



Internship Report

ON

Credit Procedure of Mercantile Bank Limited A Case Study of Mohakhali Branch

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BBA program

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Subject: Submission of Internship Report entitled "Credit Procedure of Mercantile Bank Limited"

Ma'am,

This is my great honor to submit the report of my Internship Program in the Mercantile Bank Limited. The report entitled "**Credit Procedure of Mercantile Bank Limited**" is the final outcome of successful completion of my internship program at the bank. In this endeavor, this report seeks to identify the activities of Credit Department of Mercantile Bank Limited.

It has been a joyful and enlightening experience for me to work in this esteem organization and prepare this report. It would be my immense pleasure, if you find this report useful and informative to have an apparent perspective on the issue. I sincerely hope that you will appreciate my effort.

Thanking you.

.....

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ACKNOWLEDGEMENT

As part of BBA program the internship program is helpful to bridge the gap between the theoretical knowledge and real life experience. This internship report has been designed to have a practical experience through the theoretical understanding.

At first I would like to express my gratitude to almighty Allah for special blessing to prepare the report. I would to thanks all Faculty Member of BRAC Business School, BRAC University especially the honorable advisor Ashfia Habib, Lecturer of BBA program for her continuous guidance and support regarding this report.

I am really thankful from my deep heart to Md Abdul Halim, vice president and head of branch and Md Atiqur Rahman (FVP & MOP) Of Mercantile Bank LTD, Mohakhali Branch. I also wish to express my gratitude to Mercantile Bank for giving me the opportunity for internship program here.

I want to give special thanks and show the most respect to MD Aminul Islam (AVP), Md Amirul Islam (AVP) and Md Ikramul Islam khan (AVP).

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Mercantile Bank LTD Mohakhali Branch gives me lots of experience and I am again expressing my special gratitude to all.

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EXECUTIVE SUMMARY

Building strong relationship with all the stakeholders, particularly the customer is crucial for MERCANTILE BANK LIMITED (MBL)'s growth and prosperity. Technology and competition have made it vital to forge stronger bonds with the customers to meet their needs at their convenience. MBL put emphasis on meeting this continuous challenge of managing relationship significant achievements over the past years-both financial and strategic are solid indication of its strength and potential.

MBL values close relationships with each other. At the same time it brings the decision making authority close to the customers to give them the best service available. Banking is a service-oriented business and they have drawn excellent people for the purpose.

MBL is very fortunate to have a strong credit management team. They are committed to the continued implementation of its sound strategic programs. It focuses on creating a culture that places importance on profitability and success.

Credit procedure of Mercantile Bank is a vast method where every parts of credit department is important but lending is the heart of credit procedure. Lending comprises a very large portion of bank's total activities. Sound lending practice therefore, is very important for profitability and success of a bank. Like other financial intermediary, commercial banks also intermediate between the savers and borrowers to mobilize the financial surplus of the savers and allocate these savings to the creditworthy borrowers of different sectors of the economy. In this way they not only help in financial development of a country but also facilitate its economic development. For the sake of sound lending, it is necessary to develop a sound policy and modern credit techniques to ensure that loans/ advances are safe and the money will come back within the time set for repayment. For this purpose, proper and prior analysis of credit proposal is required to assess the credit worthiness for avoiding risk. Risk is inherent and absolutely unavoidable in banking. While deciding a loan proposal bank should judge the degree of credit worthiness of individual

potential borrower, risk in a given situation. Ability in taking prior measures to minimize the risk is very much important.

MBL don't want to be the biggest-just the best. Looking forward to the coming year MERCANTILE BANK is certain that it can meet the challenges by leveraging its strength and banking expertise as well as its product breadth, technological capabilities and strong customer base.

PART-1

THE ORGANISATION

Introduction of MBL

Mercantile Bank Limited is a private commercial bank, which is operating its business last 10 years. The bank has achieved a tremendous success during this short span of time and established itself as a progressive and dynamic financial institution in the country. The bank is widely acclaimed by the business community, starting from small businessmen/entrepreneurs to the big traders/industrial group, including the top rated corporate clients who hold pragmatic outlook and financial solution. Mercantile Bank Ltd is always ready to maintain the highest quality services by upgrading Banking technology, well management system and applying high standard of business ethics through its established commitment and heritage and is representing itself with true concept as “Banglar Bank”.

Historical Background of MBL

Mercantile Bank Limited was incorporated in Bangladesh as a public limited company under the Bank Company Act, 1991, on May 20, 1999. After obtaining license from Bangladesh Bank to carry on banking business, the bank commenced its operation on June 2, 1999 with an authorized capital of tk800 million divided into 8 million ordinary shares of TK 100 each. On 31 December 2001, its paid up capital was TK 596.5 million.

Mercantile Bank Limited went for public issue of shares on October 21, 2003. Mercantile Bank Limited has been incorporated on May 20th, 1999 in Dhaka, Bangladesh as a public limited company with the permission of the Bangladesh Bank; MBL commenced formal commercial banking operation from the June 02, 1999. The bank stood 86 branches all over the country up to 2013 and there have 118 (Q-cash) ATM Booth all over the country still 2013.

There are 30 sponsors involved in creating Mercantile Bank LTD; the sponsors of the bank have a long heritage of trade, commerce and industry. They are highly regarded for their

entrepreneurial competence. The sponsors happen to be members of different professional groups among whom are also renowned banking professionals having vast range of banking knowledge. There are also members who are associated with other financial institutions insurance companies, leasing companies etc.

The bank provides a broad range of financial services to its customers and corporate clients. The board of director consists of eminent personalities from the realm of commerce and industries of the country. “Abdul Jalil” was the first chairman of Mercantile Bank. He died on 6th March, 2013. After him recently join M. Amanullah as a new chairman of Mercantile Bank.

Services Provided By MBL

Product & Services:

The MBL launched several financial products and services since its inception. Among them are-

Deposit Scheme

- Monthly benefit plan
- Family maintenance deposit scheme
- Pension and family support deposit
- Quarterly benefit deposit scheme
- FDR account status
- Double benefit deposit scheme
- Special saving scheme
- Times benefit deposit scheme
- Treble benefit deposit scheme

Credit Schemes

- Consumer credit scheme
- Car loan
- Doctors and credit scheme
- Rural development scheme
- Lease financing
- Personal loan
- Small loan
- Woman entrepreneurs' development scheme
- SME financing scheme

Banking Service

- Online banking service
- Mercantile banking service
- SWIFT service
- Pay Order
- Demand draft issue
- Loan advances
- Hire purchase
- Car loan
- Retail banking

- NRB banking
- E-banking
- SME banking

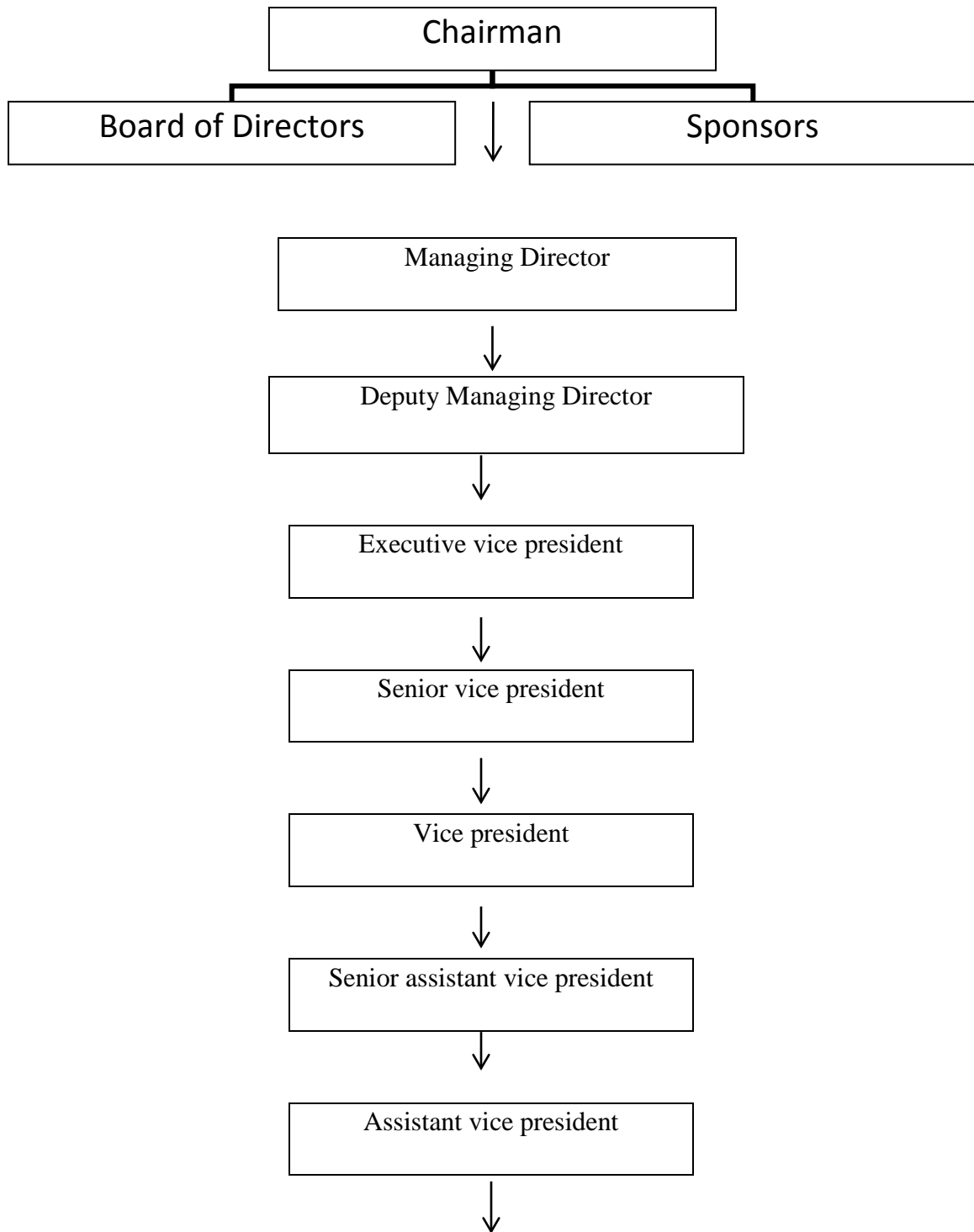
General Banking

- Cash
- Account
- Remittance
- Clearing house

Foreign Exchange

- Export
- Import
- Remittance

Operational network Organogram:



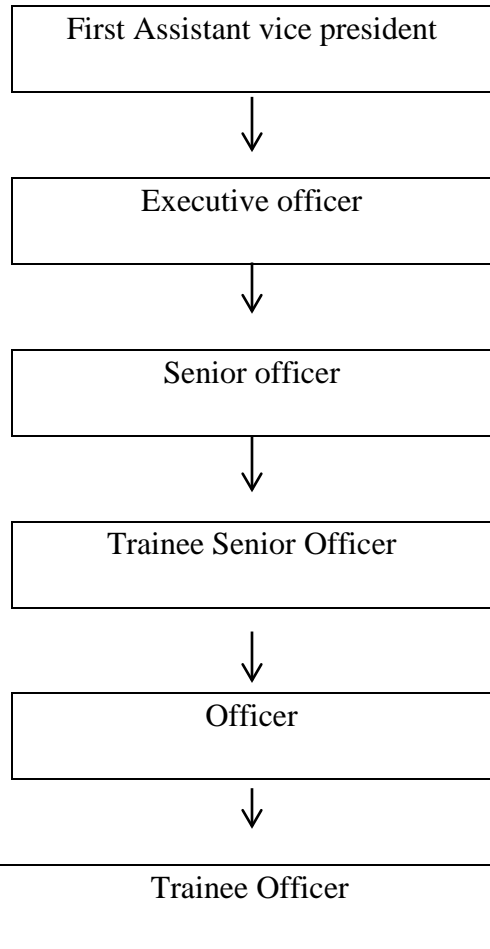


Figure: Organogram of Mercantile Bank Ltd.

Vision

The vision of MBL is “Would make finest corporate citizen”

PART-2

Job Description

Nature Of The Job

I have joined Mercantile bank as an intern and I was so much lucky as I got the chance to work at Mohakhali Branch, because this is the second largest branch of Mercantile Bank in Bangladesh. So I had the opportunity to work in all the three department of Mercantile bank. I have worked in the General banking department, Foreign Exchange and mostly in the Credit department. I

In the credit department I use to work specially with the clearing side like attend and receive the clients, voucher writing, voucher checking and the dispatch work. Main credit work is very confidential so I didn't involve much with that work.

In the General banking department I use to do voucher sorting which were receiving from the customers, IPO posting, attend the customers, call the customers to give information and help the customers with the form fill up when they want to take different banking service.

Finally I worked in the Foreign Exchange which is a big department with huge work. There I use to update all the registers of export and import. Here I got the clear concept of LC processing and related knowledge for that I will be always thankful to the employees of foreign exchange

These were the job I have experienced their which give me a clear knowledge about banking system.

Specific responsibilities of the job

AS I was an intern in the Mercantile bank, I didn't have any big responsibility there. I was there to learn and all the employees of the bank tried their best to train me. They taught me about the responsibility of an employee.

Though I didn't have any vital responsibility, but I had to maintain some core duty like – punctual, proactive, honest, reliable, disciplined and hard working.

Moreover I had the responsibility to do all the work carefully and correctly. Also I had to make sure that I am finishing my work in time so that they can think that I am useful.

Though they supervise my work, I had to responsible with the job with which I was assigned.

Different aspect of job performance

I have learned a lot of things from Mercantile Bank during my internship. They give me the chance to perform in the real work place and increase my self confidence. I like to share some different aspects of my performance.

- I have learned how to communicate with client, how to deal with customers, how to talk and how to keep continuing business relationship.
- I learned how to work with my colleagues in one office, how to cooperate with other officer, how to communicate with senior officers and how to do all the work in due time.
- Now I know the major collection activities of the bank.
- I know the different terms related collection and loan.
- My performances encourage me to overcome challenges and execute my skills properly.
- I gained more self confidence
- I learned how to gain customers confidence
- Knowing the corporate culture is a big fact for an employee because it is very much important for them. Ensuring proper responsibility is very much essential and in that case MBL is perfect. Everybody doing their job with proper responsibility and the

corporate environment of MBL is very much friendly. So it was a great experience for me.

- Most importantly as female intern I have faced a very sound, flexible and highly professional environment, which made me very comfortable to work there.

Critical observations and recommendations

- As started with zero knowledge, there were many challenges that I had to face in the time of doing the job, but since time passed I got opportunity to improve myself. However it's obvious for the fresher as there is no experience of handling the customer. There are some factors that I have observed in the organization during the time of my internship.
- This paper h focused o the most sencitive part of the organization. That's why the bank authority hesitated to disclose important files of information to maintain secrecy. So the authority should separate the information which cannot be disclosed.
- Although I am working with credit procedure but it wasn't directly related with my job, that's why I took much time to understand the whole process. The bank should provide an advisor with the internee to give necessary guidance.
- Understanding customer's psychology is not easy. There are different kinds of people who actually show a different attitude to the bank's call. So because of different characteristics of different customers, the services providing or handling to each customer should customize.
- It's really a nice environment to do work in the team but as an intern I was not given a separate desk with PC and that's why I had to share desk with a regular employee of the bank and it took more time. So the bank should give a separate desk for intern.
- Due to lunch hour when employees have their lunch some clients make problem because they don't want to wait. Bank should think about it

- Of course there is some management problem like maintenance of works regularly, checking if there any pending work or not; sometimes client has to wait for long time which discourage them and create negative impression to bank's reputation.

Part-3

The Project

“CREDIT PROCEDURE OF MERCANTILE BANK CASE STUDY OF MOHAKHALI BRANCH”

Summary:

In Banks and Financial Institutions, Credit Risk is considered as essential factors that need to be managed. Credit Risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with the agreed terms. Credit Risk, therefore, arises from the Bank's dealings with or lending to corporate, individuals and other Banks or Financial Institutions.

So Credit Risk Management of Mercantile Bank needs a robust credit policy and evaluation process that enables Banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders. A comprehensive IT System is essential which should have the ability to capture all key customer data, risk management and transaction information including Trade and foreign-exchange.

Description of the project:

Objective of the project

The report is prepared on the credit procedure of Mercantile bank LTD with thought of getting in depth of credit management process.

A. Broad Objective

- To analyze the credit Procedure of Mercantile Bank LTD.

B. Specific Objective

- -To analyze the conventional ideas about credit operation of the bank.
- -to have the knowledge about the credit policy of Mercantile bank
- -evaluate the credit risk management tools for better effectiveness.
- -to get the overall idea about the performance of Mercantile bank.
- -to acquire practical experience in different credit policy in Mercantile bank.
- -To find out the weakness and strengthens of the current policy.

Methodology:

Sources of data

Both primary and secondary sources of data were used towards the completion of this project. The main primary source of data is the interview with the top-level management of the bank who are in charge of the credit department.

Some lower level officers and stuffs of the department are also interviewed regarding some vital information.

But secondary data were more important and useful while doing this project. The secondary source of data is the documents and rules book of credit department of Mercantile bank.

Primary DATA

- -Direct conversation with the respective officers and clients
- -Personal observation
- -Practical desk work

Secondary Data

- -Credit rules of Mercantile Bank
- -Online data from MBL website: (www.mblbd.com)
- -Manuals of Mercantile Bank Limited
- -Annual report of MBL
- -Relevant file study as provided by the officers concerned.

Limitations

- -There are various information the bank officer didn't provide due to security and other corporate obligations.
- -As I am a newcomer, there is a lack of previous experience in this concern, and many practical matters have been written from my own observation that may vary from person to person.
- -It is not possible to concentrate only on the project part during the internship program because other duties and responsibilities should also have to be done.
- -It is impossible to properly complete this type of report because information is not processed through computer.
- -All the data are not available while doing this project. The bank like any other organization has some confidential information regarding their strategies and policies that are not disclosed to everyone.
- -Data collection in this field is not sufficient.

Introduction

In Mercantile bank ltd, formulating a credit judgment and making QUALITY Credit Decision. The lending officer must be equipped with all information needed to evaluate a borrower's character, management competence, capacity, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations.

With a view to achieving the aforesaid objectives of the bank, Credit operation is of paramount importance as the greatest share of the total revenue of the bank is generated from it. The success of a bank, therefore, depends on how efficiently and judiciously it makes use of its available resources. In other words, prudent and efficient management of its credit portfolio is very essential for the success of a bank.

The Credit Procedure of any banking institution is a combination of certain accepted, time tested standards and other dynamic factors dictated by the realities of changing situations in different market places.

The Credit Procedure has been divided into the following chapters:

- 01. Policy Guidelines.**
- 02. Organizational Structure and Responsibilities.**
- 03. Procedural Guidelines.**

Chapter1

POLICY GUIDELINES:

1.1 LENDING GUIDELINES:

The basic principles of lending are described in this section. It must be clearly understood at the outset that these principles are not inflexible and are given as guidelines for protecting the Loans and Advances.

The following are the general principle to be considered for lending funds to customers on a basis consistent with the global operational objectives and business strategies of the bank:

- a) The bank shall provide suitable credit services and products for the markets in which it operates.
- b) Loans and advances shall normally be financed from customers deposit and not out of temporary funds or borrowing from other Banks.
- c) Credit facility will be allowed in a manner which will in no way compromise with Banks standards of excellence.
- d) All Credit extension must comply with the requirements of Bank's Memorandum and Articles of Association, Banking Companies Act 1991 as amended from time to time / Bangladesh Bank's instructions and other applicable rules and regulations.
- e) A prudent banker should always adhere to the following principles of lending funds to his customer: e.g. (1) Background, character and capability of the borrowers, (2) Purpose of the facility, (3) Term of facility, (4) Safety, (5) Security, (6) Profitability, (7) Source of repayment, (8) Diversity

It should be remembered that selection of the appropriate borrowers, proper follow-up and end-use supervision through constant follow-up and monitoring are the cornerstone for timely recovery. These guidelines will be updated annually.

Before selecting a customer / client and subsequent recommendation for financing, the Credit Officer / Relationship Manager must observe the following basics of lending:

1.1.1 Industry and Business Segment Focus:

As a general practice Mercantile Bank Limited will definitely concentrate its business in Trade Finance / Export – Import business and all types of Commercial Loan, Industrial / Project Finance / Syndication and structured Finance / SME Financing and other specialized programs except otherwise restricted by the Government or indicated as unethical and banned items.

In view of this, Bank has set up the following units in Head office Credit Division:

- Syndication and Structured Finance
- Project Finance
- Garments Sector
- SME
- Specialized Schemes such as Consumer Credit Scheme, Doctor's Credit Scheme, Woman Entrepreneurs Development Project, Personal Loan Scheme, Small Loan Scheme, Lease Finance Scheme, Earnest Money Financing Scheme, Employees House Building Scheme, Car Loan, HBL (General) / Mortgage Loan, ATM, VISA Credit Card, EEF, etc.
-
- The Policies for the above specialized segments / sectors have been / to be circulated to all concerns from time to time.

1.1.2 Types of Credit Facilities:

The Bank's Policy is to introduce diversified / new types of Products / Product derivatives along with usual Banking Products. At present the Bank offers the following facilities:

1. Trade Finance:

- a) **Non-Funded:** L/C, Acceptance, Bank Guarantee, etc.
- b) **Funded:** LTR, PAD, IBP, FDBP, IDBP, Time Loan, Loan (General), etc.

2. Project Finance: (Large and Medium Industries / Small Industries including Agro-based Industries):

- a) **Non Funded:** L/C for import of Machinery, Acceptance, Bank Guarantee, etc.
- b) **Funded:** Time loan, Term loan for retirement of documents of imported machinery / Local machinery / other project fixed costs, Hire Purchase, Lease Finance, Loan (General), HBL (Commercial).

3. i) Working Capital (For Industrial Finance):

- a) **Non Funded:** L/C for import of Raw Materials, Acceptance, Bank Guarantee, etc.
- b) **Funded:** Overdraft Cash Credit (Hypo), Cash Credit (Pledge), PAD, LTR, Time Loan, IBP, etc.

3. ii) Working Capital (For Work Order):

- a) **Non Funded:** Letter of Credit, Bank Guarantee, etc.
- b) **Funded:** SOD (work order), SOD (General), etc.

4. Commercial Lending :

- a) **Non Funded:** L/C for import of goods, Acceptance, Bank Guarantee, etc.
- b) **Funded:** Cash Credit (Hypo), Cash Credit (Pledge), OD, PAD, LTR, Time Loan, IBP, etc.

5. Finance to NBFI:

- a) **Non Funded:** L/C for import of machinery's / equipment for their clients, Bank Guarantee, etc.
- b) **Funded:** OD, Time Loan, Term Loan (Credit line), Call Loan, Zero Coupon Bond Purchase.

6. Specialized Scheme:

Consumer Credit Scheme, SME Financing Scheme, Doctor's Credit Scheme, Woman Entrepreneurs Development Project, Personal Loan Scheme, Small Loan Scheme, Lease Finance Scheme, Earnest Money Financing Scheme, Employees House Building Scheme, Car Loan, HBL (General) / Mortgage Loan, ATM, VISA Credit Card, EEF, etc.

7. Export Oriented Business:

- a) **Non Funded:** Back to Back L/C, Acceptance, Bank Guarantee, Letter of Credit, etc.
- b) **Funded:** Packing Credit, Overdraft, Hire purchase, Lease Finance, FDBP, and IDBP etc.

1.1.3 Discouraged business types:

The Bank will discourage lending to following areas of business:

- Military Equipment/Weapons Finance
- Tobacco sector
- Companies listed on CIB black list or known defaulters
- Highly Leveraged Transactions.
- Finance of Speculative Investments
- Logging, Mineral Extraction/Mining or other activity that is Ethically or Environmentally Sensitive
- Counterparties in countries subject to UN sanctions.
- Share Lending (Not more than 60% of share value of last 6 (six) months market average or maximum 35 lac whichever is lower or as per guidelines of Bangladesh Bank)
- Taking an Equity Stake in Borrowers (except under Islamic Banking Operation)
- Bridge Loans relying on equity/debt issuance as a source of repayment.
- Lending to Holding Companies.

1.1.4 Pricing Policy:

Interest rates / pricing of Loans, charges, commissions, etc. on various lending categories will depend on the level of risk, period of loan and type of security offered. The higher the risk, the higher will be the interest rate. However, exceptions shall be made in case of lending in national priority sectors.

The Bank from time to time circulate the interest rate / pricing of loans / charges / commissions, etc. to its branches with the approval of competent authority and as per guidelines of Bangladesh Bank.

1.2 CREDIT ASSESSMENT AND RISK GRADING:

All financial activities involve a certain degree of risk and particularly, the financial institutions of the modern era are engaged in various complex financial activities requiring them to put proper attention to every detail.

1.2.1 Credit Assessment:

A thorough Credit and Risk assessment shall be conducted for all types of credit proposals. The results of this assessment to be presented in the approved Credit Appraisal Form that originates from the Credit Officer / Relationship Manager (RM) and is to be approved by the Credit Committee / Executive Committee of the Board of Directors / Board of Directors. The Credit Officers / RM are the owner of the customer relationship and must be held responsible to ensure the accuracy of the entire credit application / proposal submitted for approval.

1.2.2 Risk Management / Credit Risk Evaluation / Assessment – Lending Decision:

A comprehensive and accurate appraisal of the risk in every credit proposal of the Bank is mandatory. No proposal can be put on place before approving authority unless there has been a complete analysis.

Emphasis shall be given on the following several credit principles:

- a) Present and future business potentiality for optimum deployment of Bank's fund to increase return on assets
- b) Preference for self liquidating QUALITY business
- c) Avoiding marginal performers.
- d) Risk depression is basic to sound credit principles and policies. Bank shall be careful about large and undue concentration of credit to industry, one obligor and common product line etc.
- e) Managing the amount, size, nature and soundness of one-obligor exposures relative to the size of the borrower and Bank's position among his other lenders.
- f) Personal guarantee of the principal partners or the Directors of the Company shall be obtained

1.2.3 Basics of Credit Risk:

The following risk areas shall be considered for analyzing a credit proposal.

- **Borrower Analysis (Management/Ownership/Corporate Structure Risk):**

The majority shareholders, management teams and group or affiliate companies shall be assessed. Any issues regarding lack of management depth, complicated ownership structures or inter-group transactions shall be addressed, and risks to be mitigated.

- **Industry Analysis (Business and Industry Risk):**

The key risk factors of the borrower's industry shall be assessed. Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces (demand supply gap) shall be addressed and the strengths and weaknesses (SWOT Analysis) of the borrower relative to its competition to be identified. For the above purpose the Credit Officers/RM may obtain / collect data from the statistical year book / economic trends of Bangladesh Bank / public report / newspaper/ journals etc.

● **Financial Analysis (Historical / Projected):**

An analysis of a minimum of 3 years historical financial statements of the borrower should be presented. Where reliance is placed on a corporate guarantor, guarantor's Financial statement should also be analyzed. The analysis should address the duality and sustainability of earnings, cash flow and the strength of the borrower's balance sheet. Specifically, cash flow, leverage and profitability must be analyzed. In this regard the Credit Officer / RM must look into the status of chartered accountant audit firm.

● **Interest Rate Risk :**

The interest rate must be fixed based on different risk factors associated with the type of business such as liquidity risk, commodity risk, equity risk, and loan period risk. Interest rate also arises from the movements of interest rate in the market. In assessing the pricing and profitability, the Credit Officer/RM must consider the income from ancillary business like foreign exchange business, group business, volume of business etc.

● **Foreign Exchange Risk :**

The foreign exchange transaction is associated with foreign currency fluctuation risk. Therefore the Credit Officer/RM must take care of the Foreign exchange risk.

1.2.4 Risk Grading :

Risk grading is a key measurement of a Bank's asset quality and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities should be immediately changed. Borrower Risk Grades should be clearly stated on Credit Applications.

Presently the Bank is following/conducting the Lending Risk Analysis to assess the risk grade. A standard Risk Grading Matrix is depicted as under based on the Risk Grade Scorecard.

Risk Rating	Grade	Risk Rating	Grade
Superior –Low Risk	1	Special Mention	5
Good – Satisfactory Risk	2	Substandard	6
Acceptable –Fair Risk	3	Doubtful (non- performing)	7
Marginal –Watch List	4	Bad and Loss (non- performing)	8

1.3 APPROVAL AUTHORITY:

- i) Mercantile Bank Ltd. believes in decentralization of powers. With a view to ensuring prompt and efficient services to its multitude of clients spread far and wide, the Bank envisages delegation of optimum powers to its Executives and Officials at different levels of operations. But, while delegating powers, the Board is also aware of the following principles and factors:
 - (a) The Board can delegate the authority, not its responsibility.
 - (b) The evil of dual sub-ordination may creep in the chain of command if authority is not well defined and properly implemented.
 - (c) Exercise of the delegated authority must commensurate with the shouldering of the responsibility.
- ii) The credit approval function has been separated from the marketing/relationship management function.
- iii) All credit risks must be authorized by executives within the authority limit delegated to them by the Managing Director & CEO/ Executive Committee of Directors / Board of Directors.

iv) Any credit proposal that does not comply with Lending Guidelines, regardless of amount, has to be referred to Head Office for Approval.

Managing Director & CEO/Head of Credit Risk Management / Board as per the delegated power shall approve and monitor any cross border exposure risk / exceptional case.

CHAPTER-2

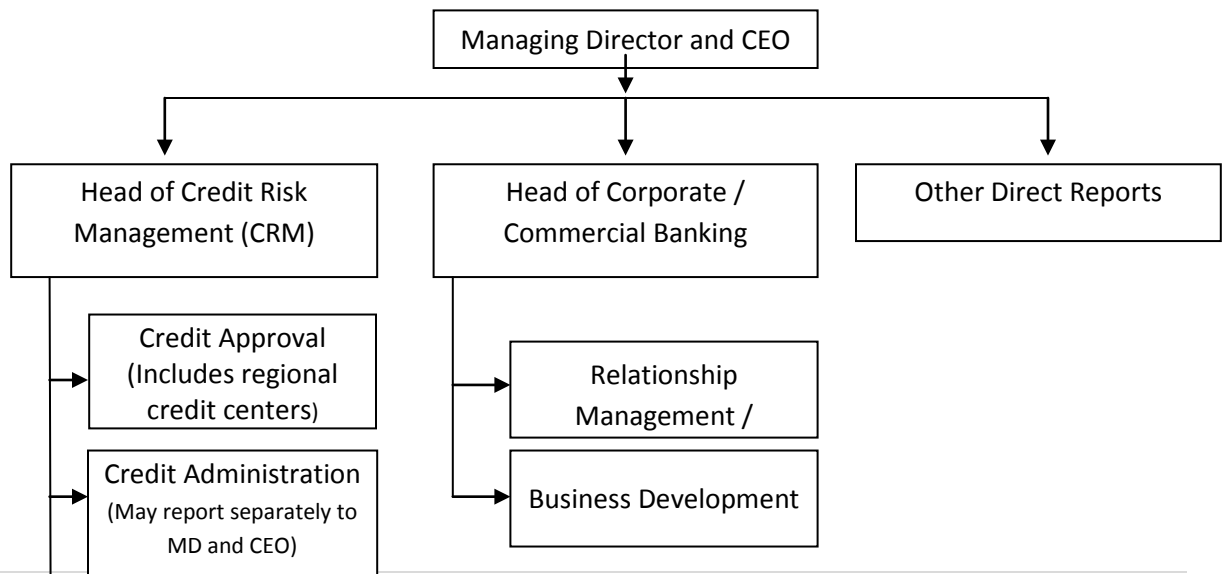
2. ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES:

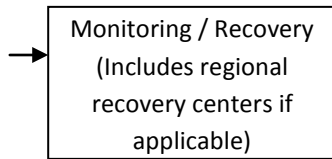
The appropriate organizational structure must be in place to support the adoption of policies. The key feature is the segregation of the Marketing or Relationship Management function from Approval / Risk Management / Administrative Functions.

Credit application shall be approved by the Managing Director and CEO / Additional Managing Director / Deputy Managing Director / Head of Credit at Head Office / Head of Branches as per their delegation of business powers approved by the Board of Directors and beyond their authority. The proposals are to be placed before the Executive Committee of the Board of Directors for approval.

2.1 ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES

The following chart represents the management structure:





2.2 Key Responsibilities:

The key responsibilities of the above functions are as follows.

A) Head of Corporate / Commercial Banking :

The responsibility of the Head of Corporate / Commercial Banking includes planning, developing and managing the Bank's corporate, commercial and institutional business. He ensures high profitability and sustained growth in line with the Bank's strategic plan, credit policies and business objectives in order to provide overall coordination of marketing efforts for the Bank's non-personal business including the formulation of strategy, establishment of performance tracking systems and joint campaign with other Divisions of the Bank. He will serve on the Bank's Asset and Liability Management Committee.

The other key responsibilities of the Head of Corporate / Commercial Banking are as follows:

1. Oversee the marketing and business development activities of the bank's non-personal business.
2. Maximize Bank's profitability through promotion of all loan products and appropriate loan pricing.
3. Ensure that credit quality is maintained and reviewed at all times.
4. Ensure a prudent level of portfolio diversification.
5. Ensure compliance with Bank Credit Policies and Central Bank regulations.
6. Contribute to the development of relationship management skills of staff in Corporate Banking.
7. Provide input/advice to the MD and CEO/Board of Directors regarding the formulation of strategic operating plans.

8. Maintain an in depth knowledge of the local market.

B) Relationship Manager :

The responsibility of Relationship Managers (RMs) is to serve as the primary relationship contact person with the Bank's corporate and commercial customers, to maximize relationship profitably through cross selling and to minimize credit losses through risk assessment and timely identification of deteriorating Credit Risk of Customers.

The other key responsibilities of the RMs are as follows:

1. Maintain thorough knowledge of borrower's business and industry through regular contact, factory/warehouse inspections, etc. RMs should proactively monitor the financial performance and account conduct of borrowers.
2. Timely and accurate submission of Credit Applications for new proposals and annual reviews, taking into account the credit assessment requirements outlined in clause 1.2.1 of Chapter-I of the Bank's Credit Policy.
3. Highlight any deterioration in borrower's financial standing and amend the borrower's Risk Grade in a timely manner. Changes in Risk Grades should be advised to and be approved by concerned approval authority.
4. Seek assistance/advice at the earliest from CRM regarding the structuring of facilities, potential deterioration in accounts or for any credit related issues.
5. Provide good customer service while ensuring that the Bank's interest is protected
6. Grow the customer base through marketing and business development efforts, including cross selling to existing customer base
7. Ensure that credit quality is maintained and customer reviews are completed in timely manner.

8. Follow up with customers to ensure the timely receipt of financial statements, loan payments and all documentary requirements of the Bank.
9. Ensure compliance with internal policies and procedures and external regulatory requirements and that all internal and external audit recommendations are implemented.

C) Head of Credit Risk Management :

The Key responsibilities of the Head of Credit Risk Management are as follows:

1. Oversight of the Bank's credit policies, procedures and controls relating to all credit risks arising from corporate/commercial/institutional banking and treasury operations.
2. Oversight of the Bank's asset quality.
3. Directly manage all Special Mentioned, Substandard, Doubtful and Bad & Loss accounts to maximize recovery and ensure that appropriate and timely loan loss provisions have been made.
4. Approve or decline, within the delegated business authority, the Credit Applications recommended by RM. Where aggregate borrower exposure will be in excess of the delegated authority, he will provide recommendation to Managing Director & CEO for approval.
5. Provide advice/assistance regarding all Credit matters to line management / RMs
6. Ensure that the lending executives have adequate experience and / or training in order to carry out job duties effectively.

D) Head of Credit :

The responsibility of the Head of Credit is to ensure sound asset quality and create a conservative credit culture through lending activities / credit approval process is responsive to customer needs and credit losses are minimized. He will serve on the Bank's Asset and Liability Management Committee.

The other key responsibilities of the Head of Credit are as follows:

1. Promote strong asset quality.
2. Updating the Bank's lending guidelines/credit policies as and when required but at least annually.
3. Ensure credit recommendations/approvals are taken in a timely manner.
4. Ensure a prudent level of portfolio diversification.
5. Maximize recovery of problem loans and minimize credit losses.
6. Ensure compliance with internal policies and procedures and external regulatory requirements.
7. Contribute to the development of credit risk management skills of staff in Credit Administration and Corporate Banking departments.
8. Provide input/advice to the MD & CEO/Board of Directors regarding the formulation of strategic operating plans.

E) Head of Credit Administration Division (CAD) :

The responsibility of the Head of Credit Administration Division (CAD) includes planning, organizing, directing, controlling and reviewing the operational and administrative functions of Credit Administration Division to ensure efficient and effective support to the concerned Divisions in line with regulatory and Bank requirements while exercising appropriate control and independent judgment.

The other key responsibilities of the Credit Administration Division are as follows:

1. Ensure loan documentation and securities are duly completed and in place prior to disbursement of loans.
2. Ensure that CIB report reflects/includes the name of all the lenders with facility, limit and outstanding.

3. Ensure compliance with all formalities regarding large loans and loans to Directors as per Directives of Bangladesh Bank Circulars & rules and regulations of Banking Companies Act.
4. Ensure that adequate insurance is in place on all pledged assets, all approval conditions have been met and exceptions, if any, are approved prior to disbursement of loans.
5. Maintain control over all security documentation.
6. Monitor borrower's compliance with covenant, agreed terms & conditions and also monitor account performance.
7. Produce required statements related to credit division including statement of newly approved facilities, renewed facilities, declined proposals and submit a report before the Managing Director and CEO / EC / Board for their review and guidance.
- 8.

F) Head of Monitoring, Recovery and Compliance Division:

The key responsibilities of the Head of Monitoring, Recovery and Compliance Division are as follows:

1. Directly manage all Special Mentioned, Substandard, Doubtful and Bad and Loss accounts in order to standardize/regularize/maximize recovery and ensure that appropriate and timely loan loss provisions have been made.
2. Provide early signals/warning to the Branches/Marketing Division/Account Relationship Managers/Officers.
3. Determine Account Action Plan/Recovery Strategy.
4. Pursue all options to maximize recovery.
5. Deal with all legal matters.
6. Process branch proposals regarding rescheduling of classified accounts.
7. Collect CIB report from Bangladesh Bank and be responsible for sending CIB, CL returns to Bangladesh Bank on time.

8. Ensure all required Bangladesh Bank returns and statements to other regulatory authorities are submitted with accurate statistics in the correct format in a timely manner.
9. Ensure that Bangladesh Bank circulars/regulations are maintained centrally and advised to all relevant divisions to ensure compliance.
10. Enlist surveyors, lawyers, insurers with approval of the Bank Management and to monitor and review their performance periodically.

CHAPTER-3

PROCEDURAL GUIDELINES:

This chapter outlines the main procedures that are needed to ensure compliance with the policies contained in chapter 1 of these guidelines.

3.1 Approval Process:

In approval process the Bank segregates its Relationship Management / Marketing from the Approving Authority. The existing approval authorities are Head of Branch, Zonal Head, Head Office Credit Committee, Executive Committee of the Board of Directors and Board of Directors as per their delegation of business powers defined in later section. The recommending or approving executives shall take responsibility for and be held accountable for their recommendations or approval. Delegation of approval limits shall be as per policy guidelines that all proposals where facilities are up to 15% of the bank's capital shall be approved at the CRM level, facilities up to 25% of the capital shall be approved by Managing Director & CEO subject to the limit approved by the Board of Directors.

Flow Chart of approval process

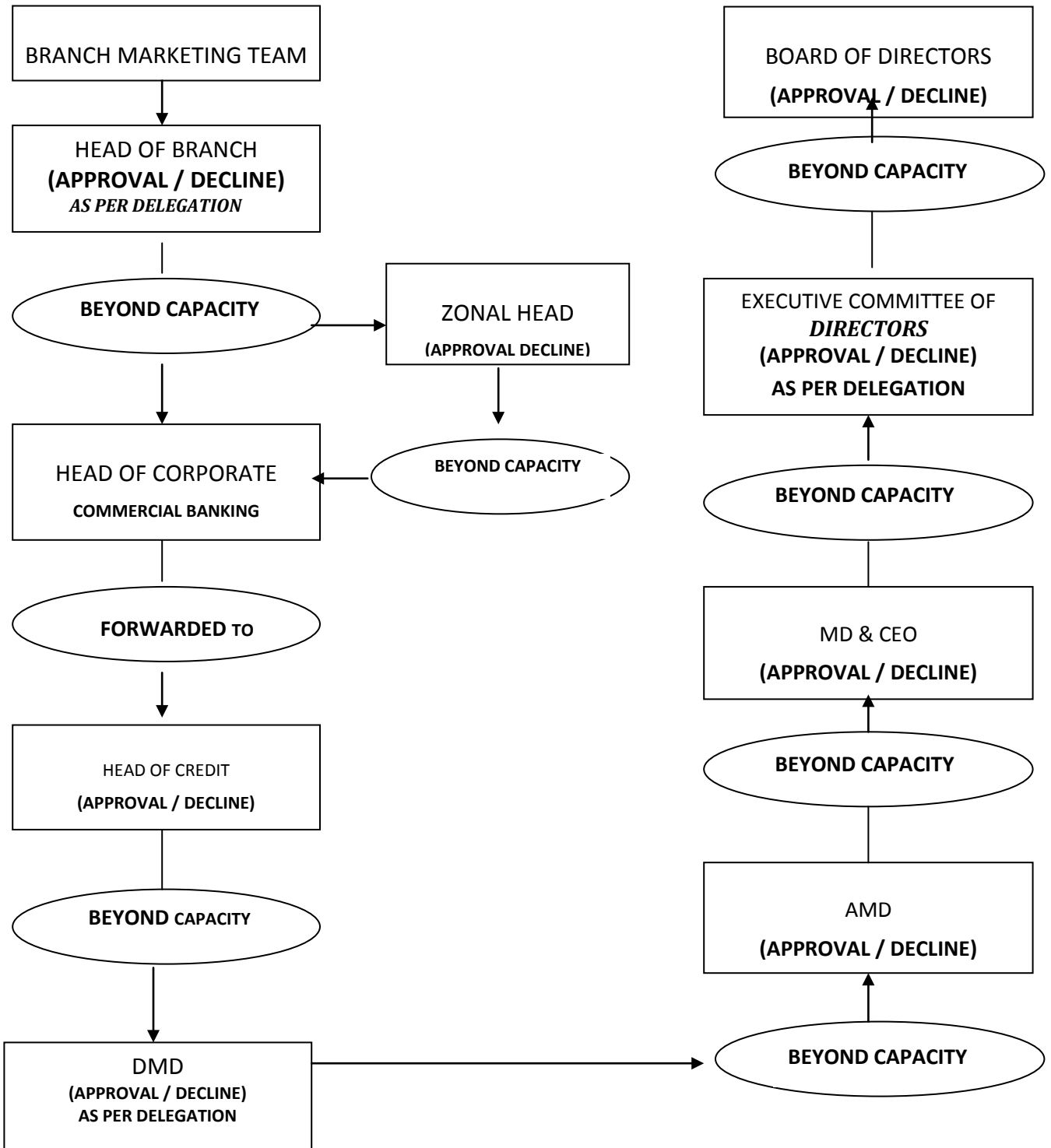


Figure: Approval process

3.2 Appeal Process:

Any declined credit proposal may be represented to the next higher authority for reassessment / approval. However, there shall be no appeal process beyond the Managing Director & CEO.

3.3 Delegation of Power:

Delegation of approval of Credit facilities shall be as per policy guidelines that all proposals where credit facility/facilities are upto 15% of the Bank's Capital shall be approved by CRM level, facilities upto 25% of the Capital shall be approved by the Managing Director and CEO subject to the limit approved by the Board of Directors. Credit facilities in excess of 25% of the Bank's Capital shall be approved by the Executive Committee of the Board of Director or Board of Directors on recommendation of CRM, Corporate Banking and Managing Director & CEO.

While exercising the business delegation powers, the following general guidelines shall be followed meticulously:

1. The Managing Director can exercise all the powers vested in other Executives/Officers of the Bank.
2. Other than the Managing Director, the Delegation of Powers shall be exercised by the Additional Managing Director / Deputy Managing Director / Executives/Officers only to whom such schedule of powers is issued by a separate letter by or under the order of the Managing Director as approved by the Board/Committee. In such cases, the Executive or Officer may also exercise Delegation of Powers vested in other Executives/Officers lower in rank/grade and working in his Deptt./Branch. VPs, FVPs, AVPs and officers shall be authorized to exercise delegated powers only when posted as In-charge of Branches.
3. Unless personally authorized by a separate letter, mere mention of delegation in the schedule of business power at Annexure-A(revised-October 2005) and Annexure-B

(revised-October 2005) shall not entitle an official falling under the category to exercise the powers.

4. The Managing Director may suspend exercise of delegated Powers of any Executive/Officer or any category of Executive/Officer through specific or general order with the prior approval of the Board/Committee. In case of emergency, he may also suspend exercise of delegated Powers of any Executive/Officer or any category of Executive/Officer subject to obtaining post-facto approval from the Board within one month from the date of such suspension.
5. Delegated Powers may be reduced, suspended or withdrawn at the discretion of the Board of Directors /Committee.
6. These rules containing schedule of powers shall be treated as strictly confidential and shall always be in the custody of the Executive/Officer to whom it has been issued.
7. The sanctioning authority shall exercise their prudence and judgments in using these powers.
- 8.

3.4 CREDIT ADMINISTRATION & DISBURSEMENT AUTHORITY:

The Disbursement Authority has been separated from Approval authority. The Disbursement Authority is vested upon the Credit Administration Division (CAD). The flow chart for disbursement process is given below:

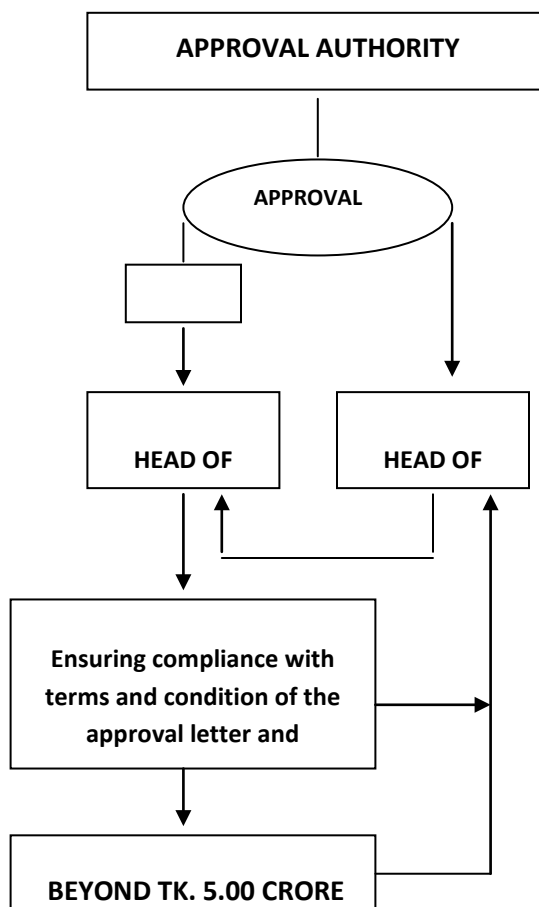


Figure: Flow chart of disbursement process

The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. The functions of Credit Administration are strictly segregated from Relationship Management/Marketing in order to avoid the possibility of controls being compromised or issues not being highlighted at the appropriate level.

3.5 SPECIFIC GUIDELINES:

Annual Credit Program and Refinancing/Rediscounting Policy of Bangladesh Bank are comprehensive and restrictive. While adhering to such a policy in general, the following guidelines must be observed:

Unsecured loans and advances to individuals:

As a matter of policy, these loans and advances are discouraged and are subject to following restrictions, if the collateral offered consists of assets that are not readily marketable. These loan requests must:

- ✧ Be supported by financial statements showing all direct and contingent liabilities
- ✧ Clearly identify the purpose of the loan / advance and sources(s) of repayment
- ✧ The overdrafts must be in the form of approved lines. Overdrafts may not be created to meet other obligations of borrower e.g. payment of interest or repayment of a past due loan. Every effort must be made to ensure recovery within the agreed tenor.
- ✧ **Receivable financing:** Outstanding must be adequately covered by eligible receivables; Maximum life of eligible receivables must not exceed 12 months.
- ✧ **Trade finance of supplier's credit:** The basic rule is that the tenor of the facility should not exceed the expected economic life of the items imported.

Facilities subject to guarantees (Personal or Corporate):

It should be made clear to the guarantors that the Bank will call upon them to meet their obligation in the event of the borrower's default. Guarantors must be informed of all changes in their terms and conditions of the facility and where these involve weakening of the credit e.g. release of collateral, the extension of maturities or an increase in the pricing of the facility, the guarantor's agreement should be obtained in writing. In the event of default,

the guarantor should be advised immediately in writing to meet his obligations under the guarantee. In case of his failure, appropriate action should be initiated.

3.6 CREDIT MONITORING:

To minimize credit losses, monitoring procedures and systems should be in place, which will provide an early indication of the deteriorating financial health of a borrower. The credit monitoring process in Bank is vested on Monitoring, Recovery and Compliance Division. Head of Monitoring, Recovery and Compliance Division will report the exceptional list of assets on daily basis on the following categories:

- ✧ Past due (which are not paid or renewed at maturity – Grade 5) principal or interest payments, past due trade bills, account excesses and breach of loan covenants;
- ✧ 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 CRM and the RM team for timely follow-up.
- ✧ Timely corrective action is to be taken to address findings of any internal, external or regulatory inspection/audit.
- ✧ All borrower relationships/loan facilities are reviewed and approved through the submission of a Credit Application at least annually.

Monitoring, Recovery and Compliance Division will keep regularly follow up and corrective action to be taken in a timely manner before the account deteriorates further.

3.6.1 Early Alert Process:

An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision or close attention by the management.

If these weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date with a likely

prospect of being downgraded to 5 Category or worse (Impaired status), within the next twelve months.

Despite a prudent credit approval process, loans may still become troubled. Therefore, the Credit Officers/RMs must ensure the early identification and prompt reporting of deteriorating credit signs for swift action to protect the Bank's interest.

Moreover, regular contact with customers is to be maintained to enhance the likelihood of developing strategies mutually acceptable to both the customer and the Bank. Representation from the Bank in such discussions shall include the local legal adviser when appropriate.

3.6.2 Classification of Loans:

- ✧ A classified Loan or Commitment is one, which is classified as Substandard, Doubtful or Loss as per policy of Loan classification set by Bangladesh Bank.
- ✧ Position of Classified Loans and Advances and other assets shall be placed before the Board of Directors of the Bank and quarterly submitted to Bangladesh Bank.
- ✧ The classification status must be reflected in the CIB reports on regular basis (monthly for Tk. 1.00 crore and above and quarterly for all the facilities outstanding of Tk. 50,000.00 to below Tk. 1.00 crore. Besides, statement for Tk. 10,000.00 to below Tk. 25,000.00 and Tk. 25,000.00 to below Tk. 50,000.00 has also to be reported.

3.7 RENEWAL AND STATUS VERIFICATION:

On expiry of a facility, the borrower may come forward with a proposal either for renewal of the facility for a further period or for enhancement of the existing facilities or for both. He may also agree to offer additional stocks/securities or even furnish a guarantor. The Head of Branch (Branch Manager) should examine all such proposals and if he is satisfied, the proposals should be sent to Sanctioning Authority at Zonal Office or Head Office as, as the case may be, if beyond his business delegation power, duly supported by full blown credit

analysis including report of verification of Stocks/status of Collateral Securities etc. as is done in case of fresh proposals. The Head Office in turn will process the renewal/enhancement proposal after verifying the following factors:

- ✧ Justification for renewal / enhancement.
- ✧ Reasons for non-payment / adjustment of the loan in time.
- ✧ Security aspect in terms of outstanding loan.
- ✧ Credit worthiness of the client.

3.8 LEGAL ACTION:

Legal proceeding are lengthy and time consuming as well as having an element of negative publicity and as such effort must be made to settle a defaulter's outstanding out of court. However, if situation compels the Bank to take legal action for recovery of stuck up loans and advances. The same shall be done with prior approval of Head Office. In order to accelerate the process, the Government has already enacted the Artha Rin Adalat (Amendment) Act 2003. Therefore the Head of Branch and Monitoring, Recovery and Compliance Division in Head Office must ensure that Legal Actions are taken properly and in time. All legal process shall be conducted by the Bank's Legal Retainer, if necessary in consultation with Bank's Legal Adviser.

3.9 PROJECT FINANCE:

A separate unit for Project Finance has been established in the Head Office Credit Division. The functions of the unit are to appraise / analyze the Feasibility of the project, conduct due diligence, address the risk factors and to be placed before the Head Office Credit Committee / Executive Committee / Board of Directors based on the lending authority.

3.10 SME LENDING:

The Bank intends to encourage the small and medium entrepreneurs and hence structured its SME financing activities. The Bank has set the definition of small enterprise in line with

Bangladesh Bank guidelines. A special credit scheme under the name and style “Small and Medium Enterprise (SME) Scheme” has been introduced to extend credit facilities to the small and medium entrepreneurs of the country.

3.11 EXPORT FINANCE:

The Bank extended different types of credit facilities to the Export oriented Industries and Exporter from the very inception of the Bank. Recently the Bank has reviewed the position and revised its policy to increase the volume of export business by extending finance to well reputed export oriented industries or corporate clients having a track record. This will bring the Bank a substantial profit as well as foreign currency to meet the obligation against import.

3.12 FINANCE IN GARMENTS SECTOR:

The Bank’s policy is to increase the volume of Export business substantially. In view of this the Bank has established a separate unit under Head Office Credit Division for handling the Garments Business. In order to take necessary precautions during opening of Back to Back L/C for the import of fabrics and accessories, the Bank has strengthen its monitoring / supervisory functions for protecting the Bank’s interest.

3.13 SPECIALIZED LOAN

In order to cope with the changes in the economy and society, the Bank’s policy is to develop and introduce new products for different customers group.

3.13.1 Small Loan Scheme:

With a view to provide financial assistance to the shopkeepers of different shopping center / market situated at various cities of the country, the Bank has launched an especial programmer under Small Loan Scheme. The salient feature and terms and conditions has been circulated to all concerns vide Instruction Circular # 09/99 dated September 30, 1999.

3.13.2 Earnest Money Financing Scheme:

With a view to encourage the Contractor financing against Works, an Earnest Money Financing Scheme has been introduced. The modus operandi and terms and conditions under the Scheme has been circulated to all concerns vide Instruction circular # 50 dated August 26, 2000.

3.13.2 Doctors Credit Scheme:

In order to provide modern Medicare facility to the mass people of the country, a Scheme namely “Doctors Credit Scheme” has been introduced for newly passed MBBS Doctors, Specialist Doctors and Owner(s) of Clinic / Hospital / Diagnostic Centre. The detailed guidelines under the scheme has been circulated to all concerns vide Instruction circular # 51 of August 2000.

3.13.4 Personal Loan Scheme:

With a view to cater the Credit needs of Government / Semi Government Officials / Employees of Autonomous Bodies / Banks and financial Institutions / Multinational Companies / reputed private organization and Teachers of Public / private School / Colleges / Universities, a personal loan Scheme has been introduced. The detailed guidelines and terms and conditions has been circulated vide Instruction circular # 240 dated July 7, 2004.

3.13.5 Consumer Credit Scheme:

In order to provide financial assistance for purchasing household consumable items, the Bank has launched an especial credit program under Consumer Credit Scheme to upgrade the living standard of the people who happens to be the main driving force of the economy.

A brief outline on the terms and conditions of the CCS has been circulated to all concerns vide Instruction circular # 05/99 dated September 09, 1999.

3.13.6 Woman Entrepreneurship Development Project:

With a view to encourage women to take active role in Socio-economic activities, an especial project in the name of “Women Entrepreneurship Development Project” has been introduced for extending credit facility for establishment / Expansion of Small Cottage Industry and also as working capital to the project. The detail guidelines, terms and conditions and modus operandi of the Project has been circulated vide Head Office, Credit Division Instruction Circular # 139/2002 dated September 23, 2002.

3.13.7 Lease Finance Scheme:

With a view to encourage the genuine and capable entrepreneurs for acquiring Capital machinery, medical equipment, Computers and various items, the bank has introduced Lease Finance Scheme. The detailed terms and conditions and modus of operandi of the lease finance has been circulated vide Instruction circular # 12/99 dated November 15, 1999.

3.14 SELECTION OF BORROWER:

Most crucial decision, this is the seed-point of good or bad consequences of a loan. In taking this decision the credit officer should be completely professional, free of emotion, prudent and judicious.

After proper scrutiny of the proposal as discussed earlier, we collect & accumulate all required information on the customer & proposal in the best possible ways. Then on critical analysis of the gathered information using various methods, tools and techniques we reach to a decision positive or negative.

In this selection process, basically, some significant aspect of the customer is critically diagnosed which are popularly expressed as Cs, are:

1. Character:

- i. Personal character of the customer and their reputation in the business community.

- ii. Family background
- iii. Association
- iv. Repayment behavior, etc.

2. Capacity:

- i. Educational background.
- ii. Business background.
- iii. Experience in the concerned trade.
- iv. Managerial capability, etc.

3. Capital :

- i. Capital already invested or to be invested.
- ii. Financial Strength.
- iii. Shock absorbing capacity.
- iv. Possibility of injecting additional capital, etc.

4. Condition:

- i. Business condition of the customer i.e. sales, existing & future demand of the goods in trade.
- ii. Size of business.
- iii. Expansion prospect of the business.
- iv. Condition of the competitors.
- v. Comparative advantage or disadvantage with the competitors, etc.

5. Collateral:

- i. Type & value of collateral security.
- ii. Quality & its marketability.
- iii. Adequacy of the collateral.
- iv. Possession & control on the collateral.
- v. Free of any dispute in the title of the collateral, etc.

Above all, the fundamental principle for selecting borrower is “the business and the man behind the business”.

3.15 LENDING RISK ANALYSIS:

Lending Risk Analysis (LRA) is one of the managerial and operational tools that used to assess the credit worthiness of the borrower. Lending Risk Analysis involves assessing the likelihood of repayment of loans to the Bank based on analysis of certain risk factors. Bangladesh Bank has already made mandatory for exercising Lending Risk Analysis for granting loans for Tk. 1.00 crore and above. The Credit officers of the Bank must conduct the LRA for granting the loans (Tk. 1.00 crore and above). The Summary of the major areas to be analyzed is shown in a Grid Chart as follows:

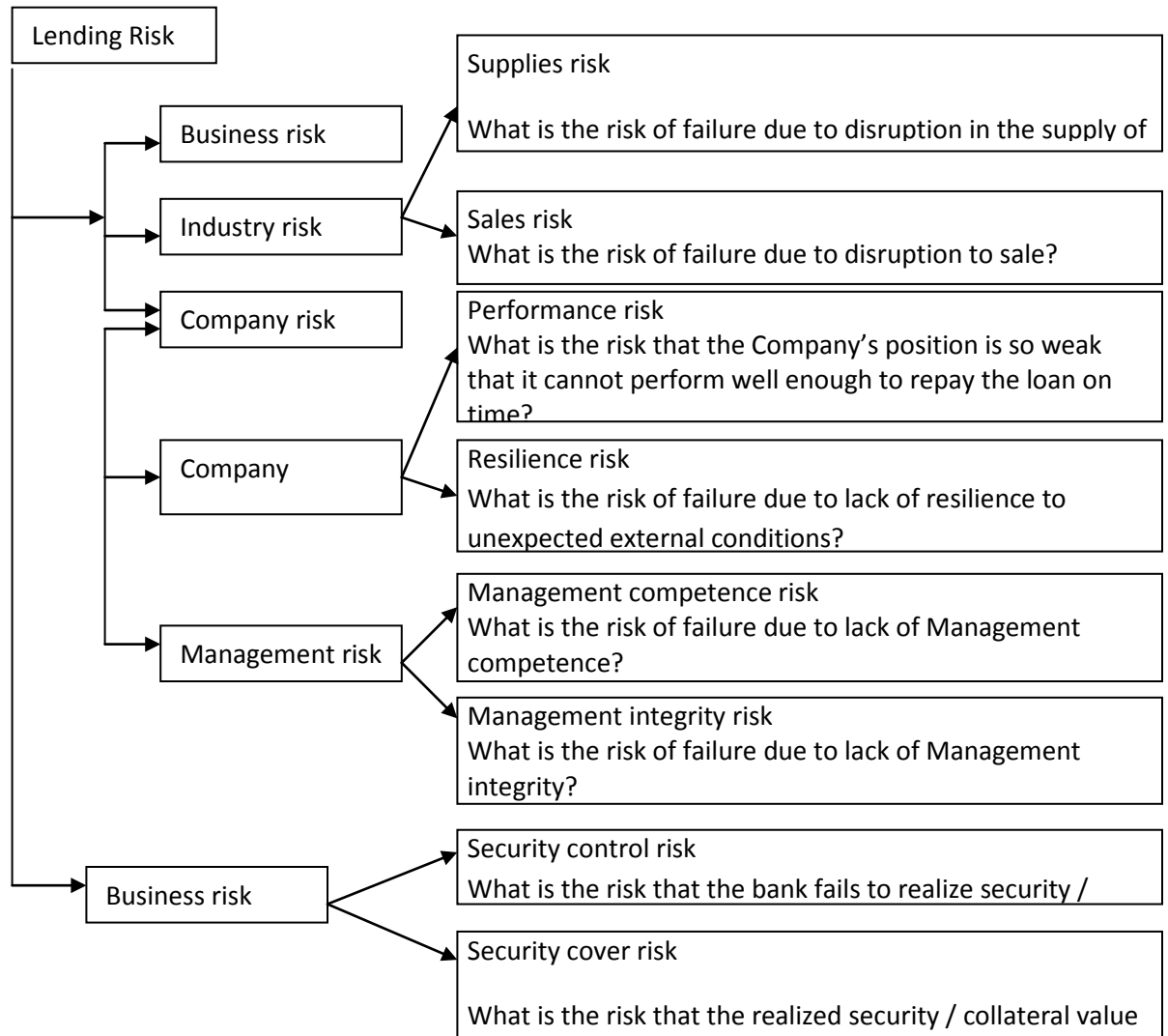


Figure: Grid chart

The LRA involves both sensitive and objective analysis. The credit scoring system i.e. Z – Score and Y-Score are to be obtained using the Spread Sheet analysis. Most of the Credit Officers of the Bank have taken special training on LRA.

3.16 PORTFOLIO MANAGEMENT & MATURITY – GAP ANALYSIS:

Portfolio management may be defined as the allocation of funds amongst investment alternatives to maximize the profit. In this regards the Bank’s policy is to diversify the business and allocate the funds in different sectors in consideration of the following:

- a) Minimum risk with maximum return.
- b) Prospects of the business.
- c) Country’s economical trend.
- d) Historical growth pattern and performance of the products and product life cycle stage.
- e) Government Policy to boost up the sectors like Agro-based Industry. IT Sectors etc.
- f) Maturity-Gap between the Deposits and Loans and Advances.

The Credit Division of the Bank will review the sector allocation on regular intervals (on monthly basis) and will place it to the EC / Board of Directors for information and guidance.

Analysis

SWOT analysis is the detailed study of an organization’s exposure and potential in perspective of its strength, weakness, opportunity and threat. This facilitates the organization to make their existing line of performance and also foresee the future to improve their performance in comparison to their competitors. As though this tool, an organization can also study its current position, it can also be considered as an important tool for making changes in the strategic management of the organization.

Strength	Weakness
MERCANTILE BANK Limited has already established a favorable reputation in the	The default risks of all term loans have to be minimized in order to sustain in the financial

banking industry of the country. It is one of the leading private sector commercial banks in Bangladesh. The bank has already shown a tremendous growth in the profits and deposits sector especially for its strong credit system.	market. Because of default risk the organization may become bankrupt. MERCANTILE BANK has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not eliminate.
MERCANTILE BANK Limited has already achieved a high growth rate accompanied by an impressive profit growth rate in 2001. The number of deposits and the loans and advances are also increasing rapidly.	The poor credit service quality has become a major problem for the bank. The quality of the service at MERCANTILE BANK is higher than the Dhaka Bank, MERCANTILE BANK or Dutch Bangla Bank etc. But the bank has to compete with the Multinational Bank located here.
Organized and regularly updated credit policy of Mercantile Bank makes it progressive as a result it makes huge profit.	The bank has weak credit manual.
Quality services through modern sophisticated automated system makes the bank renown.	Bad employee-management relation in some cases create problem in the working process.
Skilled and excellent management staff is its focal strength.	Lengthy process of loan activation is a problem of this bank

Opportunity	Threat
In order to reduce the credit risk, MERCANTILE BANK has to expand their	Dishonest employee in the credit department is the big threat for the bank

<p>portfolio. The management can consider options of starting merchant banking or diversify into leasing and insurance sector.</p>	
<p>The loan and advance section has to make strong and the bank can construct a long term strong investment policy.</p>	<p>Weak tackle system of credit risk can be a threat</p>
<p>Opportunity in retail banking lies in the fact that the country's increased population is gradually learning to adopt consumer finance. The bulk of our population is middle class. Different types of retail lending products have great appeal to this class. So a wide variety of retail lending products has a very large and easily pregnable market.</p>	<p>Competitors are offering more innovative facilities and condition of loans and advances regularly.</p>
<p>The bank has to give emphasis on the SME and should introduce more loan section.</p>	<p>Introduction of certain harder banking rules and regulation.</p>

Results and discussion

It's a big achievement for me to gathering knowledge through practical experience. Before internship, knowledge is kept on only book. So this internship opens the door to enter in the corporate world, where getting the real life knowledge.

In the Mercantile Bank Ltd Mohakhali branch I learned lot of things and also came to know some facts that they should take into action.-

- Mercantile bank provides loan after following their credit policy, but the problem is that the policy is very lengthy. They should approve loan quickly.
- They should make easy method for the credit policy and that will be very transparent to the customer as well as banker.
- I think their credit approval process should be well arranged.
- Their power has to be decentralized so that in case of emergency the available most senior officer can take necessary action.
- They should take decision quickly for approving loan.
- The process of credit evolution of the bank is as usual. So it should be modernized.
- Target time of approving loan have to be on fixed date so that the customer can depend on the bank.
- For the credit department the website should be updated. The necessary information should be removed and the proper information should be included.
- The intern students should give chance to work with the officers what they are doing and should attach a specific supervisor who will guide interns about the whole system of the organization. Otherwise interns may be miss guided or cannot understand the organization properly.

- The bank needs to make strict the management activity properly and also maintain it in a regular basis. Officers should be more informative and effective as well as efficient so that they can satisfy their clients.

Mainly the credit procedure of Mercantile Bank is composed of corporate, SME, and retail products under both conventional and sharia based terms. Credit activities of the bank are administrated by the credit committee at head office with delegation of responsibilities grouped into assessment of risk, lending decision and monitoring function.

So there is some proposed course of action. Such as-

- The bank should be as careful as possible about recording the customer's record.
- The bank should not finance to that people who are not actually capable of providing the loan installments in a very sound manner. The bankers must be aware about this unwanted happening.

Conclusion:

It goes without saying that credit policy cannot be isolated from the broader monetary policy of the country. Like any other segment of the economic policy, credit is very important for any financial institution as it generate profit and gear up economic activities of the country. In other words, credit is business and it is input in the production process of the country.

Credit procedure of a bank is a vital part and proper evaluation of credit policy is the main reason behind the profit and success of the bank. Since credit has an inherent risk, therefore proper utilization of the loans are essential to meet the requirements of the borrower.

In all business dealings, officers and employees must be guided by the principles of honesty, integrity and safe-guard the interest of the depositors and shareholders of the bank. They should strictly adhere to the Banking Laws, Rules and Regulations of the Govt. of Bangladesh, the instructions and guidelines issued by the Bangladesh Bank, Head Office from time to time which affect the business practices of the Bank. However, the key to safe, liquid, healthy and profitable

credit operations lies in the quality of judgment used by the Executive's and Officers making credit decisions and their knowledge of the borrower and the market place.

The loan applied for the borrower must not be employed for unproductive purpose. So in formulating a credit judgment and making QUALITY Credit Decision, the credit officer must be equipped with all information needed to evaluate a borrower's character, management competence, capacity, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations. In this regard, the mercantile Bank Ltd. must closely follow the proper procedure of the credit policy.

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