

**Repeat Public Offering (RPO)**  
**of**  
**BRAC Bank 25% Subordinated Convertible Bonds**  
(As per Prospectus)

Opening date for subscription: **December 5, 2010**      Closing date for subscription: **December 9, 2010**  
For Non-Resident Bangladeshi Quota, subscription closes on: **December 18, 2010**

**Use of RPO Proceeds**

BRAC Bank Limited is raising Tier II capital through repeat public offering in order to comply with the regulatory requirement of Bangladesh Bank. The proceeds of the public offering will strengthen the capital base of the bank and augment business expansion. The fund thus raised would be generally used for undertaking normal commercial banking activities.

**Key Features of Subordinated Convertible Bond of BRAC Bank Limited**

<b>Issuer:</b>	BRAC Bank Limited
<b>Purpose:</b>	To raise Tier 2 Capital (subject to regulatory approval) and undertake normal commercial banking activities with the proceeds as permitted by the Bangladesh Bank.
<b>Lead Arranger:</b>	RSA Capital Limited
<b>Issue Manager:</b>	IDLC Finance Limited
<b>Trustee:</b>	The City Bank Limited
<b>Investors:</b>	90% of the total Issue Size shall be offered to institutional investors including onshore and offshore investors and the remaining 10% shall be offered to public through IPO.
<b>Issue Size:</b>	BDT 3,000,000,000 (Bangladesh Taka Three Billion)
<b>Issue Type:</b>	Subordinated Convertible Bond Issue ("Bond") of BRAC Bank Ltd. with qualification as Tier 2 Capital.
<b>Tenor:</b>	84 Months from the date of issue, bullet repayment.
<b>Face Value:</b>	Each Bond will have a Face Value of BDT 1,000 (One Thousand).
<b>Market Lot:</b>	Each market lot will consist 5 (five) bonds each with a Face Value of BDT 1,000 (One Thousand).

<b>Listing Size:</b>	Public listing of BDT 3,000,000,000 Subordinated Convertible Bond in the ratio of 90:10 for private placement and repeat public offerings, respectively in DSE and CSE. .
<b>Reference Rate:</b>	<p>The Reference Rate is the latest 182-days Bangladesh Government T-Bill as published on Bangladesh Bank web site or other sources of publication.</p> <p>“Quotation Day” means, in relation to any period for which an interest rate is to be determined, 5 Business Days before the first day of that period.</p> <p>If the Reference Rate is not available on the Quotation Day, the Trustee will be entitled to apply a Treasury Bill rate with the next lower maturity; or if such a rate is unavailable then the Issuer shall negotiate in good faith with the Trustee (upon the request of the Investors) in order to arrive at a mutual agreement upon the applicable interest rate and period of interest for the Facility. Such determination thereof shall be conclusive and binding on the Issuer.</p>
<b>Interest Margin above the Reference Rate for the Issue:</b>	Margin is 6.50% determined during the book building exercise and market conditions at the precise time of issuance.
<b>Interest Floor</b>	The Interest Margin plus the Reference Rate will be set at 12.50% (the Interest Floor) at all times.
<b>Increased Risk Interest</b>	<p>2% above the Interest Floor or the Interest Margin and the Reference Rate; whatever is higher. This will be triggered under the following conditions:</p> <ul style="list-style-type: none"> <li>(i) <i>Non-Payment:</i> a default is made in the payment of any principal or in the payment of any interest due in respect of the Bonds;</li> <li>(ii) <i>Breach of Financial Covenant:</i> any financial covenant requirement is not satisfied at any time as per terms and conditions of the bond;</li> <li>(iii) <i>Downgrade of Credit Rating:</i> the credit rating of the Issuer and of the Bonds falling below Investment Grade;</li> <li>(iv) <i>Breach of Other Obligations:</i> the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall</li> </ul>

	<p>have been given to the Issuer by the Trustee;</p> <ul style="list-style-type: none"><li>(v) <i>Misrepresentation</i>: any representation or statement made or deemed to be made by the Issuer in any Bond Document or any other document delivered by or on behalf of the Issuer under or in connection with any Bond Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;</li><li>(vi) <i>Failure to deliver Shares</i>: any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following Conversion of Bonds and such failure continues for more than three days or a Delisting Event occurs;</li><li>(vii) <i>Insolvency</i>: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts,</li><li>(viii) <i>Cross-Default</i>: any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described);</li><li>(ix) <i>Enforcement Proceedings</i>: a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or turnover of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days;</li><li>(x) <i>Winding-up</i>: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Subsidiaries (except for a members' voluntary solvent winding up of a Subsidiary), or the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or</li></ul>
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	<p>consolidation;</p> <ul style="list-style-type: none"><li>(xi) <i>Security Enforced</i>: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer or any of its Subsidiaries (as the case may be) and is not discharged within 30 days;</li><li>(xii) <i>Governmental Intervention</i>: by or under the authority of any government or of the Bangladesh Bank (as the case may be) (a) the management of the Issuer or any member of the Group is wholly or partially displaced; or (b) the authority of the Issuer or any member of the Group in the conduct of its business is wholly or partially curtailed; or (c) any of the Shares of the Issuer or any member of the Group or any part of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired;</li><li>(xiii) <i>Nationalisation</i>: (a) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Subsidiaries or (b) the Issuer, or any of its Subsidiaries is prevented from exercising normal control over all or a material part of its property, assets and turnover;</li><li>(xiv) <i>Repudiation</i>: it rescinds or purports to rescind or repudiates or purports to repudiate a Bond Document or evidences an intention to rescind or repudiate a Bond Document;</li><li>(xv) <i>Illegality</i>: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed;</li><li>(xvi) <i>Material Adverse Change</i>: any event or circumstance (or any series of events or circumstances) occurs which the Trustee reasonably believes might have a Material Adverse Effect; or</li><li>(xvii) <i>Analogous Events</i>: any event occurs which under the laws of any relevant jurisdiction an analogous effect to any of the events has</li></ul>
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	<p>referred to in any of the foregoing paragraphs.</p> <p>The Bonds shall automatically bear interest from (and including) the date of the occurrence of any such event at the Step-Up Interest Rate. The Trustee shall notify the Bondholders in accordance not less than 3 business days after it has become aware of an Event of Default that the Step-Up Interest Rate has taken effect.</p>
<b>Interest Payment Dates:</b>	Interest on the “Bond” is to be paid semi-annually on the interest payment dates. The interest payment dates currently are determined as 15 <sup>th</sup> October and 15 <sup>th</sup> April during the tenor of the facility. Interest payment will be calculated on the actual number of days over a 360 day (year of twelve 30-day month) basis and will be payable semi-annually.
<b>Interest Period:</b>	A 180 day period between an Interest Payment and the date falling immediately prior to the next occurring Interest Payment Date.
<b>Principal Payment and Principal Payment Date:</b>	<p>Full Principal Payment, minus the converted portion of the bond (if any), will be in the form of a single bullet payment at the end of maturity in the event the Investors decide not to convert into common shares for the eligible convertible portion.</p> <p>The Principal Payment Date will be the date of maturity of the Bond 84 months after the date of issue of the Bond to the Investors.</p>
<b>Conversion Option:</b>	The Investor at the predetermined Principal Payment Dates of the Bond reserve the right and option to convert 25% of the Face Value of the Bond at a pre-determined Conversion Strike Price into the common shares of BRAC Bank Ltd. However, conversion is not mandatory.
<b>Conversion Date:</b>	The Conversion Date is the same date will be 5th, 6th & 7th anniversary of Bond issuance date.
<b>The Conversion Strike Price:</b>	<p>The Conversion Strike Price is the predetermined conversion price of the available convertible portion of the bond.</p> <p><b>Conversion Strike Price</b> = Conversion Multiple × NAV per share as per last audited financial statements of the Bank</p> <p><b>Conversion Multiple</b> = (Daily average market price of the immediate previous 6 months average market price of BRAC Bank shares in the Dhaka Stock Exchange, prior to</p>

	<p>signing date of the transaction)/ (NAV per share as per last audited financial statements of the Bank prior to signing date of the transaction) = 1.70</p>
<b>The Conversion Method:</b>	<p>i. 5% of issue size at the 5th Year at the above mentioned pre determined multiple of book value of the immediately available last audited book value of BRAC Bank.</p> <p><b>Converted Face Value = 5% of the Face Value of the bonds held by the bondholders</b></p> <p>ii. 10% of issue size at the 6th Year at the above mentioned pre determined multiple of book value of the immediately available last audited book value of BRAC Bank.</p> <p><b>Converted Face Value = 10% of the Face Value of the bonds hold by the bondholders</b></p> <p>iii. 10% of issue size at the 7th Year at the above mentioned pre determined multiple of book value of the immediately available last audited book value of BRAC Bank.</p> <p><b>Converted Face Value = 10% of the Face Value of the bonds hold by the bondholders</b></p> <p>In the event of Conversion, the Investors will receive exactly the amount of shares as determined by dividing Face Value by Conversion Strike Price for determining the number shares to be received by each Investor, fractional amount of shares will be paid in cash at existing market price.</p> <p><b>Converted No. of Shares = (Converted Face Value)/ (Conversion Strike Price)</b></p>
<b>Conversion Right</b>	<p>The right of a bondholder to convert 25% of the principal amount of any bond held by himself/ herself into shares is called Conversion Right.</p> <p>A Conversion Right may only be exercised if in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the relevant percentage of the aggregate principal amount of the Bonds to be converted.</p>
<b>Conversion Notice</b>	<p>The Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof as at the 42<sup>nd</sup> business day prior to each Conversion Date, during the period commencing 40 business days prior to such</p>

Conversion Date up to the close of business on the twentieth business day prior to such Conversion Date.

The Trustee shall notify the Bondholders in accordance with not less than 2 business days prior to start of each Conversion Period of the commencement date and the final date of such Conversion Period.

All notices are validly given if:

- (i) mailed to the Bondholders at their respective addresses in the Registers;
- (ii) published for three consecutive days in one English newspaper and one Bengali newspaper, each having wide circulation in Bangladesh; or
- (iii) emailed to the Bondholders at their respective addresses set out in the Issuer Register provided that such notices will only be considered as validly given unless followed up with hard copies of the notices being mailed to the Bondholders or published for three consecutive days in a leading newspaper as aforesaid.

Any such notice shall be deemed to have been given on the seventh day after being so mailed or on the later of the date of such publications.

## **Example of Conversion and Redemption Features of Subordinated 25% Convertible Bond of BRAC Bank Limited**

Assuming an investor holds a lot, i.e. 5 (Five) Subordinated Convertible Bond (SCB) of BRAC Bank Limited:

### **A. Determination of Predetermined Conversion Multiple**

Last audited available NAV of BRAC Bank Limited as on December 31, 2009 = BDT 395.83

Last 6 months' average price (October 1, 2009 – March 31, 2010) = BDT 679.06

Predetermined Conversion Multiple = Last 6 months' average price/ Last available audited NAV

$$= 679.06/ 395.83$$

$$= 1.72$$

### **B. Determination of Conversion Strike Price**

Conversion Strike Price in 2015 = Conversion Multiple × Available last audited NAV of BRAC Bank Limited (e.g. on December 31, 2014)

<b>Year</b>	<b>Conversion</b>	<b>Conversion Multiple</b>	<b>Projected NAV of BRAC Bank Limited</b>	<b>Conversion Strike Price (BDT)</b>
2014			731	
2015	1st Conversion (5%)	1.72	766	1,257.32
2016	2nd Conversion (10%)	1.72	804.3	1,317.52
2017	3rd Conversion (10%)	1.72		1,383.40

### C. Conversion

Year	Conversion	Eligible Conversion Amount (BDT) (a)	Conversion Strike Price (BDT) (b)	No. of Shares* (a)/(b)
2015	1st Conversion (5%)	250	1257.32	0.20
2016	2nd Conversion (10%)	500	1317.52	0.38
2017	3rd Conversion (10%)	500	1,383.40	0.37

\* If any bondholder gets fraction or odd lot number of shares, the fraction or odd lot shares shall be credited to Suspense Account as per Rule and shall be sold by the Issuer and the sale proceeds will be distributed to the investors.

### D. Redemption

Year	Face Value (BDT) (a)	Conversion	Eligible Conversion Amount (BDT) (b)	Redemption Value* (BDT) (a)-(b)
2017	5,000	0% Conversion	0	5,000
		5% Conversion	250	4,750
		15% Conversion	750	4,250
		20% Conversion	1,000	4,000
		25% Conversion	1,250	3,750

\*Full Principal Payment, minus the converted portion of the bond, (if any) will be in the form of a single bullet payment at the end of maturity.