

DIRECTORS' REPORT 2024

The year 2024 tested the resilience of Bangladesh's economy and its financial sector like never before. Confronted with elevated inflation, moderating growth and an industry-wide recalibration of asset quality, Mercantile Bank PLC remained steadfast in safeguarding core operations while taking decisive steps to strengthen our balance sheet for the future.

Despite achieving double-digit growth in total assets and deposits—evidence of our customers' enduring confidence—profitability was unavoidably affected by the proactive decision to reinforce provisions against higher Non-Performing Loans (NPLs). This action, though it moderated short-term earnings, was essential to align with enhanced regulatory standards and to ensure the Bank's long-term stability.

Accordingly, the Board has recommended no dividend for 2024. We believe this is a prudent capital preservation measure that will leave us well-positioned to weather current challenges and to capitalize on emerging opportunities.

We remain fully confident in our leadership team. Over the past year, we have sharpened our strategic focus around three pillars:

1. NPL Resolution

- Strengthening our Special Asset Management Division for accelerated recoveries
- Offering pragmatic restructuring solutions to viable customers
- Enforcing prompt legal action against chronic defaulters

2. Profitability Rebuild & Cost Discipline

- Optimizing our deposit mix to lower funding costs
- Enhancing yields on performing assets
- Implementing bank-wide efficiency measures to streamline expenses

3. Prudent Growth & Digital Excellence

- Adopting a rigorous, centralized risk framework to guide future lending

- Expanding our digital platforms—MBPLC Rainbow (Internet Banking) and MyCash
- (Mobile Banking)—to improve customer service and unlock low-cost delivery channels

We have maintained open and transparent communication with all stakeholders throughout this pivotal year. While the near-term environment remains complex, the measures we have put in place—grounded in discipline, accountability and forward-looking risk management—will underpin a sustainable return to profitability and enduring shareholder value.

Economic and Industry Landscape

GLOBAL ECONOMIC REVIEW

In 2024, the global economy maintained a path of gradual recovery, underscoring its underlying resilience amid a persistently evolving landscape. According to the International Monetary Fund (IMF), global growth was estimated at 3.2% in 2024, with a projected modest improvement to 3.3% in 2025. While these figures remain below the pre-pandemic average of 3.8%, they signal a cautious but steady adjustment towards a more balanced global economic environment.

A key development during the year was the faster-than-expected moderation of global inflation, projected to decline from 6.8% in 2023 to 5.8% in 2024. This encouraging trend was supported by the easing of supply chain disruptions and coordinated monetary tightening by central banks across major economies. Nonetheless, elevated interest rates and the gradual withdrawal of fiscal stimulus in advanced markets are expected to keep global demand conditions subdued—factors particularly relevant for emerging economies like Bangladesh that are closely integrated into global trade and financial systems.

BANGLADESH ECONOMIC REVIEW

Against the backdrop of these global dynamics, Bangladesh's economy remained fundamentally resilient, though not immune

to broader macroeconomic pressures. GDP growth for FY2024 moderated to 4.2%, compared to 5.8% in the prior year, reflecting a synchronized deceleration in both industry and services sectors. This was largely due to a softening in global demand for exports and cautious domestic consumption.

Inflationary pressures were a central theme throughout the year. Average inflation stood at 9.5%, with point-to-point inflation reaching 10.89% in December 2024. While challenging, this environment was met with an appropriately calibrated response from Bangladesh Bank, which raised the policy rate to 10.00%, reinforcing its commitment to price stability and prudent monetary management.

External sector developments presented a mixed picture. On a positive note, remittance inflows surged by 27.56% during the first half of FY2025 (July–December 2024), aided by effective channeling mechanisms and stronger labor market conditions in host countries. On the other hand, import volumes contracted as a result of policy-driven tightening and restrained domestic demand.

Bangladesh's per capita Gross National Income (GNI) stood at USD 2,784 for FY24. Overall, 2024 was a year of macroeconomic balancing—where stability, reform, and discipline were prioritized to lay the groundwork for a more sustainable trajectory in the years ahead.

BANGLADESH BANKING INDUSTRY REVIEW

The year 2024 will be remembered as a transformational period for the banking industry of Bangladesh, marked by critical structural reforms and enhanced regulatory oversight. The industry navigated a complex operating environment that included tighter liquidity conditions, selective capital adequacy recalibrations, and a forward-looking reassessment of asset quality.

Alongside these regulatory reforms, the sector also benefited from coordinated initiatives aligned with national economic priorities and guided by international development partners. Bangladesh Bank's roadmap for 2025 includes further refinements in classification, provisioning,

and governance frameworks—measures that are expected to significantly enhance the sector's long-term soundness and investor confidence.

As a result, the industry is now better equipped to address inherited inefficiencies, fortify its capital base, and play a more dynamic role in supporting inclusive and sustainable economic growth in the years to come.

Operational and Financial Performance Review of MBPLC.

FINANCIAL HIGHLIGHTS

2024 was a year of consolidation and prudence for Mercantile Bank PLC. Against

the backdrop of sector-wide regulatory reforms and economic adjustment, the Bank remained focused on maintaining growth in its core operations while proactively enhancing the resilience of its balance sheet. Strategic provisioning and realignment of asset mix were central to this approach, reflecting the Bank's long-term commitment to financial health and stakeholder trust.

(BDT in Million)

Particulars	2024	2023	Y-o-Y Change
Total Assets	444,690.30	402,173.04	+10.57%
Loans & Advances	300,022.19	284,828.05	+5.33%
Total Deposits	342,724.25	306,947.95	+11.66%
Operating Profit	5,633.39	5,410.40	+4.12%
Profit After Tax (PAT)	631.22	2,028.61	-68.89%
Cost of Deposit	6.27%	5.18%	+109 bps
Earnings Per Share (EPS) (Tk.)	0.57	1.83	-68.85%

Analysis of Financial Performance

TOTAL INCOME

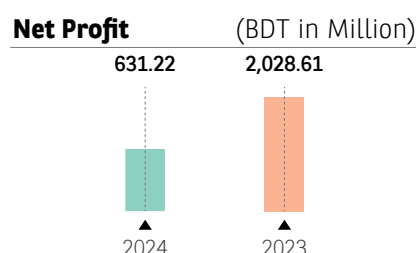
The Bank recorded a healthy 17.96% growth in total income, reaching BDT 36,738.94 million in 2024. This performance was driven by strong contributions from both interest and non-interest income segments. However, in line with the Bank's prudent stance, the increased income was strategically allocated towards provisioning for credit risk—a forward-looking measure taken amidst broader industry asset quality realignments.

(BDT in Million)

Particulars	2024	2023
Interest Income	23,210.97	20,123.91
Investment Income	7,403.87	4,741.25
Commission, Exchange and Brokerage	3,920.70	4,718.11
Other Operating Income	2,203.39	1,561.14
Total Income	36,738.94	31,144.40

PROFITABILITY

Operating profit rose by 4.12% despite a high-cost environment, demonstrating continued operational strength. The decline in Profit After Tax (PAT) is attributed primarily to elevated provisioning aligned with the updated regulatory framework and asset risk profiles. This strategic provisioning reflects the Bank's conservative risk posture and reinforces its long-term solvency and trustworthiness.



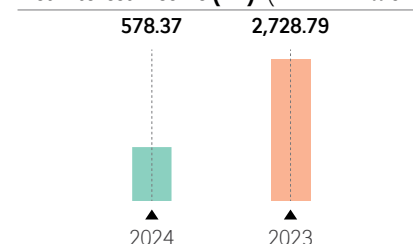
NET INTEREST INCOME (NII)

The Bank experienced pressure on net interest margins, resulting in a reduction in Net Interest Income. This stemmed from two key factors:

- A rise in the cost of funds due to tighter monetary conditions and competitive deposit markets.
- A temporary decline in interest-earning capacity owing to higher NPL recognition under updated classification norms.

While this impacted short-term profitability, it represents a necessary and transitional phase as the Bank fortifies its balance sheet for the future.

Net Interest Income (NII) (BDT in Million)



NON-INTEREST INCOME

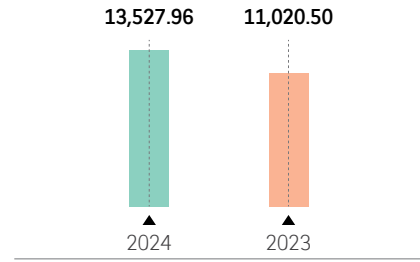
Non-interest income grew by 22.75%, reaching BDT 13,527.96 million. The Bank's strategic investment decisions—particularly in government securities—contributed significantly to this growth. The diversified non-interest income base reflects agility in revenue generation amidst external constraints on the lending business.

REFLECTIONS FROM THE TOP

(BDT in Million)

Components	Amount	% of Total
Exchange gains	2,109.25	15.59%
Commission	1,811.45	13.39%
Income of Investment	7,403.87	54.73%
Other-non Interest Income	2,203.39	16.29%
Total	13,527.96	100.00%

Non-Interest Income (BDT in Million)



Analysis of Financial Position

BALANCE SHEET STRENGTH

Total assets grew by 10.57% to BDT 444,690.30 million, indicating continued institutional expansion. The Bank adopted a more calibrated growth trajectory in its credit portfolio (Loans & Advances up by 5.33%) while enhancing its investment book by 12.45%, emphasizing stability and capital protection through low-risk instruments.

Loans & Advances, accounting for 70.82% of the asset base, remain well-diversified with emphasis on corporate, SME, and export-oriented segments. This reflects the Bank's continued commitment to productive

sectors of the economy while safeguarding asset quality.

LIABILITIES AND DEPOSITS

In 2024, MBPLC's liabilities expanded in tandem with its asset base, recording a growth of 11.35% to reach BDT 418,880.24 million. This balanced expansion reflects prudent financial management and the Bank's ability to attract stable funding even amid heightened industry competition.

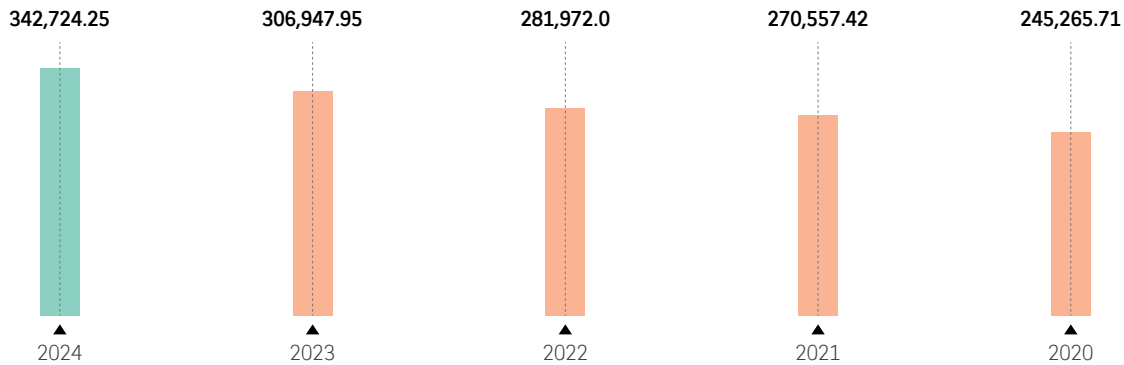
A key contributor to this growth was the continued strength in deposit mobilization. Total deposits increased by 11.66%, reaching BDT 342,724.25 million. This performance is a testament to the Bank's enduring brand trust and wide-reaching footprint, supported by 152 branches, 45 sub-branches, and 188 agent banking outlets across the country.

A closer look at the deposit composition reveals both opportunities and emerging trends. Notably, the Bank achieved a 19.14% growth in low-cost deposits (savings and short-notice accounts), reinforcing its ability to maintain affordable funding channels. However, in an environment of increasing competition and shifting customer preferences, no-cost deposits (current and other accounts) experienced a slight contraction of 3.33%. Meanwhile, high-cost deposits (fixed and scheme deposits) rose by 13.21%, providing volume stability but contributing to an upward movement in the average cost of funds, which stood at 6.27% by year-end.

This shift in the deposit mix reflects a broader industry pattern, and the Bank is already pursuing strategic initiatives to rebalance its funding structure in favor of sustainable, cost-efficient sources going forward.

Deposit

(BDT in Million)

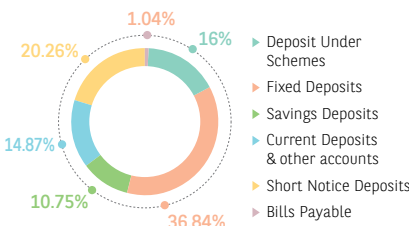


DEPOSIT MIX

(BDT in Million)

Type	2024		2023	
	Volume	%	Volume	%
Deposit Under Schemes	55,693.36	16.25%	43,257.54	14.09%
Fixed Deposits	126,252.57	36.84%	117,453.41	38.26%
Savings Deposits	36,831.23	10.75%	35,361.55	11.52%
Current Deposits & other accounts	50,963.67	14.87%	53,075.47	17.29%
Short Notice Deposits	69,425.77	20.26%	54,226.75	17.67%
Bills Payable	3,557.65	1.04%	3,573.24	1.16%
Total	342,724.25	100.00%	306,947.95	100.00%

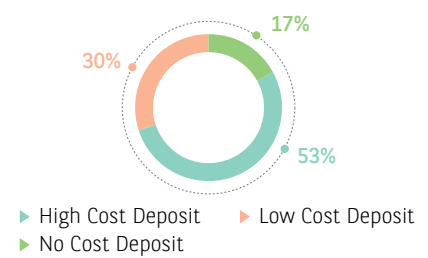
Deposit Mix 2024 Volume



(BDT in million)

Deposit Mix	Dec-24	Dec-23	Growth
High Cost Deposit	181,945.93	160,710.95	13.21%
Low Cost Deposit	102,942.19	86,405.76	19.14%
No Cost Deposit	57,836.13	59,831.24	-3.33%
Total	342,724.25	306,947.95	11.66%

Deposit Mix 2024



Asset Quality, Risk, and Capital Management

ASSET QUALITY AND NON-PERFORMING LOANS (NPLS)

In 2024, the Bank operated in a period of regulatory transition and sector-wide recalibration, which influenced asset quality metrics across the industry. Mercantile Bank's NPL ratio stood at 17.25% at the close of the year, reflecting both updated loan classification norms and broader economic headwinds. This compares to 6.08% in 2023, a year when previous regulatory leniencies remained in place.

It is important to recognize that this shift aligns with Bangladesh Bank's broader efforts to enforce internationally consistent standards. Industry-wide, the reported NPL ratio reached 20.2%, following the reduction of overdue thresholds and the prioritization of transparency. This development, though initially impactful, serves the long-term interests of the sector by enhancing accountability and reinforcing credit discipline.

Beyond systemic reclassifications, the Bank faced borrower-specific challenges in sectors affected by global supply disruptions, inflationary pressure, and a slower economic recovery. In response, Mercantile Bank has taken decisive steps to strengthen its credit risk management infrastructure.

- The Board has elevated NPL resolution to a top strategic priority.
- The Special Asset Management Division (SAMD) has been expanded and empowered to execute a structured recovery plan, focusing on:
 - Intensified monitoring and early warning systems,
 - Restructuring support for viable borrowers, and
 - Accelerated legal action against habitual defaulters.

Simultaneously, the credit underwriting framework has been significantly enhanced to prevent future stress accumulation, reinforcing the Bank's forward-looking governance approach.

CREDIT RATING

Credit Rating Information and Services Limited (CRISL) affirmed the Bank's long-term rating at 'AA+' and short-term rating at 'ST-2', with a stable outlook, based on financials up to December 31, 2024. This rating primarily reflects the Bank's strong domestic franchise, sound liquidity position, and adequate capitalization.

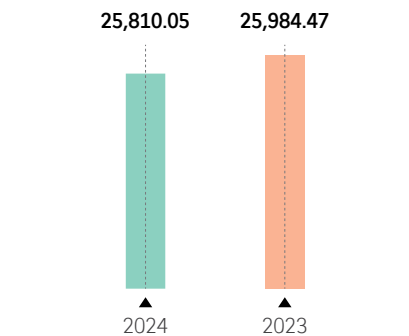
Concurrently, Moody's Investors Service has assigned a 'B3' rating to the Bank.

CAPITAL AND LIQUIDITY MANAGEMENT

The Bank maintained regulatory capital adequacy in full compliance with Basel III requirements, despite the one-off impact on profitability stemming from conservative provisioning.

- Shareholders' equity stood at BDT 25,810.05 million, reflecting a modest decline of 0.67%, primarily due to lower retained earnings.

Shareholders' Equity (BDT in Million)



- No dividend has been recommended for the year—a move to conserve capital and ensure buffers amid a transitional operating landscape.

In terms of liquidity, the Bank remains on solid footing. Supported by its expanding and diversified deposit base, the Bank conducted rigorous internal stress tests, with results confirming that key liquidity and capital adequacy ratios remain well above regulatory thresholds. These outcomes affirm the Bank's strong risk-absorbing capacity and confirm its status as a going concern with long-term operational stability.

Business and Strategic Review

BUSINESS SEGMENT PERFORMANCE

Loans and Advances

In 2024, Mercantile Bank PLC achieved steady growth in its loan portfolio, with total Loans and Advances increasing by 5.33% to BDT 300,022.19 million. This growth reflects the Bank's continued commitment to supporting Bangladesh's productive sectors while exercising disciplined risk management in a complex environment.

A review of the sectoral allocation highlights a strategic alignment with the nation's export-oriented priorities. Notably:

- Lending to the Readymade Garments (RMG) sector (excluding IDBP) rose sharply to 16.51% of the total portfolio, up from 11.43% in 2023.
- Textile sector (excluding IDBP) exposure increased to 6.90%, from 3.90% last year.

These shifts underscore the Bank's strategic focus on industries that are central to Bangladesh's export economy. While this targeted exposure supports national priorities, the Bank maintains robust risk oversight through a dynamic credit monitoring framework to mitigate sectoral concentration risks.

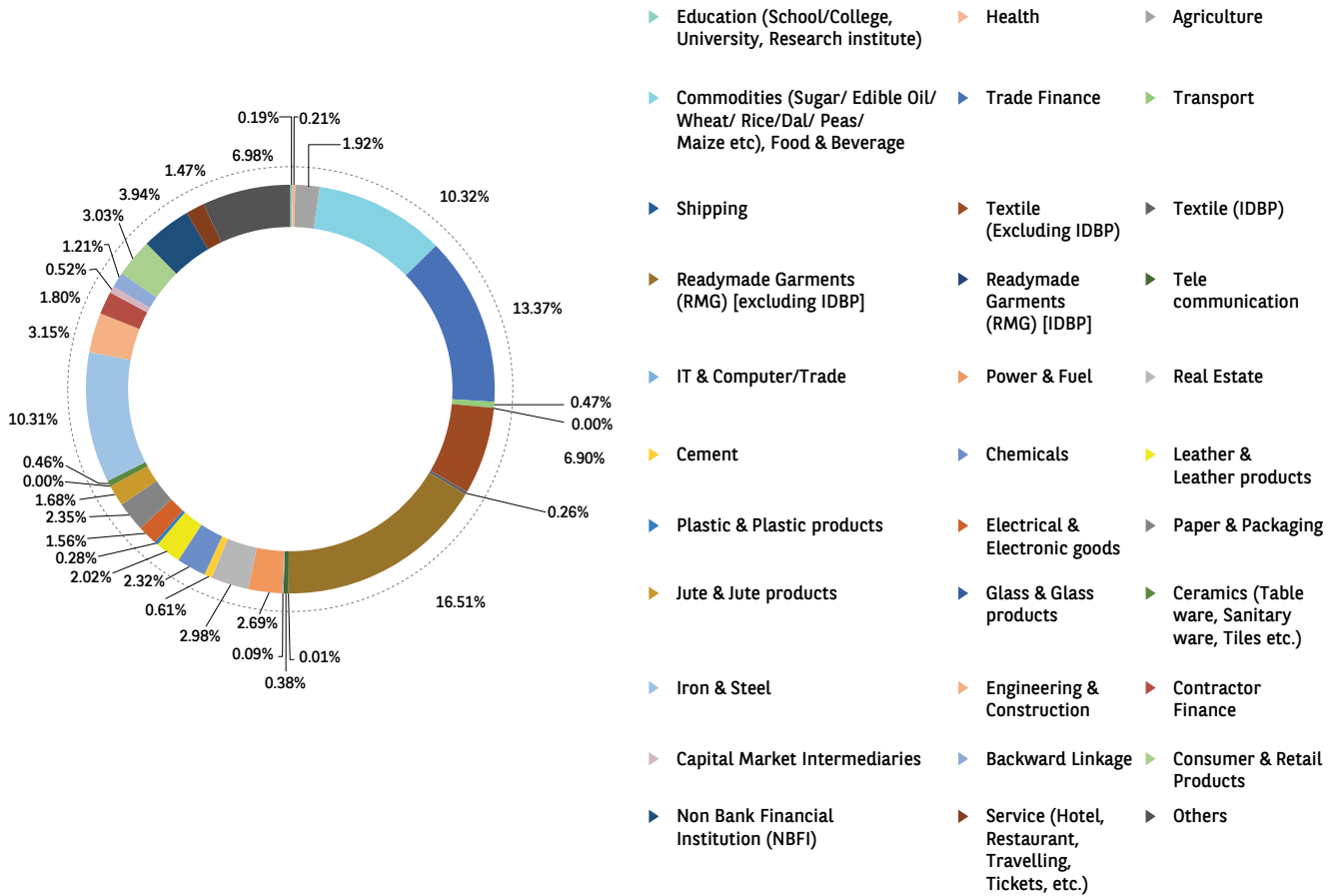
Full sector-wise breakdown is provided in the following table.

SECTOR WISE LOANS & ADVANCES MIX

(BDT in Million)

Sectors	Dec-24	%	Dec-23	%
Education (School/College, University, Research institute)	564.46	0.19%	449.07	0.16%
Health	617.86	0.21%	610.58	0.21%
Agriculture	5,748.91	1.92%	5,301.14	1.86%
Commodities (Sugar/ Edible Oil/ Wheat/ Rice/ Dal/ Peas/ Maize etc), Food & Beverage	30,952.87	10.32%	28,267.13	9.92%
Trade Finance	40,110.81	13.37%	38,196.04	13.41%
Transport	1,409.52	0.47%	1,352.37	0.47%
Shipping	12.82	0.00%	14.49	0.01%
Textile (Excluding IDBP)	20,703.09	6.90%	11,097.57	3.90%
Textile (IDBP)	766.67	0.26%	824.23	0.29%
Readymade Garments (RMG) [excluding IDBP]	49,529.29	16.51%	32,568.83	11.43%
Readymade Garments (RMG) [IDBP]	40.71	0.01%	281.98	0.10%
Tele communication	1,149.05	0.38%	1,139.04	0.40%
IT & Computer/Trade	263.84	0.09%	315.64	0.11%
Power & Fuel	8,059.75	2.69%	8,965.29	3.15%
Real Estate	8,953.00	2.98%	7,645.08	2.68%
Cement	1,820.91	0.61%	1,488.39	0.52%
Chemicals	6,969.49	2.32%	9,015.91	3.17%
Leather & Leather products	6,071.41	2.02%	5,496.32	1.93%
Plastic & Plastic products	847.35	0.28%	645.43	0.23%
Electrical & Electronic goods	4,667.58	1.56%	4,552.30	1.60%
Paper & Packaging	7,059.78	2.35%	6,377.53	2.24%
Jute & Jute products	5,042.11	1.68%	4,434.60	1.56%
Glass & Glass products	-	0.00%	-	0.00%
Ceramics (Table ware, Sanitary ware, Tiles etc.)	1,383.83	0.46%	1,265.45	0.44%
Iron & Steel	30,946.46	10.31%	28,209.99	9.90%
Engineering & Construction	9,440.33	3.15%	9,903.48	3.48%
Contractor Finance	5,411.72	1.80%	5,252.01	1.84%
Capital Market Intermediaries	1,566.56	0.52%	1,800.01	0.63%
Backward Linkage	3,644.51	1.21%	3,946.65	1.39%
Consumer & Retail Products	9,088.73	3.03%	9,876.19	3.47%
Non Bank Financial Institution (NBFI)	11,819.43	3.94%	10,956.13	3.85%
Service (Hotel, Restaurant, Travelling, Tickets, etc.)	4,414.64	1.47%	4,064.23	1.43%
Others	20,944.72	6.98%	40,514.97	14.22%
Total	300,022.19	100.00%	284,828.05	100.00%

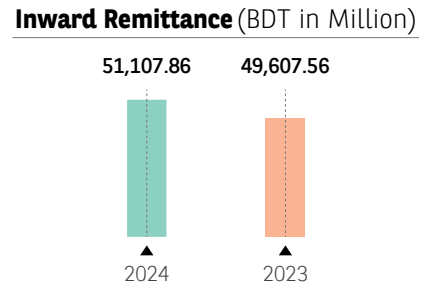
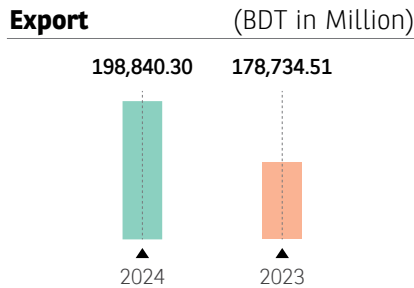
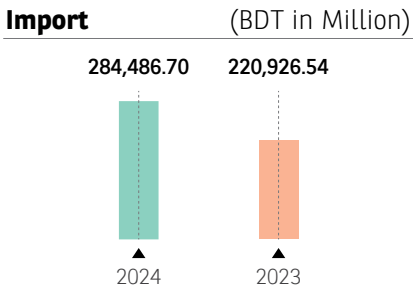
Sector Wise Loans & Advances Mix



INTERNATIONAL TRADE AND REMITTANCES

The Bank’s international operations continued to demonstrate resilience and relevance. In 2024:

- Import trade finance volume surged by 28.77% to BDT 284,486.70 million, supported by higher L/C issuance for industrial inputs and essential commodities.
- Export finance recorded a healthy 11.25% growth to BDT 198,840.30 million, predominantly driven by the RMG sector.
- Inward remittances increased modestly by 3.02%, reaching BDT 51,107.86 million, enabled by a strong network of correspondent banks and strategic partnerships in key labor markets.



These segments remain essential to the Bank’s non-interest income and its role in facilitating the national foreign exchange ecosystem.

Strategic Direction and Future Outlook

The experience of 2024 prompted a strategic recalibration, with the Bank embracing a more focused and performance-driven roadmap designed to navigate current challenges while laying a foundation for future growth.

STRATEGIC PRIORITIES FOR 2025 AND BEYOND

1. Urgent Priority – Aggressive NPL Resolution:

Addressing asset quality remains the foremost objective. The Bank will enhance the efforts of its Special Asset Management Division (SAMD) to drive recoveries, restructure viable accounts, and pursue legal action against chronic defaulters. Performance

indicators across departments will be aligned to reinforce asset quality as a top priority.

2. Mid-Term Priority – Profitability Restoration and Cost Optimization:

To rebuild Net Interest Income (NII), the Bank will refine its deposit mix and enhance asset yield through selective portfolio rebalancing. In parallel, a comprehensive cost rationalization program will be introduced, targeting improved operational efficiency and productivity.

3. Long-Term Priority – Prudent Growth and Digital Transformation:

Future loan growth will be guided by a stringent risk framework focused on credit quality. Continued investments in digital platforms such as MBPLC Rainbow (Internet Banking) and MyCash (Mobile Banking) will enhance customer service, improve efficiency,

and expand low-cost delivery channels.

Outlook for 2025

The operating landscape for the banking industry is expected to remain demanding due to persistent macroeconomic uncertainties and ongoing balance sheet adjustments across the sector. However, MBPLC is well-positioned to adapt, with a clearly defined strategy centered around resilience, recovery, and reinvention.

The Board and Management are fully committed to:

- Strengthening the balance sheet,
- Reinforcing risk governance,
- Enhancing shareholder value, and
- Delivering reliable service to our customers and communities.

Corporate Governance and Statutory Disclosures

IT SYSTEMS, DATA PRIVACY, AND CYBERSECURITY

Recognizing the strategic role of technology in modern banking, Mercantile Bank PLC has taken important steps to modernize its IT infrastructure while prioritizing customer data protection and operational continuity.

- A new Tier 3 Data Center is under development, aligned with TIA 942 standards, ensuring redundancy and resilience for mission-critical systems.
- A dedicated ICT Security Unit has been established, tasked with threat detection, prevention, and response. Continuous employee training is also underway to cultivate a culture of cyber-awareness and build a robust “human firewall.”
- The Bank actively participated in Cybersecurity Awareness Month, underscoring its commitment to digital safety.

REVIEW OF SUBSIDIARIES PERFORMANCE

The Bank operates three wholly owned subsidiaries that contribute to service diversification:

- **Mercantile Exchange House (UK) Ltd:** Serving the Bangladeshi diaspora in the UK with remittance and related services since 2011.

- **Mercantile Bank Securities Ltd (MBSL):** A leading stock brokerage offering margin loans and dealership services through seven branches.
- **MBPLC Asset Management Ltd (AML):** Licensed in 2020, AML focuses on mutual funds, portfolio management, and advisory, strengthening the Bank’s capital market footprint.

Additional detail is provided in the “Management Discussion & Analysis” section of this Annual Report

OFF-SHORE BANKING UNIT (OBU)

The Off-shore Banking Unit (OBU), operational since 2011, reported total exposures of BDT 7,818.59 million in 2024. Reflecting market-wide pressures, OBU’s net profit declined to BDT 14.02 million, from BDT 219.85 million in 2023. The Bank is reviewing OBU strategies to align with future international trade and treasury opportunities.

INTERNAL CONTROL, RISK MANAGEMENT, AND FINANCIAL REPORTING

Mercantile Bank PLC maintains a robust Internal Control System overseen by the Board and executed through the Internal Control and Compliance (ICC) Division. This system ensures operational soundness, compliance, and reliable financial reporting.

Risk oversight is exercised through the Board Risk Management Committee (BRMC) and includes structured frameworks for credit, market, liquidity, and operational

risks. Additional detail is provided in the “Risk Management Report” section of this Annual Report.

The financial statements have been prepared in accordance with:

- IFRS,
- Companies Act 1994,
- Securities and Exchange Rules 1987, and
- Relevant guidelines of Bangladesh Bank and BSEC.

GOING CONCERN ASSUMPTION

The financial statements have been prepared on a going concern basis. Following rigorous internal stress testing and analysis of capital and liquidity adequacy, the Bank confirms it remains well-capitalized and stable under all reviewed scenarios. This affirmation supports continued confidence in the Bank’s financial viability.

All required statutory disclosures by the Bangladesh Securities and Exchange Commission (BSEC) have been included in the relevant sections of this report.

We extend our sincere gratitude to our customers, employees and shareholders for their steadfast support.

On behalf of the Board of Directors,



Md. Anwarul Haque
Chairman