বাংলার ব্যাংক

মার্কেন্টাইল ব্যাংক পিএলসি.
Mercantile Bank PLC.
দক্ষতাই আমাদের শক্তি

CLIMATE RELATED FINANCIAL DISCLOSURE 2025

IFRS S1 & S2 REPORT

TABLE OF CONTENTS

The Sustainable Bank	**1**
MBPLC Sustainability Highlights 2025	**1**
Message from the Managing Director on Sustainability	**2**
Message from the Chairman of the Climate Risk Committee	**3**
Report Parameter	**4**
Our Approach to Sustainability	**4**
Stakeholder's Engagement	**4-5**
Strategic Alignment with UN SDGs	**5**
ESG Performance Index & Strategic Priorities for 2026	**6**
MBPLC Sustainability Finance (SF) Analysis Report-2025	**6-7**
Contribution to the National Exchequer	**8**
Sustainability & Climate Related Financial Disclosure (IFRS S1 & S2)	**9-16**
Mercantile Bank Foundation	**17**
CSR at Mercantile Bank PLC.	**17-18**
Components of Sustainable Finance Rating	**19**

SUSTAINABILITY & CLIMATE REPORT 2025

STRATEGIC OVERVIEW & LEADERSHIP

THE SUSTAINABLE BANK: NAVIGATING THE TRANSITION

At Mercantile Bank PLC. (MBPLC), sustainability is not merely an ancillary compliance exercise—it is a core strategic imperative embedded into our Enterprise Risk Management (ERM) and corporate growth philosophy. As a systemic financial intermediary in Bangladesh, we recognize our dual responsibility: mitigating the climate risks inherent in our portfolio and aggressively mobilizing capital to finance the nation's transition toward a low-carbon, climate-resilient economy.

The Triple Bottom Line & Our "8R" Philosophy We measure our institutional success through the **Triple Bottom Line (3P) Framework: People, Planet, and Profit.** To operationalize this framework across our 153 branches and 188 Agent Banking Outlets, MBPLC has pioneered the proprietary "**8R Approach to Sustainability**". This cyclical model dictates our resource consumption, waste management, and ethical financing decisions:

1. **Refuse:** Rejecting investments in highly polluting or unethical sectors.
2. **Refine:** Continuously improving our Environmental & Social Due Diligence (ESDD).
3. **Renew:** Championing renewable energy and energy-efficient technologies.
4. **Responsibility:** Cultivating an enterprise-wide culture of ESG accountability.
5. **Reduce:** Minimizing our direct operational carbon footprint.
6. **Reuse:** Extending the lifecycle of our physical and technological assets.
7. **Recycle:** Implementing robust electronic and paper waste management protocols.
8. **Respond:** Reacting proactively to the evolving needs of our stakeholders and climate-vulnerable communities.

2025 SUSTAINABILITY HIGHLIGHTS

PEOPLE

Social & Ethical Impact

CSR & Disaster Relief Investment:
BDT 242.40
Million

Workplace Diversity:
25.21%
Total Female Employees

PLANET

Climate Footprint

Operational Emissions (Scope 1 & 2):
6,309.16
tCO2e

Financed Emissions (Scope 3):
1,326,890.21
tCO2e

PROFIT

Sustainable Governance

Global Framework Integration:
Inaugural disclosure under
IFRS S1 & S2
Standards

Strategic Commitment:
Net Zero by 2050

LEADERSHIP PERSPECTIVES

MESSAGE FROM THE MANAGING DIRECTOR ON CLIMATE ACTION

> Sustainability remains a core strategic priority for MBPLC, as we endeavour to foster inclusive growth and shared prosperity across the markets in which we operate.

It is my privilege to present the Sustainability & Climate Report 2025. This year marks a watershed moment in our corporate reporting history. Recognizing the escalating systemic risks posed by climate change, we have voluntarily adopted the IFRS S1 and IFRS S2 frameworks for our climate-related financial disclosures. This rigorous transition moves us beyond traditional Corporate Social Responsibility (CSR) and directly integrates Environmental, Social, and Governance (ESG) metrics into our core financial strategy.

We have established a comprehensive baseline for our operational and financed emissions, reaffirming our commitment to align with the Paris Agreement and target Net Zero emissions by 2050. Through strategic capital allocation, robust governance, and unwavering stakeholder engagement, MBPLC is resolutely focused on financing a greener, more resilient Bangladesh.

Mati Ul Hasan
Managing Director

> Driving sustainable progress and transformation for the future

MESSAGE FROM THE CHAIRMAN OF THE CLIMATE RISK DISCLOSURE WORKING COMMITTEE (CRDWC)

The transition to a low-carbon economy presents a compelling opportunity for value creation. In 2025, the Sustainable Finance Committee focused on tightening our risk parameters while expanding our advisory support for corporate clients navigating transition risks (such as the upcoming global carbon pricing mechanisms).

By embedding the Environmental and Social Risk Management (ESRM) guidelines directly into our credit appraisal workflows, we ensure that every BDT disbursed contributes positively to our Triple Bottom Line. Looking ahead, the Sustainable Finance Unit (SFU) remains dedicated to mobilizing green capital, fostering innovation, and delivering measurable, long-term impact for our communities and investors.

Tapash Chandra Paul, PhD
Deputy Managing Director & CFO

REPORT PARAMETERS & OUR APPROACH TO SUSTAINABILITY

To ensure absolute transparency, comparability, and data fidelity, this report has been constructed in strict accordance with the world's leading sustainability reporting frameworks.

REPORTING PARAMETERS MATRIX

	DISCLOSURE PARAMETER	STRATEGIC DETAILS
	Reporting Period	January 1, 2025, to December 31, 2025 (Published in the 2025 Annual Report cycle).
	Reporting Frameworks	• GRI Standards: Core Option. • IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information. • IFRS S2: Climate-related Disclosures. • Bangladesh Bank: Sustainable Finance Department (SFD) Directives.
	Scope & Boundaries	Captures the economic, environmental, and social impacts of MBPLC's direct operational footprint (Head Office, 153 Branches, 188 Agent Outlets) and its financed portfolio.
	External Assurance	Subject to rigorous Management Review, Internal Audit validation, and final approval by the Board Risk Management Committee (BRMC).
	Feedback Mechanism	We welcome stakeholder feedback. Please direct comments to the Climate Risk Disclosure Working Committee (CRDWC) via the Bank's official corporate channels.

STAKEHOLDER & IMPACT ALIGNMENT

STAKEHOLDER'S ENGAGEMENT

At MBPLC, we recognize that sustainable value creation is impossible in a vacuum. As a systemic financial institution, our decisions have far-reaching impacts on the economy, society, and the environment. We proactively identify, assess, and engage with our stakeholders through a structured framework to understand their material concerns, utilizing these insights to refine our strategic direction and resource allocation.

STAKEHOLDER MATERIALITY MATRIX

- **High Influence / High Interest (Core Focus):** Shareholders & Investors, Regulators, Customers.
- **High Influence / Low Interest (Keep Satisfied):** Institutional Business Partners.
- **Low Influence / High Interest (Keep Informed):** Local Communities, Employees.
- **Low Influence / Low Interest (Monitor):** General Public, Media.

STAKEHOLDER ENGAGEMENT & VALUE CREATION TABLE

Stakeholder Group	Engagement Platforms	Key Concerns & Expectations	MBPLC's Strategic Response & Value Created
1. Shareholders & Investors(22,810 Shareholders)	• Annual General Meeting (AGM) • Financial & Non-financial reporting • Media briefings	• Sustainable expansion of earnings and ROE • Transparent corporate governance • Robust climate risk management	• Delivered resilient financial performance with a sustainable dividend policy. • Executed historic balance sheet clean-up and transparent IFRS S1/S2 disclosures.
2. Customers (1.24+ Million)	• 153 Branches & 188 Agent Outlets • 24/7 Call Center (16225) • MBL Rainbow (Digital App)	• Data privacy and cybersecurity • Affordable, seamless digital banking • Sustainable financing solutions	• Disbursed BDT 18,522.42 Million in Green & Sustainable projects. • Enhanced customer experience through centralized, secure digital processing.
3. Employees (2,610 Employees)	• Internal Townhalls& Circulars • Training & Capacity Workshops • Grievance Management Cell	• Safe, inclusive, and meritocratic workplace • Career development pathways • Fair compensation and well-being	• Maintained a diverse workforce with 25.21% female representation. • Conducted specialized training on ESG and technical capacity building.
4. Government & Regulators	• Regulatory reporting and returns • Consultations and on-site visits • Compliance workshops	• Strict adherence to financial regulations • Timely tax and VAT payments • Support for national economic policies	• Contributed BDT 8,262.67 Million to the National Exchequer. • Achieved 100% compliance with Bangladesh Bank's Sustainable Finance directives.
5. Communities & Suppliers	• Mercantile Bank Foundation • Supplier performance assessments • NGO partnerships	• Disaster relief and climate resilience • Financial inclusion for rural areas • Ethical and transparent procurement	• Invested BDT 242.40 Million in CSR, prioritizing healthcare, education, and disaster management. • Expanded rural reach through 188 Agent Banking outlets.

STRATEGIC ALIGNMENT WITH THE UN SDGS & RESOURCE ALLOCATION

In alignment with Bangladesh's national commitment as a signatory to the United Nations Sustainable Development Goals (SDGs) and guided by the principles of the UN Global Compact, MBPLC believes that sustainable finance is the most powerful catalyst for economic, social, and environmental progress.

In 2025, we actively directed our capital and resources to maximize measurable impacts across core SDGs.

MBPLC SDG BUILDER & FINANCIAL MAPPING

Primary SDGs Targeted	MBPLC Resource Allocation (2025)	Key Impact Areas & Initiatives
	BDT 512.50 Million (Green Finance)	• Financing for utility-scale Renewable Energy and Solar projects. • Investments in Energy/Resource Efficiency and LEED-certified green apparel factories. • Implementation of Effluent Treatment Plants (ETP) to reduce industrial pollution.
	BDT 4916.20Million(Sustainable Agriculture)	• Credit disbursement for sustainable crops, smart irrigation, and agro-processing. • Funding for climate-resilient fisheries, livestock, and poultry farming. • Support for modern grain storage to ensure national food security.
	BDT 11367.60Million (Sustainable CMSME)	• Directed vital capital into Cottage, Micro, Small, and Medium Enterprises (CMSME) to stimulate grassroots job creation. • Empowered women entrepreneurs with dedicated, low-cost financing frameworks.
	BDT 1213.62Million (Other Sustainability-Linked)	• Financing sustainable industrial manufacturing and green supply chain initiatives. • Investments in infrastructure development supporting safe, resilient, and sustainable urban environments.

ESG PERFORMANCE INDEX AND STRATEGIC PRIORITIES FOR 2026

As MBPLC transitions from compliance-driven sustainability towards strategic climate leadership, our roadmap for 2026 and beyond is anchored in measurable, data-driven targets. The Board Risk Management Committee (BRMC) and Sustainable Finance Committee (SFC) have established the following strategic ESG priorities to future-proof the Bank's portfolio:

EXPANDING THE CLIMATE DATA BASELINE (GHG QUANTIFICATION)

Building upon our inaugural PCAF-aligned carbon accounting in 2025, MBPLC has set a strategic target to quantify Greenhouse Gas (GHG) emissions across **100% of our total funded loan portfolio** by the end of 2026. This expansion will specifically target SME and mid-market commercial segments, significantly enhancing our Scope 3 (Financed Emissions) data quality.

UNIVERSAL APPLICATION OF ENVIRONMENTAL & SOCIAL DUE DILIGENCE (ESDD)

To aggressively mitigate transition and physical climate risks, the Bank is upgrading its credit appraisal architecture. By 2026, MBPLC will mandate the expansion of comprehensive Environmental & Social Due Diligence (ESDD) to **all eligible corporate and SME credit portfolios**, irrespective of the loan ticket size, moving beyond minimum regulatory thresholds.

STRENGTHENING THE GREEN ASSET RATIO (GAR)

Recognizing that 68% of our financed emissions currently originate from the carbon-intensive Textiles, Metal & Mining, and commodity cluster, diversifying our portfolio is a core institutional priority. The Sustainable Finance Unit (SFU) will pursue high-impact green syndications and climate-adaptation projects to systematically increase the Bank's Green Asset Ratio (GAR) and achieve a 25% absolute reduction in portfolio carbon intensity by 2030.

FINANCIAL & REGULATORY DISCLOSURES

MBPLC SUSTAINABLE FINANCE (SF) ANALYSIS REPORT-2025

EXECUTIVE SUMMARY & REGULATORY CONTEXT

During the year, Bangladesh Bank instituted a fundamental revision to the classification criteria for Sustainable Finance (SF) through the issuance of SFD Circular No. 1 (dated 13 January 2026). As an institution committed to strict regulatory compliance and global best practices, MBPLC immediately applied the updated criteria from 2025 onward.

This revision reflects a change in regulatory classification parameters and does not constitute a change in our core accounting policy.

Consequently, the Bank's reported Sustainable Finance portfolio for 2025 shows a significant statistical decrease compared to the prior period. It is critical for our stakeholders and investors to note that **this decline is primarily attributable to the revised regulatory exclusion framework rather than an actual contraction in our sustainable lending activities.**

KEY FIGURES & PORTFOLIO MOVEMENT (REPORTED BASIS)

Under the raw, unadjusted reporting metrics mandated by the new circular, the portfolio witnessed a sharp statistical contraction:

Key Portfolio Indicators	Amount (BDT in Million)
2024 SF Portfolio (Under Old Criteria)	173,966.26
2025 SF Portfolio (Under New Criteria)	12,258.32
Reported Year-over-Year (YoY) Change	92.95% Decrease

Note: The year-on-year movement is not directly comparable due to the revised SF classification criteria introduced by Bangladesh Bank.)

RECONCILIATION BRIDGE

RECONCILIATION & BRIDGE ANALYSIS

To provide an accurate, transparent, and decision-useful comparison for our investors, the following bridge analysis strips out the regulatory exclusions to reveal the true baseline portfolio performance:

Description	Amount (BDT in Million)
SF Portfolio (2024 – Old Criteria)	173,966.26
Less: Exclusions under new criteria	(141,558.95)
Add: Inclusions under new criteria	0.00
SF Portfolio (2024 – Adjusted Comparable Basis)	32,407.31
SF Portfolio (2025 – New Reported Basis)	12,258.32

LIKE-FOR-LIKE ANALYSIS & STRATEGIC INSIGHT

On a true "like-for-like" basis—excluding the BDT 141,558.95 million in regulatory exclusions—the SF portfolio declined from BDT 32,407.31 Million (adjusted 2024) to BDT 12,258.32 Million in 2025. This **62.17% decrease** reflects the underlying business movement, driven by the Bank's broader strategic decision to consolidate its loan book and prioritize asset quality amidst tight macroeconomic liquidity conditions.

COMPARATIVE SECTORAL DASHBOARD

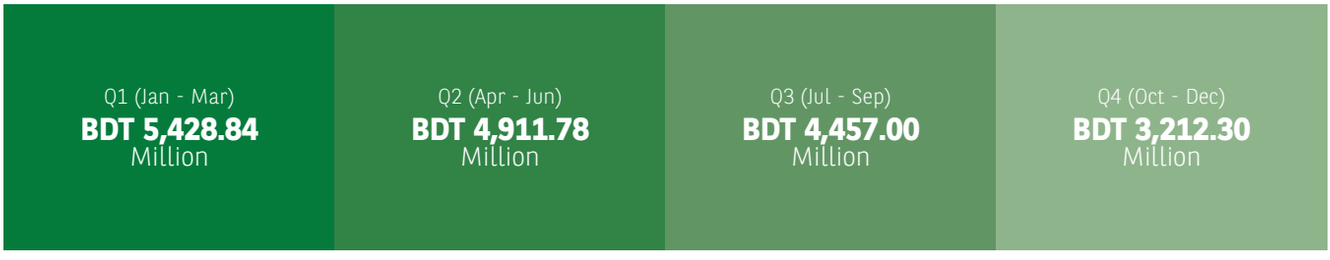
COMPARATIVE STATEMENT OF DATA: SECTORAL BREAKDOWN

MBPLC strictly channels its sustainable finance into high-impact sectors. The following table provides a granular comparative breakdown of the portfolio between 2024 and 2025 across Green Finance and other Sustainability-Linked sectors:

Sl.	Sectors / Categories	2025 Actual(BDT in Million)	2024 Actual(BDT in Million)
A	**TOTAL GREEN FINANCEPORTFOLIO**	**2,083.17**	**4,453.42**
B	**SUSTAINABLE LINKED FINANCE (Excl. Green)PORTFOLIO**		
1	Sustainable Agriculture	4,566.72	5,748.92
2	Sustainable CMSME	2,966.05	12,363.55
3	Other Sustainability-Linked Finance	2,642.38	9,841.42
	Sub-Total (Sustainable Linked Finance)	10,175.15	27,953.89
	GRAND TOTAL SUSTAINABLE FINANCE (A+B)	12,258.32	32,407.31
C	**MISCELLANEOUS SEGREGATION**		
1	Women-owned SME	9.53	48.02
2	Workplace Safety Purpose	0.00	17.00

QUARTERLY SUSTAINABLE FINANCE DISBURSEMENT TREND (2025)

Despite the tightening classification criteria, the Sustainable Finance Unit (SFU) maintained a robust pipeline of impact-driven disbursements throughout the year, injecting a total of **BDT 18,009.92 Million** into the green economy:



SUSTAINABLE FINANCE COMMITTEE (SFC) COMPOSITION

To ensure the effective execution of our green finance strategy, MBPLC operates a dedicated Sustainable Finance Committee (SFC). The committee is composed of 6 cross-functional experts led by Mr. Shah Md. Sohel Khurshid, DMD & Chief Credit Officer (CCO), responsible for designing, reviewing, and administering the Bank's sustainable policies.

Sl.	Designation	Position
1	Deputy Managing Director & CAMLCO	Chairman
2	Deputy Managing Director, CCO and Head of SFU	Member Secretary
3	Deputy Managing Director and Chief Financial Officer	Member
4	Head of Risk Management Division	Member
5	Head of Management Information Systems Division	Member
6	Head of Credit Administration Division	Member
7	CTO and Head of Information Technology	Member
8	Head of International Division	Member
9	Head of HR Operations	Member
10	Head of Internal Control and Compliance Division	Member
11	Head of Corporate Banking Division	Member
12	Head of Islamic Banking Division	Member
13	Head of SME Financing Division	Member
14	Head of Agriculture Credit Division	Member
15	Head of Retail Banking Division	Member

CONTRIBUTION TO THE NATIONAL EXCHEQUER

FOSTERING ECONOMIC SUSTAINABILITY AND NATIONAL DEVELOPMENT

At Mercantile Bank PLC (MBPLC), we firmly believe that our responsibility as a systemic financial institution extends beyond generating shareholder returns; it involves acting as a catalyst for the nation's macroeconomic growth. We view our tax contributions not merely as a statutory compliance obligation, but as a fundamental pillar of our economic sustainability framework and our commitment to national development.

In 2025, despite navigating a challenging macroeconomic landscape characterized by tight liquidity and inflationary pressures, MBPLC maintained its unwavering commitment to fiscal transparency and corporate responsibility.

EXCHEQUER CONTRIBUTION CALL-OUT

TOTAL CONTRIBUTION IN 2025:

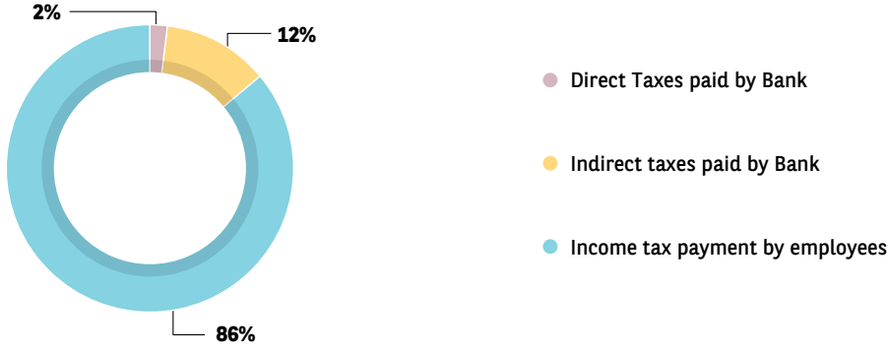
During the financial year 2025, MBPLC successfully and seamlessly deposited a total of BDT 8262.67Million to the National Exchequer.

BREAKDOWN OF CONTRIBUTIONS:

BDT in Million

Particulars	31.12.2025	31.12.2024
Income Tax Payment on Bank's earnings	1011.09	938.17
Income Tax, Vat and Excise duty deducted at source from various payment and services by the bank	7135.81	6621.40
Income tax payment by the employees	115.77	122.99
Total Payment	**8262.67**	**7682.55**

COMPOSITION OF CONTRIBUTIONS TO THE NATIONAL EXCHEQUER IN 2025



Strategic Impact and Value Creation: By ensuring the timely, accurate, and transparent disbursement of these funds, MBPLC directly empowers the Government of Bangladesh's fiscal capacity. This contribution plays a crucial role in funding nationwide infrastructure development, expanding healthcare access, and financing critical climate-resilience projects across vulnerable regions—thereby directly reinforcing our overarching commitments to the United Nations Sustainable Development Goals (SDGs).

IFRS S1 & S2 CLIMATE DISCLOSURES - THE 4 PILLARS

IFRS S1 & S2 DISCLOSURES - PILLAR 1: GOVERNANCE

FIDUCIARY STEWARDSHIP AND CLIMATE ACCOUNTABILITY

At Mercantile Bank PLC (MBPLC), we recognize that effective climate risk management begins at the highest level of leadership. To protect enterprise value and ensure full compliance with the newly adopted IFRS S1 and IFRS S2 standards, the Bank has integrated sustainability and climate-related risks directly into its core corporate governance architecture.

Our climate governance is structured around a highly disciplined, 3-Tier oversight model, ensuring that strategic commitments translate into measurable operational execution.

THE 3-TIER CLIMATE OVERSIGHT MODEL

TIER 1: BOARD STEWARDSHIP (BOARD RISK MANAGEMENT COMMITTEE - BRMC)

The Board of Directors maintains ultimate fiduciary accountability for climate-related financial impacts. Oversight is strictly exercised via the BRMC, which ensures long-term institutional stability. The BRMC evaluates climate stress-testing outcomes and approves capital buffer allocations under the Internal Capital Adequacy Assessment Process (ICAAP) framework.

TIER 2: STRATEGIC OVERSIGHT (SUSTAINABLE FINANCE COMMITTEE - SFC)

Operating directly under the Board's guidance, the SFC is tasked with overseeing MBPLC's comprehensive sustainable finance strategy, policies, and enterprise-wide implementation. The committee ensures that all business units are aligned with the Bank's transition goals and regulatory expectations.

TIER 3: OPERATIONAL EXECUTION (SUSTAINABLE FINANCE UNIT - SFU)

The SFU serves as the operational engine of our climate strategy. Acting as the central Policy Maker and Report Custodian, the SFU leads the daily implementation of green financing, enforces Environmental & Social Due Diligence (ESDD), and ensures flawless regulatory reporting.

THE CLIMATE RISK DISCLOSURE WORKING COMMITTEE (CRDWC) MANDATE

To specifically address the highly technical requirements of IFRS S1 and S2 disclosures, MBPLC established the Climate Risk Disclosure Working Committee (CRDWC). Chaired by the Deputy Managing Director & Chief Financial Officer (CFO), the CRDWC is the critical mechanism that bridges the gap between raw operational data and standardized institutional carbon accounting.

CRDWC MANDATE MATRIX

Core Mandate Pillar	Strategic Responsibilities & Execution
Policy Oversight	Directing the Bank's strategy to align funded activities with the Paris Agreement goal of limiting global warming to 1.5°C.
Compliance Assurance	Ensuring 100% adherence to Bangladesh Bank's SFD Circular 01/2025 and maintaining absolute technical consistency with the PCAF Global Standard.
Technical Lead(Office of the CFO)	Identifying, assessing, measuring, and managing sustainability-related financial risks, while mapping financial exposure to exact carbon equivalents.
Audit Lineage & Data(IT & Credit Division)	Maintaining a highly secure, traceable data unit to capture raw materials data, borrower financials, and portfolio metrics, ensuring the integrity required for external audit assurance.

IFRS S1 & S2 DISCLOSURES - PILLAR 2: STRATEGY & SCENARIO ANALYSIS

STRATEGIC RESILIENCE AND DECARBONIZATION PATHWAYS

At Mercantile Bank PLC (MBPLC), we acknowledge that the transition to a low-carbon economy will fundamentally reshape the financial landscape. To ensure long-term value preservation, the Bank utilizes quantitative scenario analysis to assess the resilience of its business model against both physical climate hazards and transitional market shifts, as mandated by Bangladesh Bank.

CLIMATE SCENARIO ANALYSIS & VULNERABILITY MAPPING

To rigorously evaluate potential impacts on our portfolio and clients, MBPLC conducts specific, localized scenario modeling:

SCENARIO 1: REGULATORY TRANSITION RISK MODELING

The Shock Scenario

We modeled the potential financial impact of a stringent global carbon pricing mechanism, utilizing a proxy carbon tax of $75 per tCO2e.

Portfolio Focus

This stress test specifically evaluated borrower solvency and debt-servicing capacity within our highly exposed Textiles and Heavy Manufacturing sectors projected out to the year 2030.

Strategic Takeaway

The analysis confirms that carbon concentration is highly skewed towards the manufacturing value chain, necessitating targeted intervention to protect asset quality from future regulatory carbon penalties.

SCENARIO 2: PHYSICAL HAZARD COLLATERAL RISK

The Shock Scenario

We assessed the potential devaluation of immovable property collateral pledged against our loan book due to acute and chronic climate events.

Geographic Focus

The modeling specifically targeted assets located in vulnerable coastal regions, evaluating the depreciation impacts of high-intensity tidal surges, recurrent floods, and permanent soil salinity hazards.

STRATEGIC FOCUS RADAR

SUSTAINABILITY AND CLIMATE STRATEGY: KEY FOCUS AREAS

To proactively address these modeled risks, MBPLC has embedded the following strategic focus areas into its core business planning:

STRATEGIC DECARBONIZATION PATHWAY TIMELINE

STRATEGIC DECARBONIZATION PATHWAY (OUR TARGETS)

Based on the outcomes of our scenario analyses, the Board of Directors has approved a phased, highly quantifiable decarbonization timeline to systematically derisk the portfolio and support the national Net Zero agenda:

Horizon	Implementation Timeline & Strategic Target
Short-Term (FY 2026)	100% PCAF Coverage: Expanding our Partnership for Carbon Accounting Financials (PCAF) analysis to encompass 100% of the funded loan portfolio, explicitly including the SME, Retail, and Consumer Mortgage segments.
Medium-Term (FY 2027)	Client Empowerment: Launching the dedicated Sectoral Transition Advisory Program. This initiative will actively facilitate and fund the Net Zero transitions for our high-impact, carbon-intensive corporate borrowers.
Long-Term (FY 2030)	Intensity Reduction: Targeting a 25% absolute reduction in our overall portfolio carbon intensity (measured in tCO2e / BDT Crore) measured strictly against our verified 2025 baseline.

IFRS S1 & S2 DISCLOSURES - PILLAR 3: RISK MANAGEMENT

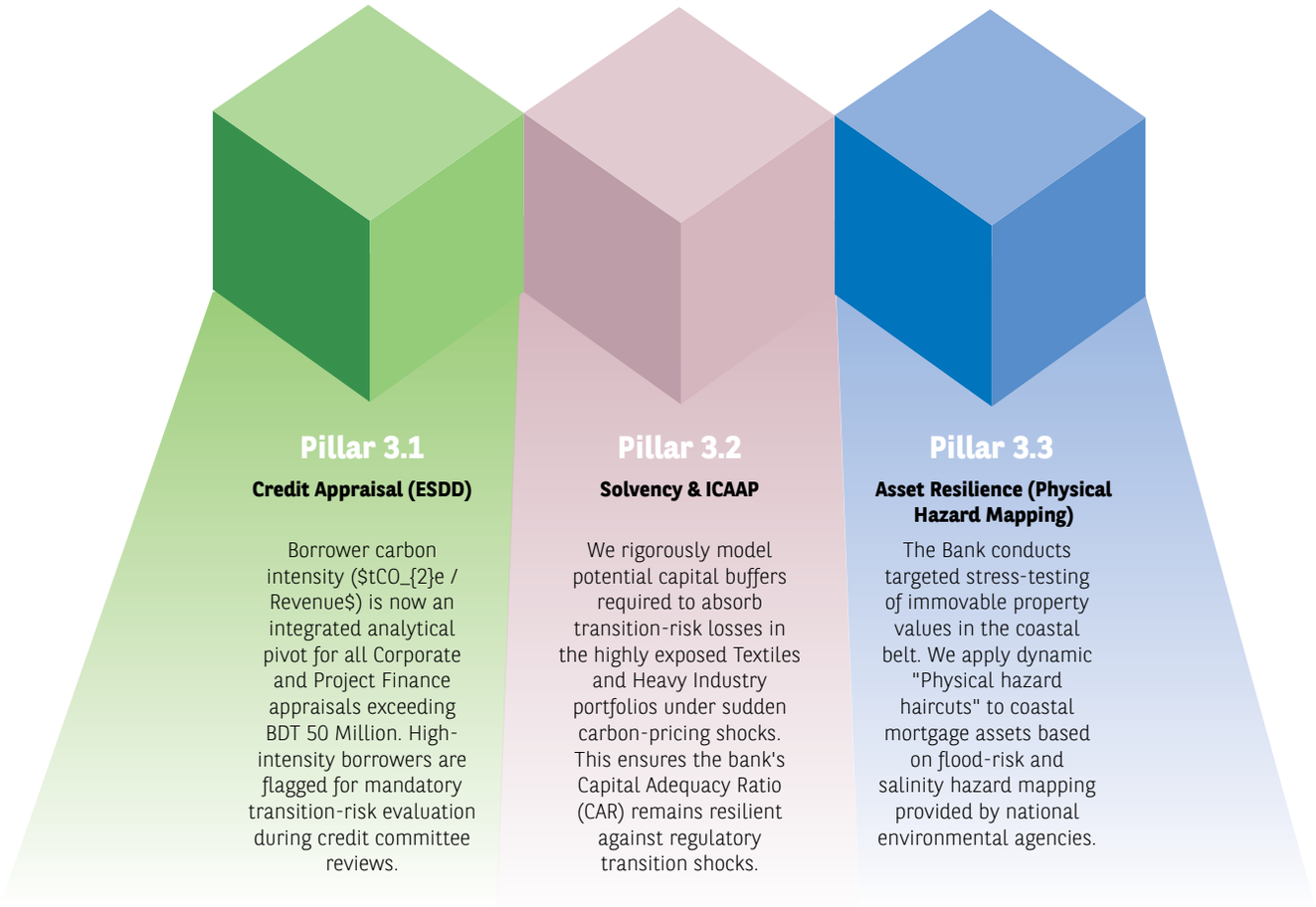
THE CLIMATE RISK INTEGRATION ENGINE

At Mercantile Bank PLC (MBPLC), climate risk is no longer treated merely as a thematic sustainability reporting element; it has been completely technicalized and embedded into our overarching Enterprise Risk Management (ERM) framework. This deep integration ensures that qualitative environmental hazards seamlessly transition into quantifiable financial risk components, enabling proactive portfolio defense.

THE CORE RISK INTEGRATION PIVOTS

To operationalize this transition, the Bank has mandated three core risk-integration pivots across its credit and asset management lifecycles:

PILLAR 3 INTEGRATION DASHBOARD (Designer Note: Present this as three distinct, modern horizontal cards or blocks (Pillar 3.1, 3.2, 3.3) exactly as shown in the source document).



Pillar 3.1

Credit Appraisal (ESDD)

Borrower carbon intensity ($tCO_{2}e / Revenue$) is now an integrated analytical pivot for all Corporate and Project Finance appraisals exceeding BDT 50 Million. High-intensity borrowers are flagged for mandatory transition-risk evaluation during credit committee reviews.

Pillar 3.2

Solvency & ICAAP

We rigorously model potential capital buffers required to absorb transition-risk losses in the highly exposed Textiles and Heavy Industry portfolios under sudden carbon-pricing shocks. This ensures the bank's Capital Adequacy Ratio (CAR) remains resilient against regulatory transition shocks.

Pillar 3.3

Asset Resilience (Physical Hazard Mapping)

The Bank conducts targeted stress-testing of immovable property values in the coastal belt. We apply dynamic "Physical hazard haircuts" to coastal mortgage assets based on flood-risk and salinity hazard mapping provided by national environmental agencies.

CLIMATE RISK MANAGEMENT PROCESS FLOW

COMPREHENSIVE CLIMATE-RELATED FINANCIAL RISK MANAGEMENT PROCESS

To effectively identify, evaluate, and mitigate these exposures, MBPLC employs a structured, 5-step Climate Risk Management lifecycle:

Step 1: Risk Recognition

- **Physical Risk**
  Identifying the impact of climate change and extreme weather events (e.g., cyclones, floods) on physical assets, operations, and broader financial performance.
- Recognizing risks stemming from shifts in policy, environmental regulation, technology, and evolving market preferences.
- **Sustainability Risk**
  Identifying external stakeholder pressures and localized environmental, social, or governance challenges.

Step 2: Risk Evaluation & Measurement

- **Scenario Analysis**
  Estimating potential financial losses under differing climate pathways (e.g., high-emission vs. low-carbon transition scenarios).
- **Credit Risk Impact Assessment**
  Quantifying exactly how climate risks may affect a borrower's repayment capacity and ultimately the loan default probability.
- **Stress Testing**
  Testing portfolio resilience against acute extreme weather events or sudden regulatory shifts, such as carbon pricing.
- **Risk Scoring Models**
  Assigning quantitative risk scores to specific economic sectors or individual clients based on their ESG and climate exposure levels.

Step 3: Risk Ranking & Escalation

- **Risk Classification & Ranking**
  Classifying identified risks based on severity (Low, Medium, High, Critical) and ranking them by their financial, operational, and strategic significance.
- **Escalation Triggers**
  Establishing strict quantitative thresholds dictating when specific climate risks must be escalated to higher management (e.g., ERMC or BRMC).

Step 4: Risk Surveillance & Reporting

- **Continuous Monitoring & Data Collection**
  Tracking climate risks on an ongoing basis across all portfolios by gathering relevant financial and non-financial risk indicators from both internal core systems and external environmental sources.
- **Reporting & Compliance**
  Ensuring absolute compliance with IFRS S1 & S2 frameworks and Bangladesh Bank regulatory reporting mandates.

Step 5: Risk Mitigation & Opportunity Assessment

- **ESG Integration into Policies**
  Permanently embedding sustainability considerations into credit, investment, and operational policies.
- **Operational Adjustments**
  Improving internal efficiency and reducing the direct environmental footprint of MBPLC's daily business operations.
- **Green Finance & Product Innovation**
  Utilizing risk insights to uncover new business opportunities. This includes the aggressive adoption of green financing and the development of innovative financial products such as green loans, ESG-linked financing, and transition finance mechanisms.

IFRS S1 & S2 DISCLOSURES - PILLAR 4: METRICS & TARGETS

QUANTIFYING OUR CLIMATE LIABILITY

To effectively manage climate-related risks and capitalize on sustainable opportunities, Mercantile Bank PLC (MBPLC) utilizes globally defined metrics and targets. Pillar 4 translates our strategic climate commitments into highly quantifiable, auditable data. We continuously monitor these metrics to ensure strict alignment with our Net Zero 2050 trajectory and the regulatory mandates of the Bangladesh Bank.

An entity is required to disclose its absolute gross Greenhouse Gas (GHG) emissions generated during the reporting period, expressed in metric tonnes of CO2 equivalent (tCO_2e).

OPERATIONAL CARBON FOOTPRINT (SCOPE 1 & SCOPE 2 BASELINE)

MBPLC has precisely measured its internal emissions originating from the Head Office, 153branches, and the Bank-owned transport fleet. Our operational carbon accounting is governed by the principles of the **GHG Protocol** (developed by WRI and WBCSD) and the **Bangladesh National Grid Emission Factor (BD GEF 2025)**.

The fundamental calculation engine utilized is: $GHG Emissions = Activity Data \times Emission Factors$

OPERATIONAL EMISSIONS DASHBOARD (FY 2025)

Scope & Emission Source	IFRS S2 Reference	Quantity (Activity Data)	Applied Emission Rate	Protocol / Source	Result (tCO_2e)
SCOPE 1: Direct Internal Emissions					
Stationary Combustion(Backup Generator Fuel - Diesel)	S2 IE1-IE5	84,082.47 Liters	2.91 kg/L	GHG Protocol	244.68
Mobile Combustion(Official Fleet Fuel - Octane)	S2 IE1-IE5	99,685.09 Liters	2.29 kg/L	GHG Protocol	228.28
Total Scope 1 Emissions					**472.96**
SCOPE 2: Indirect Internal Emissions					
Electricity Consumption(Head Office, Branches & ATMs)	S2 B23-25	9,413.23 MWh	0.62 t/MWh	BD GEF 2025	5,836.20
Total Scope 2 Emissions					**5,836.20**
TOTAL GROSS OPERATIONAL FOOTPRINT (SCOPE 1 + 2)					**6,309.16**

Strategic Analytical Insight: The 2025 operational footprint of 6,309.16 tCO_2e reflects a deliberate reduction in internal emissions compared to previous cycles. The Bank's Scope 2 emissions (which account for the vast majority of our internal footprint at 5,836.20 tCO_2e) are being actively mitigated by optimizing our centralized Data Center power usage and accelerating the transition of physical branches and ATM booths to rooftop solar power. Similarly, the Bank has restricted the unnecessary use of octane-fueled official vehicles, keeping Scope 1 mobile combustion highly controlled at 228.28 tCO_2e.

FINANCED EMISSIONS (SCOPE 3) - BASIS OF CALCULATION

METHODOLOGICAL TRANSPARENCY & PCAF ALIGNMENT

For a systemic financial institution like MBPLC, Scope 3 (Financed Emissions - Category 15) constitutes over 99% of our aggregate climate liability. To rigorously quantify the Greenhouse Gas (GHG) emissions originating from our lending and investment portfolios, the Bank has formally adopted the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard (Part A, 2022).

By moving away from arbitrary estimates to a globally standardized, revenue-based calculation engine, we ensure high comparability, accountability, and transparency in our financial reporting.

PCAF IMPLEMENTATION LOGIC MATRIX

THE CALCULATION ENGINE: STRATEGIC IMPLEMENTATION BASELINE

For the FY2025 assessment, MBPLC utilized the PCAF "Emerging Economies" database to estimate emissions across our core corporate portfolios:

PCAF Framework Item	Business Loans and Unlisted Equity	Project Finance
Primary Methodology	Option 3a (Economic activity-based emissions)	Option 3a (Economic activity-based emissions)
Activity Variable	Revenue (EXIOBASE Revenue Baseline)	Revenue (EXIOBASE Revenue Baseline)
Geographic Proxy	Asia Pacific (India) Emission Factors applied (due to current unavailability of Bangladesh-specific data).	Asia Pacific (India) Emission Factors applied.
Data Fidelity Strategy	Targeted and achieved a verified Data Quality Score (DQS) of 4.0, utilizing verified borrower financials.	Targeted and achieved a verified Data Quality Score (DQS) of 4.0.

Fallback Mechanism	Option 3b (Asset-based proxy & DQS 5.0) deployed exclusively for clients with negative turnover.	N/A
Normalization Engine	MEUR Normalized. Financials converted at an official revaluation rate of 143.9845 BDT/EUR.	MEUR Normalized at a revaluation rate of 143.9845 BDT/EUR.
Emission Factor Source	PCAF Standardized Intensity Database (2019).	PCAF Standardized Intensity Database (2019).

DATA QUALITY SCORE (DQS) HIERARCHY TABLE

DATA QUALITY SCORE (DQS) NARRATION

The Data Quality Score (DQS) is a mandatory PCAF metric designed to ensure absolute transparency regarding the accuracy of reported climate footprints. Scores range from 1 (highest quality, verified emissions) to 5 (lowest quality, economic estimates).

MBPLC set a stringent institutional target for our inaugural reporting and successfully achieved a highly verified DQS of 4.0 across our analyzed portfolio.

THE PCAF DQS HIERARCHY AT MBPLC:

- **Score 1 (Option 1 - Reported Emissions):**
  - 1a: Attribution Factor and verified emissions (extracted from Audited Sustainability Reports) are known.
  - 1b: Attribution Factor and unverified calculated emissions are known.
- **Score 2 & 3 (Option 2 - Physical Activity-Based):**
  - 2a: Attribution Factor known; emissions calculated using primary physical energy consumption data.
  - 2b: Attribution Factor known; emissions calculated using primary physical production data.
- **Score 4 (Option 3 - Economic Activity-Based - MBPLC Baseline):**
  - 3a: Attribution Factor and emission factors for the sector per unit of revenue are known. (MBPLC achieved this level by mapping verified borrower revenues against EXIOBASE parameters).
- **Score 5 (Option 3 - Fallback Mechanism):**
  - 3b: Loan outstanding and emission factors per unit of asset are known.
  - 3c: Loan outstanding, emission factors per unit of revenue, and asset turnover ratios are known.

TOTAL FINANCED EMISSIONS (SCOPE 3) BREAKDOWN & SECTORAL CONCENTRATION

Portfolio Coverage and Total Climate Liability Following the rigorous application of the PCAF Option 3a methodology, MBPLC successfully mapped the carbon footprint of 78.90% of its eligible funded portfolio (excluding immaterial segments like Retail, Cards, and Micro-Agriculture).

The total analyzed exposure stood at BDT 22,591.61 Crore, generating a total financed emission footprint of 1,326,890.21 tCO_2e.

CONSOLIDATED FINANCED EMISSIONS DASHBOARD(Designer Note: Present this as a premium, structured financial table. Highlight the "Total Financed Emissions" row in bold Bank colors).

MBPLC TOTAL FINANCED EMISSIONS (CATEGORY 15) FY2025

Asset Class Analyzed	Total Exposure (BDT in Crore)	Attributed Scope 1 tCO_2e	Attributed Scope 2 tCO_2e	Attributed Scope 3 tCO_2e	Total Emissions(S1+S2+S3)
Business Loans & Unlisted Equity	21,795.97	397,059.51	185,318.11	676,568.00	1,258,945.63
Project Finance	795.64	2,119.84	8,766.58	57,058.16	67,944.58
Total Analyzed Portfolio (78.90%)	22,591.61	399,179.35	194,084.69	733,626.16	1,326,890.21

SECTORAL DEEP-DIVE: IDENTIFYING TRANSITION RISK CONCENTRATION

To actively manage the transition risks associated with a low-carbon economy, the Bank segments its financed emissions by industry (GICS code).

SECTORAL CONCENTRATION HEATMAP & PIE CHART

Top 3 Carbon Contributors (FY 2025): The granular PCAF analysis revealed that over 68% of the Bank's entire financed climate liability is concentrated within just three heavy manufacturing and export-oriented clusters:

Textiles, Apparel & Luxury (28.8% of Emissions)

Total Exposure: BDT 7,194.62 Crore (Business Loans + Project Finance) Total Emissions: 382,115.14 tCO_2e

Metals & Mining (27.9% of Emissions)

Total Exposure: BDT 2,652.56 Crore Total Emissions: 370,857.32 tCO_2e

Food Products (11.4% of Emissions)

Total Exposure: BDT 2,447.88 Crore (Business Loans + Project Finance) Total Emissions: 151,113.44 tCO_2e

Strategic Analytical Insight:"The multi-approach analysis confirms that carbon concentration is highly skewed towards the manufacturing value chain. Our strategic pivot for FY2026 involves launching the 'Transition Technical Assistance' initiative for these high-exposure borrowers to mitigate the systematic credit risk associated with emerging global carbon pricing mechanisms."

TOTAL INSTITUTIONAL CLIMATE LIABILITY (FY2025) & STATEMENT OF COMPLIANCE

By aggregating our internal operational footprint (Scope 1 & 2) with our financed footprint (Scope 3), MBPLC's total absolute Greenhouse Gas (GHG) emission for the financial year 2025 stands at 1,333,199.37 tCO_2e. A year-on-year comparative analysis confirms a strategic reduction against the 2024 baseline (1,462,412.23 tCO_2e), reflecting the Bank's continued commitment to building a resilient, low-carbon portfolio.

COMPREHENSIVE SECTORAL GHG INVENTORY (GICS FRAMEWORK)

To provide institutional investors with absolute transparency regarding sector-specific climate liabilities, MBPLC maps its financed emissions strictly against the Global Industry Classification Standard (GICS). The following tables present the exhaustive PCAF Category 15 analysis across both Business Loans and Project Finance asset classes.

ANNEXURE-1: FINANCED EMISSIONS (CATEGORY 15) FY2025ASSET CLASS: BUSINESS LOANS AND UNLISTED EQUITY

GICS Code	Industry Description	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 3 tCO_2e	Total S1-S3 tCO_2e	Exposure (BDT in Cr)
151010	Chemicals	8,305.11	1,927.08	25,077.67	35,309.87	374.45
151020	Construction Materials	53,237.66	19,526.27	12,832.06	85,595.98	141.19
151030	Containers & Packaging	260.24	662.01	2,571.39	3,493.64	56.06
151040	Metals & Mining	272,027.76	2,254.96	96,574.60	370,857.32	2,652.56
151050	Paper & Forest Products	1,910.91	4,409.81	17,877.07	24,197.79	560.84
201010	Marine & Defense	3.54	54.21	248.67	306.42	272.37
201030	Construction & Engineering	233.53	729.93	9,434.03	10,397.48	545.88
201040	Electrical Equipment	1,894.15	11,982.03	30,133.40	44,009.58	800.94
201050	Industrial Conglomerates	2,528.80	33.90	14,368.76	16,931.46	689.91
201060	Machinery	2.04	31.29	143.52	176.85	74.35
201070	Trading Companies & Dist.	3,153.81	1,012.23	15,560.72	19,726.77	1,881.55
202010	Commercial Serv. & Supplies	1,472.10	7,795.14	31,098.09	40,365.34	470.36
202020	Professional Services	5.44	9.86	69.66	84.95	39.14
203010	Air Freight & Logistics	3.02	1.38	39.99	44.39	3.05
203030	Marine Transportation	2,509.74	687.13	1,293.00	4,489.87	169.15
203040	Road & Rail	622.08	119.28	443.86	1,185.22	6.29
252010	Household Durables	291.17	24.78	410.54	726.48	75.33
252020	Leisure Products	332.09	28.26	468.23	828.58	4.74
252030	Textiles, Apparel & Luxury	28,026.98	98,381.61	248,528.48	374,937.06	7,021.32
253010	Hotels, Restaurants & Leisure	33.19	59.04	565.11	657.34	265.58
253020	Diversified Consumer Svc	30.66	56.42	327.70	414.78	61.81
255030	Multiline Retail	109.11	343.40	631.30	1,083.82	136.94
255040	Specialty Retail	8.47	20.51	865.35	894.32	13.41
301010	Food & Staples Retailing	243.61	766.68	1,409.45	2,419.74	51.87
302010	Beverages	1,958.85	1,604.41	13,160.80	16,724.06	103.32
302020	Food Products	5,218.26	25,075.36	97,874.16	128,167.79	2,287.84
302030	Tobacco	31.41	274.49	1,649.54	1,955.44	56.89
303010	Household Products	41.99	0.65	124.30	166.94	2.33
351020	Health Care Providers	30.64	51.32	405.48	487.45	32.54

GICS Code	Industry Description	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 3 tCO_2e	Total S1-S3 tCO_2e	Exposure (BDT in Cr)
352020	Pharmaceuticals	6,057.52	93.61	17,933.05	24,084.19	282.43
402020	Consumer Finance	42.90	309.23	674.46	1,026.60	828.12
402030	Capital Markets	9.55	16.26	567.72	593.53	168.60
403010	Insurance	83.38	340.42	556.42	980.21	123.27
451020	IT Services	1.00	0.94	65.38	67.32	5.22
452020	Technology Hardware	12.68	3,302.76	9,361.87	12,677.31	174.20
501010	Diversified Telecom	40.98	326.55	367.51	735.04	56.09
502010	Media	0.11	2.73	32.14	34.98	6.03
551020	Gas Utilities	4,647.00	2,884.48	10,616.30	18,147.78	337.02
551050	Ind. Power Producers	1,452.91	0.00	11,982.02	13,434.93	145.70
601020	Real Estate Mgmt & Dev	185.12	117.69	224.20	527.01	817.28
Total	**Sub-Total**	**397,059.51**	**185,318.11**	**676,568.00**	**1,258,945.63**	**21,795.97**

(Note: Data strictly reflects the FY2025 PCAF Category 15 Option 3a methodology.)

ANNEXURE-2: FINANCED EMISSIONS (CATEGORY 15) FY2025ASSET CLASS: PROJECT FINANCE

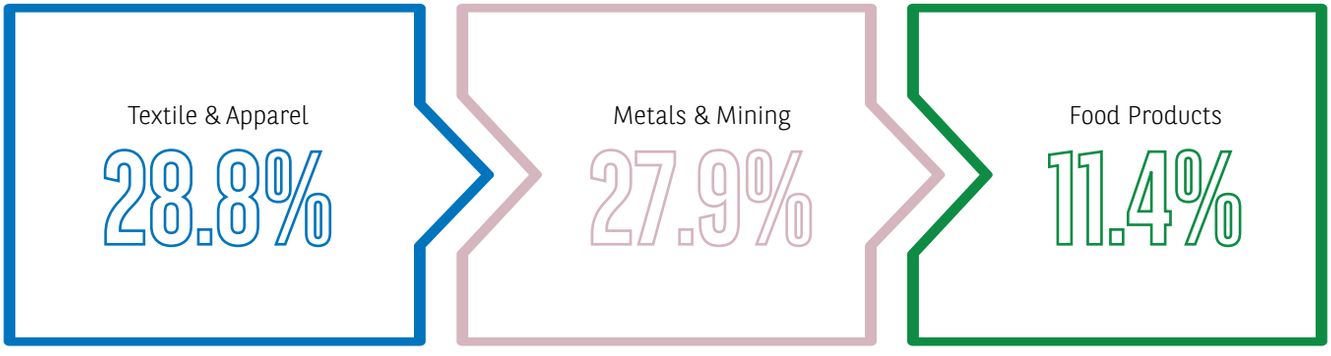
GICS Code	Industry Description	Scope 1 tCO_2e	Scope 2 tCO_2e	Scope 3 tCO_2e	Total S1-S3 tCO_2e	Exposure (BDT in Cr)
151020	Construction Materials	0.00	0.00	0.00	0.00	16.69
202010	Commercial Serv. & Supplies	12.36	5.63	163.65	181.64	10.40
252030	Textiles, Apparel & Luxury	457.18	1,151.75	5,569.14	7,178.08	173.30
302020	Food Products	533.21	7,609.20	14,803.24	22,945.65	160.04
551050	Ind. Power Producers	1,117.09	0.00	36,522.13	37,639.21	435.21
Total	**Sub-Total**	**2,119.84**	**8,766.58**	**57,058.16**	**67,944.58**	**795.64**

(Note: Data strictly reflects the FY2025 PCAF Category 15 Option 3a methodology.)

TOP CONTRIBUTORS DASHBOARD

TOP 3 CARBON CONTRIBUTORS: STRATEGIC SUMMARY

When consolidating both Business Loans and Project Finance, the PCAF analysis confirms that MBPLC's transition risk is highly concentrated. The top three highest-emitting sectors collectively account for over 68% of the Bank's entire financed climate liability:



Strategic Response:"The multi-approach analysis confirms that carbon concentration is highly skewed towards the manufacturing value chain. Our strategic pivot for FY2026 involves launching the 'Transition Technical Assistance' initiative for these high-exposure borrowers to mitigate the systematic credit risk associated with a transition to a low-carbon economy."

STATEMENT OF COMPLIANCE

Mercantile Bank PLC declares that this integrated institutional Disclosure Report for FY2025 has been prepared in strict accordance with the mandatory requirements of the Bangladesh Bank SFD Circular 01/2025. Furthermore, all climate-related metrics have been quantified in absolute alignment with the global financed emissions measurement methodologies developed by the Partnership for Carbon Accounting Financials (PCAF) and the disclosure framework of IFRS S2.

PART 5: SOCIAL RESPONSIBILITY & COMPLIANCE

CORPORATE SOCIAL RESPONSIBILITY (CSR) & MERCANTILE BANK FOUNDATION

STRATEGIC PHILOSOPHY: PURPOSE BEYOND PROFIT

At Mercantile Bank PLC (MBPLC), we firmly believe that the true measure of a systemic financial institution's success extends far beyond its balance sheet and core financial performance. Our corporate ethos is fundamentally anchored in the "Triple Bottom Line" (3P) framework—prioritizing People, Planet, and Profit. This philosophy dictates that our economic value creation must be inextricably linked with the social and environmental upliftment of the communities in which we operate.

MBPLC performs its Corporate Social Responsibilities (CSR) and other voluntary, charitable activities in strict adherence to the guidelines of Bangladesh Bank and overarching regulatory frameworks designed for the welfare of society.

In alignment with the United Nations Sustainable Development Goals (SDGs), the Bank has strategically modernized its CSR initiatives. We are actively transitioning away from traditional, ad-hoc charitable giving towards sustainable, scalable, and impact-driven social investments. This paradigm shift ensures that our social expenditures act as a long-term catalyst for community resilience, inclusive growth, and environmental stewardship, thereby creating shared prosperity that outlasts any single financial year.

THE MERCANTILE BANK FOUNDATION: THE EXECUTION ENGINE

OPERATIONAL TRANSPARENCY AND GOVERNANCE COMPLIANCE

Since its inception in 2000, the Mercantile Bank Foundation (MBF) has served as the Bank's dedicated philanthropic arm and the primary operational vehicle for executing our community investments.

By centralizing our Corporate Social Responsibility (CSR) initiatives through the Foundation, MBPLC ensures strict, structural compliance with Bangladesh Bank's CSR governance guidelines. This framework guarantees that community investments are channeled efficiently, transparently, and objectively. Most importantly, it keeps philanthropic activities operationally distinct, ensuring that social fund allocations remain free from undue administrative or Board-level intervention—a critical compliance metric monitored by the central bank.

For over 25 years, the Foundation has successfully transitioned our social initiatives from ad-hoc charity to organized, standardized, and sustainable programs designed to break the cycle of poverty. Today, the MBF acts as a vital bridge, promoting continuous and constructive dialogue between the Bank and the marginalized communities we serve.

FOUNDATION MANDATE CALL-OUTS

CORE MANDATE & OBJECTIVES OF THE FOUNDATION

The Mercantile Bank Foundation meticulously directs its resources to achieve the following highly targeted socioeconomic objectives:

1. **Poverty Alleviation & Disaster Rehabilitation**
   Delivering immediate monetary and logistical assistance for the rehabilitation of individuals affected by natural disasters, while actively funding initiatives to help unemployed youth become self-sufficient.

2. **Educational Empowerment**
   Promoting educational and scientific advancement by establishing institutions and providing critical scholarships to poor, highly deserving students.

3. **Healthcare Access**
   Funding the establishment of hospitals and clinics to support the national health sector, alongside providing direct financial endowments to ailing, impoverished patients.

4. **Social Welfare & Cultural Patronage**
   Assisting orphans and mentally challenged children, providing financial support to poor fathers for their daughters' marriages, and formally recognizing scholars, writers, and artists for their outstanding contributions to Bengali literature and culture.

CSR FINANCIAL OVERVIEW & STRATEGIC ALLOCATION (2025)

TARGETED CAPITAL DEPLOYMENT FOR SOCIAL EQUITY

In 2025, despite navigating a complex macroeconomic environment, MBPLC reinforced its commitment to social equity and community resilience. During the year, the Bank strategically deployed a total of BDT 242.40 Million towards high-impact Corporate Social Responsibility (CSR) initiatives.

Rather than dispersing these funds arbitrarily, the Mercantile Bank Foundation meticulously allocated the capital across four highly targeted thematic sectors, ensuring maximum alignment with national development priorities and the UN SDGs.

CSR EXPENDITURE DASHBOARD

Strategic CSR Sectors	2025 Allocation (BDT in Million)	% of Total Portfolio
Education	2.00	0.83%
Health	3.70	1.52%
Environment & Climate Change Mitigation	1.00	0.42%
Disaster Management & Other Sectors	235.70	97.23%
Total CSR Expenditure	**242.40**	**100%**

REGULATORY COMPLIANCE CALL-OUTS

Bangladesh Bank Compliance Mandates Achieved: To ensure inclusive, grassroots development, Bangladesh Bank enforces strict qualitative parameters regarding how financial institutions distribute their CSR funds. In 2025, MBPLC proudly reported 100% compliance with these directives:

- Rural & Marginalized Allocation Target: MBPLC successfully fulfilled the regulatory mandate requiring that a minimum of 25% of total CSR expenditure must be directed to rural and marginalized areas. By heavily financing agricultural communities and flood-affected remote regions, the Bank ensured that its social capital reached the most vulnerable demographics.
- Transparent Disclosure: All CSR activities have been fully disclosed in this Annual Report and across official print/ electronic media channels, ensuring complete institutional transparency.

THEMATIC IMPACT CARDS

CORE IMPACT PILLARS: THEMATIC BREAKDOWN OF 2025 SOCIAL INVESTMENTS

To translate our BDT 242.40 Million social investment budget into measurable grassroots impact, the Mercantile Bank Foundation executed programs across four external thematic pillars and one internal corporate pillar.

PILLAR 1: CLIMATE RESILIENCE & DISASTER RELIEF (BDT 235.70 MILLION)

Accounting for an overwhelming 97.23% of our total CSR portfolio, disaster management remains our most critical social intervention. Recognizing the severe vulnerability of Bangladesh to climate hazards, MBPLC aggressively mobilized emergency funds to protect at-risk populations.

- Flood Relief & Rehabilitation: The Bank executed extensive, on-ground flood relief operations to support destitute communities in heavily affected coastal and rural belts (including major relief distribution in Bauphal, Patuakhali).
- Emergency Winter Support: To protect marginalized demographics from severe seasonal vulnerabilities, the Foundation successfully procured and distributed winter blankets across remote regions, directly shielding the rural poor from extreme cold snaps.
- Anti-Discrimination Movement Support: The Bank also allocated BDT 2.00 Million to assist families of those martyred or critically injured during the national anti-discrimination movement.

PILLAR 2: COMMUNITY HEALTH & MEDICAL ASSISTANCE (BDT 3.70 MILLION)

We recognize that the imbalance between household income and rising healthcare costs frequently pushes vulnerable families below the poverty line. In 2025, MBPLC deployed BDT 3.70 Million to fund essential medical services and provide direct financial assistance to underprivileged, ailing patients suffering from severe diseases, ensuring they received life-saving interventions.

PILLAR 3: EDUCATIONAL EMPOWERMENT & INCLUSION (BDT 2.00 MILLION)

Education is the most powerful catalyst for breaking the cycle of generational poverty. The Bank invested BDT 2.00 Million to fund scholarships for poor, highly deserving students. Furthermore, prioritizing inclusive education, the Bank provided dedicated financial grants to the Society for the Welfare of Autistic Children (SWAC) to support neurodivergent learners.

PILLAR 4: ENVIRONMENTAL PROTECTION & INFRASTRUCTURE (BDT 1.00 MILLION)

To support national infrastructure and promote sustainable workplace environments, the Bank allocated BDT 1.00 Million toward specialized projects, including funding the establishment of a modern Day Care Center at the Bangladesh Economic Zones Authority (BEZA) office.

IN-HOUSE CSR COMPLIANCE CHECKLIST

INTERNAL SOCIAL RESPONSIBILITY (IN-HOUSE CSR)

MBPLC firmly believes that sustainable social impact must begin within our own organization. In strict adherence to the Bangladesh Bank Sustainable Finance Department (SFD) guidelines for "In-House CSR Activities," the Bank maintains a robust, equitable, and highly supportive workplace environment:

Championing Gender Diversity (25.21% Female Workforce)

The central bank mandates a minimum 20% female representation in the workplace. MBPLC has comfortably exceeded this regulatory benchmark, proudly maintaining a highly diverse workforce where 25.21% of our total employees are women.

Employee Welfare & Education

The Bank actively funds scholarships for the children of our employees, ensuring their access to premium educational opportunities.

Healthcare for Dependents

We provide comprehensive medical facilities and emergency health support not just for our staff, but extended to their dependents.

Workplace Safety & Daycare

MBPLC enforces a strict zero-tolerance anti-harassment policy, ensures rigorous physical safety measures across all 153 branches, and actively facilitates Daycare Center access for working parents

COMPONENTS OF SUSTAINABLE FINANCE RATING (BANGLADESH BANK CHECKLIST)

INSTITUTIONAL COMPLIANCE AND REGULATORY ALIGNMENT

To promote a resilient and deeply compliant financial sector, the Sustainable Finance Department (SFD) of Bangladesh Bank evaluates commercial banks against a strict matrix of quantitative targets and qualitative governance checklists.

Mercantile Bank PLC (MBPLC) views this rating mechanism not merely as a regulatory requirement, but as a critical benchmark for validating our institutional ESG maturity. The following disclosures present our 2025 performance across these mandated parameters.

SUSTAINABLE FINANCE INDICATORS: QUANTITATIVE COMPONENTS

The Bank strategically allocates specialized funding to critical social and environmental sectors. The table below outlines our direct quantitative contributions across specified regulatory categories:

SF INDICATORS DATA TABLE

(BDT in Crore)

SL	SF Disbursement Components	2025 Actual	2024 Actual	2023 Actual
1	Education	0.20	0.23	2.63
2	Health	0.37	11.31	14.92
3	Utilization of Climate Risk Fund (CRF) Grant	0.10	0.021	4.04
4	Cultural Welfare	-	0.025	-
5	Others	23.57	29.99	29.61

SUSTAINABLE FINANCE INDICATORS: QUALITATIVE COMPLIANCE CHECKLIST

Bangladesh Bank mandates a 13-point qualitative assessment to evaluate the Board and Management's active integration of sustainability into daily operations. MBPLC demonstrates an exceptionally strong compliance posture across these governance metrics:

SFD COMPLIANCE TICK-BOX MATRIX

SL	Regulatory Factor Assessed	Compliance Status
1	Any decision taken by the BoD in Sustainable Finance (SF)?	Yes
2	Any decision taken by the BoD in Green Finance (GF)?	Yes
3	Any decision taken by the BoD in Green Banking activities other than GF?	Yes
4	Any decision taken by the Risk Management Committee (BRMC) of BoD in SF?	Yes
5	MIS for Environmental & Social Risk Management (ESRM) established?	Yes
6	MIS for Sustainable Finance (SF) established?	Yes
7	MIS for Climate Risk Fund (CRF) established?	No
8	Review the SF policies/strategies as per ICC guidelines of BB?	Yes
9	Steps taken for capacity building of employees?	Yes
10	Steps taken for awareness building of customers?	Yes
11	Does the institution's website contain a specific section separated for SF/Banking related issues?	Yes
12	Does the institution's annual report contain a specific section separated for SF/Banking related issues?	Yes
13	Reporting to SFD/Compliance with time-to-time SFD instructions in due time?	Yes

CSR GOVERNANCE: QUALITATIVE COMPONENTS

Transparency in philanthropy is a core regulatory expectation. MBPLC strictly segregates its CSR fund management to prevent conflicts of interest and ensure equitable social investments.

SL	CSR Governance Factor	Compliance Status
1	Due Diligence checklist utilized for CSR projects?	Yes
2	Any undue intervention by the BoD for CSR approval?	No(Compliant)
3	Penalty imposed for non-compliance of CSR issues?	No(Compliant)
4	Minimum (20%) women employees in the workplace?	Yes(Achieved 25.21%)
5	Separate transportation facilities for women employees?	No

CORE BANKING SUSTAINABILITY & GREEN REFINANCE INTEGRATION

To optimize the cost of funds for green projects and pass on lower interest rates to sustainable borrowers, MBPLC aggressively utilizes the Green Transformation Fund (GTF) and other refinancing windows provided by the central bank.

GREEN REFINANCE DASHBOARD

GREEN TRANSFORMATION FUND (GTF) UTILIZATION (2025 ACTUAL):

- BDT Component: 499.80 Million

Refinance Penetration: In 2025, the annual percentage of refinance taken against total eligible disbursements stood at an impressive 100% (compared to 90% in 2024 and 100% in 2023), demonstrating our highly efficient capital recycling strategy for sustainable credit delivery.

বাংলার ব্যাংক

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এমবিএল কন্টাক্ট সেন্টার 24/7

Concept, Design & Print: nymphea
www.nymphea-bd.com