

**Key Statistics**

Latest Close	18.7
52-week Price Range	17.7-34.8
NOS Outstanding (Mn)	660
Market Capitalization (BDT Bn)	12,341
<b>Holding Structure</b>	
Public	41%
Institution	18%
Sponsors	40%
Government	0%
52-week Avg. Turnover	26.1
EPS Forward	2.07
P/E Forward	9.0
Sector P/E Forward	9.7
NAVPS	17.55
P/NAVPS	1.07
Sector P/NAVPS	1.17
Beta	1.04

**Company Profile:** Mercantile Bank Limited (MBL) started its journey as a commercial bank on 02 June, 1999. It has 86 branches, more than 100 ATM booths in Bangladesh, 1 offshore banking unit and around 1,600 employees. The bank provide products and services in retail banking, corporate finance, Islamic Finance, asset management, equity brokerage and security. In addition, the company has a few subsidiaries in capital market, Mercantile Bank Securities Ltd., Mercantile Bank Investment Ltd., and Mercantile Bank Brokerage House. Further, the company has an exchange house in UK named Mercantile Exchange House (UK) Ltd.

**Description of business:** The key revenue driver of MBL is Net Interest Income, which was 49% of total operating income grew positively through last five years. Investment income and non funded income was 27% and 23% of total operating income respectively in 2011 and on growing trend in 1st three quarter of 2012. Commission, exchange and brokerage income showed positive growth in 2011 and 2012. Notable thing is that, operating profit showed significantly positive growth in 2011.

Key Financials (In MN BDT)	2010	2011	Q1, 2012	Q2, 2012	Q3, 2012
Loans and advances	66,377.7	79,728.0	82,092.2	87,111.2	89,159.3
Deposits and other accounts	73,739.4	94,054.2	101,208.6	106,296.5	110,498.8
Investment					
Govt.	9,565.3	23,348.8	30,317.9	29,675.7	27,625.2
Others	1,371.9	1,526.5	1,296.5	1,476.4	1,514.4
Total Shareholders equity	7,185.7	9,679.1	9,937.3	10,235.4	10,589.4
Paid up capital	4,072.2	4,968.1	4,968.1	6,110.8	6,110.8
Total Contingent Liabilities (OBS)	37,989.5	41,948.4			54,358.2
Interest income	6,837.9	9,760.6	2,987.9	3,026.3	3,220.3
Interest paid on deposits and borrowings	5,176.0	8,022.6	2,487.8	2,759.1	3,118.5
Net interest	1,661.9	1,738.0	500.1	267.3	101.8
Investments income	919.4	1,671.3	442.8	700.5	330.0
Commision, exchange and brokerage	1,201.0	1,455.6	290.0	386.5	379.9
Operating profit	4,775.8	6,169.3	1,499.6	1,658.4	1,559.3
Profit before tax	2,435.9	3,034.7	729.0	685.6	463.0
Net profit	1,425.3	1,755.7	409.0	295.6	346.3

Key Performance Indicators (Quarterly)	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12
NIM growth	-99.3%	58022.6%	-53.3%	-46.6%	-61.9%
OP growth	58.8%	-45.6%	38.8%	4.4%	-24.2%
Total Provision growth	-51.8%	-24.1%	264.1%	37.9%	-6.2%
Net Interest Margin (NIM) % of Interest Income	0.1%	38.9%	16.7%	8.8%	3.2%
OP % of Interest Income	53.5%	25.0%	32.0%	33.0%	23.5%
Current Deposit growth	8.4%	-13.8%	27.7%	18.9%	3.4%
Savings Deposit growth	1.0%	7.7%	4.0%	10.2%	-3.7%
Term Deposit growth	1.2%	9.4%	6.8%	-2.3%	4.4%

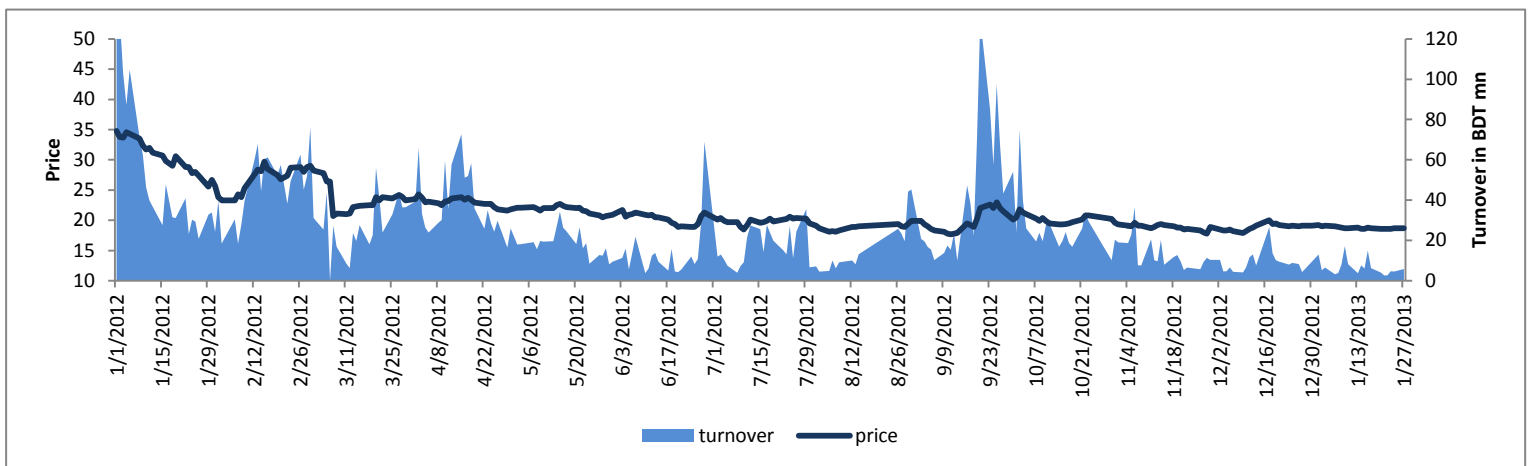
## Analysis of Performance:

Net interest income growth was 4.58 per cent in 2011 compared to that of the previous year. Income from investment and income from commission, exchange and brokerage declined by 71 per cent and 4 per cent respectively in Q3, 2012. The bottom line profit NPAT dropped by 64 per cent as depressed financial market performance and high provisioning against loans and advances.

Total asset increased by 17 per cent in Q3, 2012 with its main contributor loans and advances increased by 19.43 per cent. The main funding source, deposit increased by 22.4 per cent. The cost income ratio increased significantly by 20.18 per cent in Q3, 2012 compared to the same period of the previous year.

ROA and ROE of the Bank were 1.49 per cent and 17.95 per cent respectively in 2011. Non-performing loan ratio stood at 2.61 per cent in 2011. The bank maintained 10.6 per cent capital adequacy ratio, the required amount was 10 per cent.

## Stock Performance



## Analyst Team

Debabrata Kumar Sarker	deb@bracepl.com
Rahat Ali Khan	rahatkhan@bracepl.com
Fatema Akter Merry	fatema.akter@bracepl.com

## Disclaimer

This report has been prepared by BRAC EPL Investments Limited (BEIL) and is provided for information purposes only. It is not, under any circumstances, to be used or considered as an offer to sell, or a solicitation of any offer to buy. Reasonable care has been taken to ensure that the information is not untrue and misleading. BEIL provides no absolute assurance as to the accuracy or completeness of such information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.