

# Internship report

On

## Corporate Governance Practices of Mercantile Bank Limited



# **Internship report**

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## **Corporate Governance Practices of Mercantile Bank Limited**

### **SUBMITTED TO**

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BRAC Business School

**BRAC University**

### **SUBMITTED BY**

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ID: 10204036

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**BRAC University**

**Submission Date: 23<sup>rd</sup> June, 2014**



## Declaration

I hereby declare that the Internship work entitled “Corporate Governance Practices of Mercantile Bank Limited” submitted to the BRAC University Bangladesh is a record of an original work done by me under the guidance of Sharmin Shabnam Rahman, Senior Lecturer, BRAC Business School, BRAC University Bangladesh. I further declare that this Internship work is submitted in the partial fulfillment of the requirements for the award of the degree of Bachelor of Business Administration. The results embodied in this Report have not been submitted to any other University or Institute for the award of any degree or diploma or such other titles.

-----  
Nazir Ahmed ZIhad

ID: 10204036

BRAC Business School

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## Letter of Transmittal

Date: 23 June, 2014

Sharmin Shabnam Rahman

Senior Lecturer,

BRAC Business School

BRAC University.

**Subject:** Submit the Internship report on “**Corporate Governance of Mercantile Bank Limited**”.

Dear Madam,

It is a great pleasure and privilege to present the internship report titled “**Corporate Governance Practices of Mercantile Bank Ltd.**” which was assigned to me as a partial requirement for the competition of BBA Program.

Throughout the study I tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirements. I however sincerely believe that this report will serve the purpose of my internship program.

I, therefore, pray and hope that you would kindly accept my report and oblige thereby. With thanks and best regards.

Sincerely yours,

.....

**Nazir Ahmed Zihad**

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## Acknowledgement

For the very first of all I would like to express my gratefulness and harmony to the GOD, the supreme authority of the Universe, without whom we would be nothing. Next I would like to express my kindness to my Beloved Parent whose continuous inspiration enrages me to make a right move in my life.

Then of all I would like to thank my supervisor **Sharmin Shabnam Rahman**, without whose help, suggestion and co-operation the total report will be valueless.

I would also like to express my heartiest gratitude to the Head of Branch & First Vice-President **Md. Mostafizur Rahman** of MBL, Mazar Road Branch, for giving me the opportunity to complete my internship program in his bank. I am also grateful to the Manager of Operation & Asst. Vice President Md. Mahmudul Bashar of this branch for his constant help and support during my working period at Mercantile Bank Ltd.

I would like to express my gratitude to the head of credit department **Nasrin Hossain**, FAVP, **Dinesh Chondro Mandal**, PO for their full support to know about corporate governance

I have got tremendous help from them. They always provided me the required materials and helped me to clarify the banking activities. This report will give me practical knowledge about the banking activities.

Finally, I would like to thank all officials of MBL, Mazar Road Branch for their co-operation, support and love. This is really a nice superior working environment. I do not ever forget this organization.

I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.

At last but not the least, the **BRAC University** for giving me an opportunity to complete my MBA degree and give me a scope to gather practical experience and enrich my knowledge.

**Nazir Ahmed Zihad**

ID: 10204036

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BRAC University.

## Executive Summary

As a part of Internship program for Business Graduate students, each of the students needs an organizational attachment. Being attached with Mercantile Bank Limited, this study has been undertaken to fulfill the internship purpose. During a specified period of internship, the students are required to prepare a report on the organization from where he has completed his internship.

Mercantile Bank Limited is a private commercial bank, which is operating its business last 15 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. Mainly secondary data have been used to gather information which is necessary to prepare this study.

Corporate Governance is based on several critical principles. They include an independent, active and engaged Board of Directors which has the skill to properly evaluate and oversee the business process, business and financial performance, internal control and compliance structure and direct management on strategic and policy issues. On the other hand, the Board has to ensure that the management headed by Chief Executive Officer (CEO) fully discharge their day to day administrative responsibilities prescribed by BB and the Board itself and necessarily refrain themselves from micro management of the management affairs. MBL, recognizes the importance of good corporate governance as a major factor in enhancing the efficiency of the organization. The Bank therefore seeks to encourage the conduct of its business to be in line with the principles of good corporate governance, which form a basis for sustainable growth.

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## 1.1 Prelude:

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This report has been prepared as a practical requirement of BBA Program after completing the academic courses a student has to complete a 3-month organizational attachment. So, after completion of 3-month organizational attachment at Mercantile Bank Limited (Mazar Road Branch), this report has been prepared.

This report on “**Corporate Governance Practices Mercantile Bank Limited**” was initiated as a part of Internship Program, which is a BBA degree requirement of the Business School of BRAC University Bangladesh. This report is being submitted To Sharmin Shabnam Rahaman, Senior Lecturer, Department of Business Administration, ASA University Bangladesh.

Since the BBA Program is an integrated, practical, theoretical method of learning, the student of this program are required to have practical exposure in any kind of business organization.

## 1.2 Intention of the Study:

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The intention to prepare this report is stated below:

- ❖ Briefly observe the banking environment of Bangladesh and look at Mercantile Bank Limited as an Organization at some length.
- ❖ To know about the overall banking activity.
- ❖ To know about the management style and organizational structure of Mercantile Bank Limited.
- ❖ To identify the problems and weakness of the banking systems of Mercantile Bank Limited.
- ❖ Market scenario of banking sector and the current position of Mercantile Bank Limited.
- ❖ To know the product and services of Mercantile Bank Limited.
- ❖ To identify the major strength of the bank’s customer service division.

## 1.3 Methodology:

---

Different data and information are required to meet the goal of this report. Those data and information were collected from various sources. Such as primary and secondary which is showed bellow:

Primary sources:

- Personal observation.
- Face to face conversation of officers & clients.
- In-depth study of selected cases.
- Interviewing officers & clients.
- Relevant file study provided by the officers concerned.
- Working at different desks of the bank.
- Daily note taken during the internship period.

Secondary sources:

- File study.
- Annual reports
- MBL website.
- Bangladesh Bank website.

## 1.4 Scope:

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The scope of the report is limited to the overall description of the bank, its services, its position in the industry and its competitive advantages. The scope is also defined by the organizational set-up, functions and performances. Here, Mercantile Bank Limited is compared with the different foreign and local banks as well.

## 1.5 Limitations:

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The limitations, in preparing this repost, are given below:

- ❖ I had no previous experience to direct a survey program that's why this report might not bring the same result what the authority expect.
- ❖ There was a limited scope for me to deal with the banking activities directly.
- ❖ Within the short period of time, it is not possible for me to study ever thing about the Mercantile Bank Limited.

## 2.1. Background of MBL:

---

Mercantile Bank Limited was established in June 2, 1999 as a private commercial bank and started its operation. The then Prime Minister Sheikh Hasina inaugurated the bank. The renowned 30 industrialists establish this bank with everybody's consent. Mr. Abdul Jalil elected as the chairman. Mercantile Bank Limited is a private commercial bank with Head Office at 61, Dilkusha C/A, Dhaka, Bangladesh started operation on 2<sup>nd</sup> June 1999. The Bank has 93 branches spread all over the country and introducing some branches. With assets of TK. 155143.746 million, the bank has diversified activities that cover all the areas of corporate/commercial, retail/personal, SME banking business and international trade.

Mercantile Bank is playing an important role while giving loan for the small and medium enterprises. In the terms of credit mercantile bank has introduced new schemes mostly for the business people in Bangladesh. Different categories of loan been provided to the businessman. Total loans and advances of the Bank stood at BDT 93,610.87 million as on December 31, 2012 its main investing projects are business, garments, micro credit, construction and others. Consumer Credit Scheme: Mercantile Bank has been providing loan to medium and low-income peoples. This policy has gained a great popularity among consumers.

MBL is working with the slogan of "*efficiency is our strength*" and their logo contains a dialogue "Banglar Bank"

## 2.2 Vision

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Would make finest corporate citizen

## 2.3. Mission

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Will become most caring, focused for equitable growth based on diversified deployment of resources and nevertheless would remain healthy and gainfully profitable bank

## 2.4. Objectives of MBL:

---



**Strategic Objectives:**

- To increase shareholder's value
- To achieve economic value addition
- To be market leader in product innovation
- To be one of the top three financial institutions in Bangladesh in terms of efficiency
- To be one of the top three financial institutions in Bangladesh in terms of market share in all significant market segments we serve.

**Financial objectives:**

- To achieve 20% return on shareholder's equity or more, on average

## 2.5. Core Values of MBL:

---

**For the Customers:**

- Providing with caring services by being innovative in the development of new banking products and services

**For the Shareholders:**

- Increase shareholders' value

**For the Employees:**

- Respecting worth and dignity of individual employees devoting their energies for the progress of the bank

**For the Community:**

- Strengthening the corporate values and taking environment and social risks and reward into account

## 2.6. Way Forward

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- More emphasis on SME financing
- Achievement of agriculture credit target
- All efforts to improve deposits mix by procuring low cost and no cost deposits
- Innovation of need based deposits and loans products and services
- Incorporate technology based advanced products and solutions
- To hire and retain qualified human resources according to need of the bank
- To continue and increase CSR activities
- To remain compliant in the spirit of law and industry practice

## 2.7. Corporate information of MBL:

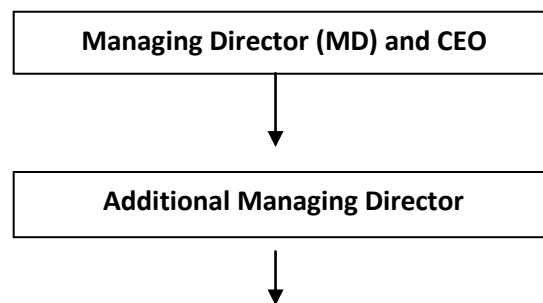
<b>Name of the Company</b>	<b>Mercantile Bank Ltd</b>
Legal Form	A public ltd. company incorporated in Bangladesh on May 20,1999 under the companies Act 1994, the Bank Company Act 1991 and Act 12 of 1997
Date of Commencement	June 02, 1999
Registered Office	Mercantile Bank Limited,  61, Dilkusha, C/A, Dhaka-1000
Telephone	+88-02-9559333, 9553892
E-mail	<a href="mailto:mbld@bol-online.com">mbld@bol-online.com</a>
Web Page	<a href="http://www.mblbd.com">www.mblbd.com</a>
SWIFT CODE	MBLBDDH

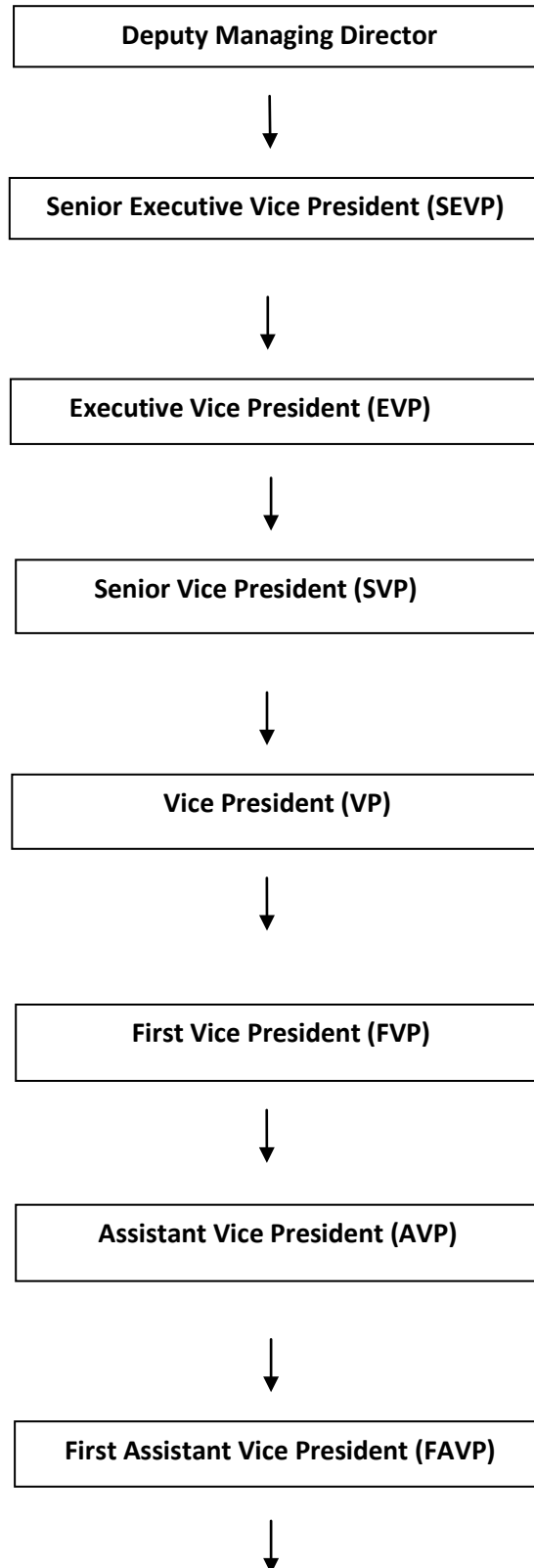
Auditor	Khan Wahab Shafique Rahman & Co., CA K. M. Hasan & Co., CA
Tax Advisor	K. M. Hasan & Co., CA
Fully owned Subsidiaries	Mercantile Bank Securities Ltd Mercantile Exchange House (UK) Ltd
Chairman	M. Amanullah
Managing Director & Chief Executive Officer	M Ehsanul Haque
Authorized Capital	TK.8000 million
Paid-up capital	Tk. 6,110.75 million

Table 1

## 2.8. Organizational Structure of MBL:

The organization structure and corporate of Mercantile Bank Limited (MBL) strongly reflect its determination to establish, uphold and gain a stronger footing as an organization which is customer-oriented and transparent in its management.





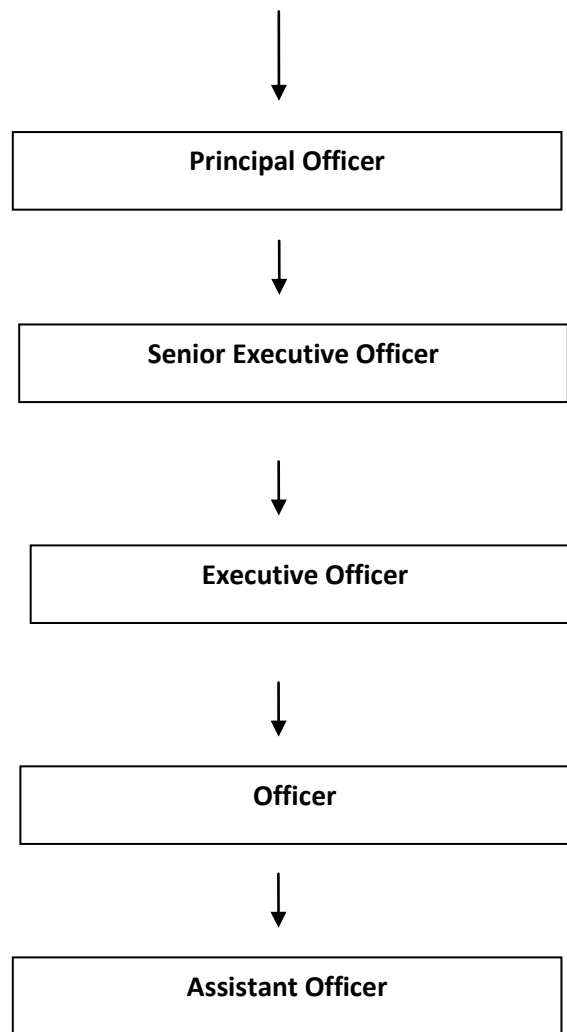


Figure 1

## 2.9 Strategies of MBL:

MBL Bank Limited mainly follows top down approach to take necessary decisions for the company. Basically they follow the centralize strategy where the Head Office of the Bank control and monitor all the activities of its branches. In case of marketing strategy they basically depend on 'word of mouth' as they are already well reputed for its long-term service in the banking industry.

## 2.10 Function of MBL:

Mercantile Bank Limited performs all types of functions of a modern commercial bank, which generally includes flowing-

- ❖ Mobilization of savings of the people and safe keeping of all types of deposit account.
- ❖ Making advances especially for productive activities and for the other commercial and socio-economic needs.
- ❖ Providing banking services to common people through the branches.
- ❖ Introduce modern Banking services in the country.
- ❖ Discounting and purchasing bills.
- ❖ Various information, guidance and suggestions for promotion of trade and industry keeping in view of the overall economic development of the country.
- ❖ Finance for both capital machinery and working capital.
- ❖ Finance under small business of self employed clients.
- ❖ Finance of farming and non-farming activities to rural people including purchase of agricultural equipments.
- ❖ Developing new products Market surveys before making any finance.
- ❖ Finance for small transport.
- ❖ Monitoring and forecasting.
- ❖ Developing marketing campaigns.
- ❖ Finance for household durables.
- ❖ Work simplification studies.
- ❖ Monitoring diversification of portfolio among different sectors.

MBL Networks	
Corporate Offices ( Corporate Branch and Local Office )	2
Regional Office	10
Worldwide Affiliates	400

Total Branches ( Including Corporate Branch and Local Office )	93
Authorized Dealer Branches	24
Treasury and Dealing Room	1
Training Institute	1
Man Power	1500

**Table 2**

## 3.1. Retail Banking:

---

### 5.1 3.1.1 *Deposit Accounts:*

- a) Current Deposit Account
- b) Savings Bank Account
- c) Special Noticed Deposit Account
- d) Fixed Deposit Account
- e) Double Benefit Deposit Scheme
- f) Family Maintenance Deposit Scheme
- g) Mashik Sanchaya Prokalpa
- h) Quarterly Benefit Deposit Scheme
- i) Times Benefit Deposit Scheme
- j) Advance Benefit Deposit Scheme
- k) Special Savings Scheme (SSS)

### 5.2 3.1.2 *Loans & Advances:*

- a) Consumers Credit Scheme
- b) Doctors' Credit Scheme
- c) Rural Development Scheme
- d) Lease Financing
- e) Any Purpose Loan Scheme
- f) Car Loan
- g) Education Loan
- h) Home Loan
- i) House Furnishing Loan
- j) Cottage loan



- k) Overseas Employment Loan
- l) ETP/Bio/Gas/ Solar Energy Loan
- m) Krishi/Polli Loan

## 3.2 Corporate Banking:

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### 5.4.13.2.1. Short Term Finance:

Short-term loans are used to finance inventory, account receivables or other current assets i.e. to finance the working capital requirement. Forms of short-term loan are given below:

**a. CASH CREDIT (CC):**

Cash credit account is like a current account with a limit up to which one can withdraw from the bank. Cash credit is normally sanctioned for a period of one year where a regular limit is sanctioned against goods to meet day to day expenses of business.

**b. SECURED OVERDRAFT (SOD-GENERAL):**

Under this, a regular limit is sanctioned to meet day to day expenses of business. This form of credit is given to the business where maintenance of stock on a regular basis is not possible. The account is adjusted by the sale proceeds or from own source of the customer.

**c. SECURED OVERDRAFT (SOD):**

When overdraft is allowed against lien of FDR or other financial instruments, it is termed as Secured Overdraft (SOD). Secured Overdraft (SOD) facility to the borrower may be allowed generally in the following ways:

- Overdraft- against guarantee
- Overdraft-against FDR in the name of borrower
- Overdraft- against FDR in the name of 3rd party
- Overdraft- against savings certificate
- Overdraft- against wage Earners Dev. Bond
- Overdraft- against DPS

**d. BILL DISCOUNTED AND PURCHASED:**

Mercantile Bank gives advances to customers by discounting or purchasing their bills of exchange. Such bills of exchange arise out of commercial transactions both in inland trade and foreign trade.

### **5.3 3.2.2 Long Tern Finance:**

Long-term loans are used to finance equipment, real estate and other fixed assets. The forms of long-term loan are given below:

**a. LEASE FINANCING:**

Under lease financing we cover equipment/vehicle financing. It is a term financing repayable through lease rental in the form of equal monthly installments. Ownership of the leased out vehicle under the lease agreement covering comprehensive risks belongs to the Bank.

**b. HIRE PURCHASE:**

This is also given to procure equipment/vehicle. Ownership of the equipment/vehicle to be purchased under the Hire-Purchase agreement covering comprehensive risks belongs to both the Banker and the customer. Hire-Purchase facility is repayable by depositing

equal monthly installments (including principal and interest amount) under which the borrower agrees to take the goods on hire at stated rental within a specified period.

**c. TERM LOAN:**

This facility is used to meet the expenditure of civil construction and other infrastructure development. Term Loan facility is repayable by depositing equal monthly installments

**e. TERM LOAN FOR NBFIS:**

Term loan for NBFIS is provided to enable their financing activities to others. It is given as per instruction of Bangladesh Bank circulars and at a lower interest rate based on some grading of the NBFIs.

## 5.4

### 5.5 3.2.3. Real Estate Finance:

**a. HOUSE BUILDING LOAN (COMMERCIAL):**

This form of credit facilities is allowed to individual /groups/ developers for construction of building and completion of finishing works to be used for commercial purposes.

### 5.6 3.2.4. Import Finance/Trade Finance:

**a. LETTER OF CREDIT (L/C)**

Importers are given this sort of facility to import different commodity items, capital machinery and any other permissible items. L/C related shipping document is kept as primary security. Cash margin and counter guarantee are obtained from the customer to secure its position. Two types of L/C facility are provided to

- Sight L/C- payment should be made just after receiving the documents.
- Deferred L/C- the beneficiary allows the importer time to pay for the documents.

**b. LOAN AGAINST TRUST RECEIPT (LTR):**

Loan against Trust Receipt (LTR) is a funded facility provided to importer to retire L/C related shipping documents. Advance against a LTR obtained from the customer is allowed when the documents covering an import shipment are given without payment. The customer holds the goods or their sale proceeds in trust for the bank until the LTR is fully paid off. Letter of Trust Receipt is kept as primary security, which creates the banker's lien on the goods. LTR facility is adjusted from sale proceeds of Imported goods or cash from own sources of the customer within the validity. Validity of the LTR A/C vary from 30 to 180 days depends on the nature and amount of items imported or as per Bangladesh Bank guidelines.

### **5.7 3.2.5. Work Order Financing/Construction Business:**

This form of credit facilities is allowed to contractors to participate in tenders under different authorities and to complete their awarded works. The following types of facilities fall under this category –

**a. EARNEST MONEY FINANCING SCHEME- SOD (EMF):**

Under this, bank guarantee or undertaking is issued by our bank in the form of SDR/PO on behalf of customers (mostly contractors) to enable to submit his bid in a tender invited by different Government/ Semi-Govt. Organizations, Autonomous Bodies or other organizations accepted to the Bank.

**b. BID BOND:**

Under this, bank guarantee or undertaking issued by our bank on behalf of its customers (mostly contractors) to enable to submit his bid in a tender invited by different Government/ Semi-Govt. Organizations, autonomous bodies or other organizations accepted to the Bank.

**c. PERFORMANCE GUARANTEE (PG):**

A performance guarantee is given after the tender or bid of a particular customer is accepted by the authority. It is a guarantee where the Bank gives an undertaking to the authority that customer will complete the job as per terms of the tender or to pay damage up to the guarantee amount.

**d. ADVANCE PAYMENT GUARANTEE (APG):**

This facility is a kind of bank guarantee or undertaking issued by our bank on behalf of customers (mostly contractors) to enable to receive bills receivable in advance against a work awarded by different Government/ Semi-Govt. Organizations, Autonomous Bodies or other organizations accepted to the Bank. This sort of Guarantee is needed, when the work involves initial cost like Advance Rent Payment regarding rental of machinery and procurement cost of raw materials etc. For issuing APG, Bank usually obtains higher cash margin and counter guarantee from the customer.

**e. SHIPPING GUARANTEE:**

Under this, Bank give guarantee / indemnity to shipping company for release of goods in the absence of shipping documents, in case goods arrive before receipt of such documents by the consignee and are incurring demurrage or original shipping documents have been lost after retirement from Bank.

**f. CUSTOMS GUARANTEE:**

This guarantee is issued in favor of customs authority on account of duties/ excise duties on imported goods and machinery or export commodities on behalf of clients.

**g. SOD (WO):**

This is a funded credit facility and is disbursed to enable the customer for execution of work orders awarded by different Government/ Semi-Govt. Organizations, Autonomous Bodies or other organizations accepted to the Bank.

## 5.8 3.2.6. Export Finance

Mercantile Bank always gives priority to its export-oriented customers. Export finance constitutes an important part of an exporter's requirement of finance. Exporters require finance at two different stages of their export operation. At each phase, exporter's need different types of finance:

### a. PRE-SHIPMENT CREDIT / FINANCE:

#### i. Export Cash Credit (Hypothecation / Pledge):

ECC is essentially a short term credit and allowed to supplement requirement of finance of an exporter to meet genuine costs and expenses related to the exportable commodity. It is allowed to execute a specific export order or to execute multiple exports against ECC limit. Maximum ECC limit would be 90% of FOB value of export L/C. For allowing ECC limit, exporters past 3 years export performance to be considered. For the purpose of extending ECC, L/C of those importers will not be accepted, whose record of past payments is not satisfactory i. e. has record of late payment, nonpayment, payment at discount.

#### ii. Export Cash Credit against Trust Receipt:

In this case, the required credit is sanctioned against trust receipt; since the exportable goods are remain in the custody of the exporter. The exporter is to execute a stamped export trust receipt in favor of bank where a declaration is made that goods purchased with financial help of bank are held in trust for the bank. This type of credit is required for processing, packing and rendering of goods in exportable condition and when it seems that the exportable goods can not be taken into banks custody. The first class party with collateral security is considered for extending this type of credit.

#### iii. Advance against Anticipatory Letter of Credit:

This type of Letter of Credit contains a clause written or typed in red ink by the issuing / negotiating bank to give advance a portion / full amount of the credit as described / stipulated in the credit to the beneficiary of the credit for procurement of exportable goods. This advance is made at the risk of the L/C issuing bank.

**iv. Back to Back Letter of Credit:**

The export letter of credit backs a second letter of credit which is used to pay a supplier. When the exporter received a export letter of credit from the overseas buyer for export of goods, but the concerned exporter are not the actual manufacturer/ producer of the exportable goods. He is required to collect the goods/ raw materials from the actual producer/ manufacturer. In such a situation the exporter request his bank to open a letter of credit in favor of the actual producer against the export letter of credit he has obtained. In this situation bank open a letter of credit in favor of the actual producer of the goods keeping the export letter of credit as security. Since the letter of credit on the strength of and backed by the export letter of, the second letter of credit called back to back letter of credit. Bank may provide pre-shipment credit facilities up to 90% of export order including BTB LC. However banks are generally not in favor of back-to-back letters of credit as a means of financing export transactions due to risk they are exposed to.

**v. Packing Credit:**

Packing credit is essentially a short term credit with a fixed repayment date granted by the bank to an eligible exporter for the purpose of buying, processing, manufacturing, packing and shipping of the goods meant for export. Such facility is allowed to an exporter just at a time when he has the foreign buyers order by way of confirmed export letter of credit or a firm contract against the security of Railway/ Steamer/Truck receipt evidencing transportation of goods to the port. When the order is executed, the packing credit gets out of the proceeds of the bill drawn on the foreign buyer. PC is allowed to an exporter having Trade license and valid ERC limit. It is allowed either on case-to-case basis or under limit.

**vi. SOD (Export):**

SOD (Export) is a head of liability, created by the bank in making payment of import bills (at maturity) drawn against BTB L/C. BTB L/C generally is opened on usage basis against Master L/C opened on sight basis. The rationale behind opening BTB L/C on usage basis is to be enabled to make payment against BTB L/C on receipt of payment against corresponding export made against sight L/C. This is possible as the maturity date (usually 90-180 days) of BTB L/C comes later than that of the sight L/C. Despite the above arrangement, many a times export proceeds are not received in time or even before the maturity date of the BTB L/C. In such a situation and in order to meet up the payment obligation, bank has to make payment against BTB L/C by creating SOD (Export) a liability head under forced situation. The liability is generally adjusted on receipt of export proceeds. SOD (Export) carries usual interest from the date of creation of liability to the date of adjustment. When SOD (Export) liability is created bank has to keep strong watch on repatriation of export proceeds.

**b. POST-SHIPMENT CREDIT / FINANCE:****i. Negotiation of Export Documents (FDBP):**

After the shipment of goods banks extend credit to the exporter receiving proper export documents from them.

**ii. Purchase of Documents against DP or DA Bills:**

At the rate of exchange rate committee the authorized dealer's bank purchase/discount DP or DA bills from the exporters.



### iii. **Advanced against Documentary Bills Surrendered:**

When the exporters fail to receive the export documents negotiated by the bank due to discrepancy then they surrender the documents to the bank for collection basis. In this case, certain percentage of export value is financed to the exporters by the bank.

## 5.9 3.2.7. **Structured Finance**

Mercantile Bank offers customized, friendly, and flexible financial solutions to customers and strives to ensure financing package in a cost-effective manner.

Structured Finance team deals with project financing and covers virtually every sector of the economy with a focus on infrastructure projects, project finance, acquisition finance, securitization, and advisory services.

### a. **PROJECT FINANCE:**

Project Finance is a long-term credit arrangement with a debtor related to the development and construction of infrastructure or a large commercial or industrial project. The technique involves mobilization of debt, equity, contingent equity, hedges and a variety of limited guarantees through a newly organized company, partnership or contractual joint venture, often referred to as Special Purpose Vehicle ("SPV"), for the purpose of building a capital intensive facility and operating a discrete business activity. Project finance may take place in two ways: Sole Finance- the Bank is the only financier to the project and Co- Finance- the Bank collaborates and complements other lenders to complete the debt package of a project.

### b. **SYNDICATION:**

"Syndicated Loan" as loans extended by multiple banks where the overall credit involved exceeds an individual lender's legal lending or other limits. It is made available by a

group of FIs in pre-defined proportions under the same credit facility following common loan documentation formalities. It is different from co- or, club financing (where many banks finance a single borrower) in terms of deal origination, mechanism, documentation, disbursement, monitoring, management, etc.

### 3.3. SME

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Small and Medium Enterprises (SME) is considered as thrust sector of the economy. SME is the Engine of Growth as this sector churns out 20%-25% of the country's GDP growth.

- a. Chaka-Term Loan
- b. Samriddhi-Continuous Loan
- c. Mousumi-Short Term Seasonal Loan
- d. Ananna-Women's Entrepreneur's Loan

### 3.4 Foreign Trade Business

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- Foreign Correspondents
- Nostro Accounts
- AD Branches

### 3.5 NRB Banking

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- Accounts & Deposits
  - Foreign Currency Deposit Scheme

- FC Account Opening Form
- RFCD Account
- Investments
- Remittance Info
  - Western Union Money Transfer & etc.
  - Exchange Houses

### 3.6 E-banking

- a. Online Banking
- b. Mobile Banking
- c. My Cash
- d. SMS banking

### 3.7 Others

#### MBL Cards

- Dual (Local & International)
- Debit Card
- Prepaid Card
- Visa Hajj Card
- Student Card (International)
- Treatment Card (International)
- Virtual Card (International)

## 3.6 E-banking:

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- e. Online Banking
- f. Mobile Banking
- g. My Cash

- h. SMS banking

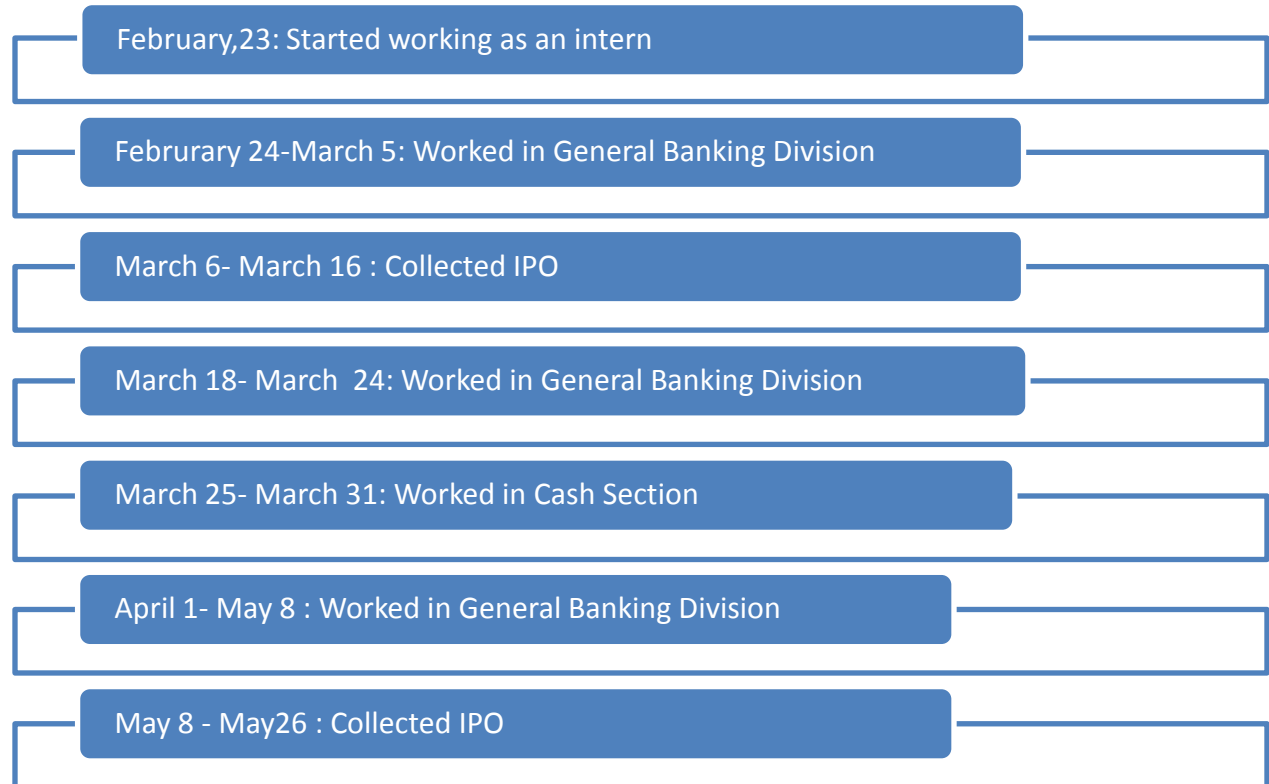
## 3.7 Others

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- a. Green Banking
- b. MBL Cards
  - Dual (Local & International)
  - Debit Card
  - Prepaid Card
  - Visa Hajj Card
  - Student Card (International)
  - Treatment Card (International)
  - Virtual Card (International)

In Mazar Road Branch of Mercantile Bank Limited I have worked in several departments and performed different types of duties successfully. In addition, I have worked in General Banking Division, Cash division, Accounts Division of the Branch.

## 4.1 Timeline:



**Figure 2**

## 4.2 Responsibilities in Different Departments:

### GENERAL BANKING DIVISION:

- Helping the customers to open the different types of account like Savings Account, Current Account & Student Account. In order to open the account I have to take a account number from the number list and fill up the cheque requisition form. In addition, I also have to fill up the different parts of the forms.

- Preparing pay order and write the instrument
- Helping the customers to open Monthly Saving Schemes. In addition, I have to prepare the instrument and take the sign from the proper authority for the verification.
- Delivering the cheque books to the customers and take requisition for cheques.
- Helping customers to fill up the form of different deposit scheme like FDR, Super Benefit Scheme, Double Benefit Scheme. Moreover, I also prepared the credit voucher and the instrument.
- Giving entry in the Inward and Outward register.
- Take requisition for Debit card & delivering them to the customers by matching their sign.
- Encashment of premature Monthly Benefit Schemes.
- At the end of the day giving entry of the accounts in the computer.

#### **CASH SECTION:**

As I have spent a very short period of time in the cash section I did not worked in all part of it, I only worked in the debit section. However, my main duty was to collect the customers' cheques. After collecting cheques my first duty was to find out that whether the cheque is authenticated or not. In addition, I see that whether their signature is verified or not. Moreover, I give the posting of the transaction in the account. Now, if the transaction is more than TK 20000 then I pass it to the cash in charge officer and if it is below TK 20000 then I pass the cheque to my payment section.

#### **COLLECTION OF IPO:**

In my internship I have collected Initial public offerings for two companies. My main responsibility was to give entry of the collected IPO's. After giving entry of all the collected IPO's I divide them into three sections, which are 1) Clearing 2) Cash 3) Effected. In the end I forward all the documents to the head office.

#### **ACCOUNTS SECTION:**

In the accounts section my main responsibility was to short out the vouchers and match them with the supplementary whether that the entries are given are correct or not.

## 5.1 Introduction to Corporate Governance:

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Corporate Governance is the process of practicing accuracy, accountability, smart stewardship, effective internal control, customary corporate behavior in an organization. It is the means, by which an organization is operated and controlled. It protects the interests of all stakeholders of an organization. Good Corporate Governance should be ensured in the banks, as they deal with huge public money and interests of the depositors. Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. At MBL, the Board is committed to maintaining high standards of corporate governance with a view to enhancing stakeholder value, increasing investor confidence, establishing customer trust and building a competitive organization to pursue the Bank's corporate vision to be a financial services leader in the country. The Board's fundamental approach in this regard is to ensure that the right executive leadership, strategy and internal controls for risk management are well in place. Additionally, the Board is committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Bank's activities. A key objective of our governance framework is to ensure compliance with applicable legal and regulatory requirements and with best governance practice as set out in the concerned Securities and Exchange Commission's Notification. MBL also examines developments in corporate governance standards of leading and reputable organizations and institutions in the region and around the world to ensure that its approach in Bangladesh and in countries the Bank has presence is in line with the latest international best practices.

The Board continuously reviews its governance model to ensure its relevance and ability to meet the challenges of the future.

### MAIN PRINCIPLES:

To ensure Corporate Governance, MBL always sticks to the principles, which cover the following areas:

- Board of Directors, its formation, roles and responsibilities;
- Delegation of financial, business and administrative power to the Management;
- Accountability and Internal Control;
- Transparent and neutral Audit Function;

- All-out compliance in Legal Matters;
- Effective Communication with the Stakeholders.

The state and nature of corporate governance in Bangladesh are guided by several factors: a) company law, b) government regulations, c) Bangladesh Securities & Exchange Commission (BSEC) requirements and d) pressure from buyers. The cumulative impact of these factors results in a corporate behavior which is followed in Bangladesh. Bangladesh Securities and Exchange Commission (BSEC) vide its notification no. BSEC/CMMRRCD/2006-158/Admin/02-08 dated 20 February 2006 has issued guidance for corporate governance practice. The guidelines include areas like board size, independent directors, chairman and chief executive officer, internal control and audit function of company secretary, audit committee and appointment of external auditor.

## 5.2 The Board of Directors:

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### **5.105.2.1 Composition of the Board:**

MBL's Board of Directors currently comprises 22 (twenty two) members, including the Managing Director & CEO. It is well-structured with a Chairman and Vice Chairmen. Alhaj Akram Hussain (Humayun) is the Chairman, while A. S. M. Feroz Alam are the Vice Chairmen of the Board.

The Board is committed to ensure diversity and inclusiveness in its deliberations. The Directors bring to the Board a wealth of knowledge, experience and skills in the key areas of accountancy, law, international business operations and development, finance and risk management, amongst others.

### **5.115.2.2 Appointment of Board Members and their Remuneration:**

There is a formal and transparent procedure for the appointment of Directors to the Board. The members of the Board are appointed each year in the Annual General



Meeting (AGM) by the Shareholders of the Bank. The members of the Board are appointed in compliance with Central Bank's Guidelines and other applicable rules of the country. As per Bangladesh Bank's Guidelines, the Board of Directors is paid remuneration as they compensate their valuable time and efforts.

### **5.125.2.3 Board Meetings and Agenda:**

Board meetings are normally held to discuss and decide on major corporate, strategic and operational issues, as well as to evaluate major investment opportunities. The consent of the Board is normally given by majority votes at Board meetings. The agenda and materials for each Board meeting are provided to the Directors well in advance of the Board meeting for their convenience to take preparation on the agenda. They are provided substantial input and comments on agenda items. The Board Agenda is prepared by the Company Secretary as per directives of the Chairman of the Board. All Board papers are organized and circulated by the Company Secretary of the Bank. In 2011, 20 (twenty) Board Meetings were held wherein; policies and major business strategic decisions were formulated.

#### **Role and Responsibilities of the Board of Directors**

MBL's Board of Directors, the prime policy making Body always remains concerned to protect the interests of all Stakeholders, including the Depositors. The Board has the responsibility to periodically review and approve the overall strategies, business, organization, and significant policies of the Bank. The Board also sets the Bank's core values and adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations.

#### **Key Responsibilities of the Board of Directors**

The Board has a formal schedule of matters reserved for its decision which include, amongst others, the following:

- Determine the objectives and goals of the Bank; formulate strategies and work plans to achieve the goals;
- Determine the Key Performance Indicators for the Managing Director & CEO and other Executives in formulating annual plan of the Bank and apprise the performance indicators time to time;

- Approve policies, strategies and action plans for recovery of loans, rescheduling, interest rebates and write off abiding by existing laws and regulations;
- Formulate policy for risk management and scrutinize the implementation status of the policy;
- Review the report presented by the Audit Committee, regarding the implementation status of recommendation made by the Bangladesh Bank's inspection team, internal auditors and the external auditors;
- Formulate and approve policy regarding appointment, promotion, transfer, Code of Conduct, human resources development and job rules;
- Concentrate on sufficient training facilities for improving the efficiency of the employees, ensure that information systems and technology are sufficient to operate banking activities effectively and maintain competitiveness
- Approve the Budget and Financial Statements of the Bank; review the achievement of Budget and modify the Budget as per varying economic and business environment;
- Review the income-expense, liquidity management, past due claims, capital base and its adequacy, maintenance of provisions, and initiatives of loan recovery including legal actions;
- Formulate and approve purchase policy; Capital Plan of the Bank;
- Ensure that the Bank complies with all relevant laws and regulations, including Central Bank's Guidelines, Dhaka and Chittagong Exchange's Listing Regulations and Securities & Exchange Commission's Notifications;
- Approve the minutes of Executive Committee, which is formed to resolve on regular business and also approve the minutes and findings of Audit Committee, which is formed in order to ensure compliance at Head Office and Branch level in every aspects so that Stakeholders' right is protected to the extent of highest degree.
- Ensure the Codes of Corporate Governance, codes of best business practice, emphasizing importance on effective operating infrastructures and system of control;
- Ensure financial transparency, integrity of accounting and sustainable corporate behavior are in right place;
- Appoint External Auditors, Consultants, and other Advisors, after having approval in the AGM of the Shareholders;

- Encourage and ensure the Bank's active participation in Corporate Social Responsibility activities

#### **5.135.2.4 Role and Responsibilities of the Chairman of the Board and the Managing Director & CEO:**

In line with the best practices and to ensure appropriate supervision of the Management, the roles and responsibilities of the Chairman and the CEO are separated with clear division of responsibilities, defined and documented as approved by the Board

##### **CHAIRMAN**

The Chairman leads the Board and is also responsible for the effective performance of the Board. The Chairman continuously works together with the rest of the Board members in setting the policy framework and strategies to align the business activities driven by the senior management with the Bank's objectives and aspirations and monitors its implementation. The Chairman ensures orderly conduct and proceedings of the Board, where healthy debate on issues being deliberated is encouraged. The Chairman takes the lead to ensure the appropriateness and effectiveness of the succession-planning program for the Board and senior management levels. He also promotes a healthy working relationship with the CEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders.

##### **MANAGING DIRECTOR & CEO**

Managing Director & CEO is primarily accountable for overseeing the day-to-day operations to ensure smooth and effective operation of the Bank. Furthermore, he is responsible for mapping the medium to longer term plans for Board approval, and is accountable for implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies. The CEO ensures that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders. The CEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and the management.

### **5.145.2.5 Role of the Company Secretary:**

The Company Secretary of the Bank provides assistance to the Board of Directors and the Management. He is responsible for advising the Board audit members on issues relating to compliance with the relevant laws, rules, procedures and regulations, as well as best practices of governance. The Company Secretary keeps the records of the Bank's compliance non compliance status of the conditions imposed by Bangladesh Securities and Exchange Commission (BSEC) which has been shown in the Compliance Report on BSEC Notification.

## **5.3 BOARD COMMITTEES:**

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As per Bangladesh Bank's guidelines, all banks have to form an Executive Committee and an Audit Committee of the Board to take decisions on urgent matters of the banks. Without Executive Committee and Audit Committee, Banks cannot form any other Committee or Sub Committee of the Board. MBL's Board of Directors has formed 2 (two) Committees i) Executive Committee and ii) Audit Committee, complying with Central Bank's guidelines. The Board delegates some of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

### **5.155.3.1 Executive Committee:**

#### **THE ROLE OF EXECUTIVE COMMITTEE:**

Executive Committee (EC) considers, approves business and operational proposals. EC decides upon all routine and day-to-day operational functioning of the Bank beyond delegated power of the Management. In the year 2012, forty meetings of Executive Committee were held to consider the proposals placed by the Management. Among others, Executive Committee according to its Charter discharges the following duties:

- Decides upon all routine and day-to-day operational functioning of the Bank beyond the power delegated to the Management.

- Ensures implementation of policies, as per approval from the Board of Directors.
- Reviews the policies and guidelines issued by the Central Bank regarding credit, foreign exchange, treasury and other operations of the Bank.
- Approves the credit proposals as per the approved policy of the Board of Directors.

#### THE COMPOSITION OF EXECUTIVE COMMITTEE:

SERIAL No.	COMPOSITION OF EC	POSITION
1.	Md. Anwarul Haque	CHAIRMAN
2.	M. S. Ahsan	MEMBER
3.	M. Amanullah	MEMBER
4.	Mohd. Selim	MEMBER
5.	Morshed Alam	MEMBER
6.	Md. Shahabuddin Alam	MEMBER

TABLE 3

### 5.16 5.3.2 Audit Committee:

#### THE ROLE OF AUDIT COMMITTEE:

The Audit Committee of the Board plays significant role to ensure implementation of policies, guidelines etc. provided by Bangladesh Bank, other regulatory bodies and the Board of Directors of the Bank. The committee also reviews the policies, audit plan and its execution, financial statements, audit reports, internal control and compliance report etc. In the year 2012, eleven meetings of Audit Committee were held. The Audit Committee of the Board plays significant role in proper functioning of the Bank, some of which are as follows:

- Reviews the implementation status of guidelines, provided by Bangladesh Bank and other regulatory bodies;
- Reviews Bank's own policies and procedures; such as Credit Policy, Foreign Exchange Policy, Human Resources Policy etc.;
- Reviews the Bank's audited and un-audited Financial Statements, discusses and exchanges views with the External Auditors and Tax consultants on the adequacy of disclosures of Financial Statements;

- Reviews the corrective measures taken by the Bank's Management as recommended by the Board Audit Division, Internal Control and Compliance Division, Bangladesh Bank's Inspection Team and External Auditors relating to deficiencies in internal control or other similar issues;
- Reviews whether Internal Control strategies recommended by the Board of Directors have been implemented by the Management;
- Reviews the Human Resource management and evaluates whether the Management is setting the appropriate compliance culture by communicating the importance on Internal Control;
- Reviews the audit plan of Bank's internal audit and inspection;
- Reviews the internal audit report of Head Office and Branches.

### Salient Features of the Audit Committee Charter

MBL's Board of Directors has set some salient features for its Audit Committee Charter, such as:

- The Audit Committee should be composed of at least 3 (three) members from the Board;
- The Chairman of the Audit Committee should have professional knowledge and relevant financial expertise
- The Chairman of the Board of Directors shall not be a member of the Audit Committee;
- Audit Committee meetings must be held quarterly to monitor internal and external audits;
- Audit Committee must prepare reports on all meetings for the Board of Directors and report annually to Shareholders;
- The Managing Director & CEO or the Chairman of the Board may be invited to attend on the Audit Committee meetings as and when required.

### THE COMPOSITION OF AUDIT COMMITTEE:

SERIAL No.	COMPOSITION OF AC	POSITION
1.	R. A. Howlader	<b>CHAIRMAN</b>
2.	Md. Tabibul Huq	<b>MEMBER</b>
3.	Md. Abdul Hannan	<b>MEMBER</b>
4.	Alhaj Mosharref Hossain	<b>MEMBER</b>

5.	Saber Hossain Chowdhury	MEMBER
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Table 4

## 5.4 Management Committees:

MBL has formed a number of committees with a view to support the management in carrying out banking operation smoothly. Management Committee (MANCOM), Asset Liability Committee (ALCO), Basel II Implementation Unit, Risk Management Committee, ICAAP Preparation Committee, Management Reporting System (MRS) Committee, Investment Committee, Credit Assessment Committee, Purchase Committee have been supporting the Bank's management in discharging its duties efficiently and effectively.

### 5.17 5.4.1 Management Committee (MANCOM):

As per directives of Bangladesh Bank and for setting a strong internal control framework, each bank must have an effective 'Management Committee (MANCOM)', which is responsible for overall management of the Bank. MANCOM is considered the highest decision and policy making authority of the Bank

#### RESPONSIBILITIES OF MANCOM:

MANCOM of the Bank is primarily responsible to:

- Formulate procedures to identify, measure, monitor and control all risks;
- Assign clear responsibility, authority and reporting relationship;
- Monitor adequacy and effectiveness of the internal control system;
- Review overall effectiveness of the control system of the Bank;
- Recommend/ rectify alternatives in case of any deviation from desired goal.

#### THE COMPOSITION OF MANCOM:

SERIAL No.	COMPOSITION OF MANCOM	POSITION
1.	M. Ehsanul Haque	CHAIRMAN
2.	Md. Sayeed Hossain	MEMBER

3.	S. Q. Bazlur Rashid	MEMBER
4.	M. A. Yousuf Khan	MEMBER
5.	Monindra Kumar Nath	MEMBER
6.	Md. Abdul Jalil Chowdhury	MEMBER
7.	Choudhury Moshtaq Ahmed	MEMBER
8.	A. K. M. Atiqur Rahman	MEMBER

Table 5

### 5.185.4.2 Risk management Committee:

MBL has formed a separate Risk Management Committee as per Bangladesh Bank's circular letter no DOS (EW) 1164/14 (Mercantile) 2009-457 dated June 10, 2009.

#### RESPONSIBILITIES OF RISK MANAGEMENT COMMITTEE:

The responsibilities of the Risk Management Committee for risk oversight include, amongst others, the following:

- ❖ To develop and foster a risk aware culture within the Bank;
- ❖ To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;
- ❖ To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;
- ❖ To ensure the infrastructure, resources and systems are in place for risk management. The Staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;
- ❖ To review and approve model risk management and validation framework.

#### THE COMPOSITION OF RMC:



COMPOSITION OF RMC	POSITION
M. Ehsanul Haque	<b>CHAIRMAN</b>
Head of CRMD	<b>MEMBER</b>
Head of Corporate Banking	<b>MEMBER</b>
Head of ICCD	<b>MEMBER</b>
Head of IT	<b>MEMBER</b>
Head of ID	<b>MEMBER</b>
Head of AML	<b>MEMBER</b>
Head of Treasury	<b>MEMBER</b>

**Table 6****MANAGING DIFFERENT TYPES OF RISK:****Credit Risk:**

Credit Risk is the potential that a bank borrower or counterparty fails to meet its obligation in accordance with agreed terms. Credit Risk Management of MBL is passed through the following procedures:

- ❑ Articulate Lending Guideline
- ❑ Credit Risk Grading Process
- ❑ Proper Assessment of Credit Proposal
- ❑ Precise Lending Process
- ❑ Separate Credit Administration Division
- ❑ Credit Recovery and Monitoring of Non-Performing Loans

**Market risk:**

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market price. Major market risks include: Interest Rate Risk, Foreign Exchange Risk, Equity Risk, and Commodity Risk. MBL's strategies to address these risks are as under:

**A. Managing Interest Rate Risk**

Interest rate risk is the risk (variability in value) borne by

an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. Bank faces various types of Risks including Basis Risks, Yield Curve Risk, Re-pricing Risk, Option Risk and Model Risk.

#### **MBL's Interest Rate Risk Management Strategies**

- Market Trend Analysis
- Interest Rate Sensitivity Analysis
- Gap Analysis

#### **B. Managing Foreign Exchange Risk**

Foreign exchange risk or exchange rate risk is a form of financial risk that arises from the potential change in the exchange rate of one currency in relation to another.

#### **MBL's Foreign Exchange Risk Management Strategies**

- Policies and Manuals with a view to reducing the foreign exchange risk
- Treasury division of the Bank manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks
- All the transactions are carried out on behalf of the customers, i.e. MBL's foreign exchange trading exposures are principally derived from customer driven transactions, and major risk arises from movement of price
- All foreign exchange transactions are revalued at Mark-to-Market method according to Bangladesh Bank's guidelines and position maintained by the Bank at the end of day within the stipulated limit prescribed by Bangladesh Bank
- All Nostro accounts are reconciled on monthly basis and verified by the external auditors and reports are submitted to Bangladesh Bank

#### **C. Equity Price Risk Management**

Equity price risk is the risk that one's investments will depreciate because of stock market dynamics causing one to lose money. Equity price risk may arise from general or specific risk or for both.

### **LIQUIDITY RISK:**

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or

losses. Liquidity risk is considered a major risk for banks. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation.

#### **MBL's Liquidity Risk Management Strategies**

- ✦ Acceptable assets and liabilities mix
- ✦ Diversified sources and stability of liabilities
- ✦ Scientific cash flow projections
- ✦ Various ratios to maintain liquidity and to create limits for liquidity management
- ✦ Ratios are used in conjunction with more qualitative information about borrowing capacity

#### **Operational risk:**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is a very broad concept which focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, legal risks, physical or environmental risks.

MBL's Board of Directors and Senior Management have established an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls. Senior Management transforms the strategic direction given by the Board through operational risk management policy.

#### **5.195.4.3 Asset Liability Committee:**

Asset Liability Committee (ALCO) is mainly accountable for managing the market risks. The results of Balance Sheet analysis along with recommendations are placed before ALCO meeting to aid the decision making process of the Senior Management. In each ALCO meeting following issues are addressed:

- ❖ Review of actions taken in previous ALCO;
- ❖ Review of the assets' and liabilities' pricings;
- ❖ Review of interest rate structure in different economic scenarios;
- ❖ Liquidity risk related to the Balance Sheet;
- ❖ Economic and market scenario

#### **COMPOSITION OF ALCO:**

Composition of ALCO	Designation	Position
Mr. M. Ehsanul Haque	Managing Director & CEO	Chairman
Mr. Md. Abdul Jalil Chowdhury	Additional Managing Director & CRO	Member
Mr. Monindra Kumar Nath	Additional Managing Director & CFO	
Mr. M. A. Yousuf Khan	Deputy Managing Director	
Mr. Md. Quamrul Islam Chowdhury	Deputy Managing Director	
Mr. Choudhury Moshtaq Ahmed	Deputy Managing Director	
Mr. Mohammad Ismail	SEVP and Head of CRMD	
Mr. Khandakar Fahim Uddin Ahmed	EVP and Head of CAMRCD	
Mr. Md. Sadruzzaman	EVP and Head of SME Financing Division	
Mr. Javed Islam	EVP and Head of Consumer and Retail Banking Division	
Mr. Md. Rafiqul Haque Bhuiyan	EVP and Head of IT Division	
Mr. Shamim Ahmed	EVP and Head of International Division	
Mr. Md. Shafiet Wahed	SVP and Head of Research & Planning Division	
Mr. Golam Kibria	SVP and Head of Financial Administration Division	
Mr. Mohammad Iqbal Rezwan	SVP and Head of Corporate Banking Division	
Mr. Jahangir Javed	FVP and Head of Treasury Division	Member Secretary

Table 7

#### 5.205.4.4 Supervisory Review Process:

Under Pillar-2 of Basel-II (Supervisory Review Process), all banks are required to design their own Supervisory Review Process to ensure maintenance of adequate capital to fully cover all risk exposures. As per Guidelines on Supervisory Review Evaluation Process, the level of Capital Adequacy will be determined after evaluation and dialogue between Bangladesh Bank and the SRP Team.

##### FUNCTIONS OF THE SRP TEAM:

BB's SREP Team will arrange dialogue to evaluate Minimum Capital Requirements (MCR) against Credit, Market and Operational risks; Risks not fully covered under MCR (e.g. Residual Risks deriving from risk mitigation techniques, securitization risk, and model risk); Risks which to be covered under SRP (Credit concentration risk, Country risk, Interest rate risk in the banking book, Liquidity risk, Settlement risk, Reputation risk, Strategic risk, Other material risks, etc.); Risks deriving from external factors (such as, change in economic and regulatory environment); Adequate capital against comprehensive risks of the Bank. SRP Team of the Bank will attend on the dialogue arranged by BB's SREP Team. BB's SREP Team will also evaluate the Bank's SRP findings. In the SRP findings capital allocation against each category of risks is to be disclosed.

SRP Team of the Bank will discuss and allocate capital against above-mentioned Risks. SRP Team of the Bank will also describe the assessment procedures for these risks and rationale for selecting any particular method and discuss the assessment techniques used (model based, scenario analyses, and stress testing) and quantitative results of each risk. SRP Team will discuss and explain present challenges faced by the Bank to improve the risk management framework and will develop action plans with suitable timeline to adopt/develop the sophisticated advanced techniques or assessment and measurement of all material risks.

#### COMPOSITION OF SRP TEAM:

SRP Team of MBL has been formed comprising of the following Senior Officials

Composition of SRP Team	Position
Managing Director & CEO	Chairman
Additional Managing Directors	Member
Deputy Managing Directors	
Head of Credit Risk Management Division	
Head of Corporate Division	
Head of Credit Administration, Monitoring, Recovery & Compliance Division	
Head of Treasury Division	
Head of Financial Administration Division	
Executive Next to HOD, Financial Administration Division	
Head of Research and Planning Division	
Head of Risk Management Division	Member Secretary

Table 8

#### 5.21 5.4.5 BASEL II Implementation Unit:

Bangladesh Bank has implemented Basel II Capital Standard in the banking sector solely from January 2010. MBL has formed a Committee, namely 'Basel II Implementation Unit'. The Committee acts for successful adoption of Basel II.

#### FUNCTIONS OF BASEL II IMPLEMENTATION UNIT:

In its each meeting, Basel II implementation Unit discusses the implementation progress of Basel II Capital Accord. Moreover, it

- ◆ Reviews the Total Risk Weighted Assets (RWA) of the Bank;
- ◆ Reviews the current total Capital Fund (Core and Supplementary) of the Bank;
- ◆ Assesses the Capital requirement of the Bank;

- ◆ Formulate the strategies to raise the capital to cope with Basel II, if required;
- ◆ Reviews the Capital Adequacy Ratio and compare with the Standard set by Bangladesh Bank;
- ◆ Ensures timely submission of Basel II Report to Bangladesh Bank;
- ◆ Takes initiatives for corporate clients rating of the Bank;
- ◆ Recommends the Management to raise Capital, if necessary;
- ◆ Arranges training programs for the Reporting Officers of the Branches so that they can prepare Basel II report efficiently and precisely.

#### COMPOSITION OF BASEL II IMPLEMENTATION UNIT:

Basel II Implementation Unit has been formed with the following members:

Composition of Basel II Implementation Unit		Position
Mr. A.K.M. Shahidul Haque	Managing Director & CEO	Chairman
Mr. Md. Abdul Jalil Chowdhury	Deputy Managing Director	Members
Mr. Monindra Kumar Nath	Deputy Managing Director & CFO	
Mr. M. A. Yousuf Khan	Deputy Managing Director	
Mr. Md. Quamrul Islam Chowdhury	DMD and Head of Main Branch	
Mr. Md. Abdus Salam	SEVP and Head of Board Audit	
Mr. Md. Shoaib Ahmed	EVP and Head of CRMD	
Mr. Md. Rafiqul Haque Bhuiyan	SVP and Head of IT	
Mr. Md. Golam Kibria	SVP and Head of FAD	
Mr. Md. Shawkat Jahan Khan	SVP and Head of Treasury	
Mr. Md. Abdul Alim	FVP and Head of Research and Planning	Member Secretary

**Table 9**

#### 5.22 5.4.6 ICAAP Preparation Committee:

MBL has formed 'ICAAP Preparation Committee' to prepare the Internal Capital Adequacy Assessment Process for the Bank. The Committee assesses the overall capital adequacy of the Bank in relation to risk profile. The Committee clearly bears primary responsibility for ensuring that MBL has adequate capital to support its risks. Composition of 'ICCAP Preparation Committee' of the Bank is as follows:

Composition of ICAAP Preparation Committee	Position
Managing Director / Deputy Managing Director/CFO	Chairman
Deputy Managing Director/SEVP	Member
Head of CRMD	
Head of Corporate Division	
Head of CAD	
Head of Treasury	
Head of FAD	
Executive (Next to HOD), FAD	
Head of RPD	
Head of RMD	Member Secretary

Table 10

### 5.23 5.4.7 Management Reporting System (MRS) Committee:

MBL has formed a committee as per Central Bank's requirement, namely, 'Committee for Management Reporting Systems (MRS)'. MRS fulfills the following objectives:

- ▶ Collection of information from the internal as well as external sources against any product of the Bank which is apparently found ineffective or unacceptable to the ultimate user;
- ▶ Identify the actual weakness / defects for taking appropriate decision by the Management/ Board of Directors;
- ▶ Locate the reason of weak performance of any of the branches through collection of relevant information of other banks of the same locality;
- ▶ Other internal/external issues may be raised by the Committee to the Management/ Board of Directors for proper solution.

### 5.24 5.4.7 Purchase Committee:

A Purchase Committee is functioning with a group of executives headed by a senior most Executive to examine the procurement procedure of goods, services or works whether it has been placed on the basis of actual requirement and maintained necessary formalities as per guidelines



of the purchase policy. Among others, the followings are the main responsibilities of Purchase Committee of the Bank:

- ❏ To evaluate the proposal (s) received and find out the effectiveness of each proposal;
- ❏ To prepare a report on the basis of evaluation of the purchase proposal (s) with recommendation and send to concerned division for obtaining approval from the competent authority against procurement of goods, services or works;
- ❏ To supervise the entire activities against procurement.

### **5.25 5.4.8 Investment Committee:**

With a view to achieve diversification in asset portfolio and generating a healthy revenue (as income from buy/sale of shares through secondary market), MBL has formed an Investment Committee, which is primarily responsible to take investment decision in shares. Responsibilities of Investment Committee

- ❏ The Committee will sit for meeting at least once in a week, or as and when necessary after having consent from the Chair;
- ❏ The Committee will take primary decision for investment in shares;
- ❏ The Committee will ensure compliance of investment policy while maintaining portfolio of shares;
- ❏ The Member Secretary will prepare a weekly report on status of investment and report the same to Managing Director & CEO through Chairman;
- ❏ The Committee will determine buy range, sale range and loss limit for every share in the portfolio and Member Secretary will convey the same to the Front Office.

## **5.5 Accountability & Internal Control:**

### **5.26 Accountability:**

Accountability is central to the concept of good corporate governance. Accountability mainly ensures that management's action is reviewed by the Board. MBL's Board of Directors is accountable to the Shareholders (owners of the Bank). The Management is accountable to the Board for their activities. MBL's Board of Directors Responsibilities in preparing Financial Statements MBL Board of Directors ensures that the financial statements of the Bank reflect a



true and fair view of the state of affairs of the Bank as at the end of the accounting period and of the profit and loss and cash flow for the period then ended. In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent. The Directors have also ensured that all applicable accounting standards have been followed and financial statements are prepared on a going concern basis as the Directors have a reasonable expectation, having made enquiries that the Bank has adequate resources to continue in operational existence for the foreseeable future.

### **5.27 5.5.1 Accountability in Disclosure of Material Facts:**

The Board has a Responsibility and takes it upon itself to present to the shareholders and the public at large, a clear, balanced and meaningful evaluation of the Bank's financial position, performance and prospects. In order to meet the Fiduciary Responsibility expected of the Board, the Board with the assistance of the Audit Committee oversees the financial reporting process and the quality of the Bank's financial statements to ensure that the reports present a true and fair view of the Bank's performance.

### **5.28 5.5.2 Accountability in Maintaining Confidentiality of Information:**

Information of the customers, prospective customers, suppliers, shareholders and employees is kept confidential. Information is used solely for corporate purposes and never to be discussed with or divulged to unauthorized people including family, friends and acquaintances. Examples of confidential information broadly include: (a) customer's account or business details, (b) shareholder's holding or transaction details, (c) employees' job records, pay perquisites, benefits, tax issues etc. (d) suppliers' price, sales strategy etc. (e) Internal documents like strategy papers, Product Program Guidelines (PPG) etc.

### **5.29 5.5.3 Internal Controls:**

MBL's Board of Directors has established a management structure that clearly defines roles, responsibilities and reporting lines for Internal Control and Compliance. The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational compliance controls and risk management to ensure that shareholders' investments, customers' interests and the Bank's assets are safeguarded. The systems of internal controls are

continuously reviewed to ensure that they are working via the ongoing review through internal audit process. The Audit Committee (AC) reviews audit recommendations and management's responses to these recommendations. Lending to the members of the Board or Controlling Shareholders is strictly prohibited by the Bank.

## **INTERNAL CONTROL ON KEY RISKS FACED BY THE BANK AND RISK MANAGEMENT POLICIES:**

There exists risk in every transactions of a bank. So, Risk Management is important in financial sector. Bangladesh Bank has identified six Core Risks and provided guidelines to identify and thereafter minimize the risks. The Board of Directors of the Bank formulated policies for identifying, measuring and controlling the risks involved with banking activities. The Board makes sure that employees have been assigned responsibilities for managing risks, and proper training has been provided to enable them to understand, identify and minimize risks as well.

## **5.6 Audit Function:**

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In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements - a concept influenced by both quantitative (numerical) and qualitative factors. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance and environmental concern and compatibility.

### **5.30 5.6.1 Internal Audit Function:**

#### **BOARD AUDIT FUNCTION:**

A separate Audit Division, namely, Board Audit Division has been formed within the Bank. Board Audit Division reviews the compliance status of Policy Guidelines of the Board of Directors of the Bank and also of the regulators. Board Audit Division visits the Branches and Other Divisions of the Bank for verification and inspection purpose.

**INTERNAL CONTROL AND AUDIT FUNCTION COMPLIANCE:**

For an effective control system, a separate and independent Internal Control and Compliance Division (ICCD) has been established in the Bank. ICCD provides assurance to the Bank's Management that systems are operating effectively; internal controls are effective; laid down procedures are followed; financial and other information being produced is sound and reliable. The Bank, by its Internal Audit Team conducts regular audit functions on the business activities of the Bank based on different manuals, instructions, guidelines and procedures laid down by the Bank as well as by the regulatory bodies from time to time.

**INFORMATION TECHNOLOGY (IT) AUDIT:**

MBL service delivery is designed on IT platform and hence a number of inherent risks such as data collapse, data loss, data modification, unauthorized access to data etc. may arise within the Bank. IT Audit Team has been formed as per the Central Bank's Guidelines to identify the inherent risks and manage those risks in an effective and efficient manner. IT Audit Team follows the prescribed guidelines, solves the unsettled issues and also suggests the higher Management for needful action.

**5.31 5.6.2 External Audit Function:****EXTERNAL AUDITORS:**

Khan Wahab Shafique Rahman & Co., Chartered Accountants and K. M. Hasan & Co. have been appointed as the External Auditors of the Bank in the 13th AGM of the Shareholders. They audited the Financial Statements of the Bank namely, Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and put explanatory notes to financial statements. External Auditors were entitled to enquire from the Bank's employees such information and explanation as they thought necessary for the performance of their duties as External Auditors. Bank employees provided accurate, timely information and explanations as and when required by the External Auditors.

**CENTRAL BANK'S INSPECTION:**

Bangladesh Bank conducts comprehensive inspection at Head Office and Branches of the Bank. Central Bank's Inspection Team exchanges their views with the Bank's Auditors regarding Financial Operation, Treasury Operation, IT Operation, and various process of the audit.

Inspection report of the Central Bank is reviewed by the Board of Directors and corrective actions are taken for the lapses mentioned in the report.

## 5.7 COMPLIANCE WITH REGULATORY MATTERS:

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### 5.32 5.7.1 *Compliance with relevant Rules and Regulations:*

MBL runs its business activities in full compliance with relevant rules and regulations. While conducting its operation, the Bank follows strictly Bank Companies Act 1991, The Companies Act 1994, Central Bank's Guidelines, Bangladesh Securities and Exchange Rules 1987, Dhaka Stock Exchange and Chittagong Stock Exchange Listing Rules, Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Systems (BFRS), IAS/IFRS guidelines, SAFA & CAPA guidelines, BIS and UCPDC and other ICC rules.

### 5.33 5.7.2 *Environmental Promotion:*

MBL concentrates on environment preservation by financing Projects in the field of renewable energy, organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects. MBL always encourages projects which take care of following points while financing them viz., (a) sustainable development and use of renewable natural resources (b) protection of human health, bio-diversity, occupational health and safety, efficient production, delivery and use of energy (c) pollution prevention and waste minimization.

## 5.8 Communication with Stakeholders:

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### 5.34 5.8.1 *Communication with Shareholders:*

MBL takes critically its corporate responsibility to provide shareholders with the information necessary to form an informed opinion of the Banks performance. Press releases, interim and final results announcements, interim and annual reports, and other information of interest to shareholders are uploaded to Company's corporate website [www.mblbd.com](http://www.mblbd.com). Half Yearly and Annual Reports of the Bank are also sent to shareholders within the respective deadlines stipulated by the regulatory bodies.

### **5.35 5.8.2 Communication with Employees:**

To enhance mutual understanding and promote cooperation at all levels, the Board of Directors and the senior management of the Bank always maintains communication with the employees; discuss matters such as safety and the work environment, as well as broader issues relating to staff welfare.

### **5.36 5.8.3 Communication with the General Public:**

The Bank's website [www.mblbd.com](http://www.mblbd.com) serve as a easy access for key information source for business, financials and other relevant information about the businesses of the Bank. In addition, from time to time, the Bank publishes reports and information brochures which set out specific aspects of the Bank's operations for the general public.

## **5.9 Compliance Report on SEC Notification:**

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The Securities and Exchange Commission has issued a notification for all listed companies in order to improve Corporate Governance in the interest of the investors and capital market on 'Comply or Explain' basis. Status report on compliance with the conditions imposed by SEC is given below in prescribed format:

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
<b>1.0</b>	<b>Board of Directors</b>			
1.1	Board's size shall not be less than 5 and more than 20	✓		
<b>1.2</b>	<b>Independent Director</b>			
1.2 (i)	Independent director: At least 1/5th of the total number of directors	✓		Vacant position of independent Director will be filled up soon.
1.2 (ii)	For the purpose of this clause "independent director" means a director.	✓		
1.2 (ii) a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	✓		
1.2 (ii) b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	✓		
1.2 (ii) c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	✓		
1.2 (ii) d)	Independent directors are not the members, directors or officers of any stock exchange.	✓		
1.2 (ii) e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an Intermediary of the capital market.	✓		
1.2 (ii) f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	✓		
1.2 (ii) g)	Independent directors is not the independent director in more than 3 (three) listed companies.	✓		
1.2 (ii) h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFIs).	✓		
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	✓		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.			Such appointment is to be approved in the ensuing 14th AGM
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	✓		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	✓		
1.2 (vi)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	✓		



Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.3	Qualification of Independent Director (ID)			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	✓		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	✓		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	N/A		
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		
1.5	Directors Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance.	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	✓		MBL being a bank, cost of interest expenses and GP% alongwith profit margin were discussed
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	✓		MBL does not have such gain or loss
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	N/A		During 2012 there were no public or right issue of shares
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	N/A		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	N/A		
1.5 (x)	Remuneration to directors including independent directors.	✓		
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	✓		
1.5 (xii)	Proper books of account of the company have been maintained.	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS) /Bangladesh Financial Reporting Standards (BFRS), as —applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	✓		
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
<b>1.5 (xxi)</b>	<b>The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:</b>			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxii)b);	✓		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
<b>1.5 (xxii)</b>	<b>In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:</b>			
1.5 (xxii) a)	a brief resume of the Director;	✓		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas.	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>2.0</b>	<b>Chief Financial Officer, Head of Internal Audit &amp; Company Secretary</b>			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		
<b>3</b>	<b>Audit Committee:</b>			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	✓		



Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	✓		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	✓		
3.1 (iii)	All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	✓		
3.1 (iv)	Filling of Casual Vacancy in Committee	N/A		There were no such vacancy
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	✓		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	✓		Chairman of the audit committee is also an independent director
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		Chairman of the audit committee will be present in the ensuing AGM
<b>3.3</b>	<b>Role of Audit Committee</b>			
3.3 (i)	Oversee the financial reporting process.	✓		
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		
3.3 (iii)	Monitor Internal Control Risk management process.	✓		
3.3 (iv)	Oversee hiring and performance of external auditors.	✓		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	✓		
3.3 (vii)	Review the adequacy of internal audit function.	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses,	N/A		

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
	working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.			
<b>3.4.</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests.	✓		Communicated to regulator duly
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	NIL		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	NIL		
3.4.2	Reporting of anything having material financial impact to the Commission.	NIL		
3.5	Reporting to the Shareholders and General Investors.	NIL		
<b>4</b>	<b>External/Statutory Auditors should not be engaged in:</b>			
4 (i)	Appraisal or valuation services or fairness opinions.	✓		
4 (ii)	Financial information systems design and implementation.	✓		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
4 (iv)	Broker-dealer services.	✓		
4 (v)	Actuarial services.	✓		
4 (vi)	Internal audit services.	✓		
4 (vii)	Any other service that the Audit Committee determines.	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	✓		
<b>5</b>	<b>Subsidiary Company</b>			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	✓		

Condition No.	Title	Compliance status (put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
5 (iv)	The Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the Subsidiary Company also.	✓		
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the Subsidiary Company.	✓		
<b>6</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):</b>			
6 (i)	They have reviewed financial Statements for the year and that to the best of their knowledge and belief:	✓		
6 (i) a)	These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	✓		
6 (i) b)	These financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
6 (ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
<b>7</b>	<b>Reporting and Compliance of Corporate Governance:</b>			
7 (i)	The company shall obtain a Certificate from a Professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
7 (ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		

**Number of Board Meetings held and attendance by each Director:**

<b>Name of the Directors</b>	<b>Meetings</b>
<b>1. Alhaj Akram Hussain (Humayun)</b>	16
<b>2. A. S. M. Feroz Alam</b>	12
<b>3. Md. Anwarul Haque</b>	14
<b>4. 04 R. A. Hawlader</b>	04
<b>5. M. S. Ahsan</b>	15
<b>6. Md. Tabibul Huq</b>	12
<b>7. M. Amanullah</b>	16
<b>8. Md. Abdul Hannan</b>	2
<b>9. Mohd. Selim</b>	17
<b>10. Morshed Alam</b>	7
<b>11. Md. Shahabuddin Alam</b>	8
<b>12. Saber Hossain Chowdhury, M.P</b>	4
<b>13. Alhaj Mosharref Hossain</b>	13

## 5.10 The Pattern of Shareholding:

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SL	Name	Shares Held	% of Holding	Name of Spouses	Shares Held	% of Holding
01	<b>Directors</b>					
	Alhaj Akram Hussain(Humayun)	13,262,856	2.17%	Ferdousi Begum	1,528,803	0.25%
	A. S. M. Feroz Alam	26,862,800	4.40%	Yoko Inamori	Nil	Nil
	Md. Anwarul Haque	12,369,091	2.02%	Nargis Anwar	358,654	0.06%
	R. A. Howlader	19,003	0.0031%	Bilkis Begum	2,990,625	0.49%
	M. S. Ahsan	15,273,832	2.50%	Farah Ahsan	Nil	Nil
	Md. Tabibul Huq	12,225,234	2.00%	Mahmuda Huq	Nil	Nil
	M. Amanullah	32,500,000	5.32%	Tazneen Aman	408,507	0.07%
	Md. Abdul Hannan	13,970,593	2.29%	Israt Jahan	1,086,680	0.18%
	Mohd. Selim	16,291,047	2.67%	Farida Begum	1,525,802	0.25%
	Morshed Alam	17,040,678	2.79%	Bilkis Nahar	207,803	0.03%
	Md. Shahabuddin Alam	22,426,086	3.67%	Yeasmin Alam	1,528,803	0.25%
	Alhaj Mosharref Hossain	14,626,372	2.39%	Feroza Begum	1,936,487	0.32%
	Saber Hossain Chowdhury, M.P	2,338,439	0.38%	Rehana Chowdhury	Nil	Nil

02	<b>Chief Executive Officer</b>	M. Ehsanul Haque	Nil
03	<b>Company Secretary</b>	S. Q. Bazlur Rashid	Nil
04	<b>Chief Financial Officer</b>	Monindra Kumar Nath	Nil
05	<b>Head of Internal Audit</b>	Md. Sayeed Hossain	Nil

- Executives ( top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit) :

SI	DESIGNATION	NAME	SHARE HELD
01	Additional Managing Director	Md. Abdul Jalil Chowdhury	Nil
02	Additional Managing Director	Monindra Kumar Nath	Nil
03	Deputy Managing Director	M. A. Yousuf Khan	Nil
04	Deputy Managing Director	Md. Quamrul Islam Chowdhury	Nil
05	Deputy Managing Director	Choudhury Moshtaq Ahmed	Nil

## 5.11 Status of Compliance Bangladesh Bank Guideline's for Corporate Governance:

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SI No.	Particulars	Compliance Status
1.	Responsibilities and authorities of the board of directors:	
	<p><b>(a) Work-planning and strategic Management:</b></p> <p>i) The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.</p> <p>ii) The board shall have its analytical review incorporated in the Annual Report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.</p>	Complied
	<p><b>(b) Lending and risk management:</b></p> <p>(i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write -off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval.</p> <p>(ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.</p>	Complied
	<p><b>(c) Internal control management:</b></p> <p>The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.</p>	Complied
	<p><b>(d) Human resources management and development:</b></p> <p>(i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in no way involve themselves or interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors shall be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion.</p> <p>(ii) The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these program incorporated in its annual work plan.</p>	Complied
	<p><b>(e) Financial management:</b></p> <p>(i) The annual budget and the statutory financial statements shall finally be prepared with the approval of the board. It shall at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.</p> <p>(ii) The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.</p>	Complied



Sl No.	Particulars	Compliance Status
	<p><b>(f) Formation of supporting committees:</b> For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committees.</p>	Complied
	<p><b>(g) Appointment of CEO:</b> The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.</p>	Complied
2.	<p><b>Responsibilities of the chairman of the board of directors:</b></p> <p>(a) As the chairman of the board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policymaking or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank.</p> <p>(b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO.</p> <p>(c) The chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.</p>	Complied
3.	<p><b>Responsibilities of the adviser:</b> The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.</p>	Complied
4.	<p><b>Responsibilities and authorities of the CEO:</b> The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows:</p> <p>(a) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.</p> <p>(b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank.</p> <p>(c) The CEO shall report to Bangladesh Bank of issues violative of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the board post facto.</p> <p>(d) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.</p>	Complied

## 6.1. SWOT analysis:

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### 6.1.1. Strengths:

- Mercantile Bank Limited has nationwide image of providing quality service. It provides excellent and prompt services with higher degree of secrecy to corporate and mass level of customers even internationally.
- It has an excellent management team and disciplined workforce.
- MBL abides by a set of core values that reflects high commitment to customer:
  1. Responsive to customers' needs.
  2. Flexible in approach
  3. Professional in manner
  4. Strive for service excellence.
- A group of qualified experienced, dedicated and well-trained personnel employing the best effort to accomplish the organizational objective.
- Strong network throughout the country and correspondent relationship with almost all international and local banks operating in Bangladesh created a good accessibility and relationship with people.
- It also has advanced their technology with modernized Temenus Software.
- MBL has devoted much more in CSR activities
- They have adopted 'Green Banking' – an eco friendly move by placing solar panel.

### 6.1.2. Weakness:

- Most to the employees are not properly trained.
- The appropriate employees are not in the appropriate position.
- Online Banking quality and service is poor than the other private bank.

- ATM booths are not available like DBBL, Prime Bank etc.

### **6.1.3. Opportunities:**

- Bonus is given for more than one time in a year this is another reason of the employees' satisfaction.
- Promotion system of MBL is perfectly structured for the employees' inspiration. Generally promotion has been every three years after.
- Incentives are given to the employees from profit.

### **6.1.4. Threats:**

- Some foreign and private banks are becoming so advanced that can be a threat to mercantile Bank Ltd. At present in retail banking Standard Chartered Bank and in business banking American Express Bank, Hong Kong Shanghai Banking Corporation are going well.
- Bangladesh bank provides some rules and regulations for all banking institutions. Whether the rules and regulations suit the organization or not, it must obey these that sometimes impose barriers on daily normal operation.
- Also some private banks like Dutch Bangla Bank, Prime Bank, Bank Asia, etc. had introduced 'Shariah based Banking which is a new concept that attracts almost every level people towards them.

## 7.1 Findings:

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- Board Members do not have necessary trainings on the updated circular. The Policy on training of Directors includes providing training and updated information on all the latest policy guidelines, circulars and Acts issued by the regulatory/legislative authorities.
- One third of the members did not attend the meetings regularly. From the report we can see that only one board member has attained all the meetings.
- The CEO, CFO, Head of Internal Audit does not have any shares in the company.

No implementation of Whistle Blowing policy. The whistle blowing policy of the Bank aims to promote transparency and serves as a channel of corporate fraud risk management. The policy enables an employee, who has a legitimate concern on an existing or potential wrong-doing, to raise the issues and bring the same to the notice of the competent authority.

- No remuneration review Committee.
- MBL does not have any succession planning process.
- Employee productivity analysis is not done and there is no measurement scale to evaluate it
- Annual reports and other information of interest to shareholders are uploaded to Company's corporate website [www.mblbd.com](http://www.mblbd.com). But for last year no annual or half yearly report was published in the website.
- General Public does not hold more than 50% of shares. At most 40% shares are held by the directors.
- Lack of efficient executives or officers especially in the general and credit division hampers the customer service process.
- Lack of dedication of some employees is the main obstacle of the growth of this particular branch.
- There are various products and schemes of loans and advances but customer are not known to all of them.
- There were lack of employees to meet the needs of the customers.

## 7.2 Recommendations:

- ✱ The Policy on training of Directors includes providing training and updated information on all the latest policy guidelines, circulars and Acts issued by the regulatory/legislative authorities. So proper training has to be given so that the MBL can perform in a better way.
- ✱ Central Complaint Cell has been established and a vigilance team has also been formed to protect fraud and error. Risk Management Wing (RMW) also acts as the whistleblower of the Bank.
- ✱ Board members must attend the meetings regularly. Though Bangladesh Bank Guidelines do not permit to form a separate committee of Board on remuneration. As such, MBL does not have such committee. However, the Board of Directors should time to time review and evaluate the remuneration paid to all level of employees, director and others and decides on the issue. In addition, Board Members should directly involve in recruitment, promotion and remuneration process of top executives (Up to two-level below the rank of the Managing Director & CEO) as per the Bangladesh Bank Circular (BRPD Circular No.11 dated 27 October 2013).
- ✱ Efficient succession planning is an integral part of efficient employee management and MBL should possess a sound HR Policy covering succession planning to carefully avoid the problems of leadership vacuum under any circumstances
- ✱ Employee productivity should be measured in terms of total deposit, investment, income profit.
- ✱ Annual Reports need to be published annually.
- ✱ Percentage of the shares of the directors should be reduced.
- ✱ It should give more concern in their management quality to improve its satisfactory position.
- ✱ The Bank has to go through the proper online banking for better service to the customer.
- ✱ The Bank should try to follow modern marketing system.
- ✱ The Bank should promote their product by advertisement.
- ✱ The Bank should introduce new and attractive product to their customer.
- ✱ The Bank should emphasize on training its employee on a frequent basis.

## 7.3 Conclusion:

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As an organization the MBL is much more structured compared to any other listed bank operation in Bangladesh. Mercantile Bank Limited is a customer oriented financial institution. It remains dedicated to meet up with the ever growing expectations of the customer.

In MBL, Board of directors formulates bank's policies, management functions on approved policies. In addition, board of directors takes care the interest of shareholders & all other stakeholders, management remains compliant with the policies, regulations, laws given by board of directors, Bangladesh bank, other regulators. However, MBL gives importance on their customers, employees and shareholders. They want to achieve strong corporate growth through financial inclusion. They try provide solutions at a minimum cost based on a high level of satisfaction of all segments of our customers, thus also contributing to the prosperity of our employees and shareholders.

MBL is trying to develop innovative and technologically advanced products and services that satisfy their customer needs.

At the end of the report, I have identified several findings & recommendations of this banking system. In spite of some weakness & lacking, MBL remains strong position in banking sector. If MBL follows effective corporate, uses its strengths, overcomes its weakness, develops some promotion works & changes its services little bit user friendly, then it is sure that MBL will get competitive advantages over its major competitors.

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