

DIRECTORS' REPORT 2025

FOR THE YEAR ENDED 31 DECEMBER 2025

On behalf of the Board of Directors of Mercantile Bank PLC, it is both an honour and pleasure to extend a warm welcome to our esteemed shareholders and to place before you the Directors' Report, together with the audited financial statements, for the financial year ended 31 December 2025.

Mercantile Bank PLC delivered a meaningful performance in 2025 — a year that tested the resilience and character of every institution in Bangladesh's banking sector. In the face of sector-wide structural transformation, tight monetary conditions, and an environment of elevated provisioning requirements, the Bank rose to the occasion. The Bank recorded a net profit after tax of BDT 1,199.87 million — a remarkable 90% growth over BDT 631.22 million in 2024. Earnings Per Share (EPS) nearly doubled to BDT 1.08 from BDT 0.57, and the Bank's Net Asset Value Per Share (NAVPS) appreciated to BDT 23.92 from BDT 23.32. Total deposits grew 10.81% to BDT 379,787.53 million, reflecting the unwavering confidence of the Bank's depositors and customers.

The Board extends its heartfelt gratitude to the Bank's valued depositors, customers, and shareholders for their enduring trust and loyalty. The Board equally expresses its deep appreciation to the Bank's dedicated employees whose talent, professionalism, and commitment to excellence made these achievements possible.

THE BANK'S STRATEGIC FOCUS IN 2025

In 2024, the Board set out a clear three-priority strategic roadmap for 2025 — centred on aggressive NPL resolution as the urgent priority, profitability restoration and cost optimisation as the mid-term priority, and prudent growth with digital transformation as the long-term priority. The Board is pleased to report that the Bank delivered meaningfully against each of these strategic commitments during the year.

URGENT PRIORITY — AGGRESSIVE NPL RESOLUTION

Addressing asset quality was identified as the foremost objective for 2025, and the Bank pursued this with exceptional determination. The Bank executed the largest single-year loan write-off in its history, BDT 20,750.89 million, decisively clearing long-standing bad debt from the balance sheet. Recovery lawsuits aggregating BDT 57,119.24 million were filed across the branch network, and performance indicators across departments were aligned to reinforce asset quality as a top institutional priority. As a direct result, the NPL ratio improved from 17.25% in 2024 to 15.19% in 2025 — a meaningful step forward on the path to a cleaner and more resilient credit portfolio.

MID-TERM PRIORITY — PROFITABILITY RESTORATION AND COST OPTIMISATION

To rebuild Net Interest Income (NII) and restore profitability, the Bank pursued a twin-track approach of income enhancement and rigorous cost discipline. On the income side, the Bank strategically expanded its investment portfolio by 43.5% to BDT 127,853.59 million, deploying

liquidity into high-yielding government securities to protect total operating income at BDT 13,894.57 million even as interest spreads compressed across the industry. Investment income surged 26.27% to BDT 9,348.40 million. On the cost side, austerity was maintained across all branches and divisions, reducing total operating expenses by 4.89% to BDT 8,077.62 million. The combined effect was a 3.3% growth in profit before provision to BDT 5,816.95 million and a 90.1% improvement in net profit after tax to BDT 1,199.87 million.

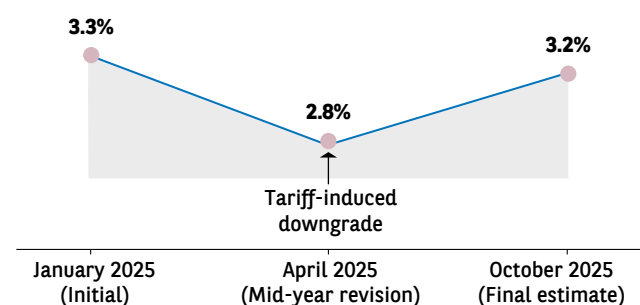
LONG-TERM PRIORITY — PRUDENT GROWTH AND DIGITAL TRANSFORMATION

Future loan growth was guided by a stringent, centralised risk framework with an uncompromising focus on credit quality. Rather than pursuing volume, the Bank concentrated on building a healthier and more selective portfolio. On the deposit side, the Bank grew its funding base by 10.81% to BDT 379,787.53 million through targeted product innovation with the Super Benefit Scheme surging 192% to BDT 36,998.27 million and the women-focused MBL Nari Sanchaya Prokolpo growing 48.45% to BDT 446.49 million. Digital platforms, MBPLC Rainbow (Internet Banking) and MyCash (Mobile Banking), continued to be expanded, improving customer service and unlocking low-cost delivery channels, with ATM card income rising 79% and VISA card income growing 18% during the year.

GLOBAL ECONOMIC REVIEW

The global economy in 2025 proved more resilient than initial fears suggested a testament to the underlying strength of economic fundamentals across major regions and the policy agility of central banks and governments alike. The year unfolded in three distinct phases. In the opening months, the IMF projected global growth at 3.3 percent, supported by easing inflation, gradual monetary policy normalisation, and steady consumer demand. In April 2025, however, a temporary escalation of US trade tariffs introduced significant uncertainty into global supply chains and investment decisions, prompting the IMF to revise its mid-year forecast downward to 2.8 percent. As trade-policy tensions de-escalated through the second half and bilateral negotiations restored a measure of predictability, the global economy adapted swiftly: confidence recovered, financial conditions eased, and the IMF revised its final estimate back up to 3.2 percent in its October 2025 World Economic Outlook.

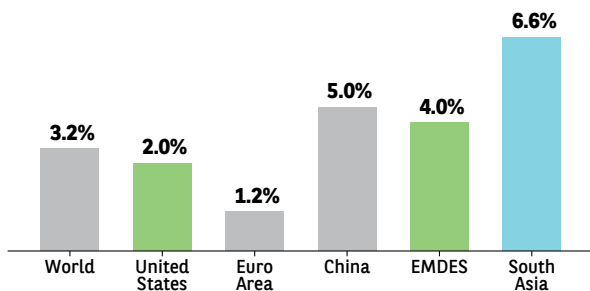
IMF World Economic Outlook - 2025 Projection Trajectory



Source: IMF World Economic Outlook (Jan, Apr, Oct 2025).

The performance across major regions was uneven but broadly constructive. The United States delivered standout growth of approximately 2.0 percent, supported by resilient labour markets, strong household consumption, and continued investment in artificial intelligence and reshored manufacturing capacity. The Euro Area registered modest growth as energy markets stabilised and structural reforms began to bear fruit. China's growth moderated to around 5.0 percent as the property sector continued to recalibrate, while emerging market and developing economies (EMDEs) collectively exceeded 4.0 percent. South Asia retained its position as the world's fastest-growing region at 6.6 percent, led by India, Bangladesh, and a recovering Sri Lanka.

Global GDP Growth 2025 by Region



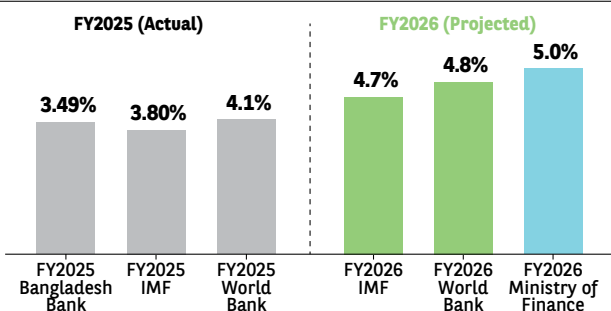
Source: IMF World Economic Outlook (October 2025); World Bank.

Global inflation continued its welcome disinflationary trend, declining to approximately 4.2 percent in 2025 as the coordinated efforts of central banks worldwide began to bear fruit. The US Federal Reserve, the European Central Bank, and the Bank of England all moved cautiously toward policy easing in the second half of the year. Commodity prices remained broadly stable, with oil trading in a moderate range and food prices easing in major exporting nations. For Bangladesh, this benign external environment provided a meaningful tailwind: lower import-cost pressures, more stable global financial conditions, and improved external demand for the country's exports.

BANGLADESH ECONOMIC REVIEW

Bangladesh's economy in FY2025 demonstrated an underlying resilience, navigating through a period of transition while laying the groundwork for a stronger recovery. Real GDP growth stood at approximately 3.49 percent, with the IMF placing it at 3.80 percent and the World Bank at 4.1 percent. While this represented a moderation from the pre-pandemic trend, the slowdown reflected the deliberate macroeconomic recalibration undertaken by the authorities — a tightening of monetary policy, a transition to a market-based exchange rate, and a temporary cooling in private investment as policy uncertainty was being resolved. Encouragingly, the outlook for FY2026 is substantially more optimistic, with projections of 4.7–5.0 percent from the IMF, World Bank, and Ministry of Finance respectively, reflecting the expectation that ongoing reforms will translate into renewed investment momentum.

Bangladesh GDP Growth FY2025 Actual vs FY2026 Projections

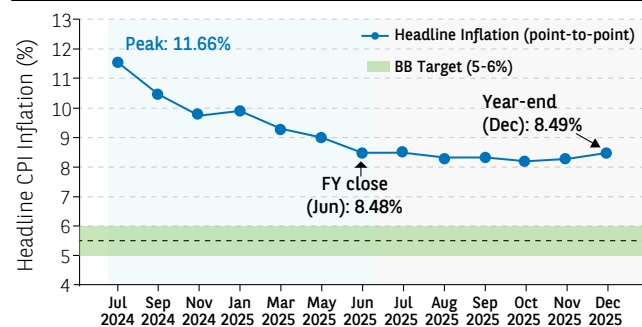


Source: Bangladesh Bank, IMF, World Bank, Ministry of Finance

INFLATION — A DECISIVE DISINFLATIONARY PATH

On the inflation front, the year's most consequential development was the steady taming of price pressures from their multi-year highs. Headline (point-to-point) inflation, which had peaked at 11.66 percent in July 2024, eased substantially to 8.48 percent by June 2025 — a meaningful decline reflecting the cumulative effect of restrictive monetary policy, exchange rate stabilisation, and the easing of global commodity prices. In the second half of the calendar year, inflation entered a stabilisation phase, fluctuating in a narrow 8.17–8.55 percent range from July through December and closing the year at 8.49 percent in December 2025. While this represented substantial progress from the peak, the year-end reading remained above Bangladesh Bank's medium-term target band of 5–6 percent, reflecting the persistence of structural and supply-side pressures, particularly in food categories, that have proved resilient even as the dollar shortage eased and the currency market stabilised. Bangladesh Bank's commitment to maintaining its policy rate at restrictive levels, complemented by ongoing reforms to the monetary transmission mechanism, is expected to continue exerting downward pressure on inflation through FY2026.

Bangladesh Inflation Trajectory - July 2024 to December 2025



Source: Bangladesh Bureau of Statistics; Bangladesh Bank.

EXTERNAL SECTOR AND EXCHANGE RATE

The external sector was a genuine bright spot. Ready-Made Garment (RMG) exports grew during the year, supported by improving demand in Western markets and the competitiveness of Bangladeshi manufacturers. Remittances remained near-record levels as the formal channel was strengthened by exchange rate adjustments and the eradication of much of the parallel market. The current account deficit narrowed significantly, easing balance-of-payments pressures, and foreign exchange reserves began to rebuild following the adoption of a fully flexible, market-based exchange rate regime in May 2025.

FISCAL AND PROGRAMME ENGAGEMENT

Fiscal management saw similar progress. Revenue mobilisation strengthened modestly, expenditure discipline was reinforced, and the budget deficit was contained within sustainable bounds. The IMF Extended Credit Facility / Extended Fund Facility programme remained on track, with successive reviews completed satisfactorily and additional financing support secured from the World Bank and the Asian Development Bank. The combined effect of monetary, fiscal, and external sector reform created the macroeconomic foundation necessary for the banking sector's own transformation — a sequencing that the Board considers both prudent and constructive.

BANGLADESH BANKING INDUSTRY REVIEW

The Bangladesh banking sector in 2025 undertook a bold and necessary transformation that sets the stage for a healthier, more transparent, and better-governed industry. Bangladesh Bank took the

courageous step of aligning Non-Performing Loan (NPL) recognition with international standards, bringing long-standing vulnerabilities into the open and creating a credible foundation for genuine reform. The reclassification of overdue loans under stricter parameters caused industry-wide NPL ratios to rise sharply during the year. This movement should be understood not as a deterioration of underlying asset quality but as an honest accounting of conditions that had previously been understated — a necessary step on the path to a stronger and more credible banking system.

MODERNISED MONETARY AND EXCHANGE RATE FRAMEWORKS

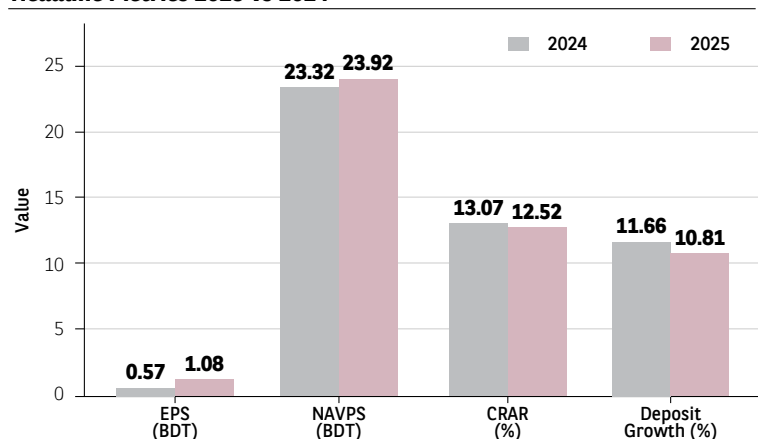
Monetary and exchange rate frameworks were comprehensively modernised during the year. Bangladesh Bank adopted a fully market-based interest rate framework, allowing lending and deposit rates to reflect underlying liquidity and credit conditions, and a market-based exchange rate regime, strengthening monetary transmission and

restoring exchange rate credibility. Liquidity management was enhanced through the introduction of more flexible repo facilities and improved interbank market functioning. Provisioning requirements were tightened, with the timetable for full alignment to international standards published transparently, providing banks with a clear and predictable roadmap for capital and provision augmentation over the medium term.

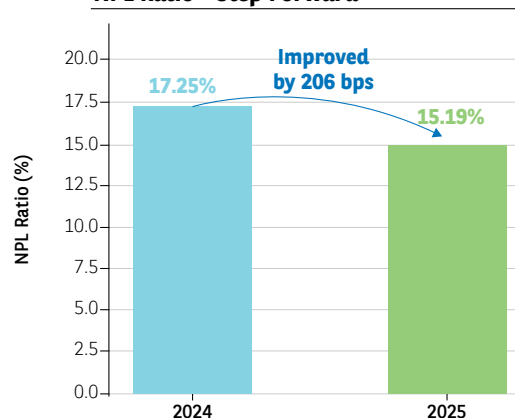
MBPLC'S STANDOUT PERFORMANCE

Against this backdrop of sector-wide transformation, Mercantile Bank PLC stood out clearly. MBPLC's deposit base grew 10.81 percent reflecting depositor confidence amid sector-wide turbulence. Net profit after tax grew 90.1 percent, EPS nearly doubled to BDT 1.08, and NAVPS appreciated to BDT 23.92. The Bank executed the largest single-year loan write-off in its history (BDT 20,750.89 million), reduced its NPL ratio from 17.25 percent to 15.19 percent, a 206 basis point improvement, and entered 2026 better positioned than at any point in recent years to participate constructively in the sector's continuing reform journey.

Headline Metrics 2025 vs 2024



NPL Ratio—Step Forward



FINANCIAL HIGHLIGHTS

2025 was a year of disciplined recovery and renewed momentum for Mercantile Bank PLC. Building upon the prudent provisioning foundation laid in 2024, the Bank delivered marked improvements across nearly every dimension of performance with net profit nearly doubling, deposits accelerating to double-digit growth, and asset

quality strengthening meaningfully. The three strategic pillars articulated by the Board for the year — aggressive NPL resolution, profitability rebuild and cost discipline, and prudent growth supported by digital expansion — translated into concrete and measurable financial outcomes. These results affirm the resilience of the Bank's franchise and the effectiveness of its management actions amid a sector-wide period of recalibration.

(BDT in million)

Particulars	2025	2024	Y-o-Y Change
Total Assets	477,887.53	444,690.30	+7.46%
Loans & Advances	285,935.57	300,025.11	-4.70%
Total Deposits	379,787.53	342,724.25	+10.81%
Profit Before Provision	5,816.95	5,633.39	+3.26%
Profit After Tax (PAT)	1,199.87	631.22	+90.09%
Earnings Per Share (EPS) (Tk.)	1.08	0.57	+89.47%
Net Asset Value Per Share (NAVPS) (Tk.)	23.92	23.32	+2.57%
Capital Adequacy Ratio (CRAR)	12.52%	13.07%	-55 bps

The financial statements placed before the shareholders have been prepared in accordance with applicable Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRS), Bangladesh Bank circulars, the Companies Act, 1994, and the Bank Company Act, 1991 (as amended in 2023).

ANALYSIS OF FINANCIAL PERFORMANCE

TOTAL INCOME

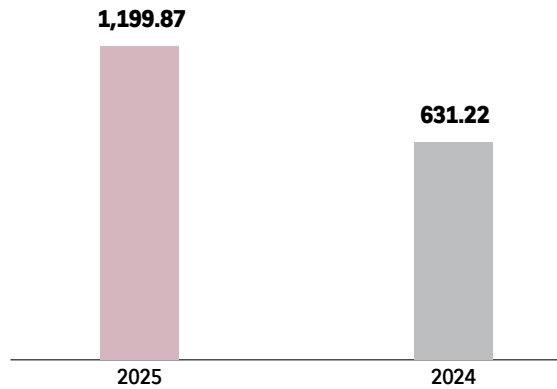
The Bank's total operating income for 2025 stood at BDT 13,894.57 million, broadly holding firm against the prior year despite the industry-wide compression of net interest margins. This stability reflects the agility of the Bank's revenue model and the strategic emphasis placed on diversifying its income streams. Interest income grew impressively by 18.4% to BDT 27,474.55 million on the back of selective lending and improved asset yields, while investment income surged 26.3% to BDT 9,348.40 million driven by robust Treasury Bond coupon earnings of BDT 5,499.38 million. Commission and brokerage income contributed BDT 2,797.92 million, while digital banking channels demonstrated encouraging momentum: ATM card income rose 79% to BDT 124.41 million and VISA card income grew 18% to

BDT 225.26 million, evidencing the early returns from the Bank's continued investment in technology-led revenue channels.

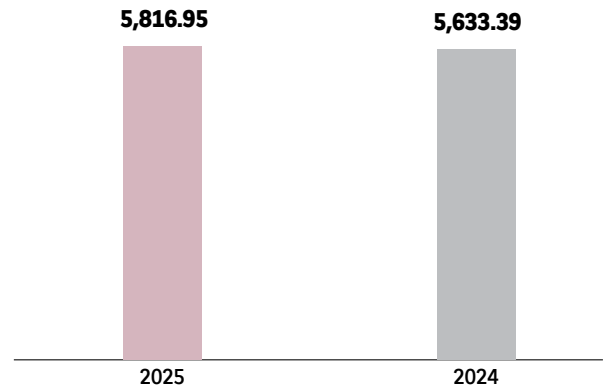
PROFITABILITY

The Bank's profitability in 2025 demonstrated decisive recovery. Profit before provision grew 3.3% to BDT 5,816.95 million, supported by rigorous cost discipline that reduced operating expenses by 4.7% to BDT 8,077.62 million which is a clear demonstration of the effectiveness of the bank-wide austerity implemented across all branches and divisions. After absorbing total provisions of BDT 3,947.08 million, including BDT 3,620.04 million for loan losses, net profit after tax reached BDT 1,199.87 million, representing a 90.09% improvement over the BDT 631.22 million recorded in 2024. Earnings per share nearly doubled to BDT 1.08 from BDT 0.57, while net asset value per share appreciated to BDT 23.92 from BDT 23.32. This recovery affirms that the conservative provisioning posture taken in 2024 has begun to yield the intended benefits, with the Bank now better positioned to deliver sustainable shareholder value.

Net Profit (BDT in Million)



Profit Before Provision (BDT in Million)



NET INTEREST INCOME (NII)

Net interest income remained constrained during the year by the higher cost of funds and the persistent drag from non-performing assets. The competitive deposit market, coupled with the Bank's strategic decision to support depositors through enhanced returns on scheme deposits, contributed to elevated funding costs. At the same time, the temporary reduction in interest-earning capacity arising from accelerated NPL recognition continued to weigh on margin generation across the industry. Notwithstanding these pressures, the Bank's emphasis on growing low- and stable-cost deposit categories, together with the deliberate redeployment of liquidity into higher-yielding government securities, partially offset the margin compression. Management remains focused on rebuilding NII through asset-side repricing, recovery momentum in the SAMD-led portfolio, and continued optimisation of the deposit mix in the periods ahead.

NON-INTEREST INCOME

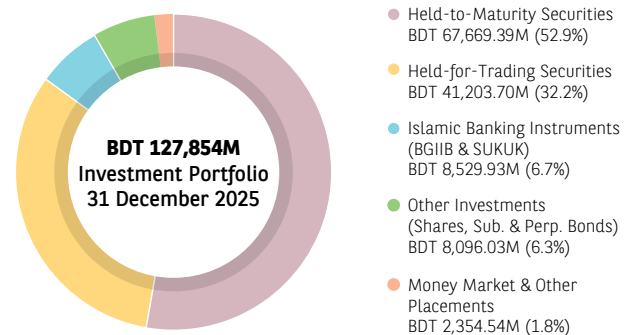
Non-interest income performance was a defining strength of 2025, anchored by the treasury-led investment income strategy. Investment income alone contributed BDT 9,348.40 million (+26.3% Y-o-Y). Commission, exchange and brokerage income provided a stable contribution at BDT 2,797.92 million, supplemented by growing digital banking fee income through MBPLC Rainbow (Internet Banking) and MyCash (Mobile Banking). The diversified non-interest income base reflects the Bank's adaptability and the strength of its balance sheet management capabilities, particularly in an environment where lending growth was deliberately moderated as part of the asset quality improvement programme.

ANALYSIS OF FINANCIAL POSITION

BALANCE SHEET STRENGTH

The Bank's total assets grew by a healthy 7.47% to BDT 477,887.53 million as at 31 December 2025, reflecting purposeful balance sheet expansion and the enduring confidence of the Bank's depositors. The composition of asset growth reflects the Bank's strategic priorities: a deliberate moderation in loans and advances (down 4.70% to BDT 285,935.57 million) was more than offset by a substantial 43.5% expansion of the investment portfolio to BDT 127,853.59 million — a strategically astute redeployment of liquidity into higher-yielding government securities and stable income-generating instruments. CRR and SLR maintained with comfortable surpluses throughout the year in both conventional and Islamic banking windows — underscoring the financial strength and stability of the Bank's funding base.

Investment Portfolio Composition

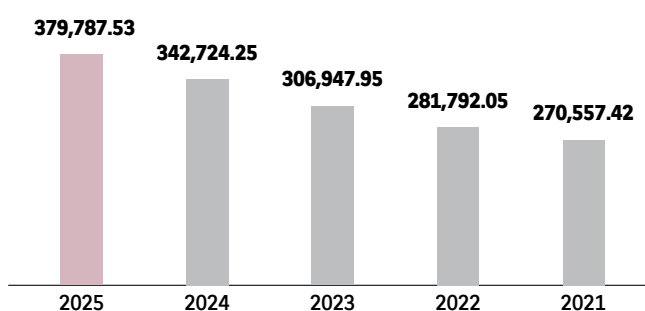


LIABILITIES AND DEPOSITS

Deposit mobilisation was a standout achievement of 2025. Total deposits grew by 10.81% to reach BDT 379,787.53 million — a meaningful acceleration from the prior year and a powerful affirmation of customer confidence amid sector-wide turbulence. The Bank's extensive distribution network of 153 branches, 45 sub-branches and 188 agent banking outlets, complemented by its expanding digital channels, continued to provide broad-based access for retail and corporate customers across the country.

Within the deposit composition, scheme deposits delivered an exceptional performance, growing 51.7% to BDT 84,467.56 million. This was led by the outstanding success of the Super Benefit Scheme (up 192% to BDT 36,998.27 million) and the sustained popularity of the Monthly Savings Scheme (BDT 30,232.22 million). The women-focused MBL Nari Sanchaya Prokolpo grew 48.4% to BDT 446.49 million, reinforcing the Bank's commitment to financial inclusion. Fixed deposits stood at BDT 143,333.71 million and savings deposits at BDT 41,152.37 million. The Bank also completed the full repayment of its BDT 600.00 million Non-convertible Subordinated Bond during the year, demonstrating prudent funding management. While the higher contribution of high-cost scheme and fixed deposits supported volume stability, it also placed upward pressure on funding costs — a trend the Bank is actively addressing through targeted strategies aimed at rebalancing the deposit mix in favour of more cost-efficient sources.

Total Deposits - Five-Year History BDT in Million



SHAREHOLDERS' EQUITY AND CAPITAL POSITION

Shareholders' equity strengthened to BDT 26,465.41 million at year-end, an increase of 2.54% from BDT 25,810.06 million in 2024. This advance reflects the year's improved profitability and the deliberate decision to retain earnings rather than declare a dividend — a decision taken in compliance with Bangladesh Bank's regulatory directive and in the long-term interest of capital strengthening. The Capital to Risk-weighted Assets Ratio (CRAR) stood at 12.52% as at 31 December 2025. Total Tier-I Capital stood at BDT 28,612.21 million, with Tier-II Capital of BDT 7,419.25 million bringing total regulatory capital to BDT 36,031.46 million. The Bank's capital adequacy position, supported by rigorous internal stress testing, confirms its strong risk-absorbing capacity and its status as a going concern with long-term operational stability. Detailed Pillar III capital disclosures are provided in the Capital Adequacy Report forming part of this Annual Report.

Shareholders' Equity BDT in Million

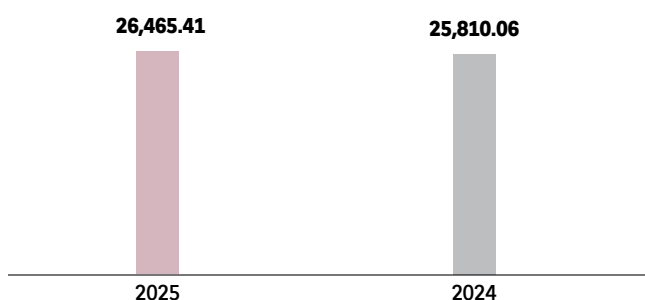


Figure: Shareholders' Equity strengthened by 2.54% during 2025

APPROPRIATION OF PROFIT AND DIVIDEND

The net profit after tax of BDT 1,199.87 million for the year ended 31 December 2025 has been appropriated as follows:

Cumulative Statutory Reserve balance has been BDT 11,041.53 million, steadily advancing toward the paid-up capital threshold. A further BDT 12.00 million has been contributed to the Startup Fund, equivalent to 1% of net profit, in compliance with Bangladesh Bank SME & SPD Circular No. 4/2021, bringing the cumulative Startup Fund balance to BDT 116.42 million. Additionally, coupon interest of BDT 363.00 million on the MBL Perpetual Bond has been charged in accordance with the terms of the instrument. After these appropriations, the retained surplus for the year stands at BDT 450.90 million. Adding the opening retained earnings balance of BDT 30.11 million, the closing retained earnings as at 31 December 2025 amounted to BDT 481.01 million.

With regard to dividend, the Board has not recommended any dividend for the financial year 2025. This decision has been made in strict compliance with Bangladesh Bank's regulatory directive, which grants forbearance for the unadjusted provision shortfall. The Board considers this a responsible and necessary measure and remains fully committed to restoring dividend payments to shareholders as the Bank progresses along the structured provision augmentation roadmap. The Bank's 90% growth in net profit during 2025 gives the Board every confidence that this objective is well within reach.

CAPITAL ADEQUACY — BASEL-III FRAMEWORK

Pursuant to Section 13(A) of the Bank Company Act, 1991 and Bangladesh Bank BRPD Circular No. 9 dated 31 December 2025, the Bank maintained a Capital to Risk-weighted Assets Ratio (CRAR) of 12.52% as at 31 December 2025. Total Tier-I Capital stood at BDT 28,612.21 million, comprising Common Equity Tier-I of BDT 24,982.21 million and Additional Tier-I capital of BDT 3,630.00 million represented by the MBL Perpetual Bond. Tier-II Capital comprising the general provision stood at BDT 7,419.25 million. Total regulatory capital was BDT 36,031.46 million against Total Risk-Weighted Assets of BDT 287,786.45 million, yielding a surplus of BDT 58.15 million over the Minimum Capital Requirement. The Board draws attention to the fact that this CRAR has been computed without recognising the provision shortfall referred to below. Full Pillar III capital disclosures are provided in the Capital Adequacy Report forming part of this Annual Report.

EMPHASIS OF MATTER — AUDITORS' REPORT

The Board of Directors draws the attention of shareholders to the Emphasis of Matter included in the Independent Auditors' Report on the financial statements for the year ended 31 December 2025. In accordance with good corporate governance practice and in the interest of full transparency, the Board reproduces the substance of that emphasis below.

The auditors have drawn attention to Note 2.00 to the financial statements, which outlines the basis of preparation of the financial statements including compliance with Rules and Regulations issued by Bangladesh Bank on classification of loans and advances and investments, and the recognition of required impairment provision. In addition, the auditors have emphasised the following matters:

As disclosed in Notes 7, 7.8 and 13.5.1 to the financial statements, the Bank reported total loans and advances of BDT 28,593.56 crore,

including classified loans of BDT 4,342.07 crore representing an NPL ratio of 15.19%. Against the total required provision of BDT 3,390.23 crore, the Bank has maintained a provision of BDT 1,250.92 crore, resulting in a provision shortfall of BDT 2,139.31 crore.

The Bank reported a CRAR of 12.52%, which is marginally above the regulatory minimum. However, this CRAR has been computed without considering the above-mentioned shortfall of required provision.

Bangladesh Bank, through letter no. BSD 2/2203/2026 384 dated 29 April 2026, has allowed the Bank to finalise its 2025 financial statements without recognising the provision shortfall of BDT 2,139.31 crore, having no adequate profit, subject to: (i) non-declaration of dividends; (ii) enhanced market disclosures; and (iii) a Board-approved time-bound plan to address the provision and capital gaps.

The Board acknowledges the significance of this matter and reaffirms its commitment to addressing the provision shortfall in a structured and time-bound manner in accordance with the roadmap agreed with Bangladesh Bank. The Board is confident that the Bank's strong operational performance — with net profit growing 90% in 2025 — provides a sound foundation for progressive provision augmentation in the periods ahead.

BUSINESS AND STRATEGIC REVIEW

LOANS AND ADVANCES PORTFOLIO

In line with the Bank's strategic priority of asset quality

improvement over volume growth, total loans and advances stood at BDT 285,935.57 million as at 31 December 2025, a deliberate reduction of 4.7% from BDT 300,025.11 million in 2024. This contraction was principally driven by the Bank's decisive execution of the largest single-year loan write-off in its history — BDT 20,750.89 million — as the Bank took bold and necessary action to cleanse the balance sheet of long-standing non-performing debt. The portfolio is well-diversified across term loans, SME lending, trade finance, and Islamic banking products, with term loans remaining the largest component. The Bank maintained selective credit growth in strategic segments including SME and Islamic banking, while reducing concentration in higher-risk categories such as overdrafts and time loans. This disciplined approach to credit allocation reflects the Board's commitment to building a leaner, higher-quality loan book as the foundation for sustainable growth in the years ahead.

LOAN CLASSIFICATION AND ASSET QUALITY

Asset quality improvement was the Bank's foremost strategic priority in 2025, and the results demonstrate meaningful progress. The NPL ratio declined from 17.25% in 2024 to 15.19% in 2025, with 74.53% of the portfolio classified as unclassified and regular. Recovery lawsuits aggregating BDT 57,119.24 million have been filed across the branch network. Total provision maintained against loans and advances stood at BDT 12,509.23 million, comprising specific provision of BDT 6,457.13 million and general provision of BDT 6,052.10 million. The unadjusted provision shortfall of BDT 21,393.10 million is subject to Bangladesh Bank's regulatory forbearance as disclosed in this report.

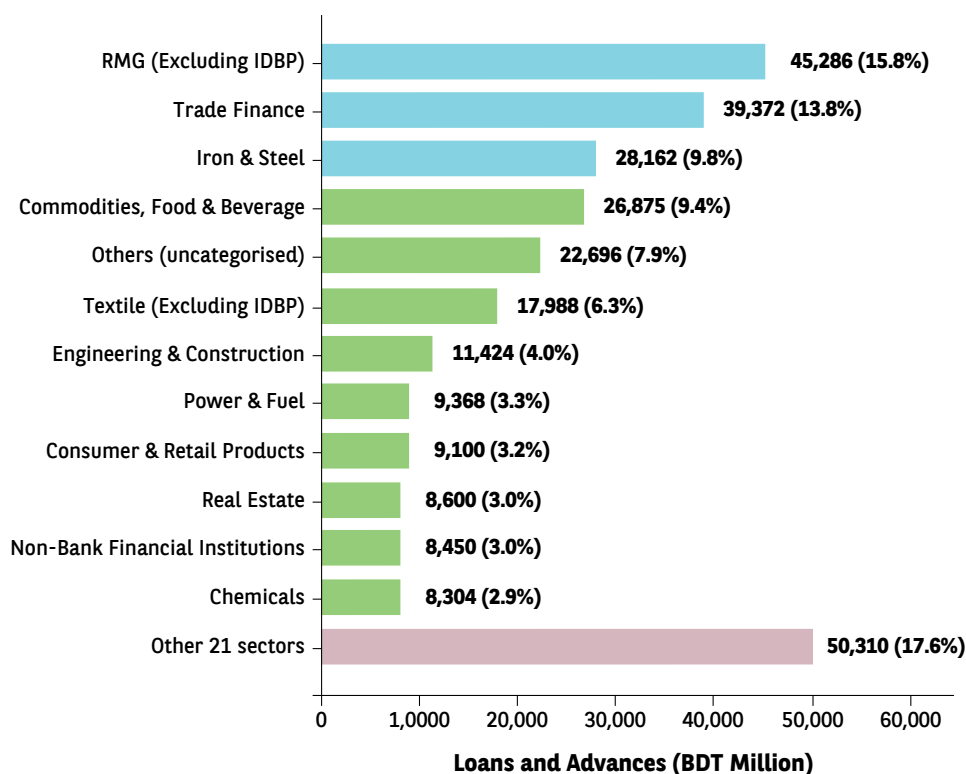
SECTOR-WISE LOANS AND ADVANCES

Sector	Dec-25 (BDT Million)	% of Total	Dec-24 (BDT Million)	% of Total
Education (School/College/University/Research)	574.43	0.20%	564.46	0.19%
Health	615.97	0.22%	617.86	0.21%
Agriculture	4,566.73	1.60%	5,748.91	1.92%
Commodities (Sugar/Edible Oil/Wheat/Rice/Dal etc.), Food & Beverage	26,874.70	9.40%	30,952.87	10.32%
Trade Finance	39,372.32	13.77%	40,110.81	13.37%
Transport	1,358.25	0.48%	1,409.52	0.47%
Shipping	1,029.61	0.36%	12.82	0.00%
Textile (Excluding IDBP)	17,987.93	6.29%	20,703.09	6.90%
Textile (IDBP)	451.16	0.16%	766.67	0.26%
Readymade Garments (RMG) — Excluding IDBP	45,285.75	15.84%	49,529.29	16.51%
Readymade Garments (RMG) — IDBP	89.32	0.03%	40.71	0.01%
Telecommunication	577.87	0.20%	1,149.05	0.38%
IT & Computer/Trade	247.53	0.09%	263.84	0.09%
Power & Fuel	9,368.10	3.28%	8,059.75	2.69%
Real Estate	8,600.41	3.01%	8,953.00	2.98%
Cement	1,410.76	0.49%	1,820.91	0.61%
Chemicals	8,303.86	2.90%	6,969.49	2.32%
Leather & Leather Products	6,865.53	2.40%	6,071.41	2.02%
Plastic & Plastic Products	402.90	0.14%	847.35	0.28%
Electrical & Electronic Goods	4,531.56	1.58%	4,667.58	1.56%
Paper & Packaging	7,242.82	2.53%	7,059.78	2.35%
Jute & Jute Products	5,465.20	1.91%	5,042.11	1.68%
Ceramics (Tableware, Sanitary ware, Tiles)	1,437.99	0.50%	1,383.83	0.46%
Iron & Steel	28,161.54	9.85%	30,946.46	10.31%

Engineering & Construction	11,423.98	4.00%	9,440.33	3.15%
Contractor Finance	5,272.76	1.84%	5,411.72	1.80%
Capital Market Intermediaries	1,511.28	0.53%	1,566.56	0.52%
Backward Linkage	3,461.77	1.21%	3,644.51	1.21%
Consumer & Retail Products	9,100.39	3.18%	9,088.73	3.03%
Non-Bank Financial Institutions (NBFI)	8,450.47	2.96%	11,819.43	3.94%
Service (Hotel, Restaurant, Travelling, Tickets)	3,193.66	1.12%	4,414.64	1.47%
Others	22,696.10	7.94%	20,944.72	6.98%
SUB-TOTAL (BDT Million)	285,932.65	-	300,022.19	-
Loan against Non-banking assets	2.92	0.0010%	2.92	0.0010%
GRAND TOTAL (BDT Million)	285,935.57	100.00%	300,025.11	100.00%

Sector-wise Loans and Advances - as at 31 December 2025

Total portfolio: BDT 285,935.7 million



Source: MBPLC audited financial statements 2025; figures in BDT Million.

GOING CONCERN

The Board of Directors confirms that there are no significant doubts about the Bank's ability to continue as a going concern. Hence, the financial statements for the year ended 31 December 2025 have accordingly been prepared on the going concern basis.

for the year ended 31 December 2025 with an unadjusted provision shortfall. This is a non-adjusting post-balance sheet event disclosed in Notes 7.8, 13.5, and 14.6 of the financial statements.

- No other significant events occurred between the balance sheet date (31 December 2025) and the date of authorisation (30 April 2026) that would require adjustment to or additional disclosure in the financial statements.

EVENTS AFTER THE REPORTING DATE

- Board Approval of Financial Statements:** The Board of Directors, at its meeting held on 30 April 2026, approved the audited financial statements of the Bank for the year ended 31 December 2025 and authorised the same for issue. The Board did not recommend any dividend (cash or stock) for the financial year 2025 in compliance with Bangladesh Bank's regulatory directive.
- Regulatory Forbearance:** Bangladesh Bank granted regulatory forbearance allowing the Bank to finalise the financial statements

SUBSIDIARY COMPANIES

As at 31 December 2025, Mercantile Bank PLC has three subsidiaries. The performance of all three subsidiaries is detailed in the consolidated financial statements and the relevant notes thereto forming part of this Annual Report.

MERCANTILE BANK SECURITIES LIMITED (MBSL)

Mercantile Bank Securities Limited operates as a leading stock brokerage firm in Bangladesh, offering margin loans and dealership services through its branch network. The company plays an

important role in strengthening the Bank's capital market presence and providing investment services to retail and institutional clients.

MBL ASSET MANAGEMENT LIMITED

MBL Asset Management Limited, licensed in 2020, focuses on mutual fund management, portfolio management, and investment advisory services. The company further deepens the Bank's footprint in Bangladesh's asset management and capital market ecosystem.

MERCANTILE EXCHANGE HOUSE (UK) LIMITED

Mercantile Exchange House (UK) Limited has been operational since 2011, serving the Bangladeshi diaspora in the United Kingdom by providing inward remittance and related financial services. The company plays a vital role in facilitating the flow of remittances to Bangladesh through a trusted and regulated channel.

DIRECTORS' AND MANAGING DIRECTOR'S REMUNERATION

In compliance with Section 18(1) of the Bank Company Act, 1991 (as amended in 2023) and as per BRPD Circular No. 02 dated 11 February 2024 and BRPD Circular No. 03 dated 14 February 2024, the Directors of the Bank were paid board meeting attendance fees only. Full details are provided in Note 31 to the audited financial statements.

The remuneration of the Managing Director is determined by the Board of Directors in accordance with Bangladesh Bank's guidelines. Full details are disclosed in Note 30 to the audited financial statements.

DIRECTORS' DECLARATION

The Board of Directors hereby declares that the financial statements for the year ended 31 December 2025 give a true and fair view of the state of affairs and results of operations of the Bank; proper books of accounts have been maintained as required under the Companies Act, 1994; applicable Bangladesh Accounting Standards (BAS) / Bangladesh Financial Reporting Standards (BFRS) have been consistently followed and any material departures have been disclosed in the notes; the system of internal controls is sound in design and has been effectively implemented and monitored throughout the year; and there are no significant doubts about the Bank's ability to continue as a going concern. The Board further confirms that key operating and financial data for preceding years is presented in the Five-Year Financial Summary forming part of this Annual Report; the pattern of shareholding as at 31 December 2025 is disclosed in the relevant section of this report; no shares were issued to directors or executives without consideration or at a discount; no business other than banking business was conducted with any related concern of the directors as per Section 18(2) of the Bank Company Act, 1991; and no investments were made in the securities of directors and their related concerns.

RELATED PARTY DISCLOSURES

A discussion on related party transactions has been made in the 'Corporate Governance Report' forming part of this Annual Report, and a statement with the amount of related party transactions has been presented in Note 39 to the financial statements for the year ended 31 December 2025.

RISK MANAGEMENT

The Risk Management Committee (RMC) of the Board reviews and monitors the overall risk management system of the Bank and reports to the Board from time to time. Risk management

functions are subject to continuous scrutiny of the Internal Control and Compliance Division (ICCD) and the supervision of the Risk Management Division (RMD) to ensure the appropriateness and integrity of risk management practices and mechanisms. The risk management system of Mercantile Bank PLC has been described in detail in the 'Risk Management Report' section of this Annual Report, and the major areas focused on by the RMC in 2025 have been presented in the 'Report of the Risk Management Committee of the Board' section of this Annual Report. The major areas focused on by the Executive Risk Management Committee (ERMC) in 2025 have also been described in the 'Report of the Executive Risk Management Committee' section of this Annual Report.

INFORMATION TECHNOLOGY AND INFORMATION SECURITY

During 2025, the Information Technology Division continued to strengthen the Bank's digital infrastructure and cyber resilience. Key achievements include the upgrade of networking equipment at the Data Center and Disaster Recovery site, deployment of Next Generation Endpoint Protection, and the initiation of cloud-based deployment of Agent Banking and Mobile Banking platforms. A significant milestone was the successful transition to ISO/IEC 27001:2022 certification on 10 November 2025, reaffirming the Bank's commitment to international information security standards. Payment systems were further enhanced through automation of key processes including RTGS, BEFTN, and Account Verification.

INTERNAL CONTROL, COMPLIANCE AND AUDIT

INTERNAL CONTROL SYSTEM

The Bank maintains a robust system of internal controls across all operations. The Internal Control and Compliance Division (ICCD) provides comprehensive, risk-based internal audit coverage of all branches, divisions, subsidiaries, and off-site locations on a systematic and rotating basis. Findings are reported to the Board's Audit Committee, which reviews and monitors management's corrective actions.

AUDIT COMMITTEE OF THE BOARD

The Audit Committee of the Board of Directors was constituted and functions in accordance with the BSEC Corporate Governance Code (2018) and Bangladesh Bank's Corporate Governance Guidelines. During 2025, the Audit Committee reviewed quarterly and annual financial statements; reviewed external auditors' management letters; reviewed and approved the internal audit plan; assessed the adequacy of the Bank's risk management framework; reviewed all significant related-party transactions; reviewed the provision position, NPL classification, and loan write-off proposals; and monitored compliance with regulatory requirements.

EXTERNAL AUDIT AND AUDITOR INDEPENDENCE

The statutory audit for the year ended 31 December 2025 was conducted by Basu Banerjee Nath & Co. and Anil Salam Idris & Co. Both firms are duly enlisted with Bangladesh Bank and registered with the Financial Reporting Council (FRC). Detail of Auditors' Fee is disclosed in Note 32 of the Audited Financial Statements.

FINANCIAL REPORTING COUNCIL (FRC) COMPLIANCE

As a listed Public Interest Entity (PIE), the Bank is subject to the oversight of the Financial Reporting Council established under the Financial Reporting Act, 2015. The Bank's financial statements have been prepared in full compliance with applicable Bangladesh

CORPORATE SOCIAL RESPONSIBILITY AND GREEN FINANCE

CORPORATE SOCIAL RESPONSIBILITY

Mercantile Bank PLC continued its commitment to Corporate Social Responsibility (CSR) throughout 2025, contributing meaningfully to the communities it serves. In addition, MBL Foundation is the Bank's dedicated philanthropic arm which supports charitable, educational, healthcare, and community development activities across Bangladesh. Details of CSR and donation are disclosed in Note 34 of the Audited Financial Statements.

GREEN FINANCE AND ENVIRONMENTAL SUSTAINABILITY

Key green finance and sustainability initiatives undertaken during 2025 include:

- Refinance facility for Certified Green Buildings: BDT 135.71 million outstanding.
- Women Entrepreneurs SME Refinance: BDT 489.90 million outstanding.
- Agricultural and Agro-processing Refinance: BDT 290.73 million outstanding.
- Climate Risk Fund: BDT 3.50 million maintained as per Bangladesh Bank's directive.
- MBL Nari Sanchaya Prokolpo (MNSP): The Bank's dedicated savings scheme for women grew 48.4% to BDT 446.49 million.
- Agent Banking: Deposits of BDT 752.50 million under the Agent Banking platform, extending financial services to underserved communities.

COMPLIANCE WITH BSEC CORPORATE GOVERNANCE CODE 2018

As a responsible corporate citizen, Mercantile Bank PLC has complied with all applicable conditions of the Bangladesh Securities and Exchange Commission (BSEC) Corporate Governance Code (CGC), issued vide Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. The Bank firmly believes that sound corporate governance is not merely a regulatory obligation but a cornerstone of sustainable institutional growth, stakeholder trust, and long-term value creation. In keeping with this conviction, the Bank has ensured that its governance structures, practices, and disclosures remain fully aligned with the spirit and letter of the CGC throughout the year. A detailed condition-by-condition compliance status report, together with the certificate of compliance issued by Suraiya Parveen & Associates, Chartered Secretaries, has been furnished in the Corporate Governance Report forming part of the Annual Report.

FIVE-YEAR KEY FINANCIAL SUMMARY

In compliance with Condition 1.7 of the BSEC Corporate Governance Code 2018 and Section 184 of the Companies Act, 1994, the key operating and financial data of Mercantile Bank PLC for the preceding five years has been presented in the 'Stakeholder Information' section of this Annual Report.

STRATEGIC DIRECTION AND FUTURE OUTLOOK

The journey of 2025 has reaffirmed Mercantile Bank PLC's capacity for disciplined execution and adaptive strategy in a challenging and transformative operating environment. The progress achieved during the year has positioned the Bank to enter 2026 with renewed confidence, and the Board's agenda for the year ahead is one of consolidating hard-won gains, deepening institutional strengths, and unlocking the next phase of sustainable value creation.

STRATEGIC AGENDA FOR 2026

A. REINFORCING CAPITAL STRENGTH AND INSTITUTIONAL RESILIENCE:

The Bank's foremost commitment for 2026 is the continued reinforcement of its capital foundations and the steady fortification of its balance sheet. Internal capital generation, accelerated recovery initiatives, and prudent balance-sheet management will be channeled toward strengthening the Bank's resilience and ensuring it remains well-positioned to support its long-term growth ambitions.

B. REINVIGORATION OF CORE EARNING CAPACITY:

Strengthening the Bank's core lending margin stands as a central operational priority for the year ahead. A coordinated programme of asset-side repricing, dynamic deposit-mix optimisation in favour of lower-cost categories, and accelerated recovery of suspended interest is designed to deliver a more balanced and sustainable earnings profile, even as the broader rate environment continues to evolve.

C. STRENGTHENING THE CUSTOMER FRANCHISE AND DEPOSIT EXCELLENCE:

Deepening the Bank's customer relationships stands as a defining priority for 2026. The Bank will leverage its expanding network with its growing digital footprint to broaden its customer base, mobilise stable and cost-efficient deposits, and enhance the contribution of fee-based services across trade finance, treasury, cards, and remittance channels. Investments in service quality, branch productivity, and a unified customer experience across physical and digital touch-points are designed to build a deeper, more durable, and more profitable franchise for the years ahead.

OUTLOOK FOR 2026

The macroeconomic backdrop for 2026 is materially more constructive than the Bank has experienced in recent years, with growth expected to accelerate, inflation moderating toward the medium-term target, the foreign exchange market well-stabilised under the new regime, and the Banking Sector Reform Roadmap providing a credible industry-wide framework. While the operating landscape will continue to present its share of challenges, the institutional momentum carried into the new year creates a genuine opportunity for the Bank to translate disciplined execution into a multi-year platform for sustainable growth and enduring stakeholder value.

ACKNOWLEDGEMENTS

As the Bank concludes the year 2025, the Board of Directors wishes to express its heartfelt gratitude to all who have been part of the Bank's journey in 2025 — a year of purposeful transformation and meaningful progress.

- The Board thanks Bangladesh Bank for its visionary regulatory leadership, constructive oversight, and the regulatory

forbearance that has enabled the Bank to navigate this period of sector-wide reform in a structured and responsible manner.

- The Board thanks the Bangladesh Securities and Exchange Commission (BSEC) for its steadfast oversight of the capital markets, protecting the interests of all the Bank's shareholders.
- The Board thanks the Financial Reporting Council (FRC) for elevating the standards of financial reporting and audit quality across Bangladesh.
- The Board thanks the Government of the People's Republic of Bangladesh for its policies supporting a dynamic, healthy, and inclusive banking sector.
- The Board thanks the Bank's valued shareholders for their patience, trust, and long-term belief in the Mercantile Bank PLC franchise.
- The Board thanks the Bank's loyal depositors and customers for more than two decades of partnerships built on trust.
- The Board thanks the Bank's talented employees whose energy, integrity, and professionalism are the living embodiment of the Bank's values for their inspiring dedication throughout 2025.

- The Board thanks the Bank's international correspondent banking partners across more than 30 global financial centres for their continued cooperation.
- The Board thanks the statutory auditors, Basu Banerjee Nath & Co. and Anil Salam Idris & Co. (Chartered Accountants), for their professional rigour and the quality of their audit work.

Mercantile Bank PLC enters 2026 with momentum, clarity of purpose, and a firm belief in its ability to deliver growing value to all stakeholders. The foundations reinforced in 2025 — cleaner assets, stronger deposits, disciplined costs, and an outstanding team — are the springboard for what lies ahead.

On behalf of the Board of Directors,



Md. Anwarul Haque
Chairman