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Mercantile Bank PLC. steadfastly upholds the principles of corporate governance in alignment with our vision and mission, ensuring integrity, transparency, and accountability at every level. Our Board of Directors, equipped with diverse skills and experience, is dedicated to risk management and value creation, reflecting our commitment to becoming a 'Green Bank' and addressing ESG concerns for sustainable growth.

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LETTER FROM THE BOARD OF DIRECTORS PRESENTED BY THE COMPANY SECRETARY

Dear Valued Shareholders,

It is our pleasure to present the Corporate Governance Report of Mercantile Bank PLC. on behalf of the Board of Directors for the year ended December 31, 2024.

STANCE ON CORPORATE GOVERNANCE

At Mercantile Bank PLC., our commitment to corporate governance is a journey of continuous improvement towards achieving the highest standards of governance. We take into account developments in the regulatory, business, and internal workplace environments to ensure that the organization carries out its business in a responsible manner, leading to the long-term sustainability of the Bank. Our approach to governance goes beyond a mere ticking of boxes, and this report showcases this stance.

OUTLINE OF THE CORPORATE GOVERNANCE REPORT

The report details how the MBPLC Board discharged their governance duties effectively with meticulous compliance with the applicable regulatory framework during the year under review. The key Corporate Governance rules applying to MBPLC are the Corporate Governance Code Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC) in exercise of the power conferred by section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969), as well as BRPD Circulars issued by Bangladesh Bank, Bangladesh Secretarial Standards (BSS) issued by the Institute of Chartered Secretaries of Bangladesh (ICSB) and global best practices applicable to banks. The said compliances are also independently reviewed and certified by Suraiya Parveen & Associates, Chartered Secretaries and are opined on through a Certificate of Compliance to the Shareholders, as per the requirements of the BSEC guidelines. The compliance status, along with the Corporate Governance Report, is enclosed with our Annual Report 2024.

In addition, the report demonstrates the overall responsibilities of the Board, which include setting MBPLC's strategies, overseeing and supporting management in their day-to-day running of the business, performance monitoring, and safeguarding the interests of shareholders.

ADOPTING BEST INDUSTRY PRACTICES

Our commitment extends to continuously refining our corporate governance policies, benchmarking against leading national and international standards. This proactive approach aims to elevate our governance practices to a global level, thereby contributing significantly to the development of Bangladesh's economy.

We welcome engagement with our stakeholders and look forward to your valuable feedback to continue our commitment to further improve on our corporate governance philosophy on a continuing basis.

On behalf of the Board

Sincerely,



Mohammad Rezaul Karim
Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

Effective governance of the Bank's operations is paramount, necessitating a clearly defined structure of roles and responsibilities, underpinned by transparency, accountability, and strict regulatory adherence. The Board ensures that the Bank's financial statements are prepared in full compliance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act, 1994 (as amended), the Bank Company Act, 1991 (as amended), Bangladesh Bank regulations, Bangladesh Securities and Exchange Commission (BSEC) directives, relevant stock exchange Listing Regulations, and all other applicable laws and guidelines.

BOARD AND COMMITTEE MEETINGS

In 2024, the Board of Directors convened 22 meetings, the Executive Committee 41, the Audit Committee 9, and the Risk Management Committee 12. Dates for Board and other Meetings are decided in advance and notice of each Board Meeting is served in writing well ahead of the meeting.

Directors' Responsibilities

The Board's responsibilities, as outlined by Bangladesh Bank Circulars, ensure comprehensive oversight across all critical operational areas:

Work-Planning and Strategic Management

The Board defines the Bank's objectives and goals, formulates annual strategies and work-plans, and monitors their implementation quarterly. It reviews performance in the Annual Report, providing recommendations for future strategies, and sets and evaluates Key Performance Indicators (KPIs) for the Managing Director and officers two tiers below.

Credit and Risk Management

The Board approves policies for loan/investment appraisal, sanction, disbursement, recovery, rescheduling, and write-off, delegating authority to the Managing Director and subordinates. No Director interferes, directly or indirectly, in the loan approval process. The Board frames and implements risk management

policies, monitoring compliance quarterly. This includes adherence to 2024 updates on Foreign Exchange Risk Management Guidelines, Environmental and Social Risk Management (ESRM) Guidelines, and stricter anti-defaulter measures.

Internal Control Management

The Board maintains vigilance over the internal control system, ensuring independent internal audits. It reviews committee reports on compliance with internal/external audit and Bangladesh Bank inspection recommendations. The Board ensures the Bank is prepared for and cooperates with risk-based Comprehensive Assessments, maintaining high standards of internal data readiness and meticulous policy documentation.

Human Resources Management and Development

The Board approves HR policies and service rules. The Chairman or any Director does not interfere in administrative HR matters, with the Board retaining authority for recruitment, promotion, transfer, and punishment of officers two tiers below the CEO. The Board prioritizes staff skill development, modern technology adoption, and effective Management Information Systems (MIS). It imposes a Code of Ethics for all employees, fostering a compliance culture and ensuring the effective implementation of Bangladesh Bank's reward policy for integrity.

Financial Management

The Board approves the annual budget and statutory financial statements, reviewing and monitoring monthly income, expenditure, liquidity, non-performing assets, capital adequacy, and loan loss provisions. It frames policies for purchase and procurement and approves major capital expenditures. In 2024, responsibilities were significantly impacted by the transition to a market-based interest rate system and various foreign currency/import/remittance circulars.

Appointment of Managing Director

A key responsibility of the Board is to appoint an honest, efficient, experienced,

and suitable Managing Director, with the approval of Bangladesh Bank.

AUXILIARY COMMITTEES OF THE BOARD

In accordance with BRPD Circular No. 02 dated February 11, 2024, the Board forms three specific auxiliary committees.

- Executive Committee: Handling urgent and routine operational activities between Board meetings. Decisions require ratification by the full Board.
- Audit Committee: Focuses on financial reporting, internal control, audit procedures, and compliance. No Executive Committee member can be on the Audit Committee.
- Risk Management Committee: Overseeing risk management strategies and ensuring proper application of risk reduction methods.

OTHER RESPONSIBILITIES AND REGULATORY COMPLIANCE

The Board complies with all responsibilities assigned by Bangladesh Bank. The Annual Report includes a 'Directors' Report 2024' as per the Companies Act 1994, covering the Bank's affairs, reserves, dividends, and changes in activities. Directors also declare matters as per the BSEC Corporate Governance Code, including:

- Industry outlook and future developments.
- Segment-wise or product-wise performance and risks.
- Extraordinary gain or loss.
- Related party transactions.
- Utilization of proceeds from public/rights issues.
- Significant variance between quarterly and annual financial performance.
- Remuneration to directors.
- Preparation of financial statements and any departures disclosed.

CORPORATE GOVERNANCE

- Sound internal control system design, effective implementation, and monitoring.
- No significant doubts about the bank's ability to continue as a going concern.
- Significant deviations from the last year's operating results.
- Key operating and financial data for at least preceding 5 years.
- Reasons if no dividend declared.
- Number of Board meetings held and attendance by each director.
- Pattern of shareholding structure.
- Information for director appointment/re-appointment (brief resume, expertise, other directorships/committee memberships).

The Board ensures compliance with key 2024 regulatory updates:

- **Companies Act, 1994 Amendments:** Ensuring alignment with changes such as the abolition of the common seal, explicit use of "PLC," extended AGM notice periods, and enhanced shareholder rights to propose agenda items.
- **BSEC Shareholding Rules:** Overseeing strict compliance with intensified enforcement of mandatory 30% joint shareholding for sponsors/directors and 2% individual shareholding for directors in listed companies.
- **Capital Market Reforms (IPO and Mutual Funds):** Ensuring adherence to increased IPO share allocation for general investors, revised minimum paid-up capital for IPOs, mandatory redemption of closed-end funds,

revised dividend distribution, increased investment limits for mutual funds, and prohibition of investments in unlisted equity securities.

- **Stock Exchange Listing Regulations:** Overseeing compliance with evolving regulations, including strategic implications of short selling, capital gains tax, commodity exchange licensing, and BSEC's emphasis on minimum paid-up capital for main board listing.

The Directors confirm that the Annual Report, Directors' Report, and Consolidated Financial Statements comply with all applicable laws, rules, and regulatory guidelines for the fiscal year ended December 31, 2024.

REPORT OF THE BOARD

AUDIT COMMITTEE

The year 2024 was defined by global economic headwinds, regulatory shifts, and rising credit stress across the domestic banking sector. In this context, the Board Audit Committee of Mercantile Bank PLC intensified its oversight to reinforce the Bank's governance, control, and risk management frameworks.

Guided by a mandate for strategic vigilance, the Committee moved beyond compliance to drive institutional strengthening. Key priorities included ensuring the integrity of financial reporting, improving asset quality through enhanced recovery and provisioning oversight, addressing structural control weaknesses, and initiating targeted reforms across critical functions.

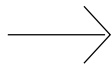
This report outlines the Committee's major reviews and directives in 2024—efforts that have materially advanced the Bank's resilience, operational discipline, and governance maturity.

STATEMENT OF PURPOSE AND AUTHORITY

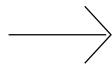
The Board Audit Committee of Mercantile Bank PLC. is a standing sub-committee of the Board, empowered to support the Board's oversight responsibilities. Its authority is defined by the Board and grounded in the prevailing regulatory framework in Bangladesh, including:



The Bank Company Act, 1991
(as amended)



Bangladesh Bank directives
(e.g., BRPD Circular No. 02, dated February 11, 2024)



The Corporate Governance Code
(Notification dated June 3, 2018, issued by BSEC, and its amendments)

The Committee exercises independent judgment in overseeing the Bank's financial reporting, risk management, internal control environment, audit functions, and regulatory compliance—ensuring the transparency and integrity of the Bank's operations.

COMMITTEE CHARTER AND RESPONSIBILITIES

The Committee operates under a formally approved Terms of Reference (ToR), which outlines its responsibilities, consistent with global best practices and local regulatory expectations. The Committee's core duties include:

Financial Reporting Oversight

Reviewing the Bank's annual, half-yearly, and quarterly financial statements and accompanying disclosures, with particular attention to accounting policies, estimates, and adherence to IFRS as adopted in Bangladesh.

Risk Management and Internal Controls

Evaluating the adequacy of internal controls and the robustness of the risk management framework. Oversight extends to the policies and procedures that govern financial and non-financial risk identification, assessment, and mitigation.



Guided by a mandate for strategic vigilance, the Committee moved beyond compliance to drive institutional strengthening. Key priorities included ensuring the integrity of financial reporting, improving asset quality through enhanced recovery and provisioning oversight, addressing structural control weaknesses, and initiating targeted reforms across critical functions.

Internal and External Audit Supervision

Reviewing and approving audit scopes, strategies, and performance. The Committee ensures auditor independence, oversees implementation of audit recommendations, and monitors the resolution of control deficiencies.

Compliance Monitoring

Overseeing the Bank's adherence to regulatory requirements, internal policies, and codes of conduct. The Committee works to ensure that compliance is embedded in the culture and operations of the Bank.

Reporting and Communication

- Reporting regularly to the Board of Directors on key findings, recommendations, and oversight activities.
- Reporting matters including conflicts of interest, suspected or confirmed fraud or irregularities, material deficiencies in internal controls or financial reporting, and breaches of laws or regulatory requirements—especially those related to banking and securities.
- Escalating urgent or significant issues to the Board without delay.

COMMITTEE COMPOSITION, MEETINGS, AND EXPERTISE

The Audit Committee of the Board of Directors of Mercantile Bank PLC., was reconstituted in the 453rd Board meeting held on 11 December 2024. In accordance with applicable rules, the Committee includes 2 non-executive and Independent Directors with strong credentials in banking, finance, and governance.

During 2024, the Committee convened 9 meetings, reflecting a sustained commitment to its oversight agenda.

Board Audit Committee Composition and Attendance (2024)

Name	Status	Position	Educational Qualification	Meeting Attendance
Prof. Dr. Md. Rezaul Kabir	Independent Director*	Chairman	M.Sc. (UK), Ph.D. (UK)	9/9
Al-Haj Akrom Hossain (Humayun)	Director	Member	Graduate	4/5
Mr. Md. Abdul Hannan	Director	Member	Engineer	1/1
Dr. Gazi Mohammad Hasan Jamil	Independent Director*	Member	BBA & MBA (DU), MS in Finance (USA), CMA, Ph.D. (Canada)	6/9

*Independent Directors are not members of the Executive Committee.

Note: The Company Secretary of the Bank serves as the Secretary to the Audit Committee.

Meeting Dates in 2024:

Sl No.	Meeting	Date of Meeting
1	227th Audit Committee Meeting	28 January 2024
2	228th Audit Committee Meeting	16 April 2024
3	229th Audit Committee Meeting	29 April 2024
4	230th Audit Committee Meeting	30 June 2024
5	231st Audit Committee Meeting	31 July 2024
6	232nd Audit Committee Meeting	27 August 2024
7	233rd Audit Committee Meeting	30 September 2024
8	234th Audit Committee Meeting	22 October 2024
9	235th Audit Committee Meeting	29 December 2024

MAJOR ISSUES REVIEWED BY THE BOARD AUDIT COMMITTEE IN 2024

In 2024, the Board Audit Committee maintained focused oversight to strengthen governance, enhance risk controls, and support strategic execution amid economic and regulatory challenges. Key matters reviewed included:

1. Financial Reporting Oversight

Reviewed annual and interim financial statements to ensure compliance with

IFRS and regulatory directives. Scrutinized key estimates—particularly provisioning and asset valuations—for prudence and relevance.

2. Internal Control and Risk Assurance

Assessed the effectiveness of the Internal Control and Compliance Division (ICCD), approved the annual audit plan, and monitored closure of audit findings. Commissioned external audits of key control functions to identify systemic gaps and guide corrective action.

3. Credit Risk and Recovery Strategy

Provided intensive oversight of asset quality, NPL levels, and provisioning. Monitored execution of the NPL recovery roadmap and evaluated the impact of performance-linked incentive mechanisms.

4. Governance and Compliance Framework

Ensured adherence to Bangladesh Bank and BSEC regulations, including AML/CFT compliance.

5. Strategic and Emerging Risks

Reviewed the Bank's preparedness against cybersecurity threats and governance of digital initiatives. Encouraged integration of ESG principles into risk and business strategies.

STRATEGIC OUTLOOK AND PRIORITIES FOR 2025

In 2025, the Audit Committee will continue its focused oversight to drive the execution of transformative initiatives launched in 2024, reinforce governance, and support sustainable performance. Key priorities include:

1. Execution of Strategic Initiatives

Monitor progress on the centralization of the credit portfolio and the restructuring of the loan recovery system. Milestone tracking for these initiatives will remain a standing agenda item.

2. Strengthening Financial Resilience

Ensure timely implementation of the action plan to address the provisioning shortfall identified by Bangladesh Bank. Oversee

initiatives to enhance "other income" and optimize cost efficiency through targeted expense control.

3. Lending Portfolio Rebalancing

Support the shift towards a more diversified, secured SME and retail lending portfolio. Review underwriting quality and adherence to risk standards in the new lending segments.

4. Governance and Compliance Enhancements

Ensure sustained quality in internal and external audit functions. Enforce evidence-based compliance reporting and hold third-party partners accountable to elevated governance standards.

5. Treasury and Subsidiary Oversight

Review investment strategy and performance in government securities to ensure liquidity and return optimization. Continue governance oversight of subsidiaries, including the formulation and approval of investment policies for Mercantile Bank Securities Limited.

ACKNOWLEDGEMENT

The Audit Committee sincerely thanks the Members of the Board of Directors for their continued strategic guidance, which has been instrumental in enabling the Committee to discharge its oversight duties effectively. The Committee also acknowledges the consistent support of the Management team and the cooperation of the External Auditors in facilitating the execution of its responsibilities.

The Committee further appreciates the regulatory oversight and constructive guidance provided by Bangladesh Bank and the Bangladesh Securities and Exchange Commission, which have played a critical role in upholding governance integrity and ensuring compliance with applicable standards.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE



Our governance structure is designed for resilience and adaptability. The Board of Directors, comprised of members with diverse industry knowledge and strategic acumen, maintained rigorous oversight throughout the year.



The year 2024 unfolded against a backdrop of evolving global dynamics and a challenging domestic financial landscape. Amid these complexities, a steadfast commitment to sound corporate governance has been not just a regulatory necessity but a strategic enabler. It has served as the cornerstone of our ability to respond decisively, manage emerging risks effectively, and uphold the values of integrity, transparency, accountability, and fairness.

Our governance structure is designed for resilience and adaptability. The Board of Directors, comprised of members with diverse industry knowledge and strategic acumen, maintained rigorous oversight throughout the year. Regular meetings of the Board and its sub-committees were held to review financial performance, monitor risk exposures, and guide strategic initiatives. The Board also ensured the integrity of our internal control systems and supported management in executing decisions aligned with our long-term objectives and risk tolerance.

A pivotal focus of the Board in 2024 was to strengthen asset quality. This involved intensified efforts to reduce non-performing loans (NPLs), improve credit underwriting standards, and support recovery initiatives through enhanced governance mechanisms. These actions were particularly important in the context of regulatory changes that prompted more transparent loan classification practices sector-wide.

Equally important was our strategic emphasis on inclusive economic development. The Bank directed capital and advisory support to the agriculture sector and Small and Medium-sized Enterprises (SMEs)—sectors that are critical to employment generation, rural upliftment, and economic diversification. By supporting these foundational areas, we demonstrated our commitment to responsible banking and nation-building—principles deeply embedded in our governance ethos.

At MPLC, we believe that good governance is not static; it evolves with the environment. Accordingly, we continue to refine our governance practices to reflect global best practices, regulatory updates, and the expectations of our stakeholders.

I extend my sincere appreciation to my fellow Board members for their leadership and insight, to the management team and all employees for their dedication and performance, and to you—our shareholders—for your continued trust and support. Together, we will navigate challenges, seize opportunities, and build a stronger, more resilient Mercantile Bank.

Sincerely,

Md. Anwarul Haque
Chairman

CORPORATE GOVERNANCE REPORT

MBPLC'S GOVERNANCE PHILOSOPHY AND FRAMEWORK

The corporate governance philosophy of MBPLC is founded on the conviction that strong governance is essential for long-term investment, financial stability, and business integrity. It serves as the cornerstone for building an environment of trust, transparency, and accountability, thereby supporting sustainable growth and value creation for all stakeholders. Our framework is designed to go beyond mere regulatory compliance, embedding a culture of integrity across all spheres of the organization.

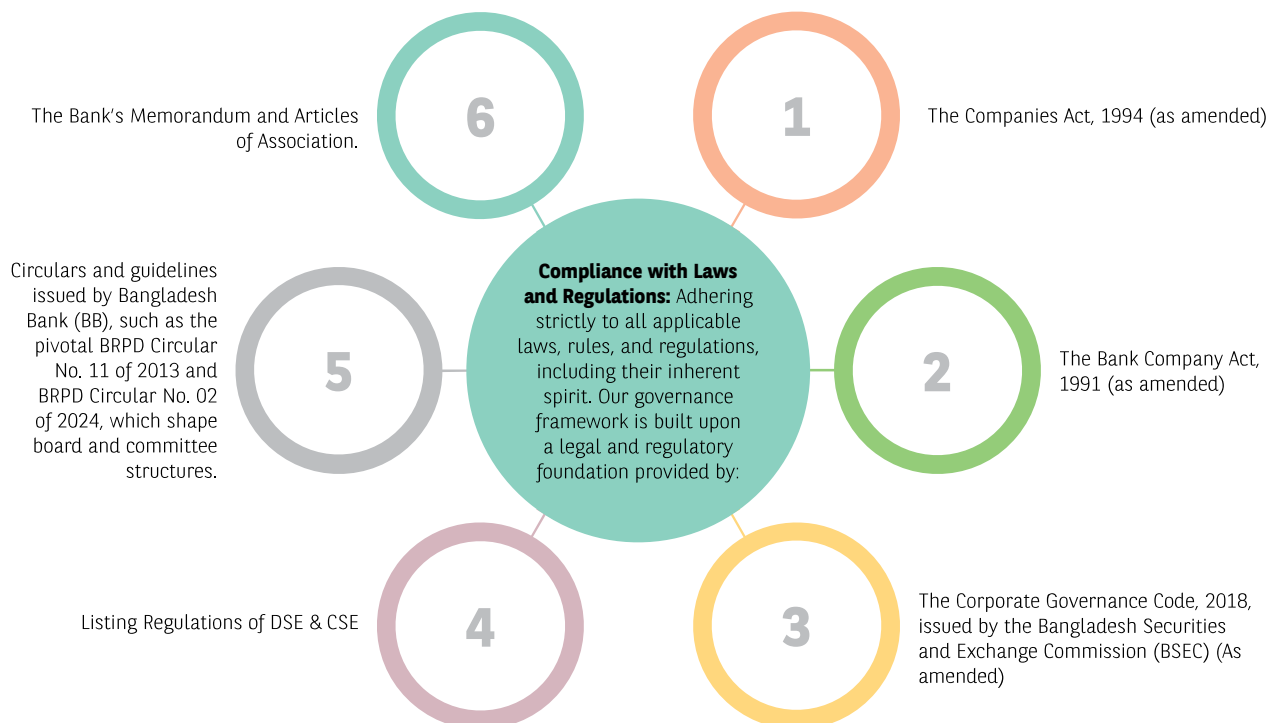
This philosophy is guided by a set of core principles that inform our policies, procedures, and day-to-day operations. These principles are modeled after local and international best practices, including

the G20/OECD Principles of Corporate Governance, and are designed to ensure that the bank is managed in a responsible and ethical manner. The guiding philosophy of our governance practices is based on the following principles:

- **Value Creation for Stakeholders:** Creating sustainable, long-term value for all stakeholders, including shareholders, customers, employees, and the community, without compromising on ethical principles and corporate responsibility.
- **Fairness and Equity:** Ensuring fair and equitable treatment for all stakeholders. We are committed to protecting shareholder rights,

including those of minority shareholders, and providing effective redress for any violations.

- **Transparency and Disclosure:** Maintaining a policy of full disclosure and transparency. We ensure the timely and accurate disclosure of all material matters, including the bank's financial situation, performance, ownership structure, and governance practices.
- **Accountability:** Establishing clear lines of responsibility and accountability throughout the organization, from the Board of Directors and its committees to senior management and all employees.



- **Trusteeship Model:** Embracing a model in which the Board and Management act as trustees of the shareholders' capital. This principle reinforces the fiduciary duty to manage the bank's resources prudently and in the best interests of its owners.
- **Risk Management and Internal Control:** Establishing and maintaining a sound system of risk management and internal controls, complete with adequate safeguards and early warning systems to identify, assess, and mitigate risks effectively.

GOVERNANCE STRUCTURE OF MERCANTILE BANK PLC

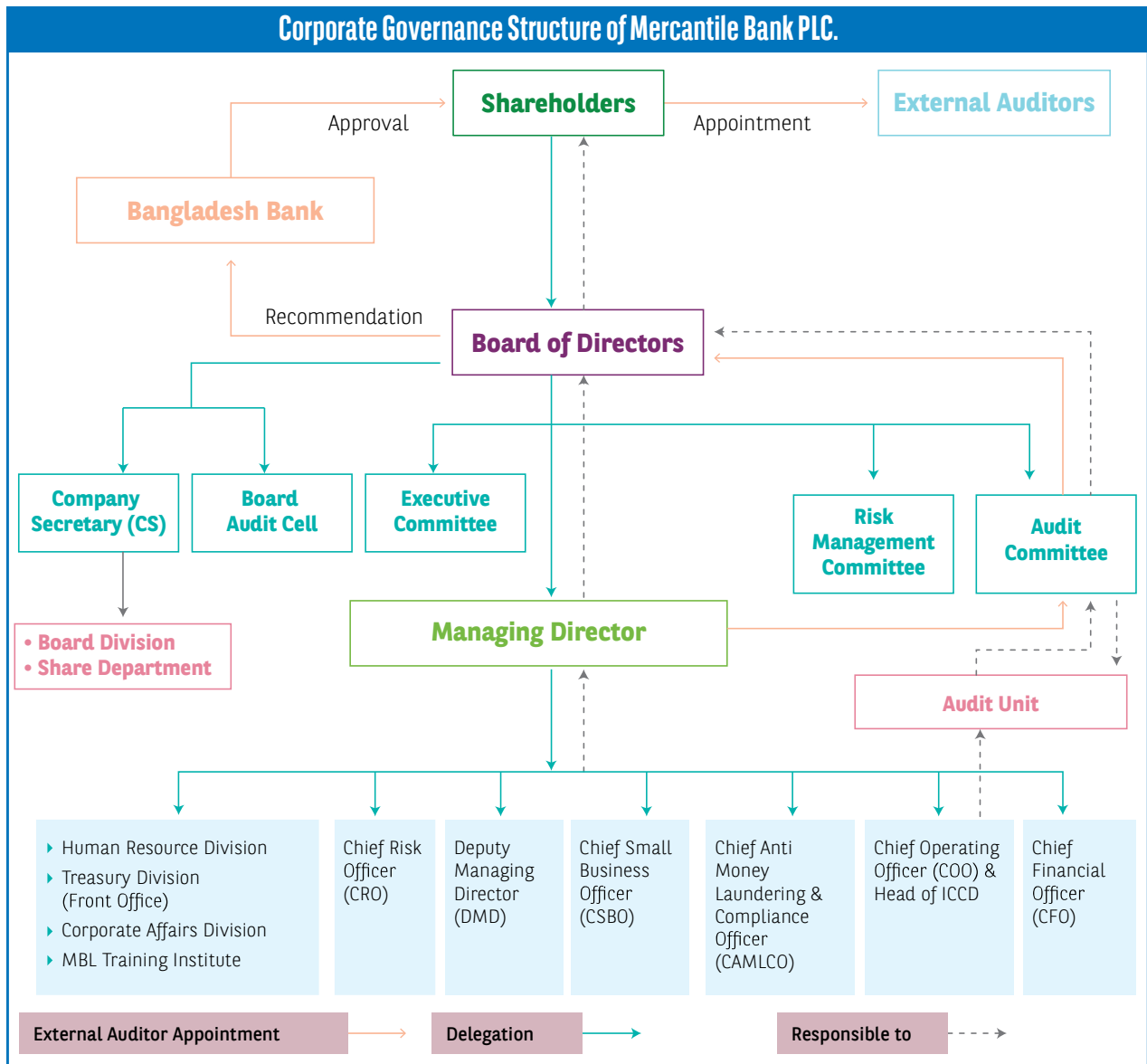
The governance structure of MBPLC is designed to ensure clear lines of authority, effective oversight, and accountability. The Board of Directors is at the center of this framework, responsible for establishing the overall governance structure and setting the strategic direction of the bank. The shareholders' role is to appoint qualified directors and the external auditors, thereby

entrusting the Board with the stewardship of their investment.

Our governance model is hierarchical and interconnected, promoting a balance of power and a system of checks and balances. It incorporates the "Three Lines of Defense" model, a recognized best practice within the global and Bangladeshi banking sectors, to ensure a comprehensive and systematic approach to risk management and internal control.

A visual representation of the governance structure is provided below:

CORPORATE GOVERNANCE STRUCTURE



This structure ensures that the Board, supported by its committees, provides independent oversight of the management team. The management, led by the Managing Director, is responsible for executing the policies and strategies set by the Board and for the day-to-day operations

of the bank. The risk management and internal control functions (the second line of defense) are designed to be independent from the business units (the first line of defense) to provide objective assessments and safeguards against unforeseen risks. The Audit Committee, chaired by an

Independent Director as required by the BSEC Corporate Governance Code, plays a pivotal role in overseeing financial reporting and the integrity of the internal control systems, including the third line of defense, which is the internal audit function.

THE BOARD OF DIRECTORS: STEWARDSHIP AND OVERSIGHT

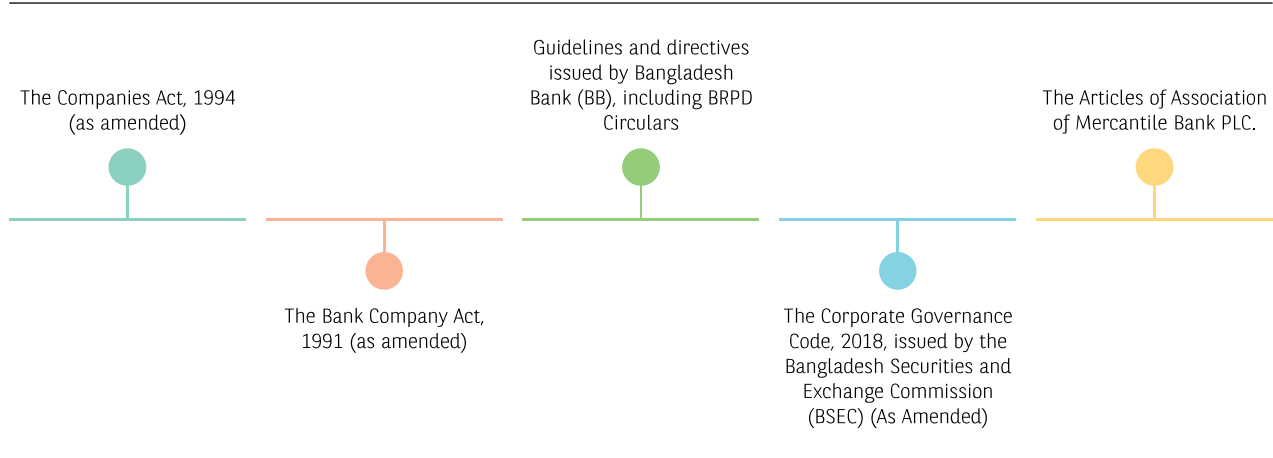
BOARD COMPOSITION AND PROFILE

Policy on Appointment of Directors

The appointment of Directors to the Board of MBPLC is a formal and transparent process, conducted in strict accordance

with the prevailing laws, regulations, and the Bank's own governing documents. This ensures that the Board is composed of individuals with the requisite skills, integrity, and experience to lead the institution

effectively. Directors are appointed as per the respective provisions, sections, and regulations of the following authorities and documents :



Non-executive directors are elected by the shareholders at the Annual General Meeting (AGM). Independent Directors are appointed by the Board, subject to regulatory clearance and subsequent approval by shareholders at the AGM. The Managing Director is appointed by the Board, subject to the prior approval of Bangladesh Bank.

STRUCTURE AND DIVERSITY OF THE BOARD

The Board of Directors of MBPLC comprises a blend of experienced entrepreneurs, seasoned business professionals, and independent experts. The collective knowledge of the Board spans diverse fields,

including banking and finance, business management, law, and accounting, providing a strong foundation for strategic decision-making and effective oversight.

As of 31 December 2024, the Board consists of 12 Directors. The composition is as follows :



The composition of the Board is a strategic construct. It is heavily weighted towards successful entrepreneurs and industrialists, reflecting a governance culture that prioritizes practical business acumen and growth, which aligns perfectly with the bank's strategic focus on commercial and SME lending. The presence of two distinguished academics as Independent Directors provides a crucial counterbalance,

ensuring that strategic decisions are also subject to rigorous, objective scrutiny from a non-commercial and regulatory-minded perspective. This creates a balanced ecosystem of practical and theoretical expertise, specifically designed for effective governance.

PROFILES OF THE BOARD OF DIRECTORS

The following table provides a profile of each member of the Board of Directors, detailing their qualifications, expertise, and tenure. This consolidated view highlights the collective strength and capabilities of the Board entrusted with the Bank's stewardship.

BOARD OF DIRECTORS PROFILE

Name & Position	Core Experience & Expertise	Date of Appointment / Last Re-appointment	Committee Memberships (EC, AC, RMC)
Md. Anwarul Haque Chairman	Over 45 years of experience in construction, real estate, export-import, and trading. Managing Director of Living Plus Limited and Director of multiple other companies.	13 September 2021	-
Al-Haj Akram Hossain (Humayun) Vice Chairman	Eminent businessman. Chairman & Managing Director of FARS Group, with extensive experience in the real estate sector. Known for philanthropic activities.	19 June 2024	Member, Audit Committee
Md. Abdul Hannan Vice Chairman	Renowned businessman. Chairman and Managing Director of Dabstar & Associates Limited and Murad Apparels Limited. Involved in export-oriented ready-made garments and other businesses.	19 June 2024	Member, Audit Committee ; Member, Risk Management Committee
M.A. Khan Belal Director & Chairman, Executive Committee	Experience in trade, industry, shipping, and banking. Chairman of Shamrat Group of Companies. High academic background.	19 June 2024	Chairman, Executive Committee ; Member, Risk Management Committee
Mohammad Abdul Awal Director & Chairman, Risk Management Committee	Founder and Managing Director of Synthia Securities Limited (a DSE member). Experience in share trading and finance. Sponsor Shareholder and former Chairman of Express Insurance Limited.	26 June 2023	Chairman, Risk Management Committee ; Member, Executive Committee
Prof. Dr. Md. Rezaul Kabir Independent Director & Chairman, Audit Committee	Professor of Finance and Coordinator of the BBA Program at IBA, University of Dhaka. Over 15 years of teaching and consultancy experience. Associate Fellow of the Higher Education Academy, UK.	15 October 2023	Chairman, Audit Committee
A.S.M. Feroz Alam Sponsor Director	Renowned businessman with extensive international business experience. Chairman of Bengal Trading Limited (Japan). Founder of Saheda Gafur Ibrahim General Hospital.	26 June 2023	Member, Executive Committee
M. Amanullah Sponsor Director	Founder of Aman Group of Companies, a conglomerate with diversified businesses. Honored as a Commercially Important Person (CIP) for contributions to export trade. Former Chairman of MBPLC.	26 June 2023	Member, Executive Committee ; Member, Risk Management Committee
Morshed Alam Sponsor Director	Founder of Bengal Group of Industries. Extensive experience in manufacturing (plastics), media, and financial services. Former Chairman of MBPLC. Honored as a Commercially Important Person (CIP).	19 May 2022	Member, Executive Committee ; Member, Risk Management Committee
Al-haj Mosharref Hossain Director	Leading businessman with extensive experience in paper trading as the Proprietor of M.H. Traders. Director of Toka Ink (BD) Ltd. and Managing Director of Bulbul Printers.	19 May 2022	Member, Executive Committee
Dr. Gazi Mohammad Hasan Jamil Independent Director	Professor of the Department of Finance, University of Dhaka. Holds a Ph.D. from Concordia University, Canada, and an MSc in Finance and MBA from Texas A&M University, USA. Certified Management Accountant (CMA) and active candidate in the Chartered Financial Analyst (CFA) program.	29 February 2024	Member, Audit Committee
Mati Ul Hasan Managing Director	Over 41 years of experience in the financial sector. Served as Additional Managing Director & Chief Risk Officer and Deputy Managing Director at MBPLC. Expertise in foreign trade, treasury, and branch banking, with extensive overseas experience.	30 November 2024	-

In compliance with BSEC requirements, profiles of the members of the Board of Directors are presented in the "Overview" section of this Annual Report.

BOARD RESPONSIBILITIES, INDEPENDENCE, AND PERFORMANCE

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board of Directors is entrusted with the ultimate responsibility for the stewardship of Mercantile Bank PLC. Its roles and responsibilities are clearly defined to ensure effective oversight of the bank's strategy, performance, and risk management framework. These duties are established in compliance with the Bank Company Act, 1991, and the guidelines of Bangladesh Bank. The major roles and responsibilities of the Board are outlined below:

Major Roles and Responsibilities	Brief Particulars
Work Planning and Strategic Management	<ul style="list-style-type: none"> Determining the bank's vision, mission, objectives, and goals, and formulating strategies and annual work plans to achieve them. Making strategic decisions related to structural changes for enhancing institutional efficiency and other key policy matters. Analyzing and monitoring the implementation status of the bank's strategic plans. Setting and periodically evaluating Key Performance Indicators (KPIs) for the Managing Director and the two executive tiers immediately below.
Credit and Risk Management	<ul style="list-style-type: none"> Formulating policies, strategies, and procedures for loan appraisal, sanction, disbursement, recovery, rescheduling, and write-offs, in accordance with existing laws and regulations. Prudently delegating lending authority to the MD and designated executives. Establishing a comprehensive risk management framework and monitoring compliance with Bangladesh Bank's guidelines on key risk areas.
Internal Control Management	<ul style="list-style-type: none"> Maintaining vigilant oversight of the internal control system to ensure the quality of the bank's loan portfolio and operational integrity. Establishing an internal control system that ensures the independence of the internal audit function from management. Reviewing reports from the Audit Committee regarding compliance with recommendations from internal audits, external audits, and Bangladesh Bank inspections.
Human Resources Management and Development	<ul style="list-style-type: none"> Framing policies for recruitment, promotion, transfer, disciplinary measures, and human resource development, including the formulation of service rules. Refraining from any interference in administrative affairs that are executed under the established service rules. Overseeing the recruitment, promotion, and disciplinary actions for officers in the two tiers immediately below the MD, in compliance with service rules. Promoting the development of staff skills, particularly in prudent loan appraisal, modern technology adoption, and the use of an effective Management Information System (MIS). Establishing and promoting a Code of Ethics and healthy conduct to foster a strong compliance culture throughout the bank.
Financial Management	<ul style="list-style-type: none"> Finalizing and approving the annual budget and periodic financial statements. Reviewing and monitoring the bank's performance with respect to income, expenditure, liquidity, non-performing assets, capital adequacy, and loan loss provisions. Framing policies for procurement and approving the delegation of expenditure authority to the MD. Making decisions on major infrastructure development and capital expenditures, such as the purchase of land, buildings, and vehicles. Reviewing the formation and functioning of the Asset-Liability Committee (ALCO) to ensure it operates per Bangladesh Bank guidelines.
Appointment of Managing Director (MD)	<ul style="list-style-type: none"> Appointing an honest, efficient, experienced, and suitable Managing Director, with the prior approval of Bangladesh Bank.
Formation of Supporting Committees	<ul style="list-style-type: none"> Forming an Executive Committee, an Audit Committee, and a Risk Management Committee with directors. The Board is restricted from forming any other sub-committees beyond these three, as per regulatory directives.

ROLE OF INDEPENDENT DIRECTORS

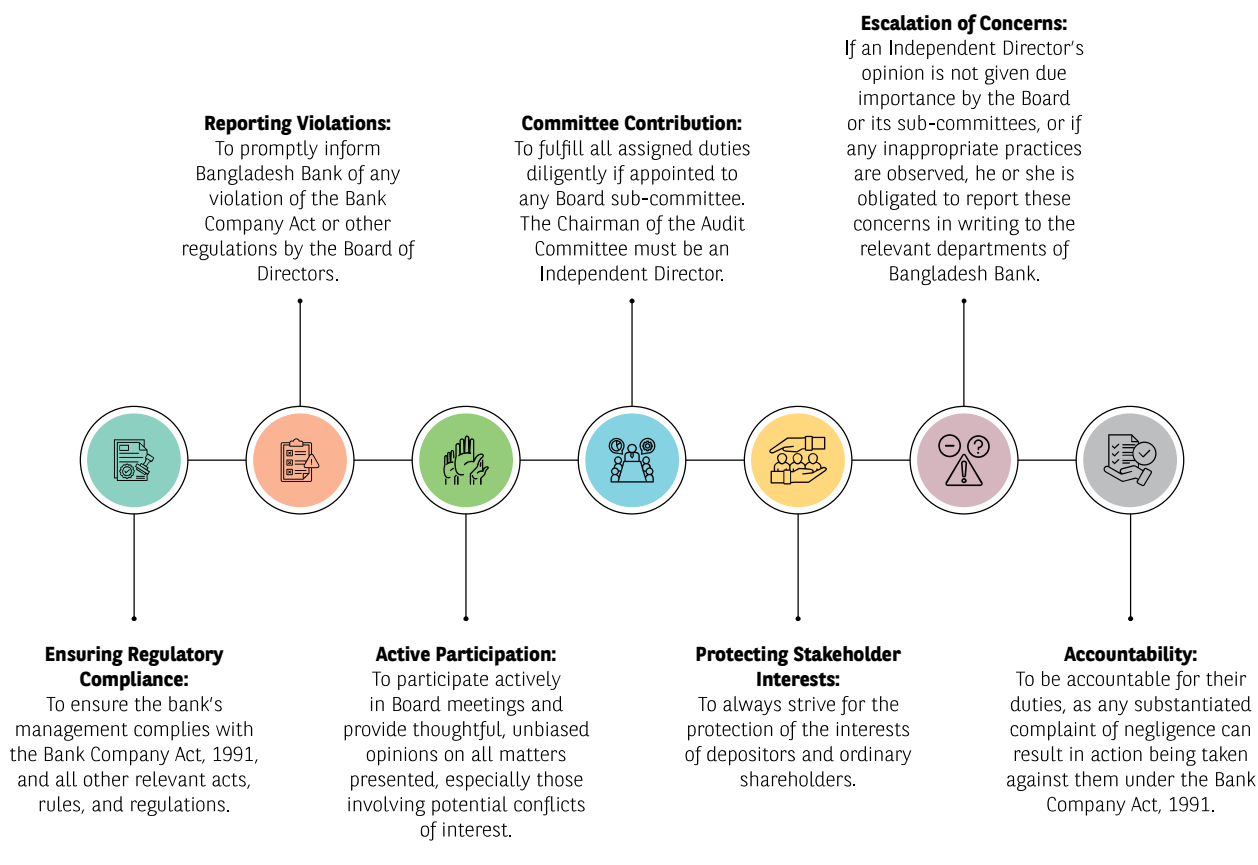
Independent Directors are a cornerstone of MBPLC's governance framework, bringing objectivity, diverse expertise, and impartial judgment to the Board's deliberations. Their presence ensures that the Board's decisions are made in the best interests of all stakeholders, particularly minority shareholders and depositors. The roles,

responsibilities, and accountabilities of Independent Directors are aligned with the BSEC Corporate Governance Code and Bangladesh Bank guidelines.

A powerful governance mechanism specific to the Bangladeshi context is the explicit power granted to Independent Directors to report concerns directly to the central bank. This elevates their role from mere advisors to active regulatory conduits,

providing a significant check on the power of the full Board and management. This demonstrates the bank's full acceptance of this rigorous oversight and provides a powerful assurance to depositors and minority shareholders that their interests are protected by a mechanism with real authority.

The key responsibilities of an Independent Director include:



SEPARATION OF CHAIRMAN AND MANAGING DIRECTOR ROLES

In strict compliance with the BSEC Corporate Governance Code and Bangladesh Bank guidelines, Mercantile Bank PLC maintains a clear separation between the roles of the Chairman of the Board and the Managing Director. This separation is fundamental to ensuring a balance of power, enhancing accountability, and preventing unfettered authority in any single individual.

The Chairman of the Board, Mr. Md. Anwarul Haque, is elected from among the non-executive directors. The Chairman's primary responsibility is to lead the Board of Directors, ensuring its effectiveness in setting the bank's strategic direction and overseeing management. The Chairman sets the agenda for Board meetings,

presides over them to facilitate constructive debate and consensus-building, and acts as the lead representative of the bank to its shareholders. The Chairman does not participate in the day-to-day administrative or operational affairs of the bank.

The Managing Director, Mr. Mati Ul Hasan, is the head of the management team and is accountable to the Board for the day-to-day running of the bank. The MD's primary responsibilities include implementing the policies and strategic direction established by the Board, managing the bank's operations to safeguard the interests of customers and stakeholders, establishing and maintaining a strong system of internal controls, and ensuring the bank's compliance with all applicable legal and regulatory requirements.

This clear demarcation of roles ensures that the Board, led by the Chairman, can effectively challenge and supervise the executive team, led by the Managing Director creating a robust governance structure.

ANNUAL PERFORMANCE APPRAISAL OF THE BOARD AND MD

Mercantile Bank PLC has an established process for the annual evaluation of the performance of the Board, its committees, individual directors, and the Managing Director. This process is crucial for ensuring effectiveness, accountability, and continuous improvement in governance.

- **Appraisal of the Board:** The performance of the Board as a whole is critically appraised by the

shareholders at the Annual General Meeting (AGM). During the AGM, shareholders have the opportunity to evaluate the financial performance of the bank, the effectiveness of its internal control systems, and its overall governance. The Board's performance is also internally assessed against the achievement of strategic objectives and the annual budget. The attendance and active participation of directors in Board and committee meetings are key metrics in this evaluation.

- **Evaluation of the MD:** The Board of Directors conducts an annual evaluation of the performance of the Managing Director. This evaluation is based on a set of pre-defined roles, responsibilities, and Key Performance

Indicators (KPIs). The Board scrutinizes various reports on the bank's financial and operational performance, analyzes the variance between budgeted targets and actual results, and assesses the MD's leadership in achieving the bank's strategic goals. Key financial parameters used in the evaluation include the Non-Performing Loan (NPL) ratio, growth in loans and deposits, Return on Equity (ROE), Return on Assets (ROA), and the cost-to-income ratio.

BOARD MEETINGS AND DIRECTOR ATTENDANCE

The Board of Directors of MBPLC holds meetings on a regular basis to discharge its duties effectively. Management provides

detailed working papers and agendas to all directors well in advance of each meeting to allow for thorough preparation. During meetings, the Chairman ensures that sufficient time is allocated for discussion on each agenda item, encouraging open debate and allowing directors to inquire and express their opinions freely.

During the year 2024, a total of 22 Board meetings were held. The attendance of each director at these meetings is recorded below to ensure transparency regarding their commitment and engagement. This disclosure is a key requirement of the BSEC Corporate Governance Code and serves as a quantitative measure of each director's diligence and accountability to shareholders.

ATTENDANCE AT BOARD MEETINGS (2024)

Sl. No.	Name of Director	Position	Total Meetings Held	No. of Meetings Attended
1.	Md. Anwarul Haque	Chairman	22	22
2.	Al-Haj Akram Hossain (Humayun)	Vice Chairman	21	16
3.	Md. Abdul Hannan	Vice Chairman	21	20
4.	M.A. Khan Belal	Director	21	21
5.	Mohammad Abdul Awal	Director	22	22
6.	Prof. Dr. Md. Rezaul Kabir	Independent Director	22	20
7.	A. S. M. Feroz Alam	Director	22	19
8.	M. Amanullah	Director	22	22
9.	Morshed Alam	Director	22	19
10.	Alhaj Mosharref Hossain	Director	22	22
11.	Dr. Gazi Mohammad Hasan Jamil	Independent Director	21	11

BOARD COMMITTEES

To ensure focused oversight and enhance governance effectiveness, the Board of Directors has constituted three key sub-committees, in line with the directives of Bangladesh Bank which permit a maximum of three such committees. These are the Executive Committee, the Audit Committee, and the Risk Management Committee.

EXECUTIVE COMMITTEE (EC)

The Executive Committee (EC) of the Board acts as a proxy for the full Board, empowered to take decisions on urgent business matters that arise between scheduled Board meetings. This ensures the smooth and uninterrupted flow of the

bank's business operations. Any decision taken by the EC is subsequently presented to the full Board for ratification.

Composition of the Executive Committee: The EC is composed of directors nominated by the Board. As of 31 December 2024, the members of the Executive Committee are :

- **Chairman:** M.A. Khan Belal
- **Members:**
 - A.S.M. Feroz Alam
 - M. Amanullah
 - Morshed Alam
 - Alhaj Mosharref Hossain
 - Mohammad Abdul Awal

Meetings and Activities in 2024: During the year 2024, the Executive Committee held 41 meetings. The committee reviewed and approved various credit proposals and other business matters falling within its delegated authority, ensuring timely decision-making and operational continuity.

AUDIT COMMITTEE (AC)

The Audit Committee (AC) is a cornerstone of the bank's corporate governance framework, providing independent oversight of the financial reporting process, the internal control system, the internal audit function, and the bank's compliance with laws and regulations.

COMPOSITION AND MANDATE

The AC is constituted by the Board of Directors in strict compliance with the guidelines of Bangladesh Bank and the BSEC Corporate Governance Code. A critical feature of the local regulatory environment is the specific directive from Bangladesh Bank (as cited in BRPD Circular No. 02, dated February 11, 2024) that limits the number of board sub-committees to three. Consequently, the functions typically assigned to a separate Nomination and Remuneration Committee (NRC) have been entrusted to the Audit Committee. This consolidation is a defining feature of the banking sector's governance structure in Bangladesh.

This arrangement places an extraordinary level of responsibility on the AC, requiring its members to possess a uniquely broad skillset covering finance, audit, risk, human resources, and corporate strategy. The composition of the AC is therefore paramount. The bank has ensured that the committee is composed of highly qualified individuals capable of handling this expanded and highly demanding mandate.

As of 31 December 2024, the members of the Audit Committee are :

- **Chairman:** Prof. Dr. Md. Rezaul Kabir (Independent Director)
- **Members:**
 - Al-Haj Akram Hossain (Humayun) (Director)
 - Md. Abdul Hannan (Director)
 - Dr. Gazi Mohammad Hasan Jamil (Independent Director)

The Committee is chaired by an Independent Director, and all members are financially literate with expertise in fields such as accounting, finance, and business, enabling them to effectively discharge their duties. The Head of Internal Audit reports directly to the Audit Committee, ensuring the independence of the audit function is preserved.

ACTIVITIES OF THE AUDIT COMMITTEE IN 2024

During the year 2024, the Audit Committee held 9 meetings and diligently fulfilled its responsibilities as per its Terms of Reference. The major activities and areas of focus included:

- **Review of Financial Statements:** Scrutinized the quarterly, half-yearly, and annual financial statements of the bank

before their submission to the Board, ensuring their accuracy, completeness, and compliance with International Financial Reporting Standards (IFRS) and other regulatory requirements.

- **Oversight of Internal Control:** Continuously assessed the adequacy and effectiveness of the bank's internal control system. This involved reviewing reports from the Internal Control & Compliance Division (ICCD) and management's responses to identified weaknesses or deficiencies.
- **Oversight of Audit Functions:**
 - **Internal Audit:** Reviewed and approved the annual internal audit plan, monitored its implementation, and reviewed the findings of internal audit reports. The committee held meetings with the Head of Internal Audit without management present to discuss any sensitive issues.
 - **External Audit:** Recommended the appointment, remuneration, and terms of engagement of the external auditors to the Board for shareholder approval. The committee reviewed the external auditors' findings and management's response to ensure that any identified irregularities were promptly addressed.
 - **Compliance Oversight:** Reviewed the bank's compliance with applicable laws, regulations, and internal policies to ensure management's adherence.
 - **Nomination and Remuneration Functions:** Fulfilled the responsibilities of the NRC, a critical function given the consolidated committee structure.

RISK MANAGEMENT COMMITTEE (RMC)

The Risk Management Committee (RMC) is responsible for overseeing the bank's enterprise-wide risk management framework. Its primary role is to ensure that management is properly identifying, assessing, managing, and mitigating all material risks faced by the bank, including credit, market, operational, liquidity, compliance, and strategic risks.

Composition of the Risk Management Committee: The RMC is composed entirely of non-executive directors, providing an independent perspective on risk oversight. As of 31 December 2024, the members of the Risk Management Committee are :

- **Chairman:** Mohammad Abdul Awal
- **Members:**
 - M. Amanullah
 - Md. Abdul Hannan
 - Morshed Alam
 - M.A. Khan Belal

Meetings and Activities in 2024: During the year 2024, the Risk Management Committee held 12 meetings. The committee's key activities included:

- Reviewing and approving the bank's overall risk appetite and tolerance limits.
- Overseeing the implementation of the risk management policies and framework across the Bank.
- Reviewing reports from the Chief Risk Officer (CRO) on the Bank's risk profile and the effectiveness of mitigation strategies.
- Monitoring key risk areas and ensuring that adequate capital is maintained against identified risks, in line with the Basel framework and the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

NOMINATION AND REMUNERATION FUNCTIONS

As mandated by Bangladesh Bank circulars that limit the number of Board sub-committees, the responsibilities of the Nomination and Remuneration Committee (NRC) are carried out by the Audit Committee of the Board. This ensures regulatory compliance while maintaining dedicated oversight of these critical governance functions. The Audit Committee reports its recommendations on these matters to the full Board for approval.

The key responsibilities related to nomination and remuneration include:

- **Nomination and Board Composition:**
 - Formulating the criteria for determining the qualifications, positive attributes, and independence of a director.
 - Devising a policy on Board diversity, considering factors such as age, gender, experience, and educational background.
 - Identifying persons who are qualified to become directors and who may be appointed to top-level executive positions, and recommending their

appointment and removal to the Board.

• **Performance Evaluation:**

- Formulating the criteria for the evaluation of the performance of independent directors and the Board as a whole.

• **Human Resources and Remuneration:**

- Developing, recommending, and annually reviewing the bank's human resources and training policies.
- Identifying the bank's needs for employees at different levels and determining their selection, transfer, and promotion criteria.
- Recommending a policy to the Board relating to the remuneration of independent directors and top-level executives, ensuring it is fair, competitive, and aligned with the long-term interests of the bank.

Remuneration Policy for Directors and Senior Management:

The remuneration for Directors, the Managing Director, and other employees is governed by the policies of the Bank, which are framed in compliance with the circulars issued by Bangladesh Bank.

- **Directors:** Non-executive directors receive an honorarium for attending Board and committee meetings, as permitted by Bangladesh Bank. No other remuneration is provided.
- **Independent Directors:** In addition to the meeting attendance fee, Independent Directors receive a fixed monthly remuneration, subject to applicable taxes, as per regulatory guidelines.
- **Managing Director:** The remuneration of the MD is determined by a service contract approved by the Board of Directors and Bangladesh Bank.
- **Employees:** Salaries and other benefits for all other employees are regulated by the bank's "HR Policy."

CONTROL, RISK, AND MANAGEMENT

KEY MANAGEMENT ROLES AND RESPONSIBILITIES

MBPLC has clearly defined roles and responsibilities for its key management personnel to ensure effective leadership, operational excellence, and accountability.

These roles form the executive layer responsible for implementing the Board's strategic vision.

- **Managing Director (MD):** The MD, currently Mr. Mati Ul Hasan, is accountable to the Board of Directors for the overall performance of the bank. The MD is responsible for achieving the financial and business targets set by the Board, implementing strategic plans, and managing the Bank's administrative and financial affairs prudently. The MD ensures compliance with the Bank Company Act and other relevant laws in all routine functions and is responsible for all staff matters except for the two executive tiers immediately below, which are overseen by the Board.
- **Chief Financial Officer (CFO):** The CFO is responsible for the integrity of the Bank's financial reporting. Key duties include supervising the preparation of all periodic financial statements and regulatory reports, overseeing financial planning and analysis, managing payables and fixed assets, and ensuring compliance with financial reporting standards and tax regulations. The CFO is also a key member of several management committees, including the Asset-Liability Committee (ALCO).
- **Company Secretary (CS):** The Company Secretary acts as the custodian of good governance, ensuring the Bank complies with the Corporate Governance Code and other applicable laws. The CS manages all Board and committee affairs, facilitates meetings, ensures the timely implementation of Board decisions, manages shareholder services and communication, and oversees the maintenance of all statutory records and corporate disclosures. The Company Secretary is accountable to the Board, through the Chairman, on all matters related to the proper functioning of the Board.
- **Head of Internal Audit & Compliance (HIAC):** The HIAC is responsible for providing independent assurance on the effectiveness of the bank's risk management, control, and governance processes. Key responsibilities include developing and implementing a risk-based internal audit plan, ensuring the internal audit function operates independently and complies with all policies and guidelines, and reporting significant findings directly to the Audit Committee of the Board. This direct reporting line is a critical control feature

that ensures the function's independence from management.

INTERNAL CONTROL FRAMEWORK

DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROL

The Board of Directors of Mercantile Bank PLC acknowledges its ultimate responsibility for establishing and maintaining a sound and effective system of internal control, as mandated by the Bank Company Act. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board has delegated supervisory duties for the internal control system to the Audit Committee, which actively monitors its effectiveness and reports its findings to the full Board.

THE THREE LINES OF DEFENSE MODEL

The Bank's internal control and risk management framework is structured around the "Three Lines of Defense" model. This model provides a clear and effective way to manage risk and control by defining distinct roles and responsibilities across the organization. This approach is a recognized best practice within the Bangladeshi Banking sector and is fundamental to our governance.

- **The First Line of Defense:** This line consists of the business and operational units that directly own and manage risks as part of their daily responsibilities. They are responsible for identifying, assessing, and controlling risks in their respective areas, adhering to established policies and procedures, and ensuring that controls are functioning effectively.
- **The Second Line of Defense:** This line is composed of the Risk Management and Compliance functions. They provide oversight and support to the first line, ensuring that activities are conducted within the Bank's defined risk appetite. This includes developing risk policies, monitoring adherence to these policies and regulatory requirements, and providing independent risk analysis and reporting to senior management and the Board.

• **The Third Line of Defense:** This line is the Internal Audit function. Operating independently from the first and second lines, Internal Audit provides objective and independent assurance to the Board and the Audit Committee on the effectiveness of the Bank's governance, risk management, and internal control processes. The Head of Internal Audit reports directly to the Audit Committee to ensure its independence is preserved.

FUNCTIONS OF THE INTERNAL CONTROL & COMPLIANCE DIVISION (ICCD)

The Internal Control & Compliance Division (ICCD) is structured to support the internal control framework and comprises three distinct departments, each with a specific mandate to ensure operational integrity and regulatory adherence.

• **Internal Audit Department:** This department conducts risk-based audits of all bank functions, including branches, corporate banking, treasury, IT systems, and core risk areas. It provides key stakeholders with assurance that the bank is operating in line with compliance norms and good governance standards.

• **Monitoring Department:** This department conducts perpetual offsite and onsite monitoring of the bank's departments and branches to ensure the appropriate practice of internal control systems and tools. It reviews operational exceptions, documentation deficiencies, and compliance with exposure limits, reporting its findings to senior management and the Audit Committee.

• **Compliance Department:** This department is responsible for fostering a strong compliance culture throughout the bank. It acts as the contact point for regulators, ensures the proper

enactment of all regulatory policies, responds to regulatory queries, and advises departments and branches on resolving compliance issues.

ENTERPRISE RISK MANAGEMENT

MBPLC operates in a dynamic environment and is exposed to a wide array of risks. Effective risk identification and management are therefore critical to our stability and long-term success. The Risk Management Division (RMD), under the leadership of the Chief Risk Officer (CRO), is responsible for overseeing, monitoring, and reporting on all risks in line with the risk appetite set by the Risk Management Committee (RMC) of the Board.

Risk Identification: We identify and categorize risks to ensure a comprehensive management approach. These risks are captured from all organizational units and encompass both quantitative and qualitative elements.

Quantitative Risks	Qualitative Risks	Emerging Risks
• Credit Risk	• Operational Risk	• Forex Crisis
• Market Risk	• Reputational Risk	• Geopolitical Instability
• Liquidity & Funding Risk	• Strategic Risk	• Cybersecurity Threats
	• Environmental & Social Risk	• Climate Change Risk

Risk Management and Mitigation Strategies: The bank has developed robust risk mitigation strategies based on the policies and guidelines of Bangladesh Bank and its own defined risk appetite, limits, and standards. The process involves a continuous cycle of risk identification, measurement, solution analysis, implementation, and monitoring. This framework ensures that the bank maintains adequate capital against all material risks, as assessed through our Internal Capital Adequacy Assessment Process (ICAAP), which is a critical tool for aligning capital with the bank's overall risk profile.

STAKEHOLDER ENGAGEMENT AND ETHICAL CONDUCT

SHAREHOLDER INFORMATION AND DISCLOSURES

MBPLC is committed to maintaining effective communication with its shareholders and ensuring transparency in all disclosures. The Company Secretariat and the Investors' Relation Department serve as the primary points of contact for shareholders, addressing queries related

to share transfers, dividend payments, and other matters.

OWNERSHIP COMPOSITION

The following table presents the shareholding composition of Mercantile Bank PLC, providing a transparent view of the bank's ownership structure. The data shows significant ownership by sponsors and directors, indicating their strong alignment with the bank's long-term success. The presence of institutional and foreign investors reflects a degree of market confidence and professional scrutiny of the bank's performance and governance.

Sl.	Particulars	As at December 31, 2024		As at December 31, 2023	
		Shares held	%	Shares held	%
1	Sponsor / Director	372,184,890	33.63%	379,645,289	34.31%
2	General Public	433,213,266	39.15%	398,696,922	36.03%
3	Institution	291,851,444	26.38%	284,040,515	25.67%
4	Foreign	9,325,835	0.84%	44,192,709	3.99%
	Total:	1,106,575,435	100%	1,106,575,435	100%

DIRECTORS' SHAREHOLDING STATUS

In compliance with BSEC regulations requiring directors to hold a minimum percentage of shares, the following table details the shareholding position of each director of Mercantile Bank PLC as of 31 December 2024.

SL	Name of the Directors	As on December 31, 2024		As on December 31, 2023	
		Shares held	%	Shares held	%
1	Md. Anwarul Haque	24,943,792	2.25%	24,943,792	2.25%
2	Al-haj Akram Hossain (Humayun)	24,017,249	2.17%	24,017,249	2.17%
3	Md. Abdul Hannan	25,298,854	2.29%	25,298,854	2.29%
4	M.A. Khan Belal	22,217,211	2.01%	22,217,211	2.01%
5	Mohammad Abdul Awal	22,592,370	2.04%	22,592,370	2.04%
6	Prof. Dr. Md. Rezaul Kabir	Nil	Nil	Nil	Nil
7	A.S.M. Feroz Alam	34,854,232	3.15%	34,854,232	3.15%
8	M. Amanullah	25,000,000	2.26%	27,260,399	2.46%
9	Morshed Alam	27,558,916	2.49%	27,558,916	2.49%
10	Al-haj Mosharref Hossain	26,486,392	2.39%	26,486,392	2.39%
11	Dr. Gazi Mohammed Hasan Jamil	Nil	Nil	Nil	Nil

SHAREHOLDER COMMUNICATION AND GRIEVANCE POLICY

The bank communicates with its shareholders through various channels, including the Annual Report, quarterly financial publications, disclosures of price-sensitive information, and the bank's official website. The Annual General Meeting (AGM) provides a crucial platform for direct engagement, where shareholders can ask questions and provide feedback to the Board and management.

A formal grievance policy is in place to address any shareholder complaints related to share transfers, non-receipt of annual reports, or dividend payments. The Company Secretary acts as the Chief Compliance Officer for handling such matters, ensuring they are resolved lawfully and in a timely manner.

DIVIDEND DISTRIBUTION AND UNCLAIMED DIVIDENDS

The bank has a formal Dividend Distribution Policy, which is available on the company

website. This policy governs the process of declaring and distributing dividends to shareholders.

A significant aspect of local regulatory compliance involves the detailed tracking and reporting of unclaimed dividends. These funds are held by the bank for a specified period before being subject to transfer to the Capital Market Stabilization Fund (CMSF), as per regulatory directives. This detailed disclosure is crucial for transparency and regulatory adherence.

The list of unclaimed cash and stock dividends as of 31 December 2024 is also available on the company website.

ETHICS, COMPLIANCE, AND BUSINESS CONDUCT

- Code of Conduct and Ethical Guidelines:** The Board of Directors and all employees of Mercantile Bank PLC are committed to adhering to a strict Code of Conduct and Ethical Guidelines. This code mandates compliance with all applicable laws and regulations and sets the highest

standards for professional and ethical behavior, centered on the core value of "Uncompromising Integrity".

- Whistleblowing Policy:** The bank has a robust "Speak Up Policy" and an anti-fraud program to encourage employees to report any suspected wrongdoing, fraud, or corruption without fear of reprisal. All concerns can be reported anonymously, and the Internal Control & Compliance Division is responsible for investigating such reports under the oversight of the Audit Committee. The policy ensures effective protection for whistleblowers against any form of retaliation.
- Anti-Money Laundering and Counter-Terrorist Financing:** The bank maintains a "Zero Tolerance" approach to money laundering and terrorist financing, supported by a dedicated Anti-Money Laundering Department (AML/D) and a Central Compliance Committee (CCC). A Chief Anti-Money Laundering Compliance Officer (CAMLCO) leads this function, ensuring adherence to all national and international standards.

- **Related Party Transactions:** All transactions with related parties are conducted on an arm's length basis and are subject to review and approval in accordance with the bank's policy and regulatory guidelines, including IAS 24. The Audit Committee reviews all material related party transactions, and the Board approves them to ensure that such transactions do not create conflicts of interest and are fair to the bank and its shareholders.
- **IT Governance and Business Continuity:** The Board has established a comprehensive framework for IT governance to align technology with the bank's strategic goals and ensure robust cybersecurity. The bank also maintains a detailed Disaster Recovery Plan (DRP) with geographically dispersed recovery sites to ensure operational resilience and the continuity of critical services during unforeseen events.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Commitment to Environmental and Social Governance (ESG)

Mercantile Bank PLC. recognizes that its responsibilities extend beyond financial performance to include its impact on the environment and society. We are committed to integrating Environmental, Social, and Governance (ESG) principles into our business strategy and operations, following a "People, Planet, and Profit" philosophy. This commitment is not ancillary but is central to our long-term value creation model.

The bank's ESG strategy is strategically tailored to address pressing national issues in Bangladesh, such as climate vulnerability and financial inclusion. This alignment demonstrates a deeper level of

corporate citizenship, where the bank uses its financial power to contribute to national resilience and sustainable development. This approach creates a powerful narrative for both regulators and socially conscious investors.

Policies and Practices: The bank has policies in place to promote sustainable finance and green banking. We actively seek to support projects that have a positive environmental impact and are committed to reducing the environmental footprint of our own operations. The bank's Sustainable Finance Unit has been expanded to drive these initiatives forward.

The Bank's sustainability and CSR initiatives are discussed in the "Sustainability Analysis" section of this Annual Report.

SHARI'AH GOVERNANCE AND ISLAMIC BANKING OPERATIONS

FOREWORD FROM THE CHAIRMAN OF THE SHARI'AH SUPERVISORY COMMITTEE

Assallamu Alaikum W.R.B.T

On behalf of the Shari'ah Supervisory Committee (SSC) of Mercantile Bank PLC., it is my privilege to present the annual report on the governance and operational activities of the 'Taqwa' Islamic Banking operations for the fiscal year ended 31 December 2024. This report outlines the framework of our independent oversight, details our key activities throughout the year, and provides our formal opinion on the compliance of the Bank's Islamic banking operations.

The year 2024 was marked by the continued strategic development of our 'Taqwa' Islamic Banking operations, a key initiative within the bank's diversified service portfolio designed to meet the specific financial needs of a significant and growing client segment. In an increasingly complex global financial landscape, the demand for ethically grounded and socially responsible banking solutions has never been more pronounced. The 'Taqwa' Islamic Banking operations is Mercantile Bank's dedicated response to this demand, offering a comprehensive suite of products and services structured in strict adherence to the principles of Islamic Shari'ah.

Throughout the year, the Committee has been steadfast in its mission to provide independent oversight. Our work has focused on strengthening governance protocols, enhancing operational capabilities, and ensuring unwavering adherence to the foundational principles that underpin Islamic finance. We believe that rigorous governance is not merely a matter of compliance; it is the bedrock upon which stakeholder trust is built and the ultimate guarantor of the integrity and authenticity of the 'Taqwa' brand. This commitment to diligent oversight is fundamental to mitigating Shari'ah non-compliance risk, a critical component of the bank's overall risk management framework.

This report details the tangible outcomes of our work in 2024. We review the comprehensive Shari'ah audits conducted across our network, the enhancements made to our client-facing technology, and the continuous professional development of our staff. Furthermore, we present our strategic priorities for 2025, which are designed to build upon the progress of the past year and further embed a culture of excellence and compliance throughout the organization.

As we move forward, the Committee remains dedicated to its role in fostering a financial ecosystem that is not only compliant but also fair, transparent, and conducive to the well-being of all stakeholders. We are committed to upholding the highest standards of ethical finance and contributing to the development of a just and equitable economic system.

Ma-assalamah



Maolana Shah Mohammad Waliullah, CSAA
Chairman
Shari'ah Supervisory Committee (SSC)
Mercantile Bank PLC.

SHARI'AH GOVERNANCE AND COMPLIANCE FRAMEWORK

A robust and independent governance structure is the cornerstone of any credible financial operation. For the 'Taqwa' Islamic Banking operations of Mercantile Bank PLC, this structure is embodied by the Shari'ah Supervisory Committee (SSC). This section details the mandate, composition, and independence of the SSC, positioning it as an integral component of the bank's corporate governance and risk management architecture, responsible for ensuring the absolute integrity of its Islamic finance offerings.¹ The establishment and maintenance of such a body underscore the bank's commitment to providing authentic Shari'ah-compliant services, a commitment that is crucial for building and maintaining the trust of clients, investors, and regulators.

MANDATE AND RESPONSIBILITIES OF THE SHARI'AH SUPERVISORY COMMITTEE (SSC)

The primary mandate of the Shari'ah Supervisory Committee (SSC) is to ensure that all activities, products, contracts, and operations under the 'Taqwa' brand comply strictly and continuously

with Islamic Shari'ah principles. The Committee's authority is grounded in the Qur'an, Sunnah, and Islamic jurisprudence, including scholarly consensus (Ijma) and analogical reasoning (Qiyas), providing a comprehensive ethical and legal framework for all financial transactions.

Beyond product approval, the SSC oversees ongoing supervision, monitoring, and evaluation of the entire Islamic banking operation. This includes reviewing management policies, strategic initiatives, operational processes, and marketing materials to ensure full Shari'ah compliance. This proactive and holistic oversight is essential for managing Shari'ah non-compliance risk—a unique category encompassing potential financial loss, regulatory penalties, and reputational harm.

Within the Bank's enterprise risk management (ERM) framework, the SSC functions similarly to other key risk committees (e.g., credit/investment, market, operational risks). Its role is integral to safeguarding the 'Taqwa', protecting the Bank's brand, and maintaining competitive advantage.

COMPOSITION AND INDEPENDENCE OF THE SUPERVISORY COMMITTEE

To uphold the highest standards of expertise and objectivity, Mercantile Bank PLC ensures that its Shari'ah Supervisory Committee operates as an independent body comprising renowned Islamic scholars and qualified jurists. The Committee's authority is grounded in its members' deep understanding of both classical Islamic jurisprudence and contemporary financial practices, enabling guidance that is both principled and practical. This independence is crucial, allowing the Committee to provide unbiased oversight and informed opinions, free from managerial influence, and thereby safeguarding the credibility of the Bank's Shari'ah compliance.

The composition of the Shari'ah Supervisory Committee as of the year ended 31 December 2024 is presented below.

COMPOSITION OF THE SHARI'AH SUPERVISORY COMMITTEE

SL	Name of Member	Position in the Committee
1	Maolana Shah Mohammad Waliullah	Chairman
2	Dr. Muhammad Zakaria	Member Secretary
3	Dr. Muhammad Shahjahan Madani	Member
4	Professor Dr. Md. Abdul Kadir	Member
5	Professor Dr. Md. Shamsul Alam	Member
6	Dr. A.Y.M. Nesar Uddin	Member

2024 OPERATIONAL REVIEW: 'TAQWA' ISLAMIC BANKING

The year 2024 marked a period of consolidation and strategic advancement for MBPLC's 'Taqwa' Islamic Banking division. Having established a solid operational foundation in previous years, the division's focus in 2024 centered on strengthening governance frameworks, leveraging digital capabilities to enhance client experience, and embedding a robust culture of Shari'ah compliance across all operational tiers. This review outlines the key highlights and oversight activities that demonstrate the division's alignment with the Bank's broader strategic goals.

Business Overview and Strategic Context

Mercantile Bank PLC launched its 'Taqwa' Islamic Banking services on June 29, 2020, in response to the growing demand for Shari'ah-compliant financial solutions. The initiative reflects a strategic decision by the Board of Directors to serve clients seeking banking services aligned with Islamic principles.

'Taqwa' operates under a parallel window model, offering a full suite of Islamic banking products alongside conventional services within the same branches. This model enables the Bank to optimize its existing infrastructure and resources,

ensuring operational efficiency and rapid market penetration.

By the end of 2024, 'Taqwa' services were available through 45 Islamic Banking Windows (IBWs) and a dedicated Islamic Banking Branch (IBB) in Dhaka's Dilkusha commercial area. A robust digital platform and 'Taqwa' Islamic Banking help/service desks at all other branches and sub-branches further enhance accessibility, delivering a seamless blend of physical and digital service channels across the country.

Key Governance and Oversight Activities in 2024

In 2024, the Shari'ah Supervisory Committee (SSC) actively ensured compliance with Islamic principles and provided strategic oversight for the 'Taqwa' Islamic Banking division. The Committee held three meetings to review performance, evaluate product proposals, and assess policies from a Shari'ah perspective.

Shari'ah audits were conducted across the Dhaka and Chattogram divisions, covering all 45 Islamic Banking Windows and the dedicated Islamic Banking Branch. Based on the findings, the SSC issued clear directives to address deviations and strengthen internal controls.

The Bank also enhanced its compliance framework to support the effective implementation of SSC guidance. Regular training programs were conducted to maintain staff proficiency and uphold a strong compliance culture.

SUMMARY OF SHARI'AH GOVERNANCE KPIS –2024

Key Performance Indicator	2024 Result	Description
SSC Meetings Held	3	Formal review sessions covering strategy, policy, product approval, and operational performance.
Divisions Audited	2	Comprehensive Shari'ah compliance audits conducted for all Islamic Banking Windows and the Islamic Banking Branch in the Dhaka and Chattogram divisions.
Employee Training Programs	Continuous	Regular and ongoing Shari'ah training programs delivered to all relevant Head Office and branch-level staff to ensure proficiency and 100% compliance.

ENHANCEMENTS IN CLIENT SERVICES AND TECHNOLOGY

A strategic priority for MBPLC is to ensure that clients of its 'Taqwa' Islamic Banking operations receive services that are not only Shari'ah-compliant but also modern, convenient, and digitally advanced. In 2024, substantial investments were made to upgrade digital infrastructure and enhance the client experience.

Key technological initiatives introduced for 'Taqwa' clients include:

- **Real-Time Online Banking** – Instant access to account information and transaction capabilities.
- **"RAINBOW" Digital Wallet** – A mobile wallet tailored for individual and proprietorship accounts, enabling seamless digital payments and financial management.
- **Enhanced Payment Integration** – Full connectivity with RTGS, BACH, and BEFTN systems for fast and secure fund transfers.

SHARI'AH COMPLIANCE AUDIT AND FORMAL OPINION

A cornerstone of the Shari'ah Supervisory Committee's (SSC) oversight is the annual compliance audit, designed to assess the alignment of 'Taqwa' Islamic Banking operations with Shari'ah principles. The 2024 audit covered the Islamic Banking Branch and all 45 Islamic Banking Windows in Dhaka and Chattogram.

The audit involved a thorough review of financial transactions, client contracts,

product structures, and internal processes. The findings were compiled into a comprehensive report, presented to the SSC for detailed evaluation. Where deviations were identified, the Committee issued specific guidance for corrective action, with the internal compliance team assigned to oversee implementation and strengthen the control environment.

FORMAL COMPLIANCE OPINION – 2024

Following its review of all financial transactions, agreements, and operational activities for the year, the SSC concluded:

The Islamic Banking operations of Mercantile Bank PLC. were conducted in full compliance with established Islamic Shari'ah principles.

In particular, the Committee verified the profit distribution process and confirmed:

Profit allocations to all categories of depositors were executed in strict accordance with the approved Mudaraba policy. Where investment returns exceeded provisional rates, surplus profits were duly distributed, as per Shari'ah guidelines.

This unqualified opinion affirms the Shari'ah integrity of the 'Taqwa' division's operations and offers strong assurance to all stakeholders.

HUMAN CAPITAL DEVELOPMENT AND COMPLIANCE CULTURE

MBPLC recognizes that the effectiveness of its Shari'ah compliance framework relies on the knowledge, skills, and ethical

commitment of its workforce. In 2024, the Bank prioritized human capital development through regular, mandatory Shari'ah training programs for all employees engaged in Islamic banking operations, both at the Head Office and branch level.

This initiative is regarded as a strategic investment to build specialized expertise and foster a culture of accountability and compliance. Training programs emphasize not only the operational aspects of Shari'ah principles but also their underlying ethical rationale, empowering employees to serve clients with integrity and uphold the values of the 'Taqwa' brand.

The Bank maintains a goal of "100% compliance" as a core performance standard, reflecting its zero-tolerance approach to Shari'ah deviations. This people-centric strategy aligns with global best practices in cultivating a values-driven and competent financial workforce.

STRATEGIC OUTLOOK AND PRIORITIES FOR 2025

Building on the solid foundation established in 2024, the Shari'ah Supervisory Committee has conducted a forward-looking analysis to identify key priorities for the 2025 fiscal year. These priorities are designed to further strengthen the governance, operational integrity, and strategic positioning of the 'Taqwa' Islamic Banking division. The recommendations have been formally communicated to Bank Management and represent a clear roadmap for ensuring sustained, compliant growth.

The following strategic priorities have been established for 2025:

Priority Area	Strategic Rationale	Key Action/Deliverable
1. Compliance Control Environment	Proactive implementation of SSC guidance is critical to maintaining a robust and adaptive compliance framework.	Ensure diligent and timely implementation of all guidelines issued by the SSC to maintain the highest standards of Shari'ah compliance.
2. Profit Distribution Integrity	The Mudaraba contract is central to depositor trust. Strict adherence to its principles is paramount for regulatory compliance and brand integrity.	Rigorously manage the profit distribution methodology to ensure strict adherence to Shari'ah principles and regulatory guidelines.
3. Stakeholder Engagement	Educating stakeholders is key to driving adoption, ensuring correct product implementation, and reinforcing the 'Taqwa' brand value.	Execute a strategic communication and training plan, including seminars and workshops, to deepen understanding of Islamic banking.
4. Documentation Standards	Inadequate documentation for credit-based products represents a significant operational and legal risk.	Implement enhanced controls to ensure meticulous documentation is maintained, particularly for Bai-Muajjal and Bai-Murabaha investments.
5. Culture of Compliance	A strong compliance culture is the most effective long-term defense against procedural lapses and ethical breaches.	Intensify efforts to promote a pervasive culture of compliance awareness and responsibility among all executives and officers.
6. Management-SSC Coordination	Seamless collaboration is essential for the effective and efficient implementation of Shari'ah principles.	Review and improve formal channels for coordination between Bank Management and the SSC to enhance strategic alignment.



Suraiya Parveen & Associates

(Chartered Secretaries, Financial & Management Consultants)

[Certificate as per condition No.1 (5) (XXVII)]

Report to the Shareholders of Mercantile Bank PLC on compliance on the Corporate Governance Code

We have examined the compliance status to the Corporate Governance Code by Mercantile Bank PLC for the year ended on 31st December 2024. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Bank. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- (a) The Bank has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The Bank has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The Governance of the company is satisfactory.

Dhaka, Dated
March 22, 2025



For Suraiya Parveen & Associates
Chartered Secretaries

Suraiya Parveen, FCS
Chief Executive Officer

Office Address: Razzak Plaza (9th Floor) Suite-10G, 383 Tangi Diversion Road (old), 2 Shahid Tajuddin Ahmmed Sarani (New), Moghbazar, Dhaka-1217, Mobile: 01911-421998, 01713-110408, E-mail: suraiyaparveenfcs@gmail.com, musfiquefcs@gmail.com

COMPLIANCE REPORT

On BSEC Notification on Corporate Governance

Status of compliance with the conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 and subsequent amended Notification No. BSEC/CMRRCD/2009-193/66/PRD/148 dated 16 October 2023 and BSEC/CMRRCD/2009-193/76/PRD/151 dated 04 April 2024 as per condition No. 1(5)(xxvii):

(Report under Condition No. 9)

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
1.	Board of Directors:			
1(1)	Size of the Board of Directors : The total number of members of a company's Board of Directors shall not be less than 5 (five) and more than 20 (twenty).	√		There are 11 (eleven) members in the Board of the Bank as on 31 December 2024.
1(2)	Independent Directors All companies shall have effective representation of independent directors on their Boards, so that the Board, as a group, includes core competencies considered relevant in the context of each company, for this purpose, the companies shall comply with the following:-			
1(2)(a)	At least 2(two) directors or one-fifth (1/5) of the total number of directors in the company's Board, whichever is higher, shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s):	√		There are 02 (Two) Independent Directors in the Board of the Bank in accordance with the Bank Companies Act (and amendment thereon).
1(2)(a)(i)	Provided that the Board shall appoint at least 1(one) female independent director in the Board of Directors of the company;			The Board of the Bank is duly informed
1(2)(b)	Without contravention of any provision of any other laws, for the purpose of this clause an "Independent director" means a Director			
1(2)(b)(i)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	√		
1(2)(b)(ii)	who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company; Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members;	√		
1(2)(b)(iii)	who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
1(2)(b)(iv)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	√		Independent directors have submitted declarations about their compliances.
1(2)(b)(v)	who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		
1(2)(b)(viii)	who is not independent director in more than 5 (five) listed companies;	√		
1(2)(b)(ix)	who has not been reported as a defaulter in the latest Credit Information Bureau (CIB) report of Bangladesh Bank for non-payment of any loan or advance or obligation to a bank or a financial institution; and	√		
1(2)(b)(x)	who has not been convicted for a criminal offence involving moral turpitude;	√		
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM):	√		The appointments of independent directors are duly approved in the 25th AGM held on 30.05.2024.

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
1(2)(c)(i)	Provided that the Board shall appoint independent director, subject to prior consent of the Commission, after due consideration of recommendation of the Nomination and Remuneration Committee (NRC) of the company;			Complied as a Banking Company in accordance with the Bank Companies Act and Directives of Bangladesh Bank.
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days; and	√		No such situation arisen in the reporting year.
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only. Provided that a former independent director may be considered for reappointment for another tenure after a time gap of one tenure, i.e., three years from his or her completion of consecutive two tenures [i.e. six years]; Provided further that the independent director shall not be subject to retirement by rotation as per the Condition no. 18 of Companies Act, 1994. Explanation: For the purpose of counting tenure or term of independent director; any partial term of tenure shall be deemed to be a full tenure.	√		Independent directors of the Bank are in their 2nd tenure.
1(3)	Qualification of Independent Director :			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to the business;	√		The qualification and background of Independent Directors justify their capabilities to ensure mentioned compliances.
1(3)(b)	Independent director shall have following qualifications:			
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk.100.00 million or any listed company or a member of any national or international chamber of commerce or registered business association; or			Not applicable.
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk.100.00 million or of a listed company; or Explanation: Top level executive includes Managing Director (MD) or Chief Executive Officer (CEO), Additional or Deputy Managing Director (AMD or DMD), Chief Operating Officer (COO), Chief Financial Officer (CFO), Company Secretary (CS), Head of Internal Audit and Compliance (HIAC), Head of Administration and Human Resources or equivalent positions and same level or ranked or salaried officials of the company.			Not applicable.
1(3)(b)(iii)	Former or existing official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law. Provided that in case of appointment of existing official as independent director, it requires clearance from the organization where he or she is in service; or			Not applicable.
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		One of the Independent Directors, Dr. Gazi Mohammad Hasan Jamil is a Professor in the Department of Finance, University of Dhaka. The other Independent Director, Prof. Dr. Md. Rezaul Kabir is a Professor of Institute of Business Administration (IBA), University of Dhaka.
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;			Not applicable.
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		Both the Independent Directors have more than 10 years of working experiences in their respective fields.
1(3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			Not applicable.
1(4)	Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer.			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		The Chairman of the Board and the MD of the Bank are different individuals.

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		The MD of the Bank is not holding any such position in another listed company.
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		All 11 (eleven) members of the Board including the Chairperson are non-executive directors.
(4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		The Board have clearly defined respective roles and responsibilities of the Chairman and the MD of the Bank.
1(4)(e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		Duly recorded in the minutes.
1(5)	The Directors' Report to Shareholders			
	The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the Companies Act, 1994 (Act No. XVIII of 1994):			
1(5)(i)	An industry outlook and possible future developments in the industry	√		Disclosed in the Directors' Report part of this Annual Report.
1(5)(ii)	The segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		Being a bank, Interest Income, Interest Expenses and Profit Margins were discussed.
1(5)(v)	A discussion on continuity of any extraordinary activities and their implications (gain or loss);			No such situation arisen in the reporting year.
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		Disclosed in the Directors' Report part of this Annual Report.
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			No such situation arisen in the reporting year.
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A statement that proper books of account of the issuer company have been maintained;	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		Disclosed in the Directors' Report part of this Annual Report.
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;			No such situation arisen in the reporting year.
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized	√		Disclosed in the Directors' Report part of this Annual Report.

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			No such situation arisen in the reporting year.
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;			
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)	A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:-	√		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		Disclosed in this Annual Report.
1(5)(xxiii)(c)	Executives; and Explanation: For the purpose of this clause, the expression "executive" means top 5 (five) salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit and Compliance.	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);	√		
1(5)(xxiv)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:			
1(5)(xxiv)(a)	a brief resume of the director;	√		
1(5)(xxiv)(b)	nature of his or her expertise in specific functional areas; and	√		Disclosed in this Annual Report.
1(5)(xxiv)(c)	names of companies in which the person also holds the directorship and the membership of committees of the Board;	√		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:			
1(5)(xxv)(a)	accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		Disclosed in the Annual Report.
1(5)(xxv)(g)	future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C;	√		
1(5)(xxviii)	The Directors' report to the shareholders does not require to include the business strategy or technical specification related to products or services, which have business confidentiality.	√		
1(6)	Meetings of the Board of Directors			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		Board Meetings are conducted regularly and all minutes, required books and records are well maintained and preserved.
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;			Bangladesh Bank (BB), the primary regulator of Banks, advised all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. They have also provided the Banks with the code of conduct of Board.
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.			
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	√		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	√		Duly followed.
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		The positions of MD, CS, CFO, HIAC are appointed by the Board.
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		The positions of MD, CS, CFO, HIAC are filled by different individuals.
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time:	√		MD, CS, CFO, HIAC of the Bank are not holding any such position in any other company at the same time.
3(1)(c)(i)	Provided that CFO or CS of any listed company may be appointed for the same position in any other listed of non-listed company under the same group for reduction of cost or for technical expertise, with prior approval of the Commission: Provided further that the remuneration and perquisites of the said CFO or CS shall be shared by appointing companies proportionately;	√		The positions of CFO & CS are filled by different individuals.
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		Roles, responsibilities and duties of CFO, the HIAC and the CS are clearly defined by the Board.
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		No such situation arisen in the reporting year.
3(2)	Requirement to attend Board of Directors' Meetings The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board. Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		They do not involve in considering of an agenda item relating to their personal matters.
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:	√		
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		Disclosed in this Annual Report.
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee :			
	For ensuring good governance in the company, the Board shall have at least following sub-committees			

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
4(i)	Audit Committee; and	√		Audit Committee of the Board of the Directors has been formed as per guidelines of Bangladesh Bank and BSEC.
4(ii)	Nomination and Remuneration Committee.			Bangladesh Bank (BB), the primary regulator of Banks, advised all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, to comply with the issue, we addressed this issue to BSEC and BB.
5	Audit Committee			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The company shall have an Audit Committee as a subcommittee of the Board;	√		Audit Committee is established as per BSEC and BB guidelines.
5(1)(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business;	√		The Audit Committee discharges their responsibility as per given guidelines.
5(1)(c)	The Audit Committee shall be responsible to the Board; the duties of the Audit Committee shall be clearly set forth in writing.	√		The duties of the Audit Committee are clearly defined in the Guidelines for Audit Committee as per BSEC and BB guidelines.
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		Audit Committee comprises of 04 (Four) members.
5(2)(b)	The Board shall appoint members of the Audit Committee who shall be non-executive directors of the company excepting Chairperson of the Board and shall include at least 1 (one) independent director;	√		All the Directors of the Bank except MD are non-executive directors. There are 02 (two) Independent Directors in the Audit Committee and one of them, Prof. Dr. Md. Rezaul Kabir, was the Chairman of the Audit Committee.
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience; Explanation: The term "financially literate" means the ability to read and understand the financial statements like statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows statement and a person will be considered to have accounting or related financial management expertise if he or she possesses professional qualification or Accounting or Finance graduate with at least 10 (ten) years of corporate management or professional experiences.	√		The profiles of the members demonstrate their capabilities as such.
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 60 (sixty) days from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		No such situation arisen in the reporting year.
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		The CS in practice act as the secretary of the Audit Committee.
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√		The quorum of all the meetings of the Audit Committee were duly filled up.
5(3)	Chairperson of the Audit Committee			

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
5(3)(a)	The Board shall select 1 (one) member of the Audit Committee to be Chairperson of the Audit Committee, who shall be an independent director;	√		Prof. Dr. Md. Rezaul Kabir, is a Professor of Institute of Business Administration (IBA), University of Dhaka an Independent Director, is the Chairman of Audit Committee.
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3)(c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM): Provided that in absence of Chairperson of the Audit Committee, any other member from the Audit Committee shall be selected to be present in the annual general meeting (AGM) and reason for absence of the Chairperson of the Audit Committee shall be recorded in the minutes of the AGM.	√		Duly recorded.
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year: Provided that any emergency meeting in addition to regular meeting may be convened at the request of any one of the members of the Committee;	√		Total 9 (nine) meetings of Audit Committee held in the Year 2024.
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		The quorum of all the meetings of the Audit Committee was duly filled up.
5(5)	Role of Audit Committee The Audit Committee shall:			
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	Monitor choice of accounting policies and principles;	√		
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors;	√		
5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval;	√		
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		The Audit Committee performs as per BSEC and BB guidelines.
5(5)(h)	Review the adequacy of internal audit function;	√		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5)(j)	Review statement of all related party transactions submitted by the management;	√		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission: Provided that the management shall disclose to the Audit Committee about the uses or applications of the proceeds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results: Provided further that on an annual basis, the company shall prepare a statement of the proceeds utilized for the purposes other than those stated in the offer document or prospectus for publication in the Annual Report along with the comments of the Audit Committee.	√		No such situation arisen in the reporting year.
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		The Audit Committee performs as per BSEC and BB guidelines.

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board on the following findings, if any:	√		The Audit Committee performs as per BSEC and BB guidelines.
5(6)(a)(ii)(a)	report on conflicts of interests			
5(6)(a)(ii)(b)	suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such situation arisen in the reporting year.
5(6)(a)(ii)(c)	suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			
5(6)(a)(ii)(d)	any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			
5(6)(b)	Reporting to the Authorities			
	If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such situation arisen in the reporting year.
5(7)	Reporting to the Shareholders and General Investors			
	Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		Disclosed in this Annual Report.
6	Nomination and Remuneration Committee (NRC).			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board			Bangladesh Bank (BB), the primary regulator of Banks, instructed all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, BB vide their circular vested the activities related to NRC on the Audit Committee of the Board of Directors.
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;			
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).			
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;			Bangladesh Bank (BB), the primary regulator of Banks, instructed all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, BB vide their circular vested the activities related to NRC on the Audit Committee of the Board of Directors.
6(2)(b)	At least 02 (two) members of the Committee shall be non-executive directors;			
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;			
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;			
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;			
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member; if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;			
6(2)(g)	The company secretary shall act as the secretary of the Committee;			
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;			
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.			
6(3)	Chairperson of the NRC			

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;			Bangladesh Bank (BB), the primary regulator of Banks, instructed all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, BB vide their circular vested the activities related to NRC on the Audit Committee of the Board of Directors.
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;			
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders: Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the annual general meeting (AGM) for answering the shareholder's queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM.			
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;			Bangladesh Bank (BB), the primary regulator of Banks, instructed all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, BB vide their circular vested the activities related to NRC on the Audit Committee of the Board of Directors.
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;			
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);			
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.			
6(5)	Role of the NRC			
6(5)(a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;			Bangladesh Bank (BB), the primary regulator of Banks, instructed all the schedule Banks to follow the Bank Company Act, 1991 and relevant directives of BB. As per BB guidelines, MBPLC., can only form three sub-committees of the Board: Audit Committee (AC), Executive Committee (EC) and Risk Management Committee (RMC). No other Sub-Committee of the Board is permitted by BB. However, BB vide their circular vested the activities related to NRC on the Audit Committee of the Board of Directors.
6(5)(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			
6(5)(b)(i)	formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:			
6(5)(b)(i)(a)	the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;			
6(5)(b)(i)(b)	the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and			
6(5)(b)(i)(c)	remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;			
6(5)(b)(ii)	devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;			
6(5)(b)(iii)	identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;			
6(5)(b)(iv)	formulating the criteria for evaluation of performance of independent directors and the Board;			
6(5)(b)(v)	identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and			
6(5)(b)(vi)	developing, recommending and reviewing annually the company's human resources and training policies;			
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.			
7	External or Statutory Auditors			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			

Condition No.	Title	Compliance Status (√ has been put in the appropriate column)		Remarks
		Complied	Not complied	
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services;	√		
7(1)(vii)	Any service that the Audit Committee determines;	√		Declaration has been provided by External/Statutory auditors.
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company. Provided that spouse, son, daughter, father, mother, brother, sister, son-in-law and daughter-in-law shall be considered as family members.	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		Representative of external or statutory auditors were present in the 25th AGM held in 2024.
8	Maintaining a website by the Company			
8(1)	The company shall have an official website linked with the website of the stock exchange	√		The address of official website of the Bank is www.mblbd.com and it's already linked with websites of DSE and CSE.
8(2)	The company shall keep the website functional from the date of listing.	√		The website is functional since inception of the Bank.
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		Detailed disclosures required as per listing regulations are available on the "Investors' Relation" part of the website.
9	Reporting and Compliance of Corporate Governance			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report. Explanation: "Chartered Accountant" means Chartered Accountant as defined in the Bangladesh Chartered Accountants Order, 1973 (President's Order No. 2 of 1973); "Cost and Management Accountant" means Cost and Management Accountant as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977); "Chartered Secretary" means Chartered Secretary as defined in the Chartered Secretaries Act, 2010	√		Disclosed in this Annual Report.
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		Approval for Appointment of Corporate Governance compliance Auditor has been taken in the 25th AGM held in 2024.
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		Disclosed in this Annual Report.

COMPLIANCE OF MEETING & REMUNERATION

MONTHLY FIXED HONORARIUM FOR INDEPENDENT DIRECTORS OF THE BANK DURING THE YEAR 2024.

No.	Director's Name	Designation	Applicable for mentioned member		
			Amount Per Month	No. of Month	Total Honorarium (Tk.)
1	Prof. Dr. Md. Rezaul Kabir	Independent Director	50,000.00	9	450,000
2	Dr. Gazi Mohammad Hasan Jamil	Independent Director	50,000.00	9	450,000

Note:

Banking Regulation & Policy Department (BRPD) of Bangladesh Bank, vide BRPD Circular No. 03 dated 14 February 2024, Clause # 5(A), has instructed all Banks to make payment fixed honorarium @Tk. 50,000.00 Per month to each Independent Director.

RISK MANAGEMENT COMMITTEE (RMC) MEETING HELD DURING THE YEAR 2024 AND ATTENDANCE OF EACH DIRECTOR

No.	Director's Name	Designation	Total no. of meeting held of the committee during the year	Applicable for mentioned member			
				Meeting held	Present	Absent	Remuneration (Tk.)
1	Mr. Mohammad Abdul Awal	Chairman	12	12	12	0	118,000
2	Mr. M. Amanullah	Member		12	11	1	108,000
3	Mr. Md. Abdul Hannan	Member		12	12	0	118,000
4	Mr. Morshed Alam*	Member		4	0	4	-
5	Mr. M. A. Khan Belal	Member		12	11	1	108,000
6	Mr. Md. Anwarul Haque**	Member		8	8	0	78,000

Members, who could not attend meeting, were granted leave of absence by the present members of the committee.

Note:

*Mr. Morshed Alam was appointed as Member of Risk Management Committee on 01.09.2024

** Mr. Md. Anwarul Haque Continued as Chairman of Risk Management Committee up to 01.09.2024

AUDIT COMMITTEE (AC) MEETING HELD DURING THE YEAR 2024 AND ATTENDANCE OF EACH DIRECTOR

No.	Director's Name	Designation	Total no. of meeting held of the committee during the year	Applicable for mentioned member			
				Meeting held	Present	Absent	Remuneration (Tk.)
1	Prof. Dr. Md. Rezaul Kabir	Chairman	9	9	9	0	78,000
2	Al-Haj Akram Hossain (Humayun)*	Member		5	4	1	40,000
3	Mr. Md. Abdul Hannan**	Member		1	1	0	10,000
4	Dr. Gazi Mohammad Hasan Jamil	Member		9	6	3	48,000
5	Mr. A.S.M. Feroz Alam***	Member		4	4	0	28,000

Members, who could not attend meeting, were granted leave of absence by the present members of the committee.

Note:

*Al-Haj Akram Hossain (Humayun) was appointed as Member of Audit Committee on 30.06.2024

** Mr. Md. Abdul Hannan was appointed as Member of Audit Committee on 11.12.2024

*** Mr. A.S.M. Feroz Alam Continued as Member of Audit Committee up to 30.06.2024

EXECUTIVE COMMITTEE (EC) MEETING HELD DURING THE YEAR 2024 AND ATTENDANCE OF EACH DIRECTOR

No.	Director's Name	Designation	Total no. of meeting held of the committee during the year	Applicable for mentioned member			
				Meeting held	Present	Absent	Remuneration (Tk.)
1	Mr. M. A. Khan Belal	Chairman	41	39	37	2	364,000
2	Mr. A.S.M. Feroz Alam*	Member		22	16	6	160,000
3	Mr. M. Amanullah	Member		41	39	2	384,000
4	Mr. Morshed Alam**	Member		16	2	14	20,000
5	Alhaj Mosharref Hossain	Member		41	40	1	394,000
6	Mr. Mohammad Abdul Awal	Member		41	41	0	404,000
7	Mr. Md. Abdul Hannan***	Member		36	32	4	316,000
8	Mr. Md. Anwarul Haque****	Member		25	25	0	244,000
9	Al-Haj Akram Hossain (Humayun)*****	Member		17	17	0	164,000

Members, who could not attend meeting, were granted leave of absence by the present members of the committee.

Note:

*Mr. A.S.M. Feroz Alam was appointed as Member of Executive Committee on 30.06.2024

**Mr. Morshed Alam was appointed as Member of Executive Committee on 01.09.2024

*** Mr. Md. Abdul Hannan Continued as Member of Executive Committee up to 10.12.2024

**** Mr. Md. Anwarul Haque Continued as Member of Executive Committee up to 30.08.2024

***** Al-Haj Akram Hossain (Humayun) Continued as Chairman of Executive Committee up to 30.06.2024

BOARD MEETING HELD DURING THE YEAR 2024 AND ATTENDANCE OF EACH DIRECTOR

No.	Director's Name	Designation	Total no. of meeting held of the committee during the year	Applicable for mentioned member			
				Meeting held	Present	Absent	Remuneration (Tk.)
1	Mr. Md. Anwarul Haque	Chairman	22	22	22	0	198,000
2	Al-Haj Akram Hossain (Humayun)	Vice Chairman		21	16	5	158,000
3	Mr. Md. Abdul Hannan	Vice Chairman		21	20	1	190,000
4	Mr. M. A. Khan Belal	Chairman, Executive Committee		21	21	0	198,000
5	Mr. Mohammad Abdul Awal	Chairman, Risk Management Committee		22	22	0	198,000
6	Prof. Dr. Md. Rezaul Kabir	Independent Director & Chairman, Audit Committee		22	20	2	178,000
7	Mr. A.S.M. Feroz Alam	Director		22	19	3	178,000
8	Mr. M. Amanullah	Director		22	22	0	198,000
9	Mr. Morshed Alam	Director		22	19	3	168,000
10	Alhaj Mosharref Hossain	Director		22	22	0	198,000
11	Dr. Gazi Mohammad Hasan Jamil	Independent Director		21	11	10	100,000

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

DIVIDEND DISTRIBUTION POLICY

PRELUDE

The Dividend Distribution Policy has been formulated in accordance with the directives of Bangladesh Securities and Exchange Commission (BSEC) reference no. BSEC/CMRRCD/2021-386/03 dated. 14 January 2021.

The Board of Directors may recommend dividend complying the Companies Act, 1994 and provisions of all Rules, Regulations, Notifications, Orders, Guidelines, etc. in force or to be enforced and issued or to be issued from time to time by Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC) and other Regulatory Authorities.

OBJECTIVES

The objectives of this policy are:

1. To protect interest of all stakeholders.
2. To lay down the criteria to be considered by the Board of Directors of the Bank before recommending dividend to its shareholders for a financial year.
3. To describe manner and procedure of dividend payment.
4. To describe manner and procedure of unclaimed dividend.
5. To comply all regulatory requirements.

PARAMETERS FOR VARIOUS CLASSES OF SHARES

Currently, the Bank does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

FACTORS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

The dividend for each year is recommended by the Board at its discretion for approval by the shareholders in Annual General Meeting (AGM) as per the Policy guidelines, after

taking into account of Bangladesh Bank instruction regarding dividend distribution, financial performance of the Bank, its future plans, internal and external factors, Dividend payout trends, Tax implications, Cost of raising funds from alternate sources of capital, Corporate actions including expansion plans and investment in subsidiaries/associates of the Bank, Shareholder expectations and statutory restrictions, etc.

UTILIZATION OF RETAINED EARNINGS

The Bank would utilize the retained earnings of the Bank in a manner which is beneficial to the interest of the Bank and its stakeholders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the Bank's future business growth/expansion and strategic plans or such other purpose the Board may deem fit from time to time in the interest of the Bank and its stakeholders.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Board of Directors of the Bank may not recommend any dividend if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any restriction imposed by the Regulatory Authorities.

PROCEDURE OF APPROVAL/RECOMMENDATION OF DIVIDEND

The shareholders of the Bank shall approve dividend at Annual General Meeting (AGM) on the basis of recommendation of the Board. The Board shall recommend Dividend after taking consideration of above mentioned factors and review of the financial statements by the Board Audit Committee. All requisite approvals and clearances, where necessary as applicable, shall be obtained before the declaration of dividend.

ENTITLEMENT TO DIVIDEND

Only the shareholders of the Bank whose names are appeared in the Register of

Members and/or Depository Register of the Bank on the record date fixed by the Bank shall be entitled to the dividend.

PAYMENT OF DIVIDEND

Mercantile Bank Limited shall payoff the dividend to its shareholders within 30 (thirty) days of approval. The Bank shall maintain detailed information of Beneficiary Owners (BO) account, bank account, mobile phone number, email and address of the shareholder as maintained with the Depository Participants (DP) for the purpose of proper distribution of dividend and also keep confidentiality of information. Manner and procedures of dividend payment shall be as follows:

A. Cash dividend:

- i. The Bank shall maintain the amount equivalent to the declared cash dividend payable for the concerned year in a separate bank account within 10 (ten) days of declaration.
- ii. The Bank shall send a short message service (SMS) to mobile number or email of the shareholders after disbursement of cash dividend intimation.
- iii. The Bank shall pay Cash dividend directly to the bank account through Bangladesh Electronic Funds Transfer Network (BEFTN);
- iv. In case of unavailability of BEFTN, the Bank shall pay Cash dividend through bank transfer or any electronic payment system as recognized by the Bangladesh Bank;
- v. In case of margin loan and claim by loan provider, the Bank shall pay Cash dividend through the Consolidated Customer's Bank Account (CCBA);
- vi. To the separate bank account of the merchant Banker or portfolio manager through BEFTN;
- vii. The Bank shall pay Cash dividend through the security custodian following Foreign Exchange Regulation for non-resident sponsor, director, shareholder, unit holder or foreign portfolio investor (FPI);

viii. The Bank shall issue reminder through e-mail / SMS / post in case of non-deposit of cash dividend and non-availability of information of the shareholder or unit holder.

B. Stock dividend

- i. The Bank shall credit the stock dividend to the BO account within 30 (thirty) days of approval subject to the clearance of the regulatory requirement [if any from Bangladesh Bank, BSEC, exchange(s) and the Central Depository Bangladesh Limited (CDBL)];
- ii. In case of undistributed or unclaimed stock dividend/bonus shares, The Bank shall credit the stock dividend to the suspense BO Account;
- iii. The bonus dividend shall be transferred to the suspense BO account if BO account is not available or BO account is inactive;
- iv. The sale proceeds of fractional bonus dividend shall be paid off as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time.

UNPAID/UNCLAIMED DIVIDEND

- i. Mercantile Bank Limited shall maintain detailed information of unpaid or unclaimed dividend and rationale thereof.

- ii. Unpaid or unclaimed cash dividend including accrued interest (after adjustment of bank charge, if any) thereon, if remain, shall be kept in a separate bank account.
- iii. In case of non-credited stock dividend through Corporate Action due to closure of BO ID or any other reasons, the bonus shares shall be kept in 'Dividend Suspense Account'.
- iv. The Bank shall not forfeit any unclaimed cash or stock dividend till the claim becomes barred by the law of land in force.
- v. Unclaimed dividend shall be paid off as per procedure set by the Bangladesh Securities and Exchange Commission and the Stock Exchanges.

TAX MATTERS

Tax will be deducted at source as per applicable tax laws.

DIVIDEND INFORMATION

The Bank shall maintain detailed information of unpaid or unclaimed dividend and rationale thereof as per BO account number-wise or name-wise or folio number-wise of the shareholder or unit holder; and shall also disclose the summary of aforesaid information in the annual report and shall also report in the Statements of Financial Position (Quarterly/annually) as a separate line item 'Unclaimed Dividend Account'.

CONFLICT IN POLICY

In the event of a conflict between this policy and the extant regulations, the regulations shall prevail.

AMENDMENTS/ MODIFICATIONS

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and necessary ratification.

REVIEW OF POLICY

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

DISCLOSURE OF POLICY

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.