



# Performance Evaluation of



# Mercantile Bank Limited

# Performance Evaluation of Mercantile Bank Limited

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Submitted to and Supervised by:

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Submitted by

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Student ID: 2005-1-18-014  
Business Administration Department

April 30, 2009



**EAST WEST UNIVERSITY**

April 30, 2009

Dr. Tanbir Ahmed Choudhury  
Professor and Chairperson  
Business Administration Department  
East West University

**Subject:** Submission of internship report.

Dear Sir:

As per requirement of the Bachelor of Business Administration (B.B.A.) degree completion, I here by submit my internship report titled "Performance Evaluation of Mercantile Bank Limited" after completing my internship successfully in Mercantile Bank Limited, Kawran Bazar, Dhaka.

As instructed I am submitting two copies of the report along with a soft version. I am available for any kind of query arising from this report.

Sincerely,



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Md. Atiqur Rahman Khan  
Student ID: 2005-1-18-014  
Business Administration Department  
East West University  
Contact: 01552 57 30 69



## ACKNOWLEDGEMENT

I take this opportunity to express my deep sense of gratitude, thanks and appreciation to the following persons:

1. **Dr. Tanbir Ahmed Choudhury** for advising me through out my internship period.
2. **Arif Md. Shahedul Haque**, *First Vice President & Head* and also to **Moynul Islam** *First Vice President & Manager Operation* Kawran Bazar Branch, Mercantile Bank Limited, for guiding me in Mercantile Bank and helping me understand banking topics that I did not understand fully. .
3. The following officers of the Mercantile Bank Limited for giving me the time to understand their view points regarding banks and there activities:
  - **MD. ALIULLAH**  
*First Assistant Vice President*  
*Mercantile Bank Limited, Kawran Bazar Branch, Dhaka*
  - **MOHAMMAD SALAH UDDIN**  
*First Assistant Vice President*  
*Mercantile Bank Limited, Kawran Bazar Branch, Dhaka*
  - **MD. WHIDUL HAQUE**  
*Senior Executive Officer*  
*Mercantile Bank Limited, Kawran Bazar Branch, Dhaka*
  - **MD. NASIR UDDIN KHAN**  
*Executive Officer*  
*Mercantile Bank Limited, Kawran Bazar Branch, Dhaka*



# Executive Summary

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Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country. The Bank commenced its operation on June 2, 1999. The Bank provides a broad range of financial services to its customers and corporate clients. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country. In this report I have tried to evaluate the performance of Mercantile Bank Limited comparing with other bank providing financial services in the Bangladeshi economy. I have analyzed the data based on the financial report. First of all I focused on the functions of the bank and its financial performance. Then based on the survey of client conducted by me, I tried to link between the performance and satisfaction. The resulting analysis is then evaluated to find out the problems and drawbacks and in the end giving suggestions to improve the performance of the bank.

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## **1.2. Background of the Report:**

Last year Bangladesh Bank undertook a project to review the global best practices in the banking sector and examines in the possibility of introducing these in the banking industry of Bangladesh. Four 'Focus Groups' were formed with participation from Nationalized Commercial Banks, Private Commercial Banks & Foreign Banks with representatives from the Bangladesh Bank as team coordinators to look into the practices of the best performing banks both at home and abroad. These focus groups identified and selected five core risk areas and produce a document that would be a basic risk management model for each of the five 'core' risk areas of banking. The five core risk areas are as follows-

- a) Credit Risks;
- b) Asset and Liability/Balance Sheet Risks;
- c) Foreign Exchange Risks;
- d) Internal Control and Compliance Risks; and
- e) Money Laundering Risks.

I have worked in the Credit Department, General Banking Department and Foreign Exchange Department of Mercantile Bank Limited, Kawran Bazar Branch. In this report, I have tried to make a performance evaluation of Mercantile Bank Limited.

### **1.3. Objective of the Report:**

The study has been undertaken with the following objectives:

- To analyze the conventional ideas about the ongoing performance of Mercantile Bank Limited.
- To identify and suggest scopes of improvement in management of Mercantile Bank Limited.

### **1.4. Methodology:**

The data collected was mainly primary data from the employees of Mercantile Bank Limited and some of the Local clients. Secondary data was limited due to the confidentiality of most of the banking documents and client information.

Primary data was collected through direct interviews with key persons of the client organizations and the employees and as well as the direct interview with the manager. The respondent was selected on convenient sampling basis; the persons who deal with the banking terms of the respective organization were selected for the interview. The report compares the banking facilities of Mercantile Bank Limited with local private commercial banks of Bangladesh, in terms of the interest rates, flexibility in payment structure, documentation requirements.





## **1.5. Scope of the Report:**

The study would focus on the following areas of Mercantile Bank Limited.

- Performance appraisal system of Mercantile Bank Limited.
- Portfolio (of Loan or advances) management of Mercantile Bank Limited.
- Organization structures and responsibilities of management.
- Collected data from financial report is critically analyzed in order to determine the efficiency of Mercantile Bank Limited performance appraisal and management system.
- Comparison of the performance of the Mercantile Bank Limited over the years.
- Identify the problems related to performance.
- Recommendation of the scopes to improve the performance.

## **1.6. Limitation:**

- An in-depth comparison of the banking products was not possible due to the confidential nature of much of the client information.
- Among the local and multinational banks, only the products of Mercantile Bank Limited were considered.
- Only five in depth interviews with the clients. Five other interviews, which were conducted over the phone, did not yield much information.
- The study was conducted with the persons who are most frequent correspondents with the bank and their organization. Their view may not entirely reflect the perspective of their organization's management.
- As I, have worked as an internee of Mercantile Bank Limited, conducted the interviews, the clients may not have provided the precise response to maintain the generous relationship with the bank; which could have been avoided by employing an independent surveyor.

## Chapter-2

### 2. BACKGROUND

#### 2.1. History of Mercantile Bank Limited

Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country. The Bank commenced its operation on June 2, 1999. The Bank provides a broad range of financial services to its customers and corporate clients.

#### MBL Timeline

Nov 24, 2008	Opening of 42th Branch
Dec 27, 2007	Opening of 41st Branch
Dec 27, 2006	Opening of 35 <sup>th</sup> Branch
Dec 28, 2005	Opening of 28 <sup>th</sup> Branch
Dec 29, 2004	Opening of 25 <sup>th</sup> Branch
Feb 26, 2004	Listed in Chittagong Stock Exchange
Feb 16, 2004	Listed in Dhaka Stock Exchange
Dec 24, 2003	Opening of 20 <sup>th</sup> Branch
Oct 21-22, 2003	Subscription for Shares
Jun 30, 2003	Publication of Prospectus for IPO
Jul 3, 2002	Opening of 15 <sup>th</sup> Branch
Oct 29, 2000	Opening of 10 <sup>th</sup> Branch
Jun 2, 1999	Commencement of Business
May 20, 1999	Incorporation of the Bank

## 2.2. Functions

The Support division provides assistance to the above business activities and consists following departments and these departments are also functions of Mercantile Bank Limited:

- Operations
- Finance, Administration and Risk Management
- Information Technology Center
- Human Resource Department
- Legal and Compliance
- External Affairs
- Credit

## 2.3. Aim and Objectives

To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking. The slogan of the bank is “Efficiency is our Strength”. This slogan represents the objectives and aim of Mercantile Bank Limited. Not only that, as it is a local private bank so the bank itself endorsed the Bengali culture by adding the “Banglar Bank” –tag line.

The Bank will be a confluence of the following three interests:

To Bank : Profit Maximization and Sustained Growth.

Customer : Maximum Benefit and Satisfaction.

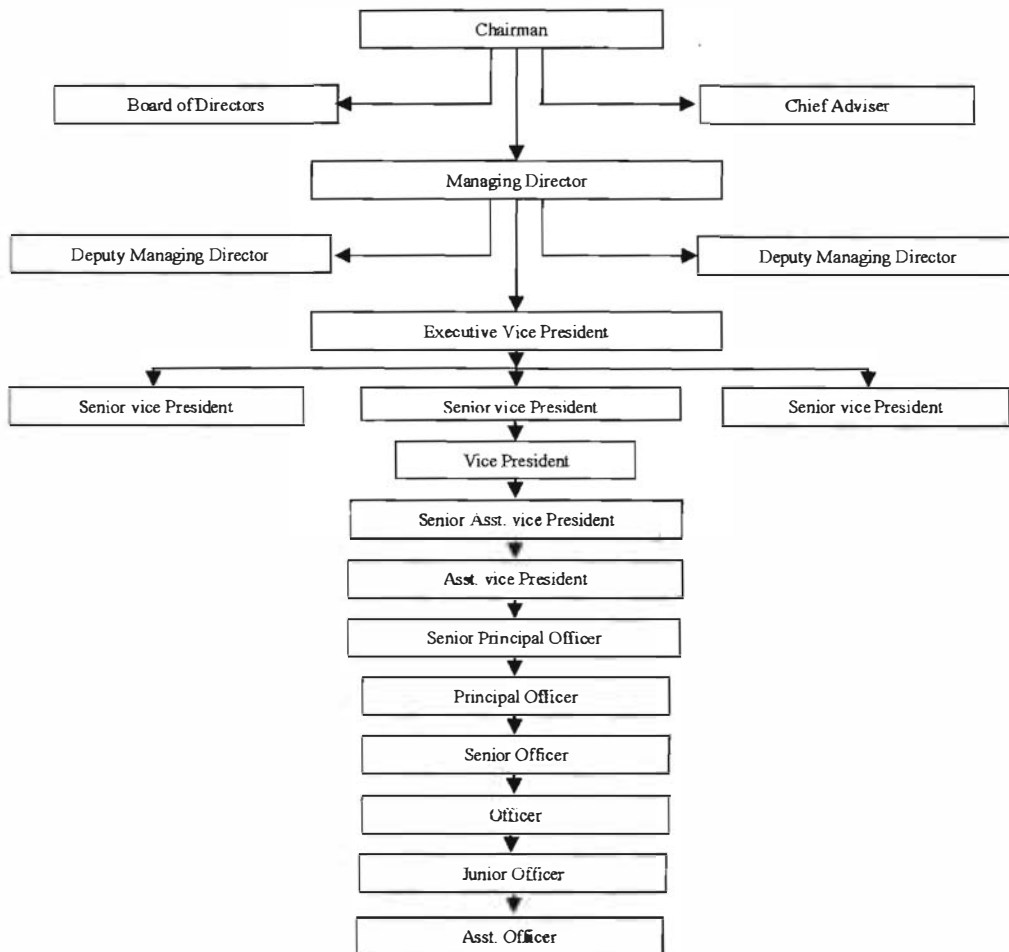
Society : Maximization of Welfare.

## 2.4. Corporate Information

### 2.4.1. Management

Board of Directors, the apex body of the Bank, formulates policy guidelines, provides strategic planning and supervises business and performance of management while the Board remains accountable to the company and its shareholders. The Board is assisted by the Executive and Audit Committee.

### 2.4.2. Organizational Structure



### **2.4.3. Departments**

Mercantile Bank Limited has three departments, which is the central part of the operation. The three departments are given below:

- a) General Banking Department
  - b) Credit Department
  - c) Foreign Exchange Department
- 
- a) In General banking departments all sorts of in-house and inter-bank transaction is occurred. Here general services such as Accounts, FDR, PDS, Deposit Scheme, Current Account, Savings Account and special service such as Internet Banking, Home Banking, Automated Teller Machine (ATM), Tele Banking, SWIFT are included.
  - b) In Credit department there are credit services including personal, home loan and business loan.
  - c) Foreign Exchange department facilitate the inflow and outflow of foreign currency exchange by opening export-import L/C. This department also facilitates local L/C.

### **2.4.4. Number of Employee:**

Now 1,115 employees are working in 42 branches all around the country. The employees are highly skilled to perform the banking job as required. And management's vision is to expand the service and branch network; as a result new employees will be recruited.

#### **2.4.5. Branches of MBL**

Head Office  
61, Dilkusha Commercial Area  
Dhaka-1000, Bangladesh  
Tel: 880-2-9559333,01711-535960  
E-mail: [mb1@bol-online.com](mailto:mb1@bol-online.com)  
Website: [www.mblbd.com](http://www.mblbd.com)

There are 42(Forty Two) branch network and 3 (three) SME service center all over the country

## Chapter 3

### 3. PRINCIPAL ACTIVITIES

#### 3.1. Banking Services of Mercantile Bank Limited

All the accounts of corporate clients, which mainly comprise the top local and multinational companies operating in Bangladesh, maintains regular and close contact to serve their needs. The basic role is to maintain and provide the relationship with the clients for different availed credit facility, maintain the trade financing relationship of the client, handling day-to-day transaction of loans and funds from different units etc.

The objective of this department is to maintain a thorough knowledge of the client's business and to develop positive relationships with them. This is maintained through interactions to offer timely advice in an increasingly competitive business environment. The expertise of the Institutional Banking and Treasury groups is also available whenever required. The unique SME centers provide a full range of facilities to the investors. Client Relationships is divided into three units:

1. Network Corporate: This team deals with companies with parent/major shareholding (corporate/individual) domiciled outside Bangladesh.
2. Local Corporate: This team deals with local corporate houses who have a minimum turnover of BDT 10 million



## Performance Evaluation of

3. **Commodity Corporate:** This team deals with companies that sell commodities such as power, steel, edible oil, etc
4. **Channel Finance:** This team provides services to the suppliers of the corporate customers. The volume here is earmarked with the linked corporate customers.
5. **Transactional Sales:** This team deals with clients who do not need capital financing or credit facilities, but need to have better cash management solutions.

### The special services of Corporate Banking include:

**Working Capital Finance** - Overdraft, import and export finance, bills discounting, Term Loan

**Corporate Deposit Services**-Capability to negotiate mixes credit/loans from donor agencies

**Trade Finance** - Full range of services, includes overseas short-term funding of imports.

**Cash Management** - Services provides the clients with a full range of cash management products, collections, payments and liquidity products. The Bank has invested heavily in the state-of-the-art technology and processing capability geared towards providing the clients with superior services and efficient transaction processing. Large range of payment products including "payable at par" cheques and tax based statutory payments Support services for global / international client needs in Bangladesh and across the border. The Bank has direct working relationships with offices in over 42 branches.

3. **Commodity Corporate:** This team deals with companies that sell commodities such as power, steel, edible oil, etc
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## Foreign Exchange

Treasury Division gives continuous updates on exchange rate movements as well as ready access to market information. Experienced dealers provide advisory services on hedging techniques and risk management so that the customers can obtain better value for their foreign exchange transactions. The Foreign Exchange service includes:

**Ready Contracts:** Foreign exchange contracts for the same day value, next day value or spot transactions

**Forward Contracts:** Foreign exchange contracts to hedge exchange risks.

**Cross Currency Contracts:** The customers can trade a wide range of currencies.

**Information analysis:** The Treasury division publishes daily and weekly currency newsletters; conduct seminars and workshops for clients, which provide analyses of foreign exchange and related issues. Customers can also have access to the bank's information database round the clock through Phone banking.

## Money Markets and Investment

Treasury division dealing with debt instruments including both short and long-term fund mismatches through the money market and takes front line position in inter-bank and market developments. The money market is managed through tools like inter-bank call money rate, government T-bills of various maturities and inter-bank SWAPS.

## 3.2. Deposits

### 3.2.1. Deposit Schemes of MBL

#### Double Benefit Deposit Scheme (DBDS)

Objectives		Mode
Give maximum benefit.		Tenure of the deposit is 06(Six) years.
Help in meeting specific needs like education, marriage etc.		
Deposit becomes double in six years.		
Amount of Deposit	Period	Amount Payable
1,00,000	6 Years	2,00,000

#### Other Features

- The Minimum amount of deposit is BDT 50,000.00(Fifty thousand) or its multiples.
- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- Loan may be granted up to maximum 80% of the deposited amount but minimum principle amount must be BDT 20,000.00.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.

**Family Maintenance Deposit (FMD)**

Objectives	Mode
<ul style="list-style-type: none"> <li>• Help the retired persons for investing their retirement benefits.</li> <li>• Create investment opportunities for Non-Resident Bangladeshi.</li> <li>• Explore investment opportunities for school, college, university etc.</li> <li>• Give investment opportunities for Trust; Foundation etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit a fixed amount of money for 05 (Five) years.</li> <li>• Depositor will get a certain sum of money in each month proportion to his/her deposit during the entire tenure.</li> </ul> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Tenure of deposit is 05 (Five) years.</li> <li>• Minimum amount of required deposit is TK.50,000.00 or its multiple</li> </ul>
Deposit	Monthly Benefit (Amount in TK.)
1,00,000	1,000
2,00,000	2,000
3,00,000	3,000

**Other Features**

- The Minimum amount of deposit is BDT 50,000.00 (Fifty thousand) or its multiples.
- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- Loan may be granted up to maximum 80% of the forced encashment value on the date of loan processing. During the period of continuation of loan, monthly benefits of FMD account will be credited only to loan account.
- Loan processing fee be realized BDT 50.00 only and stamp costs also be realized.

**Monthly Savings Scheme (MSS or MSP)**

Objectives		Mode	
<ul style="list-style-type: none"> <li>• Build up habit of savings.</li> <li>• Attract small savers.</li> <li>• Saving for rainy days.</li> </ul>		<ul style="list-style-type: none"> <li>• Monthly installments of various sizes.</li> </ul>	
Benefits:			
Period	Monthly Installment		
	250	500	1,000
Benefits			
5 Years	20,625	41,250	82,500
8 Years	40,375	80,750	1,61,500
10 Years	57,500	1,15,000	2,30,000
Period	Monthly Installment		
	1500	2500	5,000
Benefits			
5 Years	1,23,750	2,06,250	4,12,500
8 Years	2,42,250	4,03,750	8,07,500
10 Years	3,45,000	5,75,000	11,50,000

**Other Features**

- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate.
- Upon deposit of installment for at least 01 year (minimum deposit amount must be BDT 12,000.00) under this scheme, loan may be granted up to maximum 82% of the deposited amount.
- Loan processing fee be realized BDT 50.00 only and stamp costs also be realized.



### Quarterly Benefit Deposit Scheme

The 'Quarterly Benefit Deposit Scheme' will be maintained for a period of 3 (three) years and the minimum amount of deposit is BDT 50,000.00 (fifty thousand) or its multiples. Interest will be paid on quarterly basis as per example given below. On maturity the principal amount will be paid back.

Initial Deposit (BDT)	Term	Quarterly Benefit Payable (BDT)
50,000	3 Years	1,500
100,000	3 Years	3,000
200,000	3 Years	6,000

### **Other Features**

- All taxes/duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate. However, no interest shall be paid if premature encashment take place before expiry of 1 (one) year.
- In the event of death of the depositor before the maturity, the deposit account may be encashed (premature) as per rule or may be continued up to maturity on written approach by the nominee(s).
- Loan may be granted up to maximum 80% of the forced encashment value on the date of loan processing. During the period of continuation of loan, quarterly benefits will be credited only to loan account.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.

### 1.5 Times Benefit Deposit Scheme

Under the '1.5 Times Benefit Deposit Scheme' a deposit of minimum BDT 50,000.00 (fifty thousand) or its multiples will be received for a period of 42 months (3.5 years). On maturity after 42 months, 1.5 times of the deposited amount will be paid back to the account holder as per example given below:

Initial Deposit (BDT)	50,000	1,00,000	5,00,000
Return after 42 months (BDT) with benefits	75,000	1,50,000	7,50,000

### Other Features

- All taxes/ duty/levy and /or any other surcharges presently in force or that may be imposed by the Government of Bangladesh (GOB) from time to time will be deducted/ recovered from the deposit account under this scheme.
- In case of premature encashment interest will be paid on Saving A/C Rate. However, no interest shall be paid if premature encashment take place before expiry of 1 (one) year.
- In the event of death of the depositor before the maturity , the deposit account may be encased (premature) as per rule or may be continued up to maturity on written approach by the nominee(s).
- Loan may be granted up to maximum 80% of the deposited amount but minimum principle amount must be BDT 20,000.00.
- Loan processing fee be realized BDT 50.00 only and usual stamp costs also be realized.



**Advance Benefit Deposit Scheme (ABDS) Or Agrim Munafa**  
**Amanat Prokolpo (AMAP)**

Objectives	Mode	
<ul style="list-style-type: none"> <li>• Get Extra benefit from minimum Deposit</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained for a period of 2(Two) years.</li> <li>• Minimum deposit amount 1,00,000(One Lac) only.</li> </ul>	
Interest Rate Per BDT One Lac		
BDT 1 Lac (One Lac)	Tk. 11,112.00 for first year	Tk. 13,000.00 for second year

**Other Features**

- All taxes/ duty/levy and/or any other surcharges presently in force or that may be imposed by the government of Bangladesh from time to time in Deposit Accounts will also be applicable for the account for the account opened under this scheme and such taxes/duty/levy and/or any other surcharges shall be deducted/ recovered from the deposit account under this schemes.
- Loan may be granted up to maximum 70% of deposit.

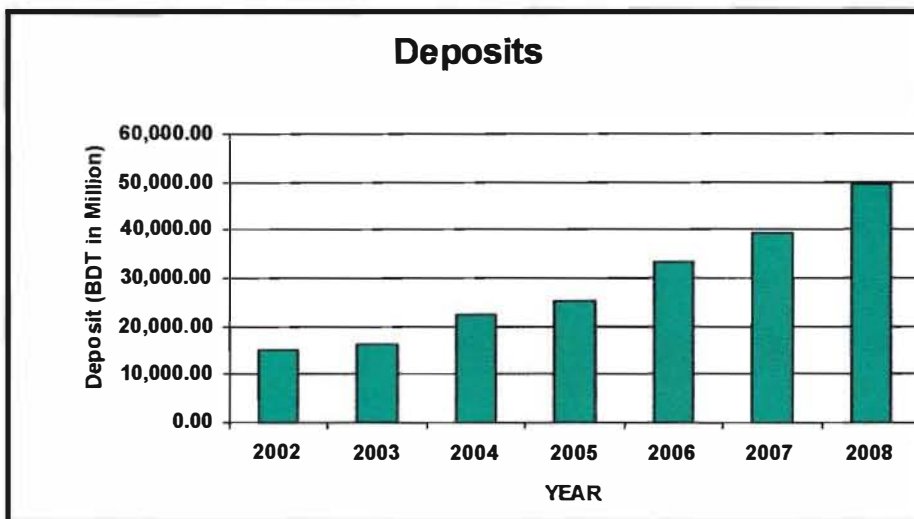
**Advance Benefit Deposit Scheme (ABDS) Or Agrim Munafa Amanat Prokolpo (AMAP)**

Objectives	Mode	
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Interest Rate Per BDT One Lac		
BDT 1 Lac (One Lac)	Tk. 11,112.00 for first year	Tk. 13,000.00 for second year

**Other Features**

- All taxes/ duty/levy and/or any other surcharges presently in force or that may be imposed by the government of Bangladesh from time to time in Deposit Accounts will also be applicable for the account for the account opened under this scheme and such taxes/ duty/levy and/or any other surcharges shall be deducted/ recovered from the deposit account under this schemes.
- Loan may be granted up to maximum 70% of deposit.

### 3.2.2. Growth of Deposits



Year	Deposits BDT in Million	Percentage of Increase (Base Year 2002)
2002	15,150.42	100%
2003	16,285.19	107.49%
2004	22,385.19	147.75%
2005	25,087.43	165.59%
2006	33,332.65	220.01%
2007	39,348.00	259.72%
2008	49,538.36	326.98%

The data collected from the financial statement shows that the deposit amount increases at approximately a constant rate except 2003. This shows an improvement in the process of collecting funds from surplus unit. This is also a good indication of future prospect. In 2002 the deposit amount was BDT 15,150.42 million and in the end of 2008 the deposit amount increases to more than three times over the amount deposited in 2002.

### **3.2.3. Features of Different Types of Deposit**

#### **Monthly Saving Scheme**

The prime objective of this scheme is to encourage the people to develop their habit of saving. Under this scheme, one can save a fixed amount of return every month and get a lucrative amount of return after five, eight or ten years.

#### **Family Maintenance Deposit Scheme**

Under this scheme, one can deposit a certain amount of money for five years and in return he/she will receive benefits on monthly basis. Benefit start right from the first month of opening an account under the scheme and continue up to five years. On maturity the principal amount will be paid back.

#### **Double Benefit Deposit Scheme**

Under this scheme, one can deposit a certain amount of money for a six-year period. After six years, the deposit amount will be doubled.



### **Quarterly Benefit Deposit Scheme**

Under the Quarterly Benefit Deposit Scheme, one can deposit for a period of three years and in return depositor will receive benefits on quarterly basis. Benefit starts right from the first quarter of opening an account under the scheme and continues up to three years. On maturity the principal amount will be paid back.

### **1.5 Time Benefit Deposit Scheme**

*Under the 1.5 Times Benefit Deposit Scheme, one can deposit a certain amount of money for 42 months or three and half years. On maturity, the depositor will receive 1.5 time of the deposited amount.*

### **Advance Benefit Deposit Scheme**

Under this Scheme, one can deposit a certain amount of money for two years. The depositor will receive the benefit on yearly basis. The benefit amount of first year will be received in advance at the time of deposit. On maturity, the depositor will get back the principal amount with the benefit amount of second year.

## 3.3. Credit

### 3.3.1. Credit Function of MBL

Loans or credits comprise the most important asset as well as the primary source of earning for the Banking institutions. On the other hand, loan/credit is also the major source of risk for the bank management. A prudent bank management should always try to make an appropriate balance between its return and risk involved with the loan portfolio. Credit policy of all banks cannot be developed on same lines because of differences in their operational needs and resource structures. In designing a credit policy, considerations should be given to following:

- 1) Total deposit resources of the bank and rate of fluctuation of resources.
- 2) Deposit structure on tenorial basis and ownership.
- 3) Trend of growth in deposit and economic growth rate of the country.
- 4) Capital fund and other reserves. Large bank's capital fund and secondary reserve in investment can permit its loan policy to be liberal in respect of its limit of lending in high risk-high returns loans while a relatively new small bank would stress more on liquid and highly secured loans at lower interest in its policy.

5) Capability of loan administration shall have to be given due weight in the credit policy. A large bank is able to hire numbers of highly skilled specialists/experts in different areas to advise the bank in loan making but smaller banks relying on usual credit managers cannot venture into sectors that require expert appraisal of loan applications and also that requires intensive post implementation monitoring of large and complex industrial loans.

6) Investment size of the bank and its nature.

### **3.3.2. Objectives and Principles**

#### **Consumer Credit Scheme**

Consumers' Credit Scheme is one of the popular areas of collateral-free finance of the Bank. People with limited income can avail of credit facility to buy household goods including computer and other consumer durables.

#### **Small Loan Scheme**

This scheme has been designed especially for the businessmen who need credit facility for their business and can't provide tangible securities.

#### **Lease Finance**

This scheme has been designed to assist and encourage the genuine and capable entrepreneurs and professionals for acquiring capital machineries, medical equipments, computers, vehicle and other items. Flexibility and easier terms and conditions of this scheme have attracted the potential entrepreneurs to acquire equipments of production and services and repay gradually from earnings on the basis of 'Pay as you earn'.



### **Doctors' Credit Scheme**

Doctors' Credit Scheme is designed to facilitate financing to fresh medical graduates and established physicians to acquire medical equipments and set up clinics and hospitals.

### **Rural Development Scheme**

Rural Development Scheme targeted for the rural people of the country to make them self-employed through financing various income-generating projects. This scheme is operated on group basis.

### **Woman Entrepreneurs Development Scheme**

Women Entrepreneurs Development Scheme has been introduced to encourage women in doing business. Under this scheme, the Bank finances the small and cottage industry projects sponsored by women.

### **SME Loan Scheme**

Small and Medium Enterprise (SME) Loan Scheme has been introduced to provide financial assistance to new or experienced entrepreneurs to invest in small and medium scale industries with a comparatively low rate of interest as the same is assisted by the Bangladesh Bank with refinancing facilities.

### **Personal Loan Scheme**

Personal Loan Scheme has been introduced to extend credit facilities to cater the needs of low and middle-income group for any purpose. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations and teachers of recognized public and private schools, colleges and universities are eligible for this loan.

### **Car Loan Scheme**

Car Loan Scheme has been introduced to enable middle-income people to purchase Cars/SUVs/Jeeps. Government and semi-government officials, employees of autonomous bodies, banks and other financial organizations, multinational companies, reputed private organizations, teachers of recognized public and private universities and businessmen are eligible for this loan.

### **Home Loan Scheme**

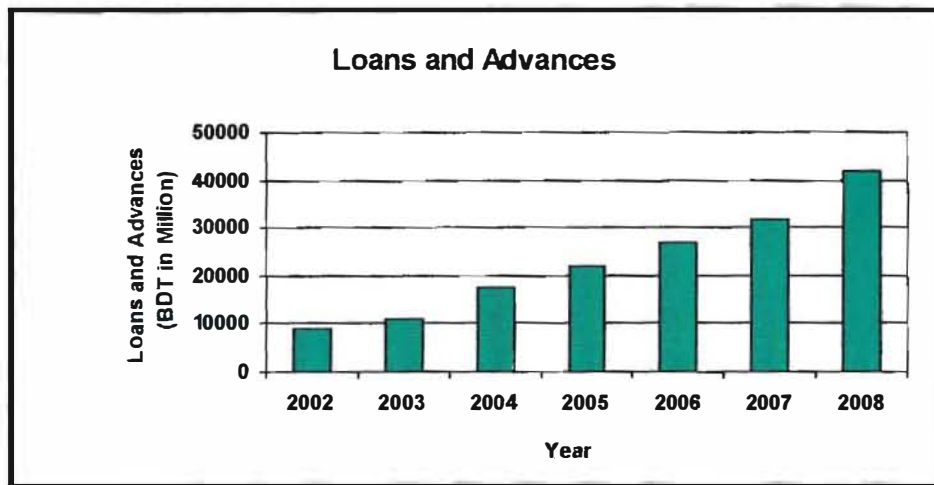
To meet the growing need of housing for middle and lower-middle income people, MBL has introduced Home Loan Scheme. We also support the Bangladesh Bank's Home Loan Refinance Scheme. The Scheme boosts up the growth of housing sector. Such loan shall be available for purchase or construction of new apartments for self-residing purpose.



## Overseas Employment Loan Scheme

Overseas Employment Loan Scheme is designed to facilitate the Bangladeshi youths seeking employment abroad but who are unable to meet the expenses to reach the workplace from their own sources. The ultimate objectives of the scheme are to promote skilled / semi-skilled manpower to different countries across the world as well as to provide support to Government Policy considering priority of this sector. By availing loan under this scheme, the active youths of middle and lower middle class can get overseas employment by avoiding borrowing from the illustrious class or village 'MOHAJON' at a very high cost or selling their paternal properties. The scheme helps fetching foreign currency for the country as well as fulfills the Bank's commitment to encourage micro-lending for poverty alleviation, improve the quality of life and thereby contribute to socio-economic development of the country.

### 3.3.3. Growth of Credits



Loans and Advances

Year	Loans and Advances	Percentage change (Base Year 2002)
2002	8,896.19	100.00%
2003	10,775.85	121.13%
2004	17,669.29	198.62%
2005	21,857.05	245.69%
2006	26,842.14	301.73%
2007	31,877.86	358.33%
2008	41,993.95	472.04%

Increase in the amount of loan and advances is a good indication of future prospect and it is also the reasons of many banks to become more risky in terms of credit risk. If a borrower fails to pay the loan amount, than the banks become more vulnerable against the financial risk. MBL's primary way of ensuring their revenue comes from the interest arises from the Loans and Advances. In 2002 the bank provided BDT 8,896.19 million as a part of their funded finance. However in the end of 2008 it becomes BDT 41,993.95 million, which is more than 4.72 times more than of 2002.

### 3.3.4. Various Credit Scheme

#### Consumers Credit Scheme (CCS)

Objectives	Terms & Conditions
<ul style="list-style-type: none"> <li>• Help fixed-income people for buying house hold durable.</li> <li>• For the amount up to Tk. 1,00,000 the period is two years.</li> <li>• Interest rate will be charged quarterly rest.</li> </ul>	<ul style="list-style-type: none"> <li>• Interest Rate 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• SSupervision Charge (per year on outstanding balances) 0.25%</li> <li>• Application Fee BDT 200.00</li> </ul>
	<b>Special Feature</b>
	<ul style="list-style-type: none"> <li>• The loan amount is directly credited to the customer's account.</li> </ul>

#### Car Loan Scheme

Objectives	Terms & Conditions
<ul style="list-style-type: none"> <li>• Help fixed-income people for buying car</li> <li>• Interest rate will be charged quarterly rest.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum loan amount is BDT 25.00 lacs.</li> <li>• Tenure of loan is 05 (Five) years</li> <li>• Interest Rate 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• Supervision Charge (per year on outstanding balances) 0.25%</li> <li>• Application Fee BDT 200.00</li> </ul>
	<b>Special Feature</b>
	<ul style="list-style-type: none"> <li>• BDT 7.50 Lac for reconditioned Car/Jeeps/SUVs and BDT 25.00 Lac for new Cars/Jeeps/SUVs.</li> </ul>

### Doctors Credit Scheme

Objectives	Terms & Conditions
<ul style="list-style-type: none"> <li>• Help new F.C.P.S. or post-graduate doctors for setting up chambers and buying medical equipment.</li> <li>• Help experienced doctors for refurbishing chambers and buying medical equipment.</li> <li>• Assist private clinics for acquiring modern medical equipment.</li> <li>• Interest rate will be charged at quarterly rest.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Equity</b> <ul style="list-style-type: none"> <li>» For new doctor 10%</li> <li>» For experienced doctor 15%</li> <li>» For Hospital, Clinic and Diagnostic Center 20%</li> </ul> </li> <li>• <b>Interest Rate 16.00%</b></li> <li>• Risk Fund Tk. 1.00%</li> <li>• <b><u>Repayment period 5 years</u></b></li> <li>• <b>Credit Limit</b> <ul style="list-style-type: none"> <li>» For new doctor 5.00 Lac.</li> <li>» For experienced doctor 15.00 Lac.</li> <li>» For Hospital, Clinic and Diagnostic Center 50.00 Lac.</li> </ul> </li> <li>• Application Fee BDT 200.00</li> <li>• Service Charge / Ledger Fee 0.25% per year on outstanding balances.</li> </ul>

### Small Loan

Objectives	Mode
<ul style="list-style-type: none"> <li>• Extend credit facility to small shopkeepers.</li> <li>• Give collateral-free credit</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum amount of loan Tk. 2,00,000.</li> <li>• Interest Rate 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• Service Charge 0.25% per year on outstanding balances</li> <li>• Application Fee BDT 200.00</li> <li>• Loan Limit BDT 2.50 Lac</li> <li>• Repayment period 3 years</li> <li>• Interest rate will be charged at quarterly rest</li> </ul>

Rural Development Scheme

Objectives	Terms & Conditions
<ul style="list-style-type: none"> <li>• Raise the standard of living of rural people.</li> <li>• Initiative to break the vicious cycle of poverty.</li> <li>• Enhance the purchasing power of rural people.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Group Formation</b> <ul style="list-style-type: none"> <li>» 30 person in a group</li> <li>» 1 group leader</li> <li>» 6 sub-groups consisting 5 person each in a group</li> <li>» 1 sub-group leader in each sub-group</li> </ul> </li> <li>• <b>Credit Limit</b> <ul style="list-style-type: none"> <li>» Maximum Tk. 5,000 per person.</li> <li>» Gradually enhanceable up to Tk. 10,000.</li> </ul> </li> <li>• Interest Rate 14.00%.</li> <li>• Risk Fund 1.00.</li> <li>• Service Charge 0.25% per year on outstanding balances.</li> <li>• Repayment period 1 years.</li> <li>• Security: Group guarantee, no collateral</li> </ul>

Lease Financing

Objectives	Terms & Conditions
<ul style="list-style-type: none"> <li>• Assist and encourage entrepreneurs for acquiring capital machinery, medical equipment, automobiles etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Lease period 3 to 7 years</li> <li>• Lease rent @ 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• Service Charge 0.25% per year on outstanding balances.</li> </ul>
	<p style="text-align: center;"><b>Security</b></p> <ul style="list-style-type: none"> <li>• Primary: Ownership of fixed items.</li> <li>• Collateral: Landed property, Bank Guarantee, ICB Unit Certificate etc.</li> </ul>



**Personal Loan**

<b>Objectives</b>	<b>Mode</b>
<ul style="list-style-type: none"> <li>• Help fixed-income people for buying house hold Durable</li> <li>• For the amount up to Tk. 3,00,000 the period is 03 (Three) years.</li> <li>• Interest rate will be charged quarterly res</li> </ul>	<ul style="list-style-type: none"> <li>• Interest Rate 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• Supervision Charge (per year on outstanding balances) 1.00%</li> <li>• Application Fee BDT 200</li> </ul> <div style="background-color: #cccccc; text-align: center; padding: 5px;"><b>Special Feature</b></div> <ul style="list-style-type: none"> <li>• The loan amount is directly credited to the customer's account.</li> <li>• Loan limit BDT 3.00 Lac or 8 times of monthly evidenced income, whichever is lower.</li> <li>• Repayment period Maximum 3 years, that is 36 monthly installments.</li> </ul>



Personal Loan

Objectives	Mode
<ul style="list-style-type: none"> <li>• Help fixed-income people for buying house hold Durable</li> <li>• For the amount up to Tk. 3,00,000 the period is 03 (Three) years.</li> <li>• Interest rate will be charged quarterly res</li> </ul>	<ul style="list-style-type: none"> <li>• Interest Rate 16.00%</li> <li>• Risk Fund 1.00%</li> <li>• Supervision Charge (per year on outstanding balances) 1.00%</li> <li>• Application Fee BDT 200</li> </ul> <div style="text-align: center; background-color: #cccccc; padding: 5px;"><b>Special Feature</b></div> <ul style="list-style-type: none"> <li>• The loan amount is directly credited to the customer's account.</li> <li>• Loan limit BDT 3.00 Lac or 8 times of monthly evidenced income, whichever is lower.</li> <li>• Repayment period Maximum 3 years, that is 36 monthly installments.</li> </ul>

### **3.3.5. Credit Sanction Procedure of MBL**

All banks have standard procedures for granting credit to both individual and corporate clients. The principles behind the procedures are the same, regardless of whether the banks are nationalized commercial banks, private commercial banks. The bank analyses the financial statements of the company; background, character and ability of the borrowers; purpose of the facility; term of facility; safety; security; profitability; and source of payment. Furthermore, the basic procedures are the same.

The basic procedures of a local bank when granting credit to a local company are:

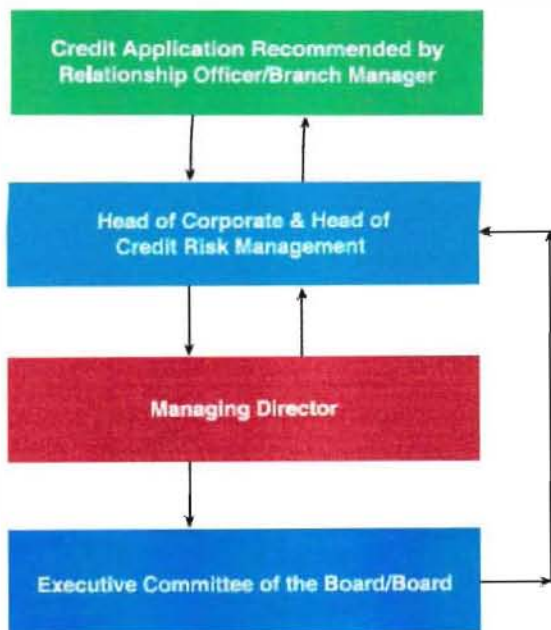
- I. *Loan Application:* Branch will obtain Loan Application's duplicate from the customer on bank's prescribed form. The form must be signed by the proprietor/partners/directors.
- II. *Submission of past 3 years financial statements:* For all credit proposals, the borrowers and guarantors (if any) should, wherever Possible submit past 3 years Profit & Loss A/C and Balance sheet duly audited by a recognized and competent Chartered Accountant containing unqualified opinions. Some borrowers may not have audited financial statements at all. In either case, the lending officer must interview the potential borrower or Guarantor and obtain satisfactory, accurate and complete financial information supporting any prior financial statements either audited or not audited.

- III. *Clean CIB report:* Branch will obtain credit report of borrower and its sister concerns from the credit Information Bureau of Bangladesh Bank. They may also obtain credit report from local banks and financial and credit institutions.
- IV. Branch will sanction the credit and issue sanction letter in duplicate incorporation all terms and conditions to the customer with a copy of letter to Head Office.
- V. If the customer accepted the terms and conditions, documentation formalities are to be completed before disbursement.

**The procedures for granting credit facilities in Mercantile Bank Limited are similar. The basic procedures are:**

- I. The relationship manager studies the company financials and other qualitative and quantitative aspects to decide on which facilities and what amount is to be provided to the client.
- II. The bank and the customer agree on the facilities to be provided by the bank.
- III. The relationship manager prepares a Business Credit Application (BCA) in which the details of all the facilities are provided along with the security and the documentation required in order for the client to avail those facilities.
- IV. The BCA is forwarded to the credit department of Mercantile Bank Limited, which checks the BCA and then approves it.

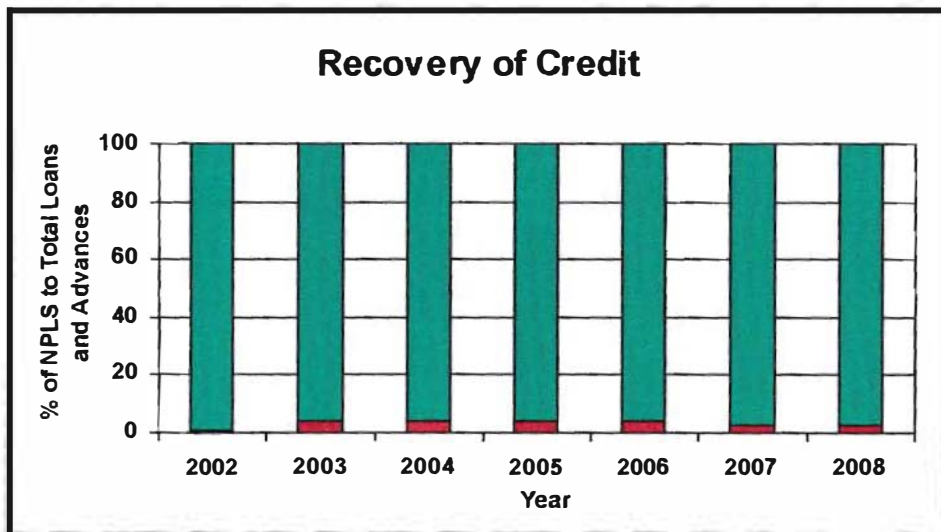
- V. On approval of the BCA, a Banking Facility Letter (or offer letter) is prepared for the client. The offer letter gives the details of all the facilities and the requirements as per the BCA.
- VI. Simultaneously, credit operation department collects a report from CIB (Credit Information Bureau) of Bangladesh Bank. The report depicts overall credit situation of a company, whether or not they have taken any credit facility from any other bank in Bangladesh and whether or not they have defaulted or facing trouble with any bank.
- VII. If the report is clean relationship managers send an offer letter to the client.
- VIII. Then the customer signs the offer Letter and sends the necessary documents to the relationship managers for further processing.



**Flow Chart of Approval Process**

### 3.3.6. Recovery of Credit

The recovery rate of MBL was tremendously good in early years of 2001-2002 periods. But after that the credit recovery rate drastically reduced. This is not a good indication of better performance. But in 2003 it tends to go up and finally it reaches to the highest level in 2005. And in 2006, it tends to decrease. In 2008 it increases to 2.96% compared to year 2007.



Year	% of Non-Performing Loans to Total Loans and Advances	Recovery of Credit
2002	0.42%	99.78%
2003	4.12%	95.88%
2004	4.11%	95.89%
2005	4.14%	95.86%
2006	3.79%	96.21%
2007	2.80%	97.20%
2008	2.96%	97.04%

### 3.3.7. Credit Risk Management

<p><b>1. Risk Identification</b></p> <ul style="list-style-type: none"> <li>• Critical analysis and review of delinquent accounts to identify weakness in credit.</li> <li>• Benchmark of asset quality against industry peers.</li> </ul> <p>Apart from these, Credit risk for the counterparty arises from an aggregation of the following:</p> <ul style="list-style-type: none"> <li>• Financial Risk</li> <li>• Business/Industry risk</li> <li>• Management Risk</li> <li>• Security Risk</li> <li>• Relationship Risk</li> <li>• Natural Calamities and Political unrest Risk.</li> </ul>	<p><b>2. Risk Assessment and Measurement</b></p> <ul style="list-style-type: none"> <li>• Use of credit risk rating system to grade the quality of borrowers.</li> <li>• Collect the Credit Information Bureau (CIB) report of the potential borrowers from Bangladesh Bank.</li> <li>• Stress testing of loan portfolios under various scenarios.</li> </ul>
<p><b>Credit Risk Management</b></p>	
<p><b>3. Risk Control</b></p> <ul style="list-style-type: none"> <li>• Credit Policy which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.</li> <li>• Efficient credit personnel to deal with the credit approval, processing and review.</li> <li>• Segregation of duties between credit approval functions and credit origination.</li> <li>• Independent credit control and monitoring.</li> </ul>	<p><b>4. Risk Monitoring</b></p> <ul style="list-style-type: none"> <li>• Past due principal or interest payments, past due trade bills, account excesses and breach of loan covenants.</li> <li>• Loan terms and conditions are monitored, financial statements are received on a regular basis and any covenant breaches or exception are to be referred to the proper authority for timely follow-up.</li> <li>• Timely corrective action is to be taken to address findings of any internal, external or regulatory inspection/audit.</li> <li>• All loan facilities are reviewed and approved through the submission of a credit application annually.</li> </ul>



## 3.4. Foreign Exchange Division

### 3.4.1. Functions of Foreign Exchange Division

Foreign exchange means exchange foreign currency between two country. Foreign exchange deals with foreign financial transactions.

There are three kinds of foreign exchange transactions:

1. Import
2. Export
3. Remittance.

### 3.4.2. Activities of Foreign Exchange Department

#### Import

- Opening of letter of credit
- Advance bills
- Bills for collection
- Import loans and guarantees

#### Export

- Pre-shipment advances
- Purchase of foreign bills
- Negotiating of foreign bills
- Export guarantees
- Advising/ conforming letters of credit
- Advance for deferred payment export
- Advance against bills for collection

### Remittances

- Issue of D.D, T.T & M.T.
- Payment of D.D, T.T, M.T
- Issues and encashment traveler's Cheques
- Sale and encashment of foreign currency notes
- Non-residence accounts

### **3.4.3. Documents in Foreign Exchange**

1. Documentary letter of credit
2. Commercial Invoice/Invoice
3. Proforma invoice
4. Bill of exchange
5. Bill of lading
6. Certificate of origin of goods
7. Packing list
8. Insurance policy
9. Inspection certificate

Foreign exchange department collect those entire document from the client and keeps those documents in safety place. Then the in charge fills up the IMP & EXP form carefully and sends it to Bangladesh Bank.



### **3.4.4. Parties involved in documentary credit**

**The issuing Bank:** This is the Bank, which issues documentary credit on account of its client.

**The advising Bank:** This is the Bank, acting as agent of the issuing bank, to advise the L/C, to the beneficiary.

**Negotiating Bank:** This Bank provides value to the beneficiary against presentation of documents complying credits terms. Usually this is exporter's Bank that purchases the export documents.

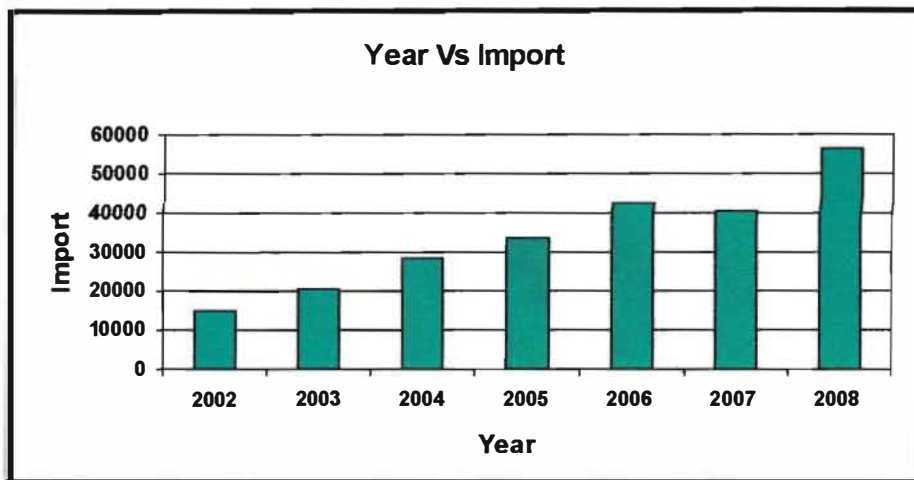
**Refunding Bank:** This is a bank, acting as agent of the issuing Bank, authorized to make payment or to honor refunding declare of the negotiating Bank.

**The applicant/Importer/Buyer:** The importer or buyer is the applicant of a letter of credit.

**The beneficiary/Exporter/seller:** The exporter or seller of the goods is the beneficiary of a letter of credit.



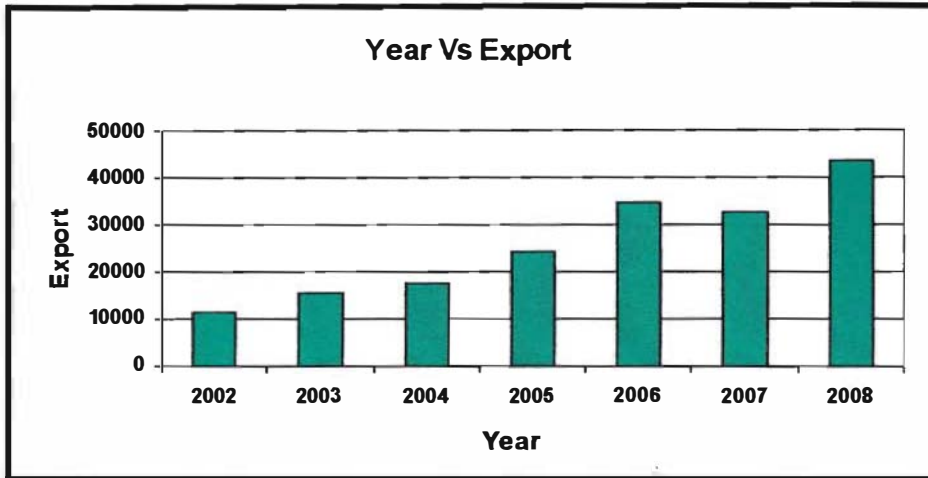
### 3.4.5. Import



Year	Import (BDT in Million)	Percentage Change (Base Year 2002)
2002	15112.5	100.00%
2003	20380.8	134.86%
2004	28325.2	187.43%
2005	33271.9	220.16%
2006	42442.8	280.85%
2007	40380.1	267.20%
2008	56528.8	374.05%

Import is a function of foreign exchange department. The above table shows the summary of import from the time period of 2002-2008. Here we can see that, the net worth of import has increased up to 374.05% comparing the base year of 2002, that means the amount of import which was facilitate by Mercantile Bank Limited has increased by 3.74 times at the end of year 2008.

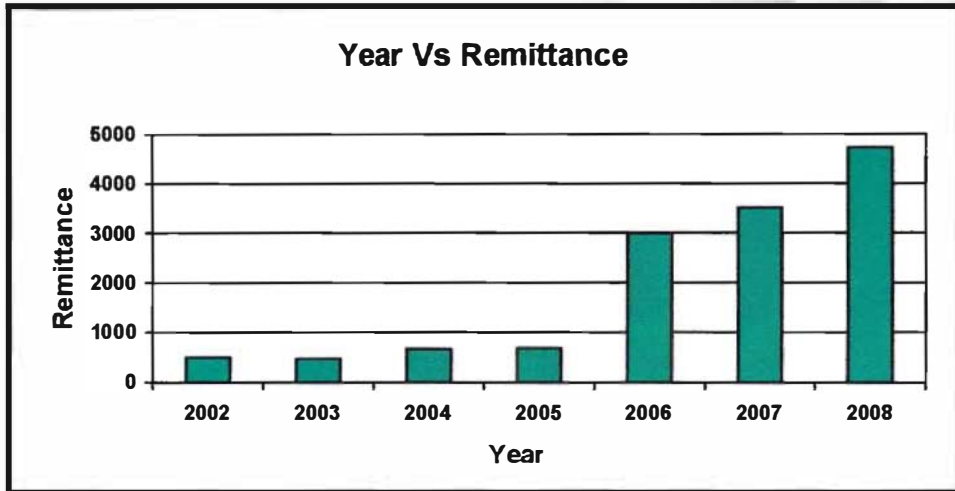
### 3.4.6. Export



Year	Export (BDT in Million)	Percentage Change (Base Year 2002)
2002	11377.3	100.00%
2003	15250.6	134.04%
2004	17411	153.03%
2005	24108.57	211.90%
2006	34592.1	304.04%
2007	32670.1	287.15%
2008	43180.5	379.53%

Export is a function of foreign exchange department. The above table shows the summary of export from the time period of 2002-2008. Here we can see that, the net worth of export has increased up to 379.53% comparing the base year of 2002, that means the amount of export which was facilitate by Mercantile Bank Limited has increased by 3.79 times at the end of year 2008.

**3.4.7. Remittance**



Year	Remittance (BDT in Million)	Percentage Change (Base Year 2002)
2002	496.30	100.00%
2003	474.00	95.51%
2004	671.30	135.26%
2005	679.10	136.83%
2006	2989.10	602.28%
2007	3510.40	707.31%
2008	4722.90	951.62%

Remittance is a function of foreign exchange department. The above table shows the summary of remittance from the time period of 2002-2008. Here we can see that, the net worth of remittance has increased up to 951.62% comparing the base year of 2002, that means the amount of export which was facilitate by Mercantile Bank Limited has increased by 9.51 times at the end of year 2008.

## Chapter 4

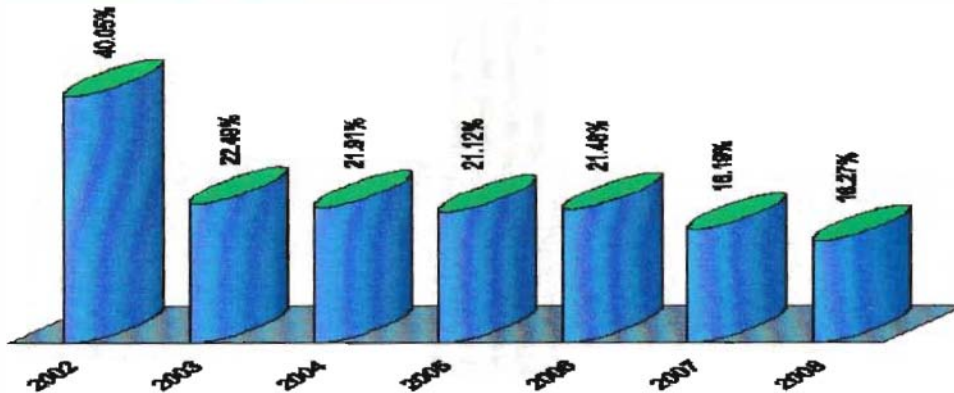
### 4. PERFORMANCE EVALUATION

#### 4.1. Brief Summary of Performance Evaluation

Using multiple criteria to measure the performance of Mercantile Bank Limited has devoted considerable analysis. I have tried to analyze the data that is collected from the Annual Report (2002-2008). Here the financial performance is evaluated by measuring the ROE (Return On Equity), ROA (Return On Assets), Net Interest Margin, Net Non-Interest Margin, Total Asset Turnover Ratio, Earning Per Share, Profit After Tax, Loan Losses, Operating Efficiency Ratio, Cost Income Ratio, Equity multiplier, Assets Value Per Share, Credit Deposit Ratio, CAMELS rating, and Survey Analysis. However I have selected the base year 2002 and over the year the performance is identified with the comparison between the data and information that I have collected.

## 4.2. Return on Equity

### RETURN ON EQUITY



Year	Return On Equity (ROE)	Percentage Change (Base Year 2002)
2002	40.05%	100.00%
2003	22.49%	56.15%
2004	21.91%	54.71%
2005	21.12%	52.73%
2006	21.48%	53.63%
2007	18.19%	45.42%
2008	16.27%	40.62%

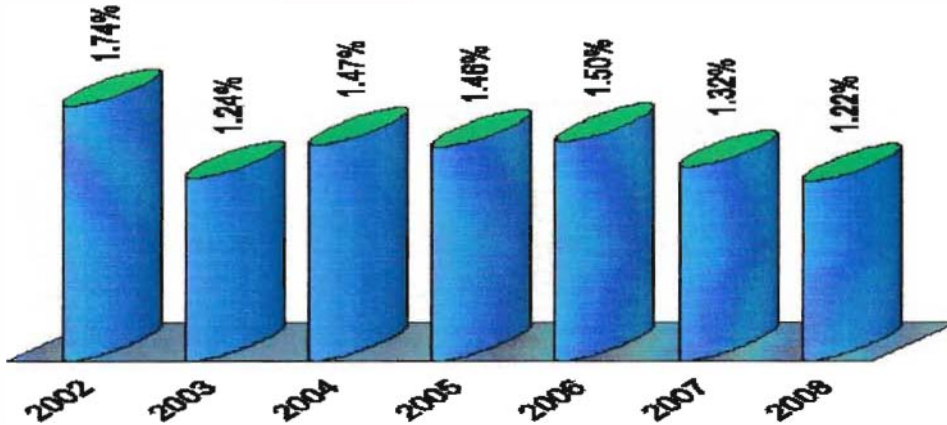
The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Shareholder's equity does not include preferred shares.

ROE is expressed as a percentage and calculated as: 
$$= \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Here from the data we can simply say that MBL is not performing well as their ROE has decreased from 40.05% to 16.27% from the given period of 2002-2008. Shareholders and stakeholders are always sensitive to this information. So this might be seen as red signals by the investors. So MBL should perform well in terms of ROE

### 4.3. Return on Asset

#### RETURN ON ASSETS



Year	Return On Assets (ROA)	Percentage Change (Base Year 2002)
2002	1.74%	100.00%
2003	1.24%	71.26%
2004	1.47%	84.48%
2005	1.46%	83.91%
2006	1.50%	86.21%
2007	1.32%	75.86%
2008	1.22%	70.11%

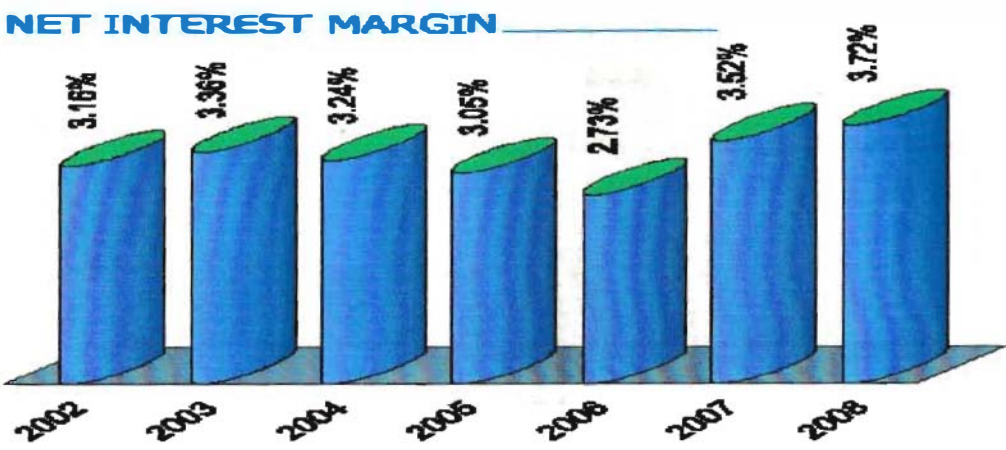
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

The formula for return on assets is: 
$$= \frac{\text{Net Income}}{\text{Total Assets}}$$

Here we can see that the performance in-terms of ROA is not good. In year 2002 it was much better than of 2008. So there are scopes of improvement.



### 4.4. Net Interest Margin



Year	Net Interest Margin	Percentage Change (Base Year 2002)
2002	3.16%	100.00%
2003	3.36%	106.33%
2004	3.24%	102.53%
2005	3.05%	96.52%
2006	2.73%	86.39%
2007	3.52%	111.39%
2008	3.72%	117.72%

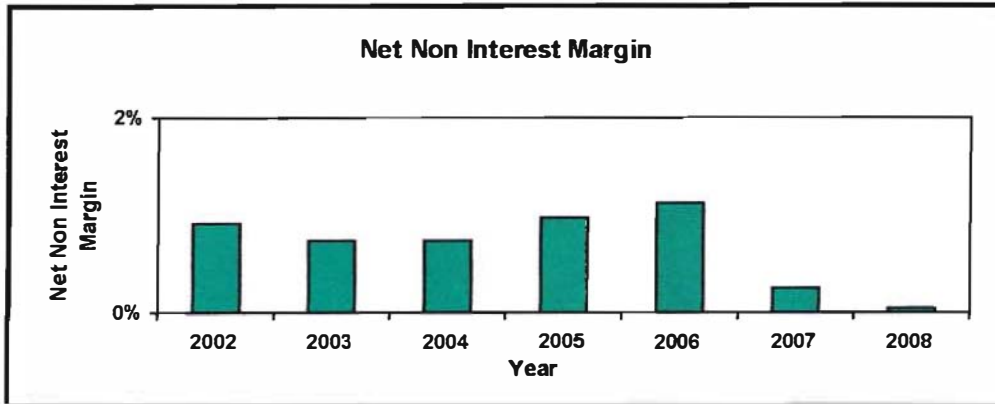
Net Interest Margin is a measurement of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits). It is considered similar to the gross margin of non-financial companies. It is expressed as a percentage of what the financial institutions are earning (it's interest often from borrowing from other financial institutions like the Central Bank) minus the interest that it pays on borrowed funds to its investors.

$$\text{Net Interest Margin} = \frac{\text{Investment Returns} - \text{Interest Expenses}}{\text{Average Earning Assets}}$$

Here we can simply say that MBL is doing well in terms of NIM, because they always maintains above 3% of NIM from 2002-2008. But there are chances of improve.



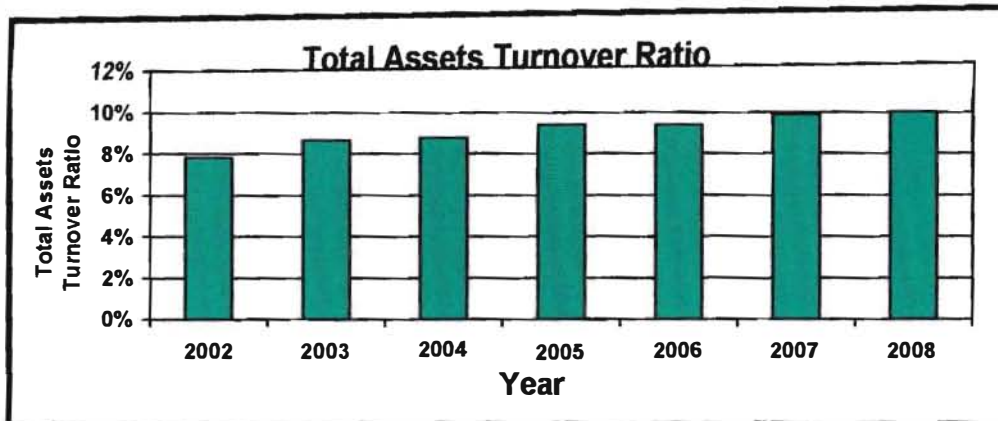
## 4.5. Net Non-Interest Margin



Year	Net Non-Interest Margin	Percentage Change (Base Year 2002)
2002	0.91%	100.00%
2003	0.73%	80.22%
2004	0.74%	81.32%
2005	0.97%	106.59%
2006	1.12%	123.08%
2007	0.25%	27.47%
2008	0.05%	5.49%

Net Non Interest Margin is a measurement of the income generated from other than interest income generated by banks day to day activities (for example, commission, exchange gains etc). It is considered similar to the gross margin of non-financial companies. From the data we see that MBL's Net Non Interest Margin is the lowest among the years of data given. That is not a good indication because it shows that MBL is more Interest Income oriented rather than Non-Interest Income. A bank to perform well should not be more Interest income oriented.

## 4.6. Total Asset Turnover Ratio



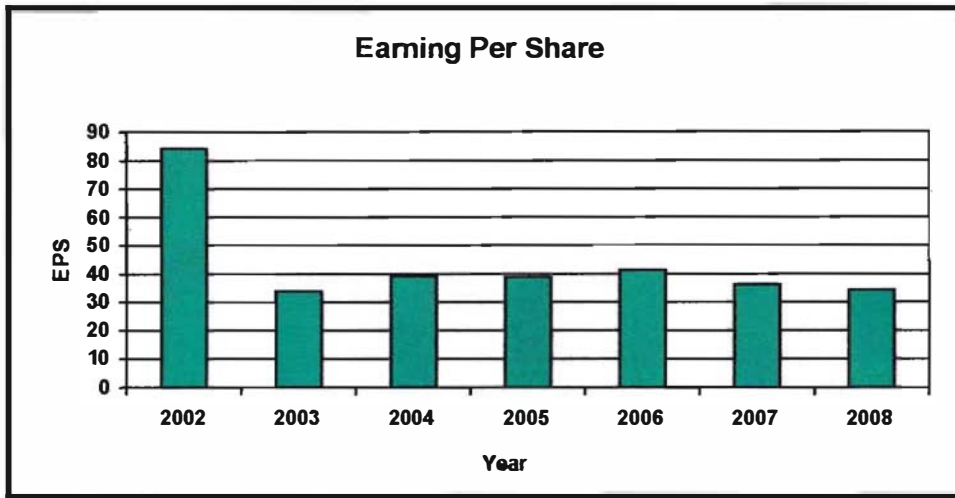
Year	Total Assets Turnover	Percentage Change (Base Year 2002)
2002	7.82%	100.00%
2003	8.67%	110.87%
2004	8.80%	112.53%
2005	9.42%	120.46%
2006	9.41%	120.33%
2007	9.90%	126.60%
2008	10.02%	128.13%

The amount of sales generated for every dollar's worth of assets. It is calculated by dividing sales in dollars by assets in dollars.

$$\text{Asset Turnover} = \frac{\text{Revenue}}{\text{Assets}}$$

Asset turnover measures a firm's efficiency at using its assets in generating sales or revenue - the higher the number the better. It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Here the Assets turnover ratio has increased over the year - which is good indication of increase in MBL's management efficiency.

## 4.7. Earning Per Share



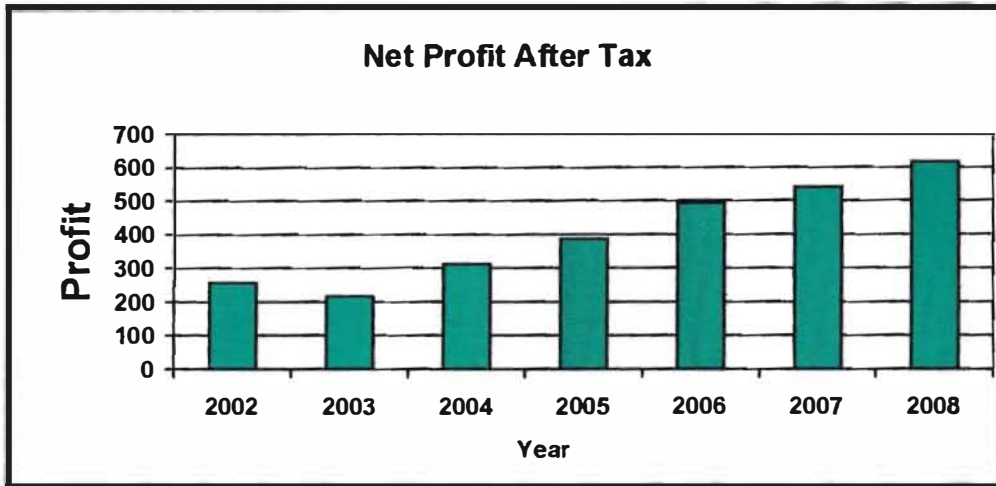
Year	EPS	Percentage Change (Base Year 2002)
2002	84.24	100.00%
2003	33.76	40.08%
2004	39.10	46.42%
2005	38.71	45.95%
2006	41.22	48.93%
2007	36.06	42.81%
2008	34.24	40.65%

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. Calculated as: 
$$= \frac{\text{Net Income} - \text{Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

Here we can simply say that MBL is not performing well. Because EPS has decreased in the year 2003 on an alarming rate and maintained a steady position over the year till 2006. But afterwards it decrease. As a result the higher fluctuation of EPS tends to inform investors not to invest in MBL. So to have a constant EPS growth MBL should perform well above to increase it net income by reducing its costs and increasing the good investment opportunities.



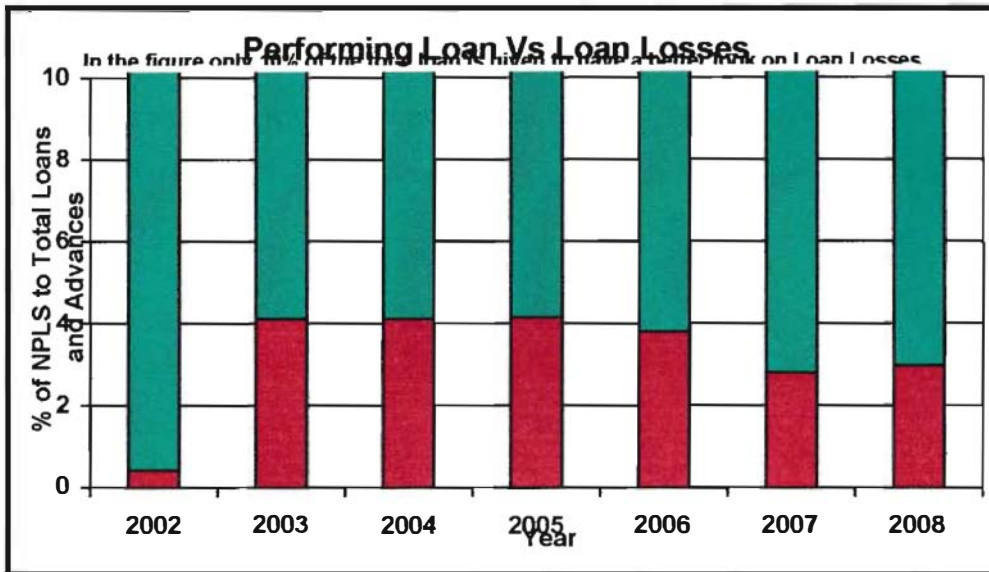
## 8. Net Profit after Tax



Year	Net Profit After Tax (BDT in Million)	Percentage Change (Base Year 2002)
2002	256.54	100.00%
2003	215.91	84.16%
2004	312.58	121.84%
2005	386.83	150.79%
2006	494.22	192.65%
2007	540.50	210.69%
2008	615.88	240.07%

Profit after tax shows the annual profit that MBL earned by the banking service. The above data shows that except 2003 the Profitability was always in an increasing trend, which is a good indication of prosperity. However, for these reason investors finds MBL's share attractive. But comparatively with other banks MBL is not doing that much well in the banking industry, because other banks are making huge profit. From the analysis I have found that MBL's lack of efficiency in management decision and limited no. of branches are one of the main reasons of this minimal profit.

## 4.9. Loan Losses



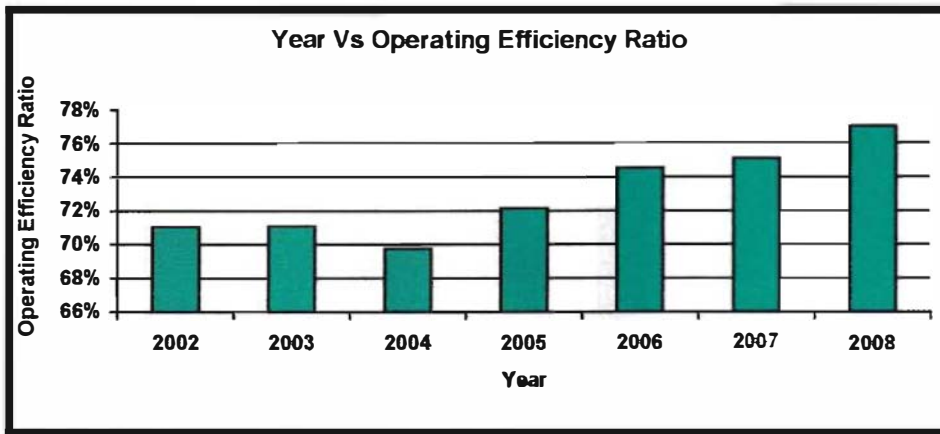
Year	% of Non Performing Loan against total	Performing Loan	Percentage Change NPS (Base Year 2002)
2002	0.42%	99.78%	100.00%
2003	4.12%	95.88%	980.95%
2004	4.11%	95.89%	978.57%
2005	4.14%	95.86%	985.71%
2006	3.79%	96.21%	902.38%
2007	2.80%	97.20%	666.67%
2008	2.96%	97.04%	704.76%

Banks Non-Performing Loans (NPL) increased on an alarming rate. Currently the NPL is satisfactory but has scopes to improve. A financial institution like MBL and other Banks the Non-Performing loan plays a key factor of determining the efficiency and as well as profitability. Lower Non-Performing Loans is better. Here from the data, which is collected from the annual report, shows that MBL is not performing well. Because in 2002 the percentage of Non-Performing Loans to Total Loan and Advances was 0.42% which was comparatively good, but later it eventually increased on an alarming rate which indicates the higher

percentage increase in Non-Performing Loans to Total Loan and Advances. In 2003-2005 periods the Non-Performing Loans are really not satisfactory. And later on it was in a decreasing trend, so in 2007 percentage of Non-Performing Loans to Total Loan and Advances to 2.80%. This shows a clear improvement. From this I can easily say that management and employees are working together to have a tight control over its NPL.



## 4.10. Operating Efficiency Ratio

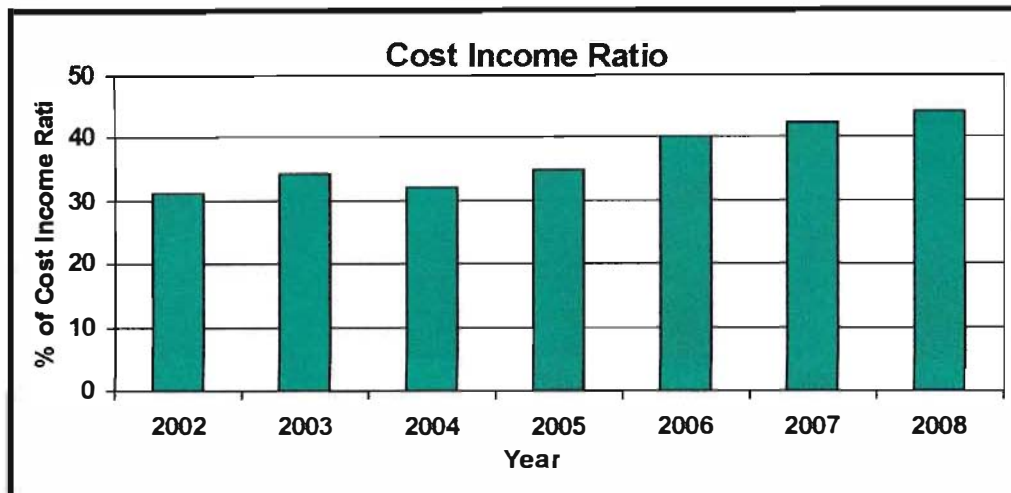


Year	Operating Efficiency	Percentage Change NPS (Base Year 2002)
2002	71.06%	100.00%
2003	71.09%	100.04%
2004	69.76%	98.17%
2005	72.15%	101.53%
2006	74.54%	104.90%
2007	75.09%	105.67%
2008	77.00%	108.36%

$$\text{Operating Efficiency Ratio} = \text{Total Expenses} / \text{Total Income}$$

Operating efficiency ratio shows the relationship between the total income and total expenses. It measures the operating performance. Lower Operating Efficiency Ratio is better. Here from the data, which is collected from the annual report shows that MBL is not performing well. Because in 2002 the percentage of Operating Efficiency Ratio was 71.06%, but later it eventually increased which indicates the higher increase in total expense than of its proportionate total income. In 2004 it was again tends to be low. But the operational activities failed to hold that position. So in 2008 the percentage of cost income ratio became 77.00%. This is not good from the view of operating efficiency.

## 4.11. Cost Income Ratio



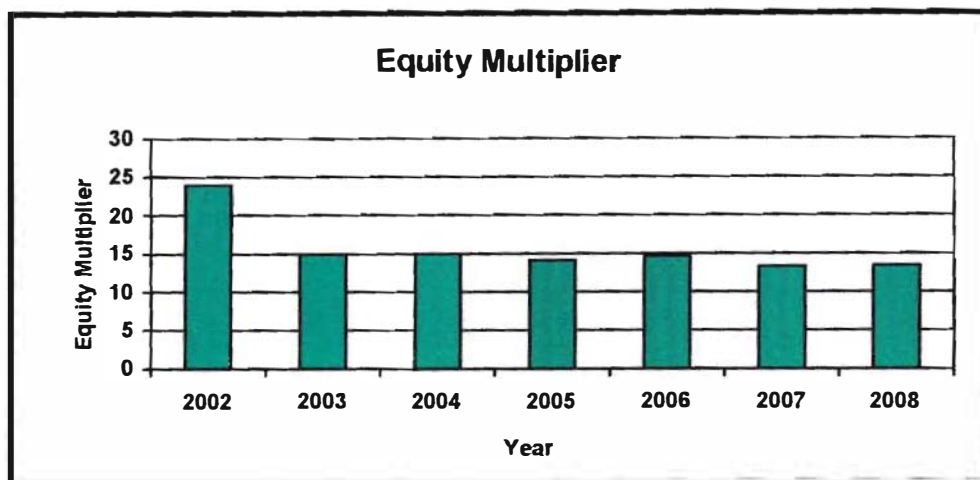
Year	Cost Income Ratio	Percentage Change (Base Year 2002)
2002	31.08%	100.00%
2003	34.17%	109.94%
2004	32.01%	102.99%
2005	34.88%	112.23%
2006	40.13%	129.12%
2007	42.33%	136.20%
2008	44.15%	142.05%

$$\text{Cost Income Ratio} = \text{Operating Expenses} / \text{Operating Income}$$

Cost income ratio shows the relationship between Operating Expense and Operating Income. It measures cost against its income. Lower Cost Income Ratio is better. Here from the data, which is collected from the annual report, shows that MBL is not performing well. Because in 2002 the percentage of cost income ratio was 31.08% that was comparatively good, but later it eventually increased which indicates the higher increase in operating expense than of its proportionate operating income. So in 2008 the percentage of cost income ratio became 44.15%. However it is not a good indication.



## 4.12. Equity Multiplier



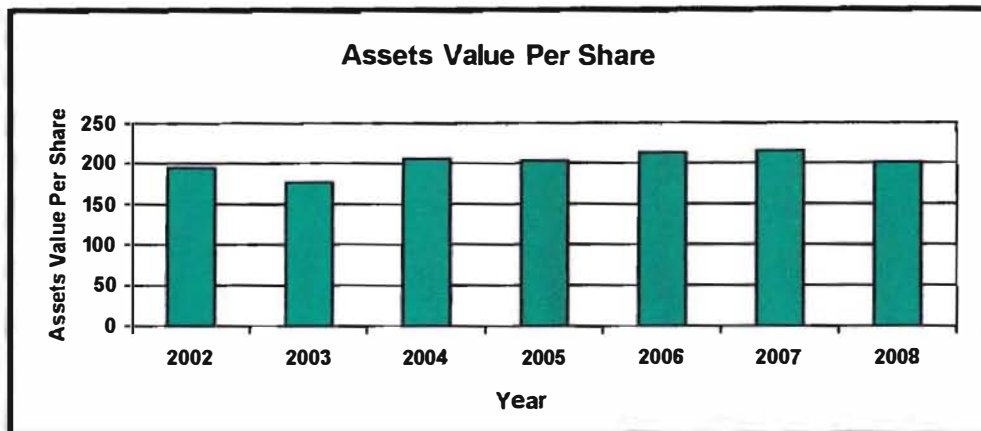
Year	Equity Multiplier	Percentage Change (Base Year 2002)
2002	23.93	100.00%
2003	14.84	62.01%
2004	14.90	62.26%
2005	14.12	59.01%
2006	14.55	60.80%
2007	13.27	55.45%
2008	13.37	55.87%

Equity Multiplier is a measure of financial leverage. Calculated as:

$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Stockholder's Equity}}$$

Like all debt management ratios, the equity multiplier is a way of examining how a company uses debt to finance its assets. Also known as the financial leverage ratio or leverage ratio, in other words, this ratio shows a MBL's total assets per Taka of stockholders' equity. A higher equity multiplier indicates higher financial leverage, which means the MBL is relying more on debt to finance its assets. Here we see that MBL is relying less on debt to finance its assets compared to year 2001-2002. That indicates in the lower financial sensitivity.

### 13. Asset Value per Share



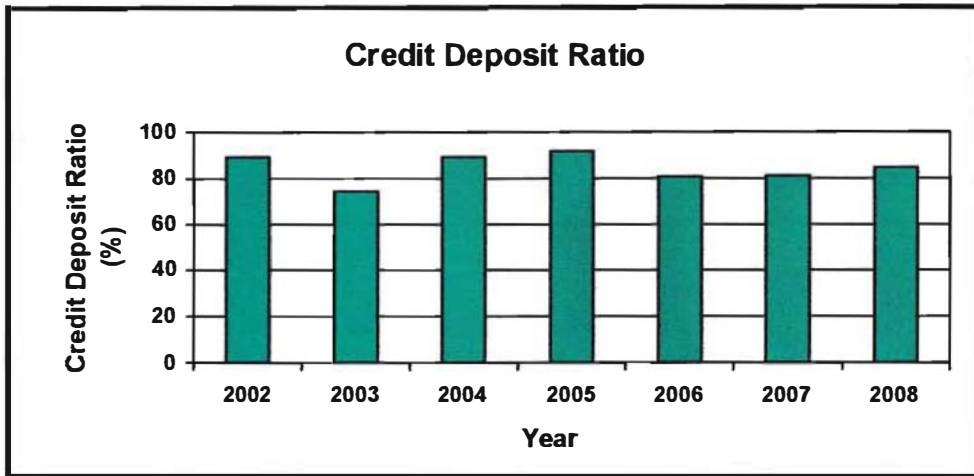
Year	Assets Value Per Share	Percentage Change (Base Year 2002)
2002	195.08	100.00%
2003	176.66	90.56%
2004	205.43	105.31%
2005	203.05	104.09%
2006	212.86	109.11%
2007	215.43	110.43%
2008	201.11	103.09%

An expression for net asset value that represents a fund's (mutual, exchange-traded, and closed-end) or a company's value per share. It is calculated by dividing the total net asset value of the fund or company by the number of shares outstanding. Also referred to as "book value per share". Calculated as:

$$\text{Net Asset Value} = \frac{\text{Mutual Fund's Net Asset Value}}{\text{\# Shares Outstanding}}$$

NAVPS is the value of a single unit, or share, of a fund. This figure for a mutual fund is the price at which shares are bought and sold. Here we can see that over the year's asset value per share has not increased that much, which is a bad indication for investors.

## 14. Credit Deposit Ratio



Year	2002	2003	2004	2005	2006	2007	2008
Credit Deposit Ratio	89.20%	74.38%	89.30%	91.68%	80.53%	81.02%	84.77%

Credit deposit ratio is the proportion of loan-assets created by banks from the deposits received. Over the years we saw the ups and downs in the ratio. But in the year 2005 we saw that the credit deposit ratio has increased at its top level 91.68%, which was a good indication but MBL fails to continue that part. And in 2008 it drops to 84.77% which is lower than year 2002. So there are scopes to improve in this area by having tight management control.

## 4.15. CAMELS Rating

The Capital, Asset, Management, Earning, Liquidity and Sensitivity (CAMELS) rating of different commercial banks in 2008 were done recently by the regulatory authority. The serial is made on the basis of performance of 2007 and local banks first, then foreign banks.

<p><b><u>Strong or A-class banks</u></b>                      Prime Bank Ltd.                      Shahjalal Islami Bank Limited                      Commercial Bank of Ceylon                      State Bank of India                      Standard Chartered Bank                      Citi N.A.</p>	<p><b><u>Satisfactory or B-class banks</u></b>                      Standard Bank Limited                      Exim Bank Ltd.                      Mercantile Bank                      NCC Bank                      BASIC Bank                      Pubali Bank                      Southeast Bank                      Mutual Trust Bank Limited                      Dutch-Bangla Bank                      Premier Bank                      The Trust Bank                      Bank Asia                      Jamuna Bank                      BRAC Bank                      One Bank                      Dhaka Bank                      Eastern Bank</p>
<p>Islami Bank Bangladesh Ltd.                      Uttara Bank                      National Bank                      The City Bank                      Social Investment Bank                      Habib Bank                      Bank Alfalah                      Woori Bank                      HSBC                      National Bank of Pakistan</p>	<p><b><u>Fair or C-class banks</u></b>                      First Security Islami Bank                      IFIC Bank                      AB Bank                      United Commercial Bank                      Al-Arafah Islami Bank                      Bangladesh Shilpa Rin Sangstha                      Agrani Bank Ltd                      Rupali Bank Ltd.</p>
<p><b><u>Unsatisfactory or E-class banks</u></b>                      Bangladesh Commerce Bank                      Oriental Bank Ltd</p>	<p><b><u>Marginal or D-class banks</u></b>                      Sonali Bank Ltd                      Janata Bank Ltd                      Bangladesh Shilpa Bank                      Bangladesh Krishi Bank                      Rajshahi Krishi Unnyan Bank</p>



## 5. Survey Analysis

Through my internship period I have conducted a survey to analyze the customer satisfaction arises from the service provided by Mercantile Bank Limited. However I have conducted 50 (Fifty) survey among the clients pickled up randomly. To conduct the survey, I have used the following questionnaire which includes eighteen questions. The clients gave their opinions by ticking their preference beside each comment according to the following rating scale:

- 1 → Strongly Disagree
- 2 → Disagree
- 3 → Neutral
- 4 → Agree
- 5 → Strongly Agree

Comment	Average Rating
MBL provides better service to the clients	4.32
MBL always maintains good liquidity	3.02
MBL provides good trusteeship than other banks	3.98
MBL provides better interest on your deposits	4.33
MBL Cash Mgt. provide services without consuming more time	3.58
MBL provides services without any bureaucratizing complexity	2.98
MBL SMS Banking effective for getting cash accounts statements and balance	3.67
Your company's confidentiality from bank is fully secured in MBL	3.09
MBL deposit package offers better benefits comparing other bank	4.28
MBL credit package are offering better benefits comparing other bank	3.49
It very necessary for Cash Mgt. to introduce one stop payments system	4.16
MBL provides service without costly, complex and non realistic procedure	4.14
Extra ordinary facilities from Cash Management's Cash & Delivery Services	2.69
MBL provides satisfied services according to your expectation	3.56
MBL management quickly resolves your problems / complains against accounts.	3.05
Expected requirement are being fulfilled by MBL Cash Management.	3.69
Mercantile Bank Limited need not to improve its performance.	4.07
MBL is performing well above comparing with other local banks in the country.	3.94

survey conducted by me among the clients is pretty much satisfactory in favor of MBL's performance. But most people agree that it has scopes to improve its performance. Among the questionnaires all of the ratings are good except the need of extra-ordinary facility.





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## Chapter 5

### FINDINGS

#### 5.1. Related to Financial Performance

- Return on Equity (ROE) of the MBL is not that much satisfactory. In fact it is alarming because over the years the ROE has decreased significantly, which are not a good signal for the bank to perform well in the long run.
- Return on Assets (ROA) is not also good, because over the year it has reduced from 1.74% to 1.22% due to the lack of efficient use of resources.
- Net interest margin can also be improved by lowering the interest expense by collecting fund that is less costly.
- Net non-interest margin has decreased over the years, which is alarming. MBL should not only rely on the interest income to generate revenue, it should seek much more opportunities to income more.
- Earning Per Share (EPS) has decreased at an drastic rate. That is not a positive signal for investors to invest in the MBL's share, this indicate that MBL is earning lesser amount than previous years.
- Net profit after tax is satisfactory. But comparing with other bank it is not that much satisfactory.
- There are scopes to reduce the provision of losses by efficient credit management. Cost ratio income has increased over the years, which is not a positive signal for the organization.
- Over the year asset value par share has not increased that much which is a bad signal for the organization. As the asset value did not increase that much, it has a strong impact on the market value of the share.



## 5.2. Related To Human Resource Development

- Probably Mercantile Bank does not have well-designed strategy for conducting HRD activities.
- It does not conduct extensive and careful training need analysis before designing the training program. So, it imposes training on its employees.
- It does not ask for employees' opinion before designing the training program.
- It does not provide any compensation to employees for participating in the training program. So, probably employees feel lack of motivation.
- It does not provide sufficient feedback to its employees about their performances in the training program.
- It evaluates its training based on only one criteria and that is results. It does not provide attention to other criteria such as reaction, learning and behavior.
- Most of the time it uses 'One-Shot Posttest only' evaluation design to evaluate its training program. So, it does not get any standard for the comparison purpose.
- Probably it provides very little attention to its middle level management in providing HRD activities to them.

### 5.3. Related To Operation

- Theoretically any person can purchase pay order, demand draft and telex transfer by depositing money and commission. But the person who wants to purchase these should have account in the bank branch. These will discourage customers to transact with bank.
- In opening A/C some additional documents are needed as compared with theoretical record. Like trade license, member of Dhaka Chamber of Commerce and Industry (DCCL) in Dhaka city. Again some documents are not essential practically as referred in theory. For example, the photo of the person who will open A/C, and sometime introducer.
- In case of crossing cheque I did not observe any crossing with “Not negotiable” as much as I stayed in bank orientation. Though theory have been given emphasis on the effect of “A/C pays only” and “not negotiable”. The role of “Not negotiable” is not so much. There is no provision in law regarding “A/C payee crossing”. But it has been developed in practice. If the words, “A/C payee” are added to a crossing, it becomes an A/C pay crossing.
- The degree of relationship between banker and customer determines how much theory is deviated from practical work.
- When a client try to open an A/C he must have to need an introducer, sometime it may create a problems for the clients.

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- When a client try to open an A/C he must have to need an introducer, sometime it may create a problems for the clients.

- Under this department, practice strictly supports theories. There is not too much discrepancy between them. All the functions of Account Department provided by MBL Dilkusha Branch are based on accounting theories and procedures.
- In case of amortization there is no pre-determined rate on which it will be charged. It fully depends on the decisions of the executives of Accounts Department or the instruction of Head Office.
- In case of depreciation only the straight-line is to be followed, but there are other methods of charging depreciation, such as double decline, sum year-digit methods etc are used as method of depreciation. These are not followed by MBL except the straight-line method.
- This department plays a vital role in the management information system. Management collects different types of information from this department.

## Chapter 6

### 6. RECOMMENDATION

To overcome the above drawbacks, Mercantile Bank Limited should do the following things:

#### 6.1. Related to Financial Performance:

- MBL should increased their performance by having efficient use of resources and minimize their cost.
- MBL should establish a general guideline for their employees to be much more cost effective in terms of using their resources.
- MBL should increase the number of branches to be more competitive in the banking industry.
- MBL should use much more efficient techniques to be competitive by offering better benefit packages.
- MBL should increase the opportunity of income other than interest income.
- MBL should have an efficient management over its capital funding.
- MBL should be much more careful in terms of sanctioning the loan in order to reduce its provision of losses.

## **6.2. Related to Human Resource Development:**

- It should establish a well-designed strategy for its HRD activities.
- It should conduct TNA extensively and carefully so that the need of training of all employees from each level of management can be identified.
- It should motivate its employees to give their opinions about the organization's recently designed training program freely to the top level management.
- It should again motivate its employees to participate in the training program.
- It should give both positive and negative feedback timely to its employees about their performances in the training program.
- It should use more than one criterion in the training evaluation process to make it more valid.
- It should use pretest design to evaluate the training because at that time it will get a standard for comparing the ultimate results of the training.
- To avoid discrimination, it should give same amount of priority to its all-level employees in case of providing HRD activities.



### **6.3. Related to Operation:**

- The organization structure should have to be changed to put in place the segregation of the Marketing/ Relationship Management function from Approval / Risk Management / Administration function.
- The responsibilities of the key persons of the above function must also be clearly specified.
- An Early Alert Account system should be introduced to have adequate monitoring, supervision or close attention by management.( An early Alert Account is one that has risk and potential weaknesses of a material nature)
- There should be a Recovery Unit to manage→ directly accounts with sustained deterioration. To encourage Recovery Unit incentive program may also introduced.

## Chapter 7

### 7. CONCLUSION

As the report is based on the performance evaluation of Mercantile Bank Limited, I have tried to analyze the data that is collected from the Annual Report (2002-2008) and also the official website ([www.mblbd.com](http://www.mblbd.com)) of Mercantile Bank Limited. These data and information are then analyzed for further in-depth evaluation. Though the bank is operating in positive profit margin but the banks has the scope to improve itself. The bank's operating efficiency ratio is satisfactory but the scope of achieving more is higher. The main objective of the bank is to provide better service to its client and as well as to be profitable. However the in-depth analysis shows some problems related to financial performance, Human Resource Development and Operational Activities, which is mentioned in Chapter-5. Some suggestions are recommended to overcome those problems, but there are more scopes to improve the performance of Mercantile Bank Limited that is required to be more competitive in the banking industry. However, my internship report is submitted on the topic of "Performance Evaluation of Mercantile Bank Limited" and this is due to the process of completion of my graduation.

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## ACRONYMS

<b>ATM</b>	Automatic Teller Machine	<b>IBCA</b>	Inter Branch Credit Advice
<b>BCD</b>	Bearer Certificate of Deposit	<b>IRC</b>	Import Registration Certificate
<b>BL</b>	Bill of Lading	<b>IT</b>	Information Technology
<b>BTB</b>	Back to Back L/C	<b>LCAF</b>	Letter of Credit Authorization Form
<b>CAD</b>	Cash against Document	<b>LIM</b>	Loan against Imported Merchandise
<b>CCI&amp;E</b>	Chief Controller of Import & Export	<b>LRA</b>	Leading Risk Analysis
<b>CCS</b>	Consumer Credit Scheme	<b>LTR</b>	Loan against Trust Receipt
<b>CIB</b>	Credit Information Bureau	<b>MBL</b>	Mercantile Bank Ltd.
<b>DD</b>	Demand Draft	<b>MTA</b>	Mail Transfer Advice
<b>DFCA</b>	Depositors Foreign Currency Acc	<b>PAD</b>	Payment Against Document
<b>ERC</b>	Export Registration Certificate	<b>PO</b>	Payment Order
<b>FDBP</b>	Foreign Documentary Bill Purchase	<b>SOD</b>	Secured Overdraft
<b>FDR</b>	Fixed Deposit Receipt	<b>TT</b>	Telegraphic Transfer

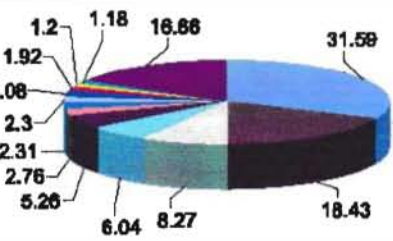


# APPENDIX

## Sector-wise Loans & Advances Mix

(BDT in million)

Sectors/Segments	Volume	%
Trade Finance	13,267.08	31.59
Exports (RMG)	7,737.41	18.43
Food, Beverage, Edible Oil etc	3,473.12	8.27
Housing	2,537.49	6.04
Engineering (Iron and Steel/Electrical)	2,209.44	5.26
Contractor Finance	1,158.33	2.76
Textile (Linkage Industry)	967.97	2.31
Telecommunication	967.90	2.30
Pharmaceuticals	874.96	2.08
Agriculture	804.30	1.92
Hospital and Medical Services	502.27	1.20
Transportation	497.35	1.18
Others	6,996.33	16.66
<b>Total</b>	<b>41,993.95</b>	<b>100.00</b>



Sector	Color
Trade Finance	Blue
Exports (RMG)	Light Blue
Food, Beverage, Edible Oil etc	Dark Blue
Housing	Pink
Engineering (Iron and Steel/Electrical)	Yellow
Contractor Finance	Light Blue
Textile (Linkage Industry)	Dark Blue
Telecommunication	Light Blue
Pharmaceuticals	Dark Blue
Agriculture	Pink
Hospital and Medical Services	Yellow
Transportation	Light Blue
Others	Dark Blue

## Operating Profit

Operating revenue of the Bank stood at BDT 1,511.51 million in 2008 as against BDT 1,385.14 million in 2007. Net Interest Income of the Bank stood at BDT 1,558.39 million in 2008 as against BDT 1,291.60 million in 2007.

## Operating Profit

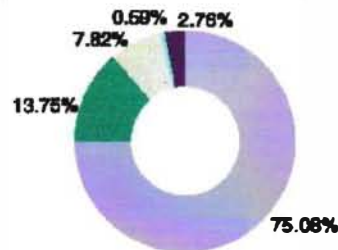
(BDT in million)

Net Interest Income	5,604.36
Less: Interest Expenses	(4,045.97)
Net Interest Income	1,558.39
Non-Interest Income	1,273.14
Operating Income	2,831.53
Less: Non Interest Expenses	(1,250.02)
Operating profit	1,581.51

## Asset Portfolio

(BDT in million)

Components	Amount	% of Total
Loans and Advances	41,993.95	75.09
Investments	7,690.12	13.75
Cash	4,374.12	7.82
Balance with other banks	327.91	0.59
Other Assets	1,542.62	2.75
<b>Total</b>	<b>55,928.72</b>	<b>100.00</b>

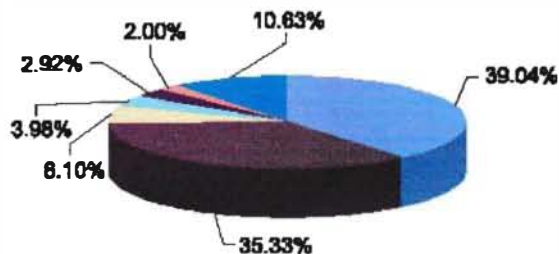


Component	Color
Loans and Advances	Blue
Investments	Green
Cash	Light Blue
Balance with other Banks	Light Blue
Other Assets	Dark Blue

## Deposit Mix

(BDT in million)

Type	Volume	%
Deposit Under Schemes	19,342.49	39.04
Fixed Deposits	17,501.42	35.33
Savings Deposits	3,020.87	6.10
Call Deposits	1,970.00	3.98
Current Deposits	1,446.19	2.92
Short Terms Deposits	889.12	2.00
Other Deposits	5,268.27	10.63
<b>Total</b>	<b>49,538.36</b>	<b>100.00</b>



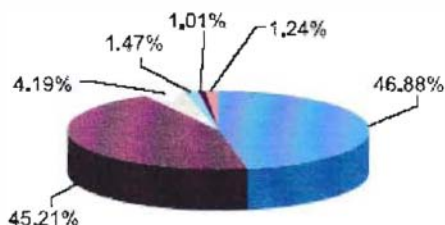
Type	Color
Deposit Under Schemes	Blue
Fixed Deposits	Dark Blue
Savings Deposits	Yellow
Call Deposits	Light Blue
Current Deposits	Pink
Short Terms Deposits	Light Blue
Other Deposits	Dark Blue



# APPENDIX

## Interest Expenses

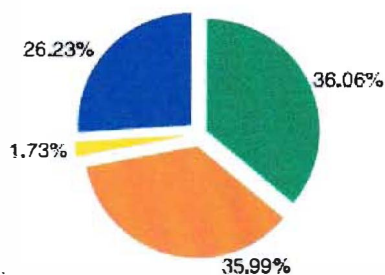
(BDT in million)		
Components	Amount	%
Interest on Deposit Schemes	1,896.72	46.88
Interest on Fixed Deposits	1,829.06	45.21
Interest on Savings Deposits	169.63	4.19
Interest on STD	59.63	1.47
Interest on Call Deposits	40.92	1.01
Other Interest Expenses	50.01	1.24
<b>Total</b>	<b>4,045.97</b>	<b>100.00</b>



Interest on Deposit Schemes  
Interest on Fixed Deposits  
Interest on Savings Deposits  
Interest on STD  
Interest on Call Deposits  
Other Interest Expenses

## Non-interest Income

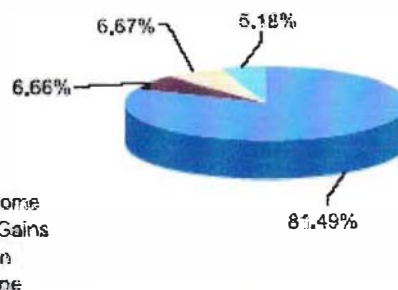
(BDT in million)		
Components	Amount	% of Total
Commission	459.05	36.05
Exchange gains	458.15	35.99
Income on Investment in Shares	21.98	1.73
Other non-interest income	333.96	26.23
<b>Total</b>	<b>1,273.14</b>	<b>100.00</b>



Commission  
Exchange gains  
Income on Investment in Shares  
Other non-interest income

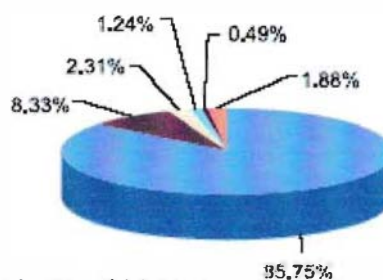
## Total Income

(BDT in million)		
Components	Amount	% of Total
Interest Income	5,604.35	81.49
Commission	459.05	6.67
Exchange Gains	458.15	6.66
Other Income	355.94	5.18
<b>Total</b>	<b>6,877.50</b>	<b>100.00</b>



## Interest Income

(BDT in million)		
Components	Amount	% of Total
Interest on Loans and Advances	4,805.87	85.75
Interest on Treasury and T&T Bond	466.77	8.33
Interest on Treasury Line	129.29	2.31
Interest on Deposits with Banks	69.36	1.24
Interest on Treasury Bills	27.74	0.49
Other Interest Income	105.32	1.88
<b>Total</b>	<b>5,604.35</b>	<b>100.00</b>

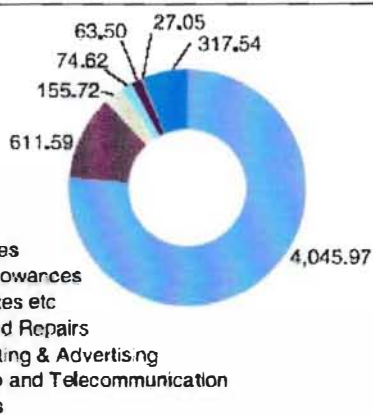


Interest on Loans and Advances  
Interest on Treasury and T&T Bond  
Interest on Treasury Line  
Interest on Deposits with Banks  
Interest on Treasury Bills  
Other Interest Income

# APPENDIX

## Total Expenses

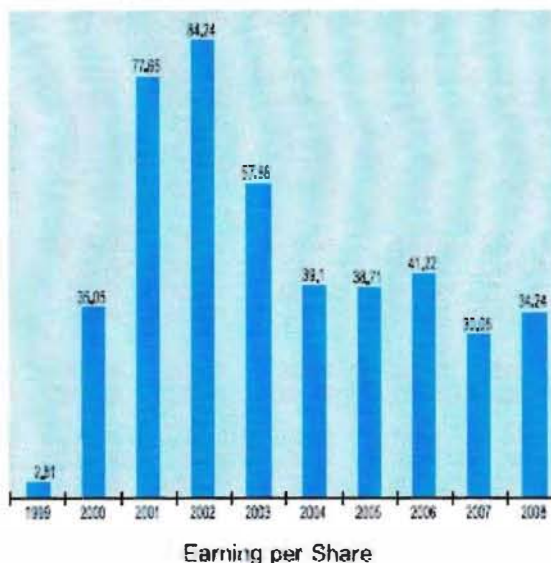
(BDT in million)		
Components	Amount	% of Total
Interest expenses	4,045.97	76.40
Salaries and Allowances	611.59	11.54
Rent, Rate, Taxes etc	155.72	2.94
Depreciation and Repairs	74.62	1.41
Stationery, Printing & Advertising	63.50	1.20
Postage, Stamp and Telecommunication	27.05	0.51
Other Expenses	317.54	6.00
<b>Total Expenses</b>	<b>5,295.99</b>	<b>100.00</b>



## Earning Per Share (EPS)

Since the inception and enlistment in Stock Exchange, the Bank has been making positive EPS. The Bank's EPS scenario since inception is given in the following table:

Year	EPS (in BDT)
1999	2.81
2000	35.05
2001	77.65
2002	84.24
2003	57.88
2004	39.10
2005	38.71
2006	41.22
2007	30.05
2008	34.24



## Operating Efficiency Ratio

Operating Efficiency Ratio stood at 76.51% in 2008 as against 75.09% in 2007. This measures how much operating expenses are incurred to generate operating revenues.

(BDT in Million)

Operating Efficiency Ratio	
Total Expenses	5,295.99
Total Income	6,877.50
Operating Efficiency Ratio	77.00%

# APPENDIX

(BDT in million)

Particulars	2001	2002	2003	2004	2005	2006	2007	2008
<b>Income Statement</b>								
Interest Income	964.59	1,281.19	1,588.67	2,120.82	2,723.38	3,498.67	4,450.90	5,604.36
Interest Expenses	700.99	923.11	1,115.82	1,509.00	1,987.16	2,662.58	3,159.30	4,045.97
Net Interest Income	263.60	358.08	472.85	611.82	733.22	836.09	1,291.60	1,558.39
Non-Interest Income	304.31	311.11	401.05	596.85	752.13	1,132.74	1,110.05	1,273.14
Non-Interest Expenses	163.75	207.95	298.58	386.91	518.12	790.07	1,016.51	1,250.02
Net Non-Interest Income	140.56	103.16	102.47	209.94	234.01	342.67	93.54	23.12
Profit before Provision and Tax	404.16	461.24	575.32	821.76	967.23	1,178.76	1,385.15	1,581.51
Profit after Provision before Tax	374.96	428.04	427.32	554.26	703.33	870.12	1,198.84	1,281.68
Profit after Tax	214.96	256.54	215.91	312.58	385.83	494.22	540.50	615.88
<b>Balance Sheet</b>								
Authorized Capital	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	3,000.00	3,000.00	3,000.00
Paid-up Capital	276.85	319.77	639.53	799.41	999.27	1,199.12	1,498.90	1,798.68
Total Capital	596.44	684.56	1,235.23	1,617.81	2,045.85	2,554.29	3,387.17	4,183.87
Deposits	12,234.70	15,150.42	16,285.19	22,385.19	25,087.43	33,332.65	39,348.00	49,538.36
Loans and Advances	6,707.42	8,896.19	10,775.95	17,669.29	21,857.05	26,842.14	31,877.86	41,993.95
Investments	882.47	1,382.28	2,107.26	3,108.61	3,517.68	5,407.90	7,099.97	7,690.12
Fixed Assets	67.78	69.55	81.50	103.54	366.80	467.99	589.20	683.00
Total Assets	13,085.86	16,383.17	18,324.73	24,098.09	28,890.48	37,159.65	44,940.54	55,928.72
<b>Foreign Exchange Business</b>								
Export	12,268.00	15,112.50	20,390.80	28,325.20	33,271.90	42,442.80	40,380.10	56,528.80
Import	10,457.50	11,377.30	15,250.60	17,411.00	24,108.57	34,592.10	32,670.10	43,108.50
Remittance	308.40	496.30	474.00	671.30	679.10	2,989.10	3,510.40	4,722.90
<b>BIS Capital Measures</b>								
Total Risk Weighted Assets	6,170.50	8,437.55	11,788.09	15,793.41	19,693.04	23,919.86	29,036.55	40,634.58
Core Capital (Tier I)	527.19	594.09	1,129.77	1,442.35	1,823.19	2,252.63	2,929.30	3,470.92
Supplementary Capital (Tier II)	69.25	90.46	105.46	175.46	216.66	301.66	457.87	712.95
Tier I Capital Ratio	8.54%	7.04%	9.58%	9.13%	9.29%	9.42%	10.09%	8.54%
Tier II Capital Ratio	1.12%	1.07%	0.90%	1.11%	1.10%	1.26%	1.58%	1.76%
Total Capital Ratio	9.66%	8.11%	10.48%	10.24%	10.39%	10.68%	11.57%	10.30%
<b>Credit Quality</b>								
Non-performing Loans (NPLs)	5.16	37.49	444.02	726.17	905.74	1,017.99	893.99	1,242.47
Provision for unclassified Loans	66.94	88.14	103.14	173.14	214.34	299.34	361.03	438.20
Provision for classified Loans	1.30	12.30	145.30	342.80	523.00	594.00	563.85	578.20
Provision of NPLs to Total Loans and Advances	0.08%	0.42%	4.12%	4.11%	4.14%	3.73%	2.80%	2.96%
<b>Share Information</b>								
Share Price (BDT)	-	-	-	540.00	390.75	355.25	415.61	348.25
No. of Shares Outstanding ('000)	2,768.50	3,197.65	6,395.30	7,994.13	9,992.66	11,991.19	14,988.98	17,986.78
Earnings Per Share (EPS) (BDT)								
Basic	70.59	84.24	57.88	11.28	32.26	32.97	30.05	34.24
Diluted	70.59	84.24	57.88	31.28	32.26	32.97	30.05	34.24
Dividend Per Share (BDT)	40.00	40.00	25.00	25.00	25.00	25.00	20.00	20.00
Cash (BDT)	30.00	35.00	-	-	5.00	-	-	-
Stock (%)	10.00	5.00	25.00	25.00	20.00	25.00	20.00	20.00
Dividend Yield	-	-	-	4.63%	6.40%	7.04%	4.81%	5.74%
Dividend Payout Ratio	56.67%	47.48%	43.19%	65.94%	64.58%	60.85%	55.46%	58.41%
Market Capitalization	-	-	-	4,316.83	3,904.63	4,259.8702	6,229.57	6,263.89
Book Value Per Share (BDT)	215.44	14.08	193.16	202.38	204.74	213.01	225.98	232.81
Market Value Book Value Multiple	-	-	-	2.67	1.91	1.67	1.84	1.50
Price Earnings Multiple (Times)	-	-	-	17.26	10.09	10.77	11.53	10.17
<b>Operating Performance Ratio</b>								
Net Interest Margin	3.13%	3.16%	3.36%	3.24%	3.05%	2.73%	3.52%	3.72%
Net Non-Interest Margin	1.67%	0.91%	0.73%	0.74%	0.97%	1.12%	0.25%	0.65%
Operating Base in Assets	96.35%	93.26%	91.59%	93.88%	90.40%	88.43%	88.35%	91.84%
Operating Efficiency Ratio	68.15%	71.06%	71.08%	69.76%	72.15%	74.54%	75.09%	77.00%
Cost Income Ratio	28.83%	31.08%	34.17%	32.01%	34.88%	40.13%	42.33%	44.15%
Credit Deposit Ratio	92.55%	89.20%	74.38%	86.90%	91.68%	80.53%	81.02%	84.77%
Cost of Funds	8.42%	8.32%	8.24%	8.10%	8.42%	9.00%	8.75%	8.19%
Yield on Loans and Advances	14.24%	13.59%	13.20%	12.52%	11.80%	12.21%	12.80%	13.24%
Spread	5.82%	5.27%	4.96%	4.42%	3.38%	3.21%	4.05%	4.05%
Return on Assets	1.91%	1.74%	1.24%	1.47%	1.46%	1.50%	1.32%	1.22%
Return on Equity	43.58%	40.05%	22.49%	21.91%	21.12%	21.48%	18.19%	16.27%
Equity Multiple (Times)	21.94	23.93	14.84	14.90	14.12	14.55	13.27	13.37
<b>Other Information</b>								
No. of Branches	14	15	20	25	28	35	41	42
No. of Employees	305	363	492	544	663	879	945	1,115
No. of Foreign Correspondents	145	215	240	255	266	306	584	586



# APPENDIX

## Questionnaire for the Respondents/Customers

Dear Sir or Madam:

I am Md. Atiqur Rahman Khan, a BBA graduate from East West University. I am doing my internship in Mercantile Bank Limited. I am doing a survey on the performance evaluation of the MBL. I assure you that the data gathered in this survey will be not be used for any external use and the identity of the respondent will not be traceable.

1. Name of the Customer / Organization \_\_\_\_\_
2. Address \_\_\_\_\_
3. Mercantile Bank Limited provides better service to the clients-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
4. Mercantile Bank Limited always maintains good liquidity-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
5. Mercantile Bank Limited provides good trusteeship than other banks-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
6. Mercantile Bank Limited provides better interest on your deposits-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
7. Mercantile Bank Limited Cash Management provides services without consuming more time-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
8. Mercantile Bank Limited provides services without any bureaucratizing complexity-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
9. Mercantile Bank Limited SMS Banking effective for getting cash accounts statements and balance-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
10. The level of security in MBL in order to ensure your company's confidentiality from banking is fully secured-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree

# APPENDIX

1. MBL deposit packages are offering better benefits comparing with other bank- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
2. MBL credit packages are offering better benefits comparing with other bank- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
3. It very necessary for Cash Management to introduce one stop payments system-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
4. MBL provides service without costly, complex and non realistic procedure- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
5. Getting extra ordinary facilities from Cash Management's Cash & Delivery Services- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
6. MBL provides satisfied services according to your expectation- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
7. MBL management quickly resolves your problems / complains against accounts- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
8. Expected requirement are being fulfilled by MBL Cash Management- .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
9. Mercantile Bank Limited need not to improve its performance-  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree
10. MBL is performing well above comparing with other local banks in the country? .  
 Strongly Disagree    Disagree    Neutral    Agree    Strongly Agree