Ltd. | – | 150,000,000 |
| Social Investment Bank Ltd. | – | 200,000,000 |
| Jamuna Bank Ltd. | – | 100,000,000 |
| The City Bank Ltd. | – | 100,000,000 |
| First Security Bank Ltd. | – | 300,000,000 |
| Bank Asia Ltd. | – | 200,000,000 |
| The Trust Bank Ltd. | – | 200,000,000 |
| Investment Corporation of Bangladesh (ICB) | – | 250,000,000 |
| Industrial Promotion and Development Co. of Bangladesh Ltd. | 200,000,000 | 200,000,000 |
| | 200,000,000 | 2,150,000,000 |
| Balance carried forward | 478,580,016 | 2,673,503,166 |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | | | | 2004 Taka | 2003 Taka |
|---|-----------------|---------------|-------------|----------------------|----------------------|
| Balance brought forward—Inside Bangladesh | | | | 478,580,016 | 2,673,503,166 |
| B. Outside Bangladesh(Nostro Accounts) | Currency | Amount | Rate | | |
| Standard Chartered Bank, New York | USD | 91,997.00 | 60.7423 | 5,588,106 | 472,542 |
| American Express Bank, New York | USD | 107,570.00 | 60.7423 | 6,534,049 | 145,753 |
| MashreqBank, New York | USD | 47,708.00 | 60.7423 | 2,897,922 | 147,693 |
| Citibank, N.A, New York | USD | 5,115.00 | 60.7423 | 310,705 | 190,158 |
| HSBC, New York | USD | 3,726.00 | 60.7423 | 226,342 | 597,121 |
| Commerzbank, Frankfurt | USD | 25,318.00 | 60.7423 | 1,537,889 | — |
| Wachovia Bank, N.A., New York | USD | 29,081.00 | 60.7423 | 1,766,457 | 2,243,183 |
| Standard Chartered Bank, London | GBP | 5,735.00 | 114.5330 | 656,815 | 9,229 |
| The Bank of Tokyo Mitsubishi Ltd, Tokyo | YEN | 6,493,933.00 | 0.5749 | 3,733,362 | 3,021,145 |
| Commonwealth Bank of Australia, Sydney | AUD | 15,729.00 | 46.1941 | 726,603 | — |
| Citibank, N.A., Mumbai | ACU | 2,878.00 | 60.7423 | 174,816 | 742,103 |
| Rupali Bank Ltd., Karachi | ACU | — | — | — | 16,964 |
| Hutton National Bank, Colombo | ACU | 12,929.00 | 60.7423 | 785,339 | 220,237 |
| United Bank of India, Kolkata | ACU | 11,337.00 | 60.7423 | 688,662 | 1,328,710 |
| American Express Bank Ltd., Kolkata | ACU | 2,670.00 | 60.7423 | 162,181 | 321,549 |
| HSBC, Karachi, Pakistan | ACU | 44,666.00 | 60.7423 | 2,713,097 | — |
| Bank of Bhutan, Phuentsholing | ACU | 200.00 | 60.7423 | 12,148 | — |
| Arab Bangladesh Bank Ltd., Mumbai | ACU | 2,664.00 | 60.7423 | 161,806 | 2,323,388 |
| Standard Chartered Bank, Kolkata | ACU | 35,654.00 | 60.7423 | 2,165,720 | 128,661 |
| HSBC, Mumbai | ACU | 900.00 | 60.7423 | 54,668 | 1,253,497 |
| Nepal BD Bank Ltd., Kathmandu | ACU | 1,001.00 | 60.7423 | 60,790 | 1,870 |
| Toronto Dominion Bank, Toronto | CAD | 6,212.00 | 49.2695 | 306,046 | 350,774 |
| Commerzbank, Frankfurt | EURO | 39,780.00 | 81.2142 | 3,230,714 | 5,371,895 |
| American Express Bank, Frankfurt | EURO | 2,273.00 | 81.2142 | 184,605 | 426,026 |
| UniCredito Italiano, Milan | EURO | 3,852.00 | 81.2142 | 312,850 | 305,318 |
| | | | | 34,991,692 | 19,617,816 |
| | | | | 513,571,708 | 2,693,120,982 |
| C. Maturity-wise Groupings(Inside and Outside Bangladesh) | | | | | |
| Payable on Demand | | | | 278,580,016 | 523,503,166 |
| Not more than 3 (three) Months | | | | 34,991,692 | 1,969,617,816 |
| More than 3 (three) Months but not more than 1(one) Year | | | | 200,000,000 | 200,000,000 |
| More than 1(one) Year but not more than 5 (five) Years | | | | — | — |
| More than 5 (five) Years | | | | — | — |
| | | | | 513,571,708 | 2,693,120,982 |
| D. Fixed Deposit Maturity-wise Groupings (Inside Bangladesh) | | | | | |
| Payable on Demand | | | | — | — |
| Not more than 3 (three) Months | | | | — | 1,950,000,000 |
| More than 3 (three) Months but not more than 1(one) Year | | | | 200,000,000 | 200,000,000 |
| More than 1(one) Year but not more than 5 (five) Years | | | | — | — |
| More than 5 (five) Years | | | | — | — |
| | | | | 200,000,000 | 2,150,000,000 |
| 5. MONEY AT CALL AND SHORT NOTICE | | | | | |
| Financial Institutions | | | | | |
| International Leasing and Financial Services Ltd. | | | | 170,000,000 | 110,000,000 |
| Industrial Promotion and Development Co. of Bangladesh Ltd. | | | | 250,000,000 | 150,000,000 |
| Industrial Development Leasing Co. of Bangladesh Ltd. | | | | 115,000,000 | — |
| Fareast Finance and Investment Ltd. | | | | 20,000,000 | — |
| Phoenix Leasing Co. Ltd. | | | | 150,000,000 | — |
| Prime Finance and Investment Ltd. | | | | 97,000,000 | — |
| National Housing Finance and Investments Ltd. | | | | 150,000,000 | — |
| United Leasing Company Ltd. | | | | 150,000,000 | 90,000,000 |
| Delta BRAC Housing Finance Corporation Ltd. | | | | 150,000,000 | 80,000,000 |
| Sub Total | | | | 1,252,000,000 | 430,000,000 |
| Banks | | | | | |
| BRAC Bank Ltd. | | | | — | 80,000,000 |
| Standard Bank Ltd. | | | | — | 50,000,000 |
| Citibank, N.A. | | | | — | 120,000,000 |
| Eastern Bank Ltd. | | | | — | 10,000,000 |
| First Security Bank Ltd. | | | | 50,000,000 | — |
| Jamuna Bank Ltd. | | | | 30,000,000 | 50,000,000 |
| National Credit and Commerce Bank Ltd. | | | | — | 30,000,000 |
| Dhaka Bank Ltd. | | | | — | 100,000,000 |
| Commercial Bank of Ceylon Ltd. | | | | — | 70,000,000 |
| American Express Bank Ltd. | | | | — | 100,000,000 |
| The Trust Bank Ltd. | | | | — | 200,000,000 |
| Sub Total | | | | 80,000,000 | 810,000,000 |
| Total | | | | 1,332,000,000 | 1,240,000,000 |

| | | 2004 | 2003 |
|------------|---|------------------------------|------------------------------|
| | | Taka | Taka |
| 6. | INVESTMENTS | | |
| | Government Securities (Note-6.1) | | |
| | Treasury Bills (at face value) | 3,030,000,000 | 2,070,000,000 |
| | 3 Years T & T Bonds @ 7.00% p.a. | 100,000,000 | - |
| | 5 Years Treasury Bond @ 7.50% p.a. | 250,000,000 | - |
| | 10 Years Treasury Bond @ 8.50% p.a. | 200,000,000 | - |
| | Prize Bonds | 464,300 | 369,900 |
| | | <u>3,580,464,300</u> | <u>2,070,369,900</u> |
| | Other Investments (Note- 6.3) | 135,000,000 | 36,895,000 |
| | | <u>3,715,464,300</u> | <u>2,107,264,900</u> |
| 6.1 | Maturity Grouping of Investments-Government Securities | | |
| | Payable on Demand | 464,300 | 369,900 |
| | Not more than 3 (three) Months | - | 50,000,000 |
| | More than 3 (three) Months but not more than 1(one) Year | 650,000,000 | 300,000,000 |
| | More than 1 (one) Year but not more than 5(five) Years | 2,730,000,000 | 1,720,000,000 |
| | More than 5 (five) Years | 200,000,000 | - |
| | | <u>3,580,464,300</u> | <u>2,070,369,900</u> |
| 6.2 | Investment -Government Securities | | |
| | 91 days Treasury Bills | - | 50,000,000 |
| | 182 days Treasury Bills | - | 150,000,000 |
| | 364 days Treasury Bills | 650,000,000 | 150,000,000 |
| | 2 years Treasury Bills | 1,300,000,000 | 590,000,000 |
| | 5 years Treasury Bills | 1,080,000,000 | 1,080,000,000 |
| | 5 years Treasury Bonds | 250,000,000 | - |
| | 10 years Treasury Bonds | 200,000,000 | - |
| | 3 Years T & T Bonds | 100,000,000 | 50,000,000 |
| | | <u>3,580,000,000</u> | <u>2,070,000,000</u> |
| 6.3 | Other Investments | | |
| | Quoted | | |
| | Standard Bank Ltd. Shares | - | 3,540,000 |
| | ONE Bank Ltd. Shares | - | 1,350,000 |
| | Bank Asia Ltd. Shares | - | 805,000 |
| | Daffodil Computers Ltd. Shares | - | 200,000 |
| | | - | 5,895,000 |
| | Un-quoted | | |
| | Central Depository Bangladesh Ltd. Shares | 2,000,000 | 2,000,000 |
| | DBBL Industrial Bond Bonds | 29,000,000 | 29,000,000 |
| | Dhaka Stock Exchange Ltd. Membership fees(Cost of shares) | 4,000,000 | - |
| | United Leasing Company Ltd. Debenture | 100,000,000 | - |
| | | <u>135,000,000</u> | <u>31,000,000</u> |
| | | <u>135,000,000</u> | <u>36,895,000</u> |
| 7. | LOANS AND ADVANCES | | |
| | Loans, Cash Credit and Overdraft etc.(Note A) | 16,766,308,540 | 10,303,124,096 |
| | Bills Purchased and Discounted (Note B) | 902,983,731 | 472,821,435 |
| | | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| A. | Loans, Cash Credit and Overdraft, etc. | | |
| | Loan General | 4,015,731,055 | 1,488,418,882 |
| | Loan Against Trust Receipt | 3,092,342,601 | 1,953,529,552 |
| | Packing Credit | 264,237,134 | 220,487,135 |
| | Lease Finance | 107,938,877 | 131,399,863 |
| | Hire Purchase | 1,669,656,378 | 1,310,409,868 |
| | Payment Against Documents | 513,871,828 | 293,266,287 |
| | Cash Credit (Hypo) | 2,404,981,777 | 1,669,482,337 |
| | Overdraft | 3,161,803,457 | 2,560,515,897 |
| | Consumers Credit | 138,538,403 | 169,983,183 |
| | House Building Loan | 962,105,696 | 264,880,686 |
| | Staff Loan | 71,364,363 | 63,762,979 |
| | EDF Loan | 194,693,855 | 102,910,883 |
| | Other Credit Schemes | 112,777,744 | 73,481,680 |
| | Personal Loan | 55,949,640 | - |
| | Credit Card | 315,732 | 594,864 |
| | | <u>16,766,308,540</u> | <u>10,303,124,096</u> |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|---|------------------------------|------------------------------|
| | Taka | Taka |
| B. Bills Purchased and Discounted | | |
| Payable in Bangladesh | 287,222,639 | 30,677,646 |
| Payable outside Bangladesh | 615,761,092 | 442,143,789 |
| | <u>902,983,731</u> | <u>472,821,435</u> |
| B-1 Maturity Grouping | | |
| Payable within 1 (one) month | - | - |
| Over 1 (one) month but less than 3 (three) months | 615,761,092 | 442,143,789 |
| Over 3 (three) months but less than 6 (six) months | 287,222,639 | 30,677,646 |
| 6 (six) months and above | - | - |
| | <u>902,983,731</u> | <u>472,821,435</u> |
| 7.1 Maturity Grouping of Loans and Advances | | |
| Payable on Demand | 514,187,560 | 293,266,286 |
| Not more than 3 (three) months | 860,800,795 | 1,540,372,616 |
| More than 3 (three) months but not more than 1 (one) year | 9,733,819,916 | 5,606,997,900 |
| More than 1 (one) year but not more than 5 (five) years | 4,519,403,000 | 2,163,708,729 |
| More than 5 (five) years (Including Staff Loan) | 2,041,081,000 | 1,171,600,000 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 7.2 Loans and Advances (Broad Categories) | | |
| In Bangladesh | 17,053,531,179 | 10,333,801,742 |
| Loans | 11,486,745,945 | 6,103,803,508 |
| Cash Credits | 2,404,981,777 | 1,669,482,337 |
| Overdraft | 3,161,803,457 | 2,560,515,897 |
| Outside Bangladesh | | |
| Foreign Bill Purchased | 615,761,092 | 442,143,789 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 7.3 Significant Concentration of Credit | | |
| Advances to Directors and Others | - | - |
| Advances to Managing Director and Chief Executive | - | - |
| Advances to Customers-wise | 8,703,827,908 | 7,052,695,552 |
| Advances to Industry-wise | 8,894,100,000 | 3,659,487,000 |
| Staff Loan | 71,364,363 | 63,762,979 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 7.4 Geographical Location-wise break-up | | |
| Urban | | |
| Dhaka | 13,720,747,350 | 7,765,324,525 |
| Chittagong | 2,322,750,244 | 2,116,020,225 |
| Rajshahi | 1,088,823,587 | 620,378,167 |
| Sylhet | 228,077,494 | 184,535,488 |
| | 17,360,398,675 | 10,686,258,405 |
| Rural | | |
| Dhaka | 131,131,165 | 89,687,126 |
| Chittagong | 177,762,431 | - |
| | 308,893,596 | 89,687,126 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |

| 7.5 Sector wise break-up of loans : | 2004 <u>Taka</u> | 2003 <u>Taka</u> |
|--|------------------------------|------------------------------|
| Economic Sector | | |
| Garments | 2,792,400,000 | 2,614,900,000 |
| Trading | 3,377,592,307 | 2,237,700,000 |
| Engineering (Iron and Steel, Electrical Equipment etc.) | 1,202,500,000 | 136,200,000 |
| Contractor Finance | 689,372,209 | 545,248,295 |
| Leasing Company | 1,007,149,000 | 350,000,000 |
| Housing | 942,127,104 | 257,800,000 |
| Food, Food product, Beverage, Edible oil etc. | 2,028,800,000 | 1,459,900,000 |
| Pharmaceuticals | 44,400,000 | 120,000,000 |
| Telecommunication | 305,900,000 | - |
| Transport | 250,000,000 | 175,800,000 |
| Textile | 865,400,000 | 593,300,000 |
| Cement | 66,400,000 | 5,900,000 |
| Hospital and Medical Service | 130,900,000 | 68,900,000 |
| Paper, Paper Production and Publication | 148,400,000 | 42,500,000 |
| Plastic and Plastic Materials | 167,200,000 | 161,600,000 |
| Storage | 45,000,000 | 2,500,000 |
| Glass and Glass Product | 75,000,000 | 5,000,000 |
| Hotel and Restaurant | 67,900,000 | 26,000,000 |
| Agriculture | 26,900,000 | 1,000,000 |
| Others | 3,435,951,651 | 1,971,697,236 |
| Total | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 7.6 Loans and Advances allowed to each customer exceeding 15% of Bank's total capital: | | |
| Total Loans and Advances | Tk. 5,839,395,000 | |
| Number of Customers | 40 | |
| Classified amount thereon | Nil | |
| Measures taken for recovery | Not Applicable | |
| The amount represents the sum of total loan allowed to each customer exceeding Tk.18.45 crore which is computed @ 15% of closing total Capital Fund, that is, Tk.1,235.23 million as at December 31, 2003. | | |
| 7.7 Loans and Advances Classified as per Bangladesh Bank Circular | | |
| Unclassified | 16,943,125,271 | 10,331,923,531 |
| Sub-standard | 177,334,000 | 186,981,000 |
| Doubtful | 217,454,000 | 209,898,000 |
| Bad and Loss | 331,379,000 | 47,143,000 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 7.8 Nature wise Loans and Advances | | |
| Continuous | 5,435,601,271 | 3,914,305,531 |
| Demand Loan | 5,673,207,000 | 3,526,330,000 |
| Term Loans up to 5 (five) years | 4,519,403,000 | 2,163,710,000 |
| Term Loans above 5 (five) years | 1,969,716,637 | 1,107,837,021 |
| Term Loans above 5 (five) years – Staff Loan | 71,364,363 | 63,762,979 |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|---|------------------------------|------------------------------|
| | Taka | Taka |
| 7.9 Particulars of Loans and Advances | | |
| i) Loans considered good in respect of which the Bank Company is fully secured. | 16,354,877,486 | 9,700,227,651 |
| ii) Loans considered good for which the Bank holds no other Security than the debtors personal security | 1,007,149,000 | 244,906,000 |
| iii) Loans considered good and secured by the personal security of one or more parties in addition to the personal security of the debtors | 307,265,785 | 830,811,880 |
| iv) Loans adversely classified; provision not maintained there against | - | - |
| | <u>17,669,292,271</u> | <u>10,775,945,531</u> |
| 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) | <u>71,364,363</u> | <u>63,762,979</u> |
| 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. | <u>-</u> | <u>-</u> |
| 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) | <u>71,364,363</u> | <u>63,762,979</u> |
| 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 | <u>-</u> | <u>-</u> |
| ix) Due from other banking companies | <u>-</u> | <u>-</u> |
| x) Total amount of classified Advances on which interest is not credited to income | <u>726,167,000</u> | <u>444,022,000</u> |
| a. Movement of classified Loans and Advances | | |
| Opening balance | 444,022,000 | 37,487,410 |
| Increase/ (Decrease) during the year | 282,145,000 | 406,534,590 |
| | <u>726,167,000</u> | <u>444,022,000</u> |
| b. Amount of provision kept against loan classified as 'bad/loss' on the reporting date of balance sheet | <u>237,830,000</u> | <u>20,527,000</u> |
| c. Interest creditable to the Interest Suspense Account | <u>99,197,048</u> | <u>61,177,728</u> |
| xi) Amount of written off loan: | | |
| Opening Balance | - | - |
| Amount written off during the year | - | - |
| Cumulative balance | <u>-</u> | <u>-</u> |
| 8. FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES – at cost less accumulated depreciation (Annexure-A) | | |
| Furniture and Fixtures | 52,486,724 | 40,806,499 |
| Office Equipment | 38,404,171 | 36,703,209 |
| Vehicles | 12,484,407 | 3,827,902 |
| Books | 166,744 | 164,827 |
| | <u>103,542,046</u> | <u>81,502,437</u> |

| | 2004 | 2003 |
|---|-----------------------|-----------------------|
| | Taka | Taka |
| 9. OTHER ASSETS | | |
| Advance Deposits | 534,938 | 448,750 |
| Stock of Stationery | 7,187,672 | 5,380,692 |
| Suspense Account (Note 9.1) | 5,181,889 | 4,855,079 |
| Stamps in Hand | 400,514 | 1,531,866 |
| Advance Rent | 45,825,426 | 34,380,045 |
| D.D. paid without advice | 220,000 | 70,000 |
| Adjusting Account Debit (Note 9.2) | 293,517,260 | 148,427,230 |
| Clearing Adjustment Account | 5,136,601 | - |
| Advance Income Tax | - | 425,978,002 |
| | 358,004,300 | 621,071,664 |
| 9.1 Suspense Account | | |
| Advance against TA/DA | 6,500 | 9,250 |
| Advance against Postage | 4,884 | 2,920 |
| Advance against Printing and Stationery | 1,000,000 | - |
| Advance against Furniture and Fixtures | - | 1,000,000 |
| Advance against New Branches | 202,210 | 848,479 |
| Encashment of PSP/BSP | 348,696 | 17,100 |
| D.D. Cancelled | - | 319,446 |
| Payment proceed on Sanchaya Patra | 2,116,718 | 1,636,886 |
| Others | 1,502,881 | 1,020,998 |
| | 5,181,889 | 4,855,079 |
| 9.2 Adjusting Account Debit | | |
| Accrued interest | 291,200,627 | 148,427,230 |
| Other accruals | 2,316,633 | - |
| | 293,517,260 | 148,427,230 |
| 10. BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS | | |
| Inside Bangladesh – Interest bearing | | |
| United Commercial Bank Ltd. | - | 250,000,000 |
| First Security Bank Ltd. | - | 70,000,000 |
| Rupali Bank Ltd. | 300,000,000 | - |
| IFIC Bank Ltd. | 100,000,000 | - |
| The Premier Bank Ltd. | - | 80,000,000 |
| The City Bank Ltd. | 150,000,000 | 100,000,000 |
| Dutch Bangla Bank Ltd. | 200,000,000 | 50,000,000 |
| Janata Bank | 200,000,000 | - |
| Agrani Bank | 400,000,000 | - |
| Sonali Bank | 250,000,000 | 50,000,000 |
| Uttara Bank Ltd. | 100,000,000 | 200,000,000 |
| | 1,700,000,000 | 800,000,000 |
| Outside Bangladesh | - | - |
| | 1,700,000,000 | 800,000,000 |
| A. Security wise grouping | | |
| Secured Borrowing | - | - |
| Unsecured Borrowing | 1,700,000,000 | 800,000,000 |
| | 1,700,000,000 | 800,000,000 |
| B. Nature of repayment | | |
| Repayable on demand | 1,700,000,000 | 800,000,000 |
| Others | - | - |
| | 1,700,000,000 | 800,000,000 |
| 11. DEPOSITS AND OTHER ACCOUNTS | | |
| A. Deposits Received from Banks (Note : A-1) | 900,000,000 | 1,000,000,000 |
| B. Other than Banks | 18,854,174,237 | 13,798,596,508 |
| Payable on Demand (Note : B-1) | 2,054,843,150 | 1,680,445,180 |
| Other Deposits (Note : B-2) | 16,799,331,087 | 12,118,151,328 |
| | 19,754,174,237 | 14,798,596,508 |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|--|-----------------------|-----------------------|
| | Taka | Taka |
| C. Maturity Analysis | | |
| Repayable on Demand | 2,414,595,877 | 1,636,573,647 |
| Repayable within 01 Month | 1,405,461,009 | 1,715,363,802 |
| Repayable over 01(one) Month but within 06 (six) Months | 3,347,006,751 | 2,872,728,479 |
| Repayable over 06 (six) Months but within 01 (one) Year | 5,442,604,933 | 1,722,853,943 |
| Repayable over 01(one) Year but within 05 (five) Years | 3,463,321,366 | 4,347,355,557 |
| Repayable over 05 (five) Years but within 10 (ten) Years | 3,681,184,301 | 2,503,721,080 |
| Unclaimed Deposits 10 (ten) Years and above | - | - |
| | 19,754,174,237 | 14,798,596,508 |
| A.1 Deposits received from Banks | | |
| Sonali Bank | 200,000,000 | - |
| BASIC Bank Ltd. | 200,000,000 | - |
| United Commercial Bank Ltd. | 150,000,000 | - |
| Uttara Bank Ltd. | 100,000,000 | - |
| Dutch Bangla Bank Ltd. | 250,000,000 | 500,000,000 |
| First Security Bank Ltd. | - | 100,000,000 |
| National Bank Ltd. | - | 100,000,000 |
| The City Bank Ltd. | - | 200,000,000 |
| ONE Bank Ltd. | - | 100,000,000 |
| | 900,000,000 | 1,000,000,000 |
| Maturity wise Grouping | | |
| Repayable within 01 Month | - | - |
| Repayable Over 01(one) Month but within 06 (six) Months | 900,000,000 | 1,000,000,000 |
| Repayable Over 06(six) Months but within 01(one) Year | - | - |
| Repayable Over 01(one) Year but within 05 (five)Years | - | - |
| Repayable Over 05 (five)Years but within 10 (ten) Years | - | - |
| Unclaimed Deposits for 10 (ten)Years and above | - | - |
| | 900,000,000 | 1,000,000,000 |
| B-1 Payable on Demand | | |
| Current Deposits | 660,557,454 | 494,624,665 |
| Savings Bank Deposits(10%) (Note : 11.3) | 119,995,891 | 78,946,759 |
| Foreign Currency Deposits (non-interest bearing) | 91,371,323 | 43,877,928 |
| Security Deposit Receipt | 46,679,997 | 89,875,816 |
| Sundry Deposits | 416,577,855 | 469,076,340 |
| Foreign Currency held against Back to Back L/C | 719,660,630 | 504,043,672 |
| | 2,054,843,150 | 1,680,445,180 |
| B-2 Other Deposits | | |
| Savings Bank Deposits (90%) (Note : 11.3) | 1,079,963,024 | 710,520,833 |
| Fixed Deposits | 6,071,499,286 | 4,314,266,247 |
| Short Term Deposits | 560,188,403 | 426,144,881 |
| Bills Payable (Note : 11.2) | 359,406,512 | 324,332,820 |
| Bearer Certificates of Deposits (Note : 11.5) | 25,239,025 | 28,635,943 |
| Deposits Under Schemes(Note : 11.6) | 8,658,133,542 | 6,306,938,390 |
| Foreign Currency Deposits (interest bearing) | 44,523,000 | 6,477,146 |
| Non-Resident Taka Deposit | 32,080 | 33,213 |
| Deposit Under Q-Cash | 346,215 | 801,855 |
| | 16,799,331,087 | 12,118,151,328 |
| 11.1 Current Accounts and Other Accounts | | |
| Current Deposits | 660,557,454 | 494,624,665 |
| Short Term Deposits | 560,188,403 | 426,144,881 |
| Non-Resident Taka Deposits | 32,080 | 33,213 |
| Foreign Currency Deposits | 135,894,323 | 50,355,074 |
| Deposit Under Q-Cash | 346,215 | 801,855 |
| Security Deposit Receipt | 46,679,997 | 89,875,816 |
| Sundry Deposit | 416,577,855 | 469,076,340 |
| Foreign Currency held against Back to Back L/C | 719,660,630 | 504,043,672 |
| | 2,539,936,957 | 2,034,955,516 |

| | 2004 | 2003 |
|---|----------------------|----------------------|
| | Taka | Taka |
| 11.2 Bills Payable | | |
| Pay Slip | 2,635,290 | 2,341,809 |
| Pay Order | 346,068,519 | 301,541,288 |
| Demand Draft | 10,702,703 | 20,449,723 |
| | 359,406,512 | 324,332,820 |
| 11.3 Savings Bank Deposits | | |
| As per BRPD Circular No. 03 dated July 07, 1997, total Savings Bank Deposits amount is bifurcated into: | | |
| 10% of total Savings Bank Deposits as Demand Deposit | 119,995,891 | 78,946,759 |
| 90% of total Savings Bank Deposits as Time Deposit | 1,079,963,024 | 710,520,833 |
| | 1,199,958,915 | 789,467,592 |
| 11.4 Fixed Deposits – Maturity wise Grouping | | |
| Repayable within 01 Month | 845,272,606 | 253,530,200 |
| Repayable Over 01(one) Month but within 06 (six) Months | 1,907,025,239 | 2,822,379,800 |
| Repayable Over 06 (six) Months but within 01(one) Year | 4,062,725,109 | 1,694,218,000 |
| Repayable Over 01(one) Year but within 05 (five) Years | 156,476,332 | 544,138,247 |
| Repayable Over 05(five)Years but within 10 (ten) Years | - | - |
| Unclaimed Deposits for 10 (ten) Years and above | - | - |
| | 6,971,499,286 | 5,314,266,247 |
| 11.5 Bearer Certificates of Deposits | | |
| Repayable within 01 Month | - | - |
| Repayable Over 01(one) Month but within 06 (six)Months | - | - |
| Repayable Over 06 (six) Months but within 01(one) Year | 25,239,025 | 28,635,943 |
| Repayable Over 01(one) Year but within 05 (five) Years | - | - |
| Repayable Over 05 (five) Years but within 10 (ten) Years | - | - |
| Unclaimed Deposits for 10 (ten)Years and above | - | - |
| | 25,239,025 | 28,635,943 |
| *Bearer Certificates of Deposits is discontinued for New Account Holders. | | |
| 11.6 Deposits Under Schemes | | |
| Monthly Savings Scheme | 2,429,402,669 | 1,357,633,037 |
| Double Benefit Deposit Scheme | 3,378,787,690 | 2,601,403,007 |
| Family Maintenance Deposit | 2,177,687,500 | 1,910,751,779 |
| Agrim Sanchaya Prakalpa | 1,561,121 | 2,065,267 |
| Special Savings Scheme | 612,891,712 | 401,541,000 |
| Pension and Family Support Deposit | 57,802,850 | 33,544,300 |
| | 8,658,133,542 | 6,306,938,390 |
| 12. OTHER LIABILITIES | | |
| Provision for Mercantile Bank Foundation | - | 6,064,000 |
| Provision for Incentive Bonus | 44,194,675 | 25,000,000 |
| Provision for Taxation (Note : 12.1) | 142,117,600 | 525,000,000 |
| Provision for Loans and Advances (Note : 12.2) | 515,938,819 | 248,438,819 |
| Adjusting Account Credit | 830,771,745 | 619,125,970 |
| Interest Suspense Account (Note : 12.3) | 99,197,048 | 61,177,728 |
| Foreign Currency held against EDF L/C | 100,245,277 | 67,466,121 |
| Exchange Equalization Account | 2,322,375 | 2,322,375 |
| Mercantile Bank General Account | 73,731,560 | 41,768,193 |
| | 1,808,519,099 | 1,596,363,206 |
| 12.1 Provision for Taxation | | |
| Provision held at the beginning of the year | 525,000,000 | 401,793,044 |
| Add: Provision made during the year (Note : 12.1.01) | 241,680,000 | 211,411,315 |
| | 766,680,000 | 613,204,359 |
| Less: Tax paid during the year | 198,584,398 | 81,721,132 |
| | 568,095,602 | 531,483,227 |
| Less: Adjustment made during the year | 425,978,002 | 6,483,227 |
| Balance held at the end of the year | 142,117,600 | 525,000,000 |

Current Tax liabilities for the current and prior periods should be 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 substantially enacted by the balance sheet. (IAS-12, para-46).

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|---|---------------------------|---------------------------|
| | Taka | Taka |
| 12.1.01 Provision made during the year | | |
| Gross Profit | 821,761,426 | 606,388,216 |
| Less : | | |
| 1% Provision against Good Advances | 70,000,000 | 15,000,000 |
| Provision for Classified Advances | 197,500,000 | 133,000,000 |
| Provision for Mercantile Bank Foundation | - | 6,064,000 |
| Provision for Incentive Bonus | - | 25,000,000 |
| | <u>267,500,000</u> | <u>179,064,000</u> |
| Operating Revenue after Provision | 554,261,426 | 427,324,216 |
| Less: Dividend and gain on sale of shares (Note : 18.1 B) | 17,196,187 | - |
| Taxable Profit | <u>537,065,239</u> | <u>427,324,216</u> |
| Income Tax thereon @ 45% | <u>241,679,358</u> | <u>192,295,897</u> |
| Provision during the year | 241,680,000 | 192,500,000 |
| Add: Short provision relating to previous years | - | 18,911,315 |
| | <u>241,680,000</u> | <u>211,411,315</u> |

Under the existing rule tax allowability of General and Specific provision already expired on June 30, 2004. If this allowability is not extended in the next National Budget, there will be an incidence of extra tax burden for the Bank.

12.2 Provision for Loans and Advances

| | | |
|--|---------------------------|---------------------------|
| Provision for Classified Loans and Advances | 342,800,000 | 145,300,000 |
| General Provision (1% for Unclassified Loans and Advances) | 173,138,819 | 103,138,819 |
| | <u>515,938,819</u> | <u>248,438,819</u> |

Movement in Specific Provision

| | | |
|--|--------------------|--------------------|
| Provision held at the beginning of the year | 145,300,000 | 12,300,000 |
| Fully Provided Debts written off | - | - |
| Recoveries of amounts previously written off | - | - |
| Specific Provision for the year | - | - |
| Recoveries and Provisions no longer required | - | - |
| Net Charge to Profit and Loss Account | 197,500,000 | 133,000,000 |
| Provision held at the end of the year | 342,800,000 | 145,300,000 |

General Provision (1% for Unclassified Loans and Advances)

| | | |
|---|---------------------------|---------------------------|
| Provision held at the beginning of the year | 103,138,819 | 88,138,819 |
| Addition during the year | 70,000,000 | 15,000,000 |
| | <u>173,138,819</u> | <u>103,138,819</u> |
| Provision at the end of the year | 515,938,819 | 248,438,819 |

12.3 Interest Suspense Account

| | | |
|---|--------------------------|--------------------------|
| Opening Balance as at January 01, 2004 | 61,177,728 | 1,872,736 |
| Add: Amount transferred to 'Interest Suspense Account' during the year | 62,578,336 | 59,304,992 |
| | 123,756,064 | 61,177,728 |
| Less: Amount recovered in 'Interest Suspense Account' during the year | 24,559,016 | - |
| Less: Amount written off during the year | - | - |
| Balance at the end of the year | <u>99,197,048</u> | <u>61,177,728</u> |

| | | | 2004 | 2003 |
|--|----------------------|----------------------|-----------------------|-----------------------|
| | | | Taka | Taka |
| 13. CAPITAL | | | | |
| AUTHORISED CAPITAL | | | | |
| 12,000,000 ordinary shares of Taka 100 each. | | | 1,200,000,000 | 1,200,000,000 |
| 13.1 Issued, Subscribed and Fully Paid-up Capital | | | | |
| Total 7,994,125 Ordinary shares (6,395,300 Ordinary shares during 2003) of Tk 100 each were issued, subscribed and fully paid-up at the end of December, 2004. | | | | |
| Issued for Cash | | | 564,765,000 | 564,765,000 |
| Issued for other than Cash(Bonus Share) | | | 234,647,500 | 74,765,000 |
| | | | 799,412,500 | 639,530,000 |
| 13.2 Particulars of Fully Paid-up Share Capital as at December 31, 2004 | | | | |
| | 2004 | 2003 | 2004 | 2003 |
| | <u>No. of Shares</u> | <u>No. of Shares</u> | <u>(%)</u> | <u>(%)</u> |
| Sponsor | 4,268,554 | 3,197,650 | 53.40% | 50.00% |
| Financial Institutions | 864,272 | 1,065,750 | 10.81% | 16.66% |
| General Public | 2,861,299 | 2,131,900 | 35.79% | 33.34% |
| | 7,994,125 | 6,395,300 | 100.00% | 100.00% |
| 13.1.2 Classification of Shareholders by Holding as at December 31, 2004 | | | | |
| Holding | | Number of | | |
| | | Shareholders | No. of Shares | Percentage |
| 1 to 499 Shares | | 3,727 | 413,621 | 5.17% |
| 500 to 5,000 Shares | | 595 | 793,895 | 9.93% |
| 5,001 to 10,000 Shares | | 34 | 248,380 | 3.11% |
| 10,001 to 20,000 Shares | | 38 | 526,947 | 6.59% |
| 20,001 to 30,000 Shares | | 15 | 354,118 | 4.43% |
| 30,001 to 40,000 Shares | | 6 | 207,187 | 2.59% |
| 40,001 to 50,000 Shares | | 7 | 296,881 | 3.71% |
| 50,001 to 100,000 Shares | | 18 | 1,350,529 | 16.90% |
| 100,001 to 1,000,000 Shares | | 19 | 3,802,567 | 47.57% |
| | | 4,459 | 7,994,125 | 100.00% |
| 13.2 Capital Adequacy Ratio | | | | |
| Tier-I (Core Capital) | | | | |
| Paid-up Capital | | | 799,412,500 | 639,530,000 |
| Statutory Reserve | | | 391,882,622 | 281,032,622 |
| Proposed Bonus Share | | | - | 159,882,500 |
| Retained Earnings | | | 205,376,385 | 3,644,959 |
| Dividend Equalization Fund (Other reserve) | | | 45,680,250 | 45,680,250 |
| | | | 1,442,351,757 | 1,129,770,331 |
| Tier-II (Supplementary Capital) | | | | |
| 1% General Provision | | | 173,138,819 | 103,138,819 |
| Exchange Equalization Account | | | 2,322,375 | 2,322,375 |
| | | | 175,461,194 | 105,461,194 |
| A.Total Capital | | | 1,617,812,951 | 1,235,231,525 |
| B. Total Risk Weighted Assets | | | 15,793,407,600 | 11,788,092,000 |
| C. Required Capital based on Risk Weighted Assets(9% on B) | | | 1,421,406,684 | 1,060,928,280 |
| D. Surplus/(Deficiency) (A-C) | | | 196,406,267 | 174,303,245 |
| Capital Adequacy Ratio (%) | | | 10.24 | 10.48 |
| Capital Requirement | | Required | Held | Held |
| | | | (%) | (%) |
| Tier-I | | 4.50% | 9.13 | 9.58 |
| Tier-II | | - | 1.11 | 0.90 |
| Total | | 9.00% | 10.24 | 10.48 |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|--|-----------------------------|-----------------------------|
| | Taka | Taka |
| 14. STATUTORY RESERVE | | |
| Opening Balance, as at January 01, 2004 | 281,032,622 | 195,532,622 |
| Transferred during the year from Profit and Loss Account | 110,850,000 | 85,500,000 |
| Closing Balance | <u>391,882,622</u> | <u>281,032,622</u> |
| This has been done according to Section 24 of Bank Companies Act, 1991 and shall be maintained until it equals to Paid-up Capital. | | |
| 15. OTHER RESERVES | | |
| Balance as on January 01, 2004 | 45,680,250 | 45,680,250 |
| Add: Addition During the Year (Dividend Equalization Fund) | - | - |
| Closing Balance | <u>45,680,250</u> | <u>45,680,250</u> |
| 16. Surplus in Profit and Loss Account | | |
| Total Profit before Income Tax | 554,261,426 | 427,324,217 |
| Less: Statutory Reserve | 110,850,000 | 85,500,000 |
| | <u>443,411,426</u> | <u>341,824,217</u> |
| Less: Provision for Income Tax | 241,680,000 | 211,411,315 |
| Net Profit after Income Tax for the year | 201,731,426 | 130,412,902 |
| Add: Brought forward from previous year balance | 3,644,959 | 33,114,557 |
| Retained Earnings | 3,644,959 | 1,917,210 |
| Share Premium | - | 31,197,347 |
| Total available fund for distribution | 205,376,385 | 163,527,459 |
| Less: Appropriation | - | 159,882,500 |
| Proposed Bonus Share | - | 159,882,500 |
| Closing Balance | <u>205,376,385</u> | <u>3,644,959</u> |
| 17. LETTER OF GUARANTEES | | |
| Money for which the Bank is contingently liable in respect of guarantees are given favoring: | | |
| Directors | - | - |
| Government | 1,031,626,163 | 609,883,000 |
| Banks and other Financial Institutions | 8,218,050 | - |
| Others | 140,468,712 | 87,902,462 |
| | <u>1,180,312,925</u> | <u>697,785,462</u> |
| 18. INTEREST INCOME | | |
| Interest received from Banks and other Financial Institutions | 159,840,825 | 225,759,569 |
| Interest received from FC Clearing Account | 2,385,353 | 1,426,370 |
| Interest received from ATM card | 146,159 | 11,006 |
| Interest received from Loans and Advances | 1,755,836,347 | 1,220,918,862 |
| | <u>1,918,208,684</u> | <u>1,448,115,807</u> |
| 18.1 INVESTMENT INCOME | | |
| Interest on Investments (Note : A) | 202,613,912 | 140,550,454 |
| Income on Investment in Shares (Note : B) | 17,196,187 | - |
| | <u>219,810,099</u> | <u>140,550,454</u> |
| A. Interest on Investments | | |
| Interest on Treasury Bills | 183,407,358 | 138,194,685 |
| Interest on Treasury Bonds | 9,358,478 | - |
| Interest on T & T Bonds | 8,135,164 | 2,355,769 |
| Interest on Debenture | 1,712,912 | - |
| | <u>202,613,912</u> | <u>140,550,454</u> |
| B. Income on Investment in Shares | | |
| Gain on sale of shares | 16,253,487 | - |
| Dividend on shares | 942,700 | - |
| | <u>17,196,187</u> | <u>-</u> |

| | | 2004 | 2003 |
|--|-------------|-----------------------------|-------------------------------|
| | | Taka | Taka |
| 19. INTEREST PAID ON DEPOSITS AND BORROWINGS ETC. | | | |
| Interest paid on Deposits | | 1,507,938,108 | 1,113,572,871 |
| Interest paid on Borrowings | | 990,375 | 2,212,244 |
| Interest paid on Overseas Accounts | | 69,550 | 30,562 |
| | | <u>1,508,998,033</u> | <u>1,115,815,677</u> |
| 20. COMMISSION, EXCHANGE AND BROKERAGE | | | |
| Commission | | 217,146,130 | 151,913,099 |
| Exchange (Note : 20.1) | | 268,210,909 | 194,541,935 |
| | | <u>485,357,039</u> | <u>346,455,034</u> |
| 20.1 Exchange | | | |
| Gains arising from Dealing Securities | | - | - |
| Less: losses | | - | - |
| Gains arising from Investment Securities | | - | - |
| Less: losses | | - | - |
| Gains arising from Foreign Trade Business (including dealings) | | 268,210,909 | 194,541,935 |
| Less: losses | | - | - |
| | | <u>268,210,909</u> | <u>194,541,935</u> |
| 21. OTHER OPERATING INCOME | | | |
| Services and other Charges | | 20,638,847 | 13,100,145 |
| Income from Rent of Locker | | 306,000 | 173,000 |
| Telephone, Telex and E-mail Charges | | 13,148,065 | 10,793,500 |
| On Line Client Fees | | 624,553 | 371,932 |
| Discount Income | | 20,510,000 | - |
| ATM Card | | 172,537 | 19,279 |
| Gain on Sale of Vehicles | | 179,999 | - |
| Miscellaneous Earnings | | 38,709,759 | 30,137,473 |
| | | <u>94,289,760</u> | <u>54,595,329</u> |
| 22. DIRECTORS' FEES | | | |
| | Rate | Number of meetings | Number of participants |
| Directors' Fees | 2500 | 68 | 517 |
| Directors' Fees VAT | | | |
| | | | 1,292,500 |
| | | | 211,725 |
| | | | <u>1,504,225</u> |
| | | | <u>2,357,875</u> |
| 23. SALARIES AND ALLOWANCES | | | |
| Basic Salary | | 61,669,327 | 48,664,411 |
| Bonus | | 52,255,529 | 31,821,313 |
| Bank's Contribution to Employees' Provident Fund | | 5,750,089 | 4,069,969 |
| House Rent | | 35,922,588 | 25,067,504 |
| Conveyance Allowance | | 5,561,126 | 3,796,806 |
| Car Allowance | | 16,616,041 | 10,361,472 |
| Entertainment Allowance | | 2,648,763 | 2,117,737 |
| Medical Allowance | | 8,210,579 | 5,802,156 |
| Dearness Allowance | | 22,795,608 | 15,517,393 |
| Overtime Allowance | | 199,471 | 171,252 |
| Other Allowances | | 2,978,192 | 178,393 |
| | | <u>214,607,313</u> | <u>147,568,406</u> |
| 24. RENT, TAXES, INSURANCE, LIGHTING ETC. | | | |
| Rent | | 29,196,945 | 23,986,920 |
| Rates, Taxes and Excise Duty | | 86,801 | 41,239 |
| Insurance | | 17,949,763 | 11,017,865 |
| Lighting, Gas and WASA | | 7,972,886 | 6,405,856 |
| | | <u>55,206,395</u> | <u>41,451,880</u> |

Notes to the Financial Statements *for the year ended December 31, 2004*

| | 2004 | 2003 |
|--|-------------------|-------------------|
| | Taka | Taka |
| 25. LEGAL EXPENSES | | |
| Legal Fees and Charges | 487,855 | 532,205 |
| Stamps and Notary Public Expenses | 39,415 | 36,885 |
| | <u>527,270</u> | <u>569,090</u> |
| 26. STATIONERY, PRINTING AND ADVERTISEMENTS | | |
| Printing and Stationery | 6,234,592 | 6,582,287 |
| Advertisements | 16,902,488 | 9,769,836 |
| Computer Expenses | 2,640,275 | 2,178,734 |
| | <u>25,777,355</u> | <u>18,530,857</u> |
| 27. DEPRECIATION AND REPAIR OF FIXED ASSETS | | |
| Depreciation on Fixed Assets (Annexure-A) | 15,633,126 | 11,509,905 |
| Repairs and Maintenance | 4,328,413 | 3,478,936 |
| | <u>19,961,539</u> | <u>14,988,841</u> |
| 28. OTHER EXPENSES | | |
| Bank Charges | 618,740 | 601,483 |
| Donation | 4,027,000 | 1,123,000 |
| Car Expenses | 1,476,050 | 1,415,825 |
| Discount and Commission Paid | 500 | 34,698 |
| Training Expenses | 1,656,789 | 1,470,055 |
| IPO Expenses | 3,933,598 | 24,696,302 |
| Exgratia | 656,200 | 420,500 |
| Securities and Cleaning | 10,442,816 | 8,368,887 |
| Subscription | 1,279,337 | 1,242,906 |
| Entertainment Expenses | 4,723,109 | 4,767,234 |
| Travelling Expenses | 2,929,785 | 2,207,030 |
| Conveyance, Carriage and Freight | 1,179,331 | 915,793 |
| Business Development | 3,442,489 | 634,207 |
| Liveries and Uniforms | 228,511 | 182,314 |
| Medical Expenses | 1,229,694 | 323,007 |
| Newspapers and Magazines | 857,652 | 292,046 |
| Q-Cash/ATM Cards | 38,964 | 1,705,798 |
| Contribution to Mercantile Bank Foundation | - | 6,064,000 |
| Miscellaneous Expenses | 15,483,590 | 1,540,158 |
| | <u>54,204,155</u> | <u>58,005,243</u> |

28.1 IPO Expenses

A portion of expenses for IPO of 2003 was incurred during 2004. As the IPO was oversubscribed by 40 times and commission @ 0.25% was paid there against, the total expenses on IPO exceeded the ceiling of 2.50% as per Bank Companies Act, 1991.

29 AUDIT COMMITTEE

A Particulars of Audit Committee

The Board of Directors of the Bank has constituted an Audit Committee with a view to acting as a bridge among the Board of Directors, Management, Depositors, Shareholders etc. and to make an effective role in establishing a transparent, efficient, strong and secured banking system. The Audit Committee has been formed comprising 3 (Three) members of the Board of Directors as follows :

| Name | Designation | Educational Qualification |
|------------------------------|-------------|---|
| Mr. Md. Aman Ullah | Chairman | Bachelor of Arts |
| Mr. Md. Nasiruddin Choudhury | Member | B.Sc.Engg (Civil) Bangladesh University of Engineering and Technology |
| Mr. Saber Hossain Chowdhury | Member | B.A (Hons.) (Economics and Politics) School of Oriental and African Studies, University of London. Post Graduation Completion of Academic Stage for entry to Bar, Westminster University, London. |

B. During the year 2004, the Audit Committee of the Board conducted 14 (fourteen) meetings in which among others they discussed issues as follows :

Reviewing the terms of reference of the Committee as mentioned in BRPD Circular No.12 dated December 23, 2002.
Reviewing the comprehensive inspection report of Bangladesh Bank received from time to time and status of compliance thereof.

Reviewing the internal inspection report of different branches of Mercantile Bank Limited conducted by Bank's Audit and Inspection team from time to time.

Reviewing the Management letter submitted by external auditors and ensuring the compliance.

Reviewing the status of compliance of different rules and regulations.

Evaluation of manpower structure of Audit and Inspection Division and approval of annual audit program of the Bank.

Assessment of Financial Statements for disclosure for half yearly position.

30 DETAILS OF DIRECTORS

| Serial | Names of Directors | Business Entities | Number of Share holding position | |
|--------|----------------------------------|--|----------------------------------|---------|
| | | | 2004 | 2003 |
| 1 | Mr. Md. Abdul Jalil Chairman | Jalil Traders Fayez Uddin Cold Storage Ltd. | 78,751 | 63,001 |
| 2 | Mr. Md. Anwarul Haque | Techno Foki (Bd) Ltd. Holiday Travels Ltd. Technocon Ltd. Manar Associates Ltd. Living Plus Ltd. Global Insurance Ltd. Marga Net One Ltd. Premier Leasing International Ltd. | 120,948 | 96,759 |
| 3 | Dr. Toufique Rahman Chowdhury | Institute of Business & Information Tech, Sylhet Metropolitan University, Sylhet Sylhet Grammar School Multisec Ltd. Global Link Ltd. Uniben Ltd. | 81,572 | 65,258 |
| 4 | Mr. Golam Faruk Ahmed | M/s Ahmeds People Insurance Co. Ltd. Popular Life Insurance Co. Ltd. Global Insurance Ltd. | 163,145 | 130,516 |
| 5 | Mr. Md. Aman Ullah | Arena HRI Ltd. Arena Infotech Ltd. Arena Industries Ltd. Arena Securities Ltd. Arena Consumer Products Ltd. Mousumi Enterprise Ltd. SAMP Ltd. Metropolitan Education Promoters Ltd. Institute of Business & Information Technology | 479,980 | 204,784 |
| 6 | Mr. Md. Abdul Hannan | ZHAS Garments Ltd. Reu Fashion Ltd. | 326,291 | 261,033 |
| 7 | Mr. Md. Selim | Global Insurance Ltd. Synthia Securities Ltd. Metropolitan Education Promoters Ltd. Central Plaza, Dhaka Sumon Cloth Store | 163,145 | 130,516 |
| 8 | Mr. Md. Nasiruddin Choudhury | Techno Foki (Bd.) Ltd. Holiday Travels Ltd. Technocon Ltd. Manar Associates Ltd. Living Plus Ltd. Global Insurance Ltd. Delta Medical Centre Ltd. Premier Leasing International Ltd. | 120,948 | 96,759 |

Notes to the Financial Statements for the year ended December 31, 2004

| | | | | |
|----|-----------------------------|--|---------|---------|
| 9 | Mr. Morshed Alam | Bengal Plastic Industries Ltd. Compact Fluorescent Lamps Co. Ltd. Bengal Overseas Corporation Ltd. Bengal Poly and Paper Sack Ltd. Power Utility (BD) Ltd. Bengal Poly Pack Ltd. Bengal Agro Estate Ltd. Jack in the Box Ltd. Bengal Teletech (BD) Ltd. Bengal Hyper Market Ltd. Bengal Concept & Holdings Ltd. Rahmania Bread & Biscuit Industries Ltd. Bengal CNG-LNG Services Ltd. Bengal Marbles Ltd. Bengal Adhesive & Chemical Co. | 203,931 | 163,145 |
| 10 | Mr. Md. Shahabuddin Alam | Shamannaz Super Oil Ltd. Shamannaz Dairy & Food Products Ltd. South Eastern Tank Terminal Ltd. S.A. Oil Refinery Ltd. S.A. Pulp & Paper Products Ltd. Shamannaz Condensed Milk Ltd. Laila Vanaspati Products Ltd. S. A. Condensed Milk Ltd. S. A. Telecom System Ltd. Kamal Vegetable Oils Ltd. | 163,145 | 130,516 |
| 11 | Mr. S.M. Abdul Mannan | Techno Foki (Bd.) Ltd. Premier Leasing International Ltd. Technocon Ltd. Manar Associates Ltd. Living Plus Ltd. Delta Medical Centre Ltd. Delta Spinning Mills Ltd. Marga Net One Ltd. Global Insurance Ltd. Piu-De Fashionova Ltd. | 98,380 | 78,704 |
| 12 | Mr. Saber Hossain Chowdhury | Karnaphuli Ltd. Karnaphuli Industries Ltd. Karnaphuli Works Ltd. Karnaphuli Farms Ltd. Karnaphuli Engineering Co. Ltd. Karnaphuli Foundries Ltd. Travelscene Ltd. Holy Crescent Hospital Ltd. Regensea Lines Ltd. Container and Terminal Services Ltd. Bhorer Kagoj H.R. Holdings Ltd. | 30,000 | 24,000 |

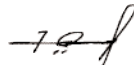
31 EVENTS AFTER BALANCE SHEET DATE

Proposed Dividend

The Board of Directors of the Bank has recommended issuance of 01 Bonus Share for every 04 Shares, that is, Stock Dividend @ 25% of paid-up capital to the shareholders for the year 2004.



Md. Abdul Jalil
Chairman



Dr. Toufique Rahman Chowdhury
Director



Md. Abdul Hannan
Director



Shah Md. Nurul Alam
Managing Director and CEO

Statement of Fixed Assets as at December 31, 2004

ANNEXURE-A

| Particulars | C O S T | | | | D E P R E C I A T I O N | | | | Written down value at December 31 2004 |
|------------------------|-------------------------------|---------------------------|-----------------------|--------------------------------|-------------------------------|---------------------|-------------------------------|--------------------------------|--|
| | Balance as on January 01 2004 | Additions during the year | Sales during the year | Balance as at December 31 2004 | Balance as on January 01 2004 | Charge for the year | Adjustment on during the year | Balance as at December 31 2004 | |
| Furniture and Fixtures | 51,938,553 | 16,505,570 | - | 68,444,123 | 11,132,054 | 4,825,345 | - | 15,957,399 | 52,486,724 |
| Office Equipment | 55,385,916 | 9,781,443 | - | 65,167,359 | 18,682,707 | 8,080,480 | - | 26,763,187 | 38,404,172 |
| Vehicles | 10,526,037 | 11,346,500 | 616,000 | 21,256,537 | 6,698,135 | 2,689,994 | 615,999 | 8,772,130 | 12,484,407 |
| Books | 259,786 | 39,223 | - | 299,009 | 94,959 | 37,307 | - | 132,266 | 166,743 |
| Total | 118,110,292 | 37,672,736 | 616,000 | 155,167,028 | 36,607,855 | 15,633,126 | 615,999 | 51,624,982 | 103,542,046 |