

**COMPARATIVE ANALYSIS OF CLASSIFIED
LOAN AND PORVISION FOR LOAN BETWEEN
ISLAMIC BNAKS AND CONVENTIONAL BANKS
OF BANGLADESH**

Internship Report

Topic: “Comparative analysis of classified loan and provision for loan between Islamic Banks and Conventional Banks of Bangladesh”

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Sub: Submission of Internship report

Dear Madam,

This is to inform you that I have completed the internship report on the topic “Comparative analysis of classified loan and provision for loan between Islamic Banks and Conventional Banks of Bangladesh”. The report focuses on the banks classified loan, total loan, total deposit, total asset, no of branches, age and net profit. To prepare the report I choose seven Islamic Banks and twenty one Conventional Banks of Bangladesh. After that an analysis is presented compare the ratio of classified loan to total loan and provision for loan between Islamic Banks and Conventional Banks. The report has been prepared for the completion of the course “INTERNSHIP” (BUS 499).

In writing this report, I have followed your instructions for report writing to present my views and understanding in the easiest way. However, I will be glad to clarify any discrepancy that may arise.

Thank you.

Sincerely

Md. Sazzad Hossain

Id No: 2009-2-10-204

Acknowledgement

At the very beginning of writing, I want to acknowledge my gratitude to my faculty supervisor **Quazi Sagota Samina, assistant professor of BBA department, East West University** for her valuable guidance and support throughout the preparation of this report.

I want to thank the librarians of Dhaka Stock Exchange for helping me by providing valuable information of different banks for preparing my report.

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Executive Summary

Bank is the center and base of economic activities of modern times. Without banks economic activity of any country can't run properly. Therefore nowadays every country has different kinds of banks to run its economic activities. Bangladesh has different kinds of banks like conventional banks, Islamic banks, foreign banks, government banks etc to run its economic activities. At present Bangladesh have seven Islamic banks and twenty three conventional banks. Financial strength of these banks is very important for economic growth of the country. If banks are financially weak then it has negative impact on the country's economy, on the other hand if banks are financially strong then it has positive impact on the country's economy. So defining the financial strength of these banks is very important. There are lots of factors by which financial strength of banks are determined. One of the factors is loan. Determining the performance of loan maintenance of a bank, it is possible to identify the financial strength of a bank. Now the performance of loan maintenance depends on various factors like classified loan, provision for loan etc. this report focuses on these two factors to compare the financial strength between Islamic banks and conventional banks of Bangladesh. This report shows that ratio of classified loan to total loan of Islamic banks is above 10% over the five years, whereas ratio of classified loan to total loan of conventional banks is below 5% over the five years. It is clear that ratio of classified loan is not satisfactory for Islamic banks, but it is satisfactory for conventional banks. The main reason for high ratio of classified loan of Islamic banks is ICB Islamic Bank has above 50% loan as classified loan over the last five years. This indicates conventional banks are more effective in loan maintenance than Islamic banks. Another indicator of loan maintenance is provision for loan. The report shows amount of provision for loan is increasing over the last five years for both Islamic and conventional banks. The positive thing of high provision is credit risk of banks is reducing but the negative thing is profitability of banks is reducing. If profitability of banks reduces for having high provision, it indicates that banks loan maintenance is not good. By analyzing two factors it shows that banks are not performing well in loan maintenance. The report also shows the relationship of classified loan with different variables in the regression analysis part. Classified loan is positively related with total loan, total asset & age and adversely related with total deposit, net profit and no of branches. It indicates if total loan, total asset & age increases then classified loan increases, whereas if total deposit, net profit & no of branches increases then classified loan decreases. As the loan maintenance of the two banking industry of Bangladesh is not satisfactory, therefore banks should take necessary steps to improve the condition for the welfare of the economy.

CHAPTER 1: INTRODUCTION

Chapter Objective

To provide an idea about

- Objective of the study
- Sources of data and methodology
- Limitations of the study
- Report Preview

1.0 INTRODUCTION

1.1. Objectives of the Study

There are some objectives behind every study and my work is not an exception. So I have also some objectives. The relevant objectives are listed below.

1.1.1. Primary: My primary objective is “Comparative analysis of classified loan and provision for loan between Islamic Banks and Conventional Banks of Bangladesh”

1.1.2. Secondary: The secondary objectives of this study are:

- To present an overview of banks.
- To present the ratio of classified loan to total loan of different banks
- To compare the ratio of classified loan to total loan between Islamic banks and Conventional banks
- To present the provision for loan of different banks
- To compare the provision for loan between Islamic banks and Conventional banks
- To do regression analysis among classified loan and total asset, total deposit, no of branch, age etc.
- To understand the effect of total asset, total loan, total deposit no of branch and age on classified loan.

1.2 Sources of Data and Methodology

Methodology of my study includes the whole process that I have conducted my assignment. While doing my assignment I have used secondary type of data and it is listed below.

1.2.1. Secondary data: I have collected required data from the secondary sources like banks websites, www.bankinfobd.com and financial reports of different banks and library of Dhaka Stock Exchange to prepare the report.

1.3 Limitations

While preparing this report, the following limitations are faced in bank:

- To prepare the report I have to collect data of last five years of 28 banks. So collecting this huge amount of data and arrange all those data to prepare the report requires huge amount of time.
- All the information is not available in the banks website and financial reports. Therefore to collect all the information I need to go to different places.
- There was some time constraint, as the report has to be submitted within 30 days duration of the semester. Hence some parts are discussed very briefly.

1.4 Report Preview

The main thing of this report is to provide a comparison of classified loans between Islamic banks and Conventional banks. To do that I choose seven Islamic banks and twenty one Conventional banks of Bangladesh. From the information of those banks I try to compare the situation of Islamic banks and Conventional banks on classified loans in the last five years.

The first chapter includes the Objectives of the study, Limitation, Source of Data & Methodology and this part that is Report preview.

The second chapter includes the Short Profile of these banks which include Background, Mission & Vision of these banks.

The third chapter includes the presentation and explanation of classified loans of last five years of these banks.

The fourth chapter includes the comparison of classified loans of last five years between Islamic banks and Conventional banks.

The fifth chapter includes presentation and explanation of provision for loans of last five years of these banks.

The sixth chapter includes the comparison of provision for loans of last five years between Islamic banks and Conventional banks.

The seventh chapter includes the regression analysis among classified loan and total asset, total deposit, no of branch, age etc.

Finally the eighth and last chapter includes the Conclusion of this report that is what I have found out by comparing the classified loans of last five years between Islamic banks and Conventional banks.

CHAPTER TWO: SHORT PROFILE OF BANKS

Chapter Objective

To provide an idea about

- Short profile Islamic Banks
- Short profile of Conventional Banks

2.0 SHORT PROFILE OF BANKS

2.1 Short Profile of Islamic Banks

2.1.1 Profile of Al Arafah Islami Bank Ltd

With the objective of achieving success here & hereafter by pursuing the way directed by Allah and the path shown by His Rasul (SM), Al Arafah Islami Bank Ltd was established (registered) as a private limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is Tk.5000.00 million and the paid up capital is Tk. 4677.28 million as on 31.12.2010. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders. The equity of the bank stood at Tk. 9647.45 million as on 31 December 2010, the manpower was 1711 and the number of shareholders was 49,386. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs. The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 78 branches of which 21 is AD throughout the country.

2.1.2 Profile of EXIM Bank Ltd

Export Import Bank of Bangladesh Limited was established in the year 1999 under the leadership of Late Mr. Shahjahan Kabir, Founder Chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. This Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. Under the leadership of Mr. Lakiotullah, the Bank has migrated all of its conventional banking operation into Shariah Based Islami Banking in the year July 2004. Mr. Mohammed Lokiotullah left the Bank on 3rd June, 2007, there after Mr. Kazi Masihur Rahman became Managing Director on 4th June, 2007. Mr. Rahman served in the bank for next five years. Under his leadership, the bank has been placed on a state of the art centralized IT platform with two modern data centers where world renowned core banking software TEMENOS T24 is running along with some alternate delivery channels like ATMs and SMS banking. On 25th August, 2011, Mr. Md. Fariduddin Ahmed has joined in the bank as Managing Director. With his long experience in the Shariah Based Islami

banking in Bangladesh, EXIM Bank is going to take a new shape where IT-enabled banking service will spread in the market.

2.1.3 Profile of First Security Islami Bank Ltd

First Security Islami Bank Ltd. was incorporated as a limited company on 29 August, 1999 and received clearance from Bangladesh Bank (The Central Bank) on 22 September, 1999. The bank started functioning as a commercial bank from its first branch on 25 October, 1999. **First Security Islami Bank** started its journey with a vision to develop itself as a modern Islami bank and to make effective contribution in national economy. At the same time it would work for sustainable growth to achieve trust of the stake holders for their money and share. Besides the vision **FSIB** set its mission to build a customer caring and friendly banking environment. Modern Technology based fast and accurate service is its principle. Its function would be ethical and transparent at all levels. And its ultimate target is seamless growth for clients and positive contribution in national economy.

2.1.4 Profile of ICB Islamic Bank Ltd

ICB Islamic bank Ltd. was registered as a public limited company on April, 1987 under the Companies Act, 1913. Through the incorporation it was allowed to perform all kinds of banking, financial and business activities of a commercial bank. The bank committed to carry out its duties in strict compliance with Islamic Laws (Shariah). ICB IB started functioning as a commercial bank on 20 May, 1987. ICB Islamic Bank Ltd. Bangladesh and another thirteen banks in different countries of Africa, Asia and Europe are the members ICB Financial Group Holdings AG. As an international bank ICB Group is trying to flourish further at new host countries. This group is registered in Switzerland while its global management is situated in Kuala Lumpur, Malaysia.

2.1.5 Profile of Islami Bank Bangladesh Ltd

Islami Bank Bangladesh Limited is a Joint Venture Public Limited Company engaged in commercial banking business based on Islamic Shari'ah with 63.09% foreign shareholding having largest branch network (246 Branches & 30 SME/Krishi Branches i.e. total 276 Branches) among the private sector Banks in Bangladesh. It was established on the 13th March 1983 as the first Islamic Bank in the South East Asia. It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000.00 Million (\$ 250.47 Million) and Paid-up Capital is Tk. 12,509.64 Million (\$ 156.66 Million) having 60,302 shareholders as on 31st December 2012.

2.1.6 Profile of Shahjalal Islami Bank Ltd

Shahjalal Islami Bank commenced its operation as a commercial bank on 10 May, 2001 under the Bank Companies Act, 1991. This bank follows Islamic Shariah strictly. **SJIBL** started functioning

with a vision to develop itself as a unique Islami bank of the country with all modern services and products available for the clients. And at the same time it would contribute for sustainable growth of the national economy. All the activities of the bank are continuously monitored by the Shariah Council of the bank for implementation and compliance of Islamic Shariah principles. The council is constituted of prominent ulemas, experienced bankers, reputed lawyers and eminent economists of the country.

2.1.7 Profile of Social Islami Bank Ltd

The Bank was incorporated as a Public Limited Company in Bangladesh in the year 1995 under Companies Act, 1994. The Bank is one of the interest free Shariah based banks in the country and its modus operandi are substantially different from other conventional Banks. The Bank within the stipulations laid down by Bank Companies Act, 1991 and directives as received from time to time from Bangladesh Bank provides all types of commercial Banking services. Besides as a matter of policy the Bank conducts its business on the principles of Mudaraba, Musharaka, Murabaha, Bai Muazzal & Hire Purchase transaction approved by Bangladesh Bank. The bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company. The Bank carries its Banking activities through Seventy Six branches operating as per Islamic Shariah prevailing in the country.

2.2 Short Profile of Conventional Banks

2.2.1 Profile of Social AB Bank Ltd

AB Bank Limited, the first private sector bank was incorporated in Bangladesh on 31st December 1981 as Arab Bangladesh Bank Limited and started its operation with effect from April 12, 1982. During the last 29 years, AB Bank Limited has opened 82 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the World. As the bank believes in modernization, it took a conscious decision to rejuvenate its past identity – an identity that the bank carried as Arab Bangladesh Bank Limited for twenty five long years. As a result of this decision, it chose to rename itself as AB Bank Limited and the Bangladesh Bank put its affirmative stamp on November 14, 2007. At 25th Anniversary year the bank launched its new logo which represents the Bengali culture of “Sheetal pati” as it reflects the bonding with its clientele and fulfilling their every need. Thus the new spirit of AB Bank is “Bonding”.

2.2.2 Profile of Bank Asia Ltd

Bank Asia Limited is one of the third generation private commercial banks, incorporated in Bangladesh on 28 September 1999 as a public limited company under the Companies Act 1994, governed by the Banking Companies Act 1991. The Bank went for public issue of its shares on 23 September 2003 and its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. At present the Bank has 63 branches, 7 SME centers and 62 own ATM booths. Bank Asia Limited acquired the business of Bank of Nova Scotia (incorporated in Canada), Dhaka in the year 2001. At the beginning of the year 2002, the Bank also acquired the Bangladesh operations of Muslim Commercial Bank Limited (MCBL), a bank incorporated in Pakistan, having two branches at Dhaka and Chittagong. In taking over Bangladesh Operations, all assets and certain specific liabilities of MCBL were taken over by Bank Asia Limited at their book values.

2.2.3 Profile of BASIC Bank Ltd

Basic Bank Limited (Bangladesh Small Industries and Commerce Bank Limited) came into operation on 21 January, 1989. Basic Bank was established with a vision to extend financial support for the hundreds of thousands of small and cottage industries of the country. At the inception it was a joint venture of BCC foundation and the Government of Bangladesh, holding shares of 70% and 30% respectively. As the BCC foundation became nonfunctional, 100% shares of the bank were taken up by GOB on 4 June, 1992. So the bank is now owned by the state. However, to keep it up in efficiency and to get the best from it, the bank is still operated with full autonomy as before. Basic Bank decided to invest 50% of available credit fund for the small scale industries and accordingly it set all strategies and work plan.

2.2.4 Profile of BRAC Bank Ltd

With the vision of "Building profitable and socially responsible financial institution focused on Market and Business with Growth potential, thereby assisting **BRAC** and stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh", **BRAC Bank Limited** has started its journey in the Banking Sector of Bangladesh. Now, **BRAC Bank Limited** is one of the leading private bank in Bangladesh. **BRAC Bank** has received the commercial banking license from Bangladesh Bank in 2001. Since then it has established its name and branding with its quality of service and products. In a very short time **BRAC Bank** became one of the successful and fastest growing private bank in Bangladesh. Currently, **BRAC Bank** has 100 Branches, 60 SME Service Centers, 3 SME/Krishi Branches, more than 300 ATMs and 424 SME Unit offices across the country. It has disbursed over BDT10,000 crores of SME loan and has over 500,000 individual customers who access online banking facilities. Its services cut across all strata of clientele, be it corporate, retail or SME.

2.2.5 Profile of Dhaka Bank Ltd

The Bank was incorporated as a public limited company under the Companies Act. 1994. The Bank started its commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million. The paid up capital of the Bank stood at Tk 2,659,597,763 as on March 31, 2010. The total equity (capital and reserves) of the Bank as on March 31, 2010 stood at Tk 6,036,368,754. The Bank has 62 Branches, 3 SME Service Centers, 6 CMS Units, 2 Offshore Banking Unit across the country and a wide network of correspondents all over the world. The Bank has plans to open more Branches in the current fiscal year to expand the network.

2.2.6 Profile of Dutch Bangla Bank Ltd

Dutch-Bangla Bank Limited (DBBL) is a scheduled joint venture private commercial bank in Bangladesh. The bank is established jointly by local Bangladeshi parties spearheaded by M Sahabuddin Ahmed (Founder & Chairman) and the Dutch company FMO. **DBBL** was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. In June 1996, **DBBL** started its formal operation in banking sector. Since then **DBBL** gained its huge popularity because of its social welfare activities and affordable banking service.

2.2.7 Profile of Eastern Bank Ltd

With a vision to become the bank of choice and to be the most valuable financial brand in Bangladesh, Eastern Bank Ltd. (EBL) began its journey in 1992. Over the years EBL has established itself as a leading private commercial bank in the country with undisputed leadership in Corporate Banking and a strong Consumer and SME growth engines. EBL's ambition is to be the number one financial services provider, creating lasting value for its clientele, shareholder, employees and above all for the community it operates in.

2.2.8 Profile of IFIC Bank Ltd

IFIC Bank started functioning as a finance company in 1976. It was formed as a joint venture between the Government of Bangladesh and several farsighted sponsors from private sector. As GOB relaxed rules and allowed private sector to establish banks in 1983, IFIC was transformed into a commercial bank. At present GOB owns 32.75% of total shares of the bank and private entrepreneurs own 8.62% of that. And the rest is in the hands of general people. The bank set its mission to present quality service to the clients through its skilled work force having dedication and innovative talents. This bank performs all commercial banking activities. You may have a Savings bank account or a Current

account here. In addition you have the opportunity of a good number of Deposit schemes to choose from.

2.2.9 Profile of Jamuna Bank Ltd

Jamuna Bank Limited was incorporated in Bangladesh on 02 April 2001 as a public Limited Company under the Companies Act, 1994. The Bank within the stipulations laid down by the Bank Company Act, 1991 and directives as received from Bangladesh Bank and applicable to it from time to time provides all types of commercial banking services. The Bank has seventy three (73) branches (including 2 Islamic Banking Branches) and four (4) SME centers, with no overseas branches as at 31 December 2011.

2.2.10 Profile of Mercantile Bank Ltd

Mercantile Bank Limited (“the Bank”) was incorporated in Bangladesh as a Public Company Limited by shares under the Companies Act, 1994 as on May 20, 1999 and subsequently obtained Banking operation license from Bangladesh Bank under the Bank Company Act 1991 and commenced commercial operation on June 02, 1999. The Bank went for public issue of shares in the year 2003 and its shares are listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Presently the Bank has 75 Branches, including 5 SME/ Krishi Branches and two subsidiary companies.

2.2.11 Profile of Mutual Trust Bank Ltd

Mutual Trust Bank Limited (MTB) was incorporated in Bangladesh in the year 1999 as a Banking Company under the Companies Act, 1994. All types of commercial banking services are provided by the bank within the stipulations laid down by the Bank Companies Act, 1991 and directive as received from the Bangladesh Bank from. The bank started its commercial business from October 24, 1999. The shares of the bank are listed with the Dhaka and Chittagong Stock Exchange, as a publicly quoted company for its shares. Authorized Capital of the Bank is BDT 10 billion. The Bank has 62 (sixty two) branches, 14 (fourteen) SME/Agri Branches and 1 (one) Booth all over Bangladesh. The bank has no overseas branch as on December 2011. The booth is located at Hazrat Shahjalal International Airport, Dhaka

2.2.12 Profile of National Bank Ltd

Emergence of **National Bank** in the banking arena of Bangladesh was a remarkable event. While the national economy was sunken in severe recession some dynamic people with a vision came forward to establish a commercial bank. Their attempt was to help the economy of the country to revitalize. Thus the first private commercial bank, solely owned by Bangladeshi citizens came into reality in 1983

with the name, **National Bank Limited**. At present NBL is extending its service to people through 130 branches and 15 SME/Agri branches all over the country.

2.2.13 Profile of NCC Bank Ltd

The National Credit and Commerce Bank Limited (NCCBL) was formed as a public limited banking company incorporated in Bangladesh with primary objective to carry on all kinds of banking business in and outside Bangladesh. The registered Office of the Bank is located at 7-8, Motijheel Commercial Area, Dhaka-1000. Presently, the Bank has 87 branches, one SME Centre all over the Bangladesh and two booths located at Uttara Model Town and Maniknagar, Dhaka. The bank has no overseas branches as at December 31, 2011. It carries out all banking activities through its branches in Bangladesh. The Bank went for Initial Public Offering in 1999 and its share is listed with Dhaka and Chittagong Stock Exchanges Limited as a publicly traded company for its general class of shares. The bank commenced its banking business with sixteen branches from May 17, 1993.

2.2.14 Profile of ONE Bank Ltd

ONE Bank Ltd.(the "Bank") is a private sector commercial bank incorporated with the Registrar of Joint Stock Companies under the Companies Act 1994. The Bank commenced its banking operation on 14 July 1999 by obtaining license from the Bangladesh Bank on 02 July 1999 under section 31 of the Bank Companies Act 1991. As per the provisions of Bangladesh Bank license, the Bank has offered initially its shares to public by Pre-IPO and subsequently sold shares to the public through IPO in the year 2003. The shares of the Bank are listed with both Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd. The number of branches of the Bank was fifty four (54) and the number of booths was nine (9) as on 31 December 2011.

2.2.15 Profile of The Premier Bank Ltd

Premier Bank is one of the latest generation commercial banks of Bangladesh. The bank started functioning in 1999 after being established under the Banking Companies Act, 1991. **Premier Bank** provides all general banking services and products for its customers. The products and services may be categorized as Deposit Products, Loan Products and Customer Services. **Premier Bank's** slogan is "SERVICE FIRST". The bank has taken these words as its motto. Since very inception it is trying hard to uphold the motto. It is serving its clients and the nation simultaneously.

2.2.16 Profile of Prime Bank Ltd

The Prime Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under Companies Act, 1994 with the registered office of the company is located at 119-120 Motijheel C/A, Dhaka-1000. It commenced its banking business with one branch from April 17, 1995 under the

license issued by Bangladesh Bank. Presently the Bank has 102 (One Hundred Two) branches, 17 (Seventeen) SME Centre/ Branches all over Bangladesh and 2 (two) booths located at Dhaka Club, Dhaka and at Chittagong Port, Chittagong. Out of the above 102 branches, 05 (five) branches are designated as Islamic Banking Branch complying with the rules of Islamic Shariah. The Bank has 3 (Three) Off-shore Banking Units (OBU). The Bank went for Initial Public Offering in 1999 and its share is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general classes of share.

2.2.17 Profile of Southeast Bank Ltd

Southeast Bank Limited was established as a third generation private sector bank of Bangladesh. Till now it has developed itself and contributed quite a lot to the national economy. In the year 2001 its authorized capital was BDT 500 million and in 2010 that grew up to BDT 10,000 million. The Bank's paid up capital reached to BDT 6930 million from BDT 363 million in 2001. The bank provides all of commercial banking services to its clients. The major fields of activities are Conventional Banking, Islamic Banking, Credit service, Foreign Trade, Remittance service

2.2.18 Profile of Standard Bank Ltd

Standard Bank Limited was incorporated in Bangladesh as a Public Limited Company with limited liability under the Companies Act, 1994 on 11th May 1999 and commenced commercial operation on 3rd June 1999. The Bank went for the public issue of shares in 2003 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange. Now it has 68 Branches all over Bangladesh. The commercial banking activities of the Bank encompass a wide range of services including accepting deposits , making loans, discounting bills, conducting money transfer and foreign exchange transactions and performing other related services such as safe keeping, collections, issuing guarantees, acceptances and letters of credit.

2.2.19 Profile of The City Bank Ltd

City Bank is one of the oldest private Commercial Banks operating in Bangladesh. It is a top bank among the oldest five Commercial Banks in the country which started their operations in 1983. The Bank started its journey on 27th March 1983 through opening its first branch at B. B. Avenue Branch in the capital, Dhaka city. It was the visionary entrepreneurship of around 13 local businessmen who braved the immense uncertainties and risks with courage and zeal that made the establishment & forward march of the bank possible. Those sponsor directors commenced the journey with only Taka 3.4 crore worth of Capital, which now is a respectable Taka 330.77 crore as capital & reserve. City Bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model.

2.2.20 Profile of Trust Bank Ltd

Trust Bank Limited is a scheduled commercial bank established under the Bank Company Act, 1991 and incorporated as a Public Limited Company under the Companies Act, 1994 in Bangladesh on 17 June 1999 with the primary objective to carry on all kinds of banking business in and outside Bangladesh. The Bank had Sixty Two (62) branches and seven (7) SME Service Centers/Krishi Branches operating in Bangladesh as at 31 December 2011. The Bank had no overseas branches as at 31 December 2011. The bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general class of shares. Initially the bank has started its operation in the name of "The Trust Bank Limited" but on 12 November 2006 it was renamed as "Trust Bank Limited" by the Registrar of Joint Stock Companies. The new name of the bank was approved by Bangladesh Bank on 03 December 2006.

2.2.21 Profile of United Commercial Bank Ltd

Some leading personalities from the industry and business of the country got together in early eighties of the last century to build up a commercial bank. The result was one of the first generation private sector banks of the country. Thus United Commercial Bank Limited (UCBL) came into reality and GOB was kind enough to participate as a share holder of it UCBL started operating as a commercial bank in 1983. With its commitment to the economic development of the country, the bank has already made a distinct mark in the realm of private sector banking through personalized service, innovative practice, dynamic approach and efficient management. The bank aiming to play a leading role in the economic activities of the country is firmly engaged in the development of trade, commerce and industry through a creative credit policy. At present UCBL provides all general banking services to its clients through its 110 branches all over the country. Savings and current accounts, transfer of money, Western Union Money Transfer are some of the services UCBL provides.

CHAPTER THREE: ANALYSIS OF CLASSIFIED LOAN

Chapter Objective

To provide an idea about

- Analysis of ratio of classified loan of Islamic Banks
- Analysis of ratio of classified loan of Conventional banks

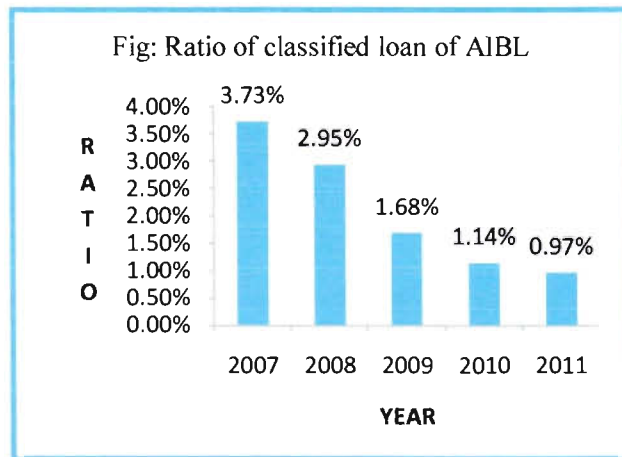
3.0 RATIO OF CLASSIFIED LOAN TO TOTAL LOAN

3.1 Ratio of classified loan of Islamic Banks

3.1.1 Ratio of classified loan of Al Arafah Islami Bank Ltd

Table: Ratio of classified loan of AIBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	854,410,000	22,906,370,000	3.73%
2008	817,900,000	27,742,570,000	2.95%
2009	608,480,000	36,134,080,000	1.68%
2010	610,480,000	53,582,960,000	1.14%
2011	751,100,000	77,714,950,000	0.97%

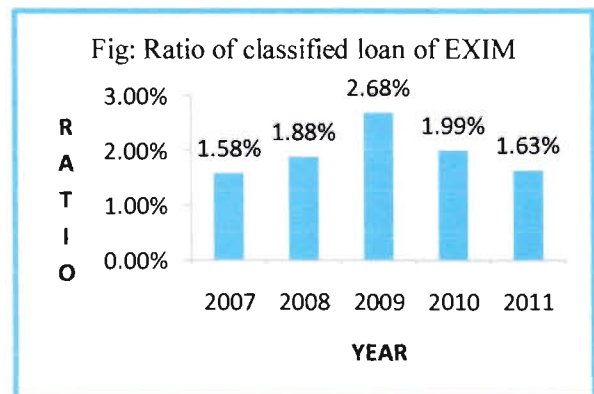


From the above diagram we can see that there is gradual decrease of classified loan to total loan in the last five years. From the table we can see that the banks amount of total loan increases while amount of classified loan decreases. This indicates Al Arafah Islami Bank is very effective and efficient in maintaining loan.

3.1.2 Ratio of classified loan of EXIM Bank Ltd

Table: Ratio of classified loan of EXIM

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	635,106,791	40,195,239,222	1.58%
2008	1,007,844,801	53,637,677,103	1.88%
2009	1,839,691,067	68,609,907,470	2.68%
2010	1,855,245,594	93,296,648,855	1.99%
2011	1,626,535,269	99,699,627,656	1.63%

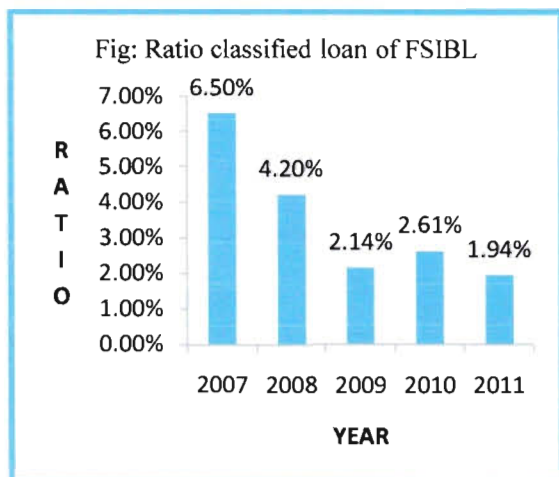


Form the above diagram we can see that from 2007 to 2009 amount of classified loan increases and after 2009 it gradually decreases. So the maintenance of loan of EXIM Bank increases.

3.1.3 Ratio of classified loan of First Security Islami Bank Ltd

Table: Ratio of classified loan of FSIBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,210,643,000	18,616,225,315	6.50%
2008	1,053,412,705	25,094,658,077	4.20%
2009	830,515,000	38,725,874,774	2.14%
2010	1,362,061,955	52,123,903,164	2.61%
2011	1,345,729,000	69,467,328,284	1.94%

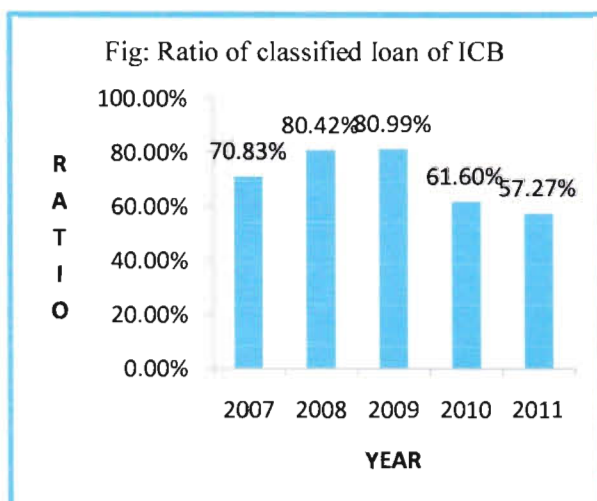


From the above table and diagram we can see that amount of classified loan to total loan gradually decreases. In 2007 the ratio of classified loan is 6.5% whereas in 2011 the ratio of classified loan is 1.94%. So this indicates that over the last five years First Security Islami Bank maintains there loan very effectively.

3.1.4 Ratio of classified loan of ICB Islamic Bank Ltd

Table: Ratio of classified loan of ICB

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	10,851,965,000	15,320,899,734	70.83%
2008	11,866,557,000	14,756,492,006	80.42%
2009	10,868,925,931	13,419,642,011	80.99%
2010	8,565,982,621	13,904,840,155	61.60%
2011	8,145,383,376	14,222,446,393	57.27%



From the above diagram and table we can see that from 2007 to 2009 amount of classified loan increases and after that it decreases. So ICB Islamic Bank improves slightly in maintaining the loan.

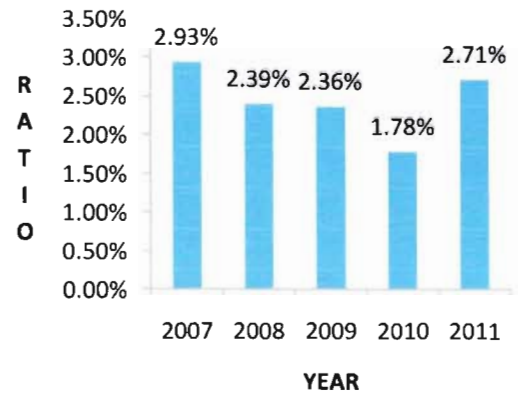
But the amount of classified loan is always above the 50% of total loan. In 2008 & 2009 it was above 80% of total loan. So this indicates that the performance of ICB Islamic Bank is very poor in maintaining the loan.

3.1.5 Ratio of classified loan of Islami Bank Bangladesh Ltd

Table: Ratio of classified loan of IBBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	4,246,020,000	144,920,609,595	2.93%
2008	4,311,133,000	180,053,935,732	2.39%
2009	5,063,396,000	214,615,801,272	2.36%
2010	4,655,632,000	261,725,131,026	1.78%
2011	8,292,324,000	305,790,180,873	2.71%

Fig: Ratio of classified loan of IBBL



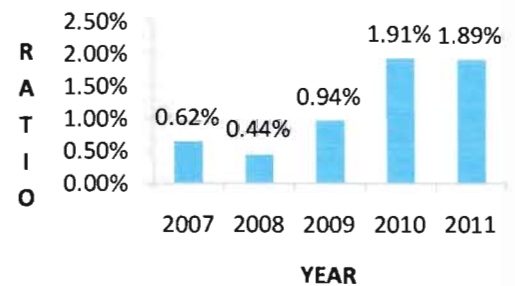
From 2007 to 2010 amount of classified loan to total loan decreases, but in 2011 it again increases. Although in 2011 ratio of classified loan much higher than the ratio of classified loan in 2010, but the overall performance of Islamic Bank in maintaining the loan is satisfactory.

3.1.6 Ratio of classified loan of Shahjalal Islami Bank Ltd

Table: Ratio of classified loan of SIBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	128,246,000	20,616,605,335	0.62%
2008	143,243,000	32,918,773,668	0.44%
2009	413,234,220	43,958,260,711	0.94%
2010	1,173,125,000	61,440,075,905	1.91%
2011	1,522,507,000	80,592,461,683	1.89%

Fig: Ratio of classified loan of SIBL

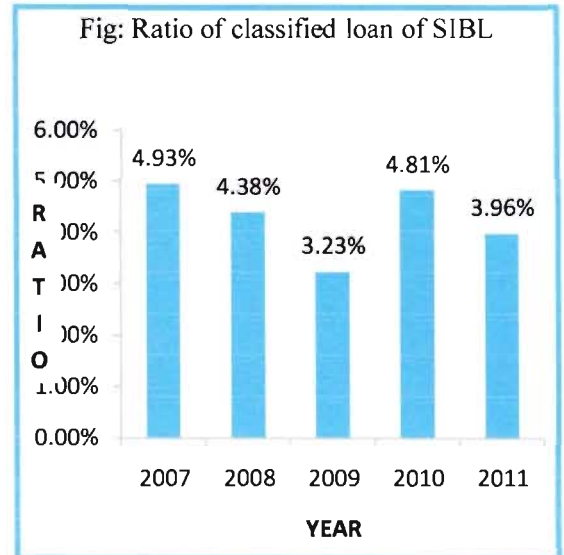


Although the ratio of classified loan gradually increases over the last five years, but the overall performance of Shahjalal Islami Bank in maintaining the loan is satisfactory. Important thing is that Shahjalal Islami Bank must take required actions not to increase the amount of classified loan.

3.1.7 Ratio of classified loan of Social Islami Bank Ltd

Table: Ratio of classified loan of SIBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	811,087,545	16,440,260,000	4.93%
2008	873,682,000	19,951,300,000	4.38%
2009	847,227,000	26,247,100,597	3.23%
2010	1,744,056,655	36,246,845,945	4.81%
2011	2,114,426,803	53,337,106,772	3.96%



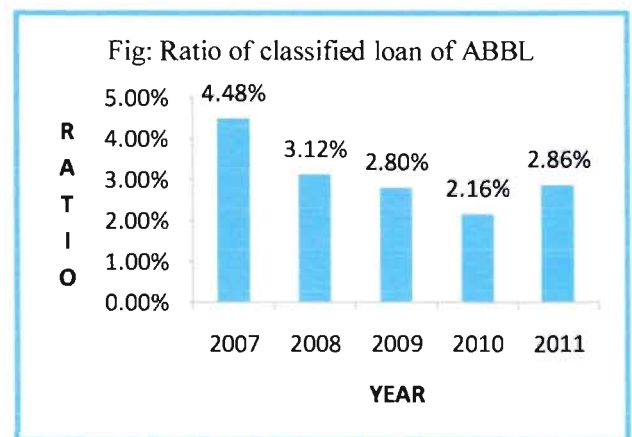
From the above diagram and table we can see that ratio of classified loan gradually decreases from 2007 to 2009, in 2010 it increases and in 2011 it slightly decreases. So we can say that the loan maintenance is satisfactory of Social Islami Bank Ltd.

3.2 Ratio of classified loan of Conventional Banks

3.1.8 Ratio of classified loan of AB Bank Ltd

Table: Ratio of classified loan of ABBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,762,636,000	39,303,901,301	4.48%
2008	1,695,381,577	54,412,358,249	3.12%
2009	1,949,168,813	69,732,552,194	2.80%
2010	1,852,480,771	85,894,851,126	2.16%
2011	2,671,800,773	93,411,192,735	2.86%



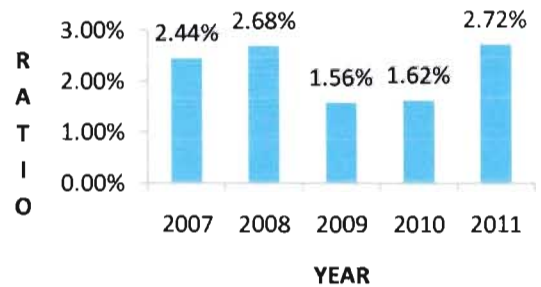
From the above diagram and table we can see that ratio of classified loan gradually decreases for 2007 to 2010, but in 2011 it slightly increases. Although in 2011 the ratio of classified loan slightly increases, but the overall maintenance of loan is satisfactory.

3.1.9 Ratio of classified loan of Bank Asia Ltd

Table: Ratio of classified loan of Bank Asia

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	695,660,000	28,456,940,000	2.44%
2008	1,072,670,000	39,975,000,000	2.68%
2009	785,070,000	50,267,920,000	1.56%
2010	1,284,250,000	79,504,230,000	1.62%
2011	2,249,960,000	82,819,970,000	2.72%

Fig: Ratio of classified loan of Bank Asia



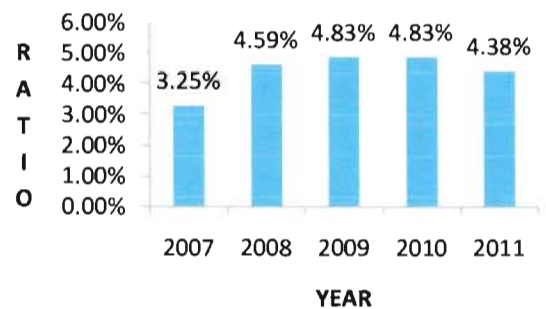
From the above diagram and table we can see that there is ups and downs in the ratio of classified loan over the last five years. In 2011 the ratio of classified loan is 2.72 % which is satisfactory. Therefore we can say that the maintenance of loan of Bank Asia is satisfactory.

3.1.10 Ratio of classified loan of BASIC Bank Ltd

Table: Ratio of classified loan of BASIC Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	723,233,815	22,263,349,608	3.25%
2008	1,251,209,878	27,269,131,180	4.59%
2009	1,412,346,626	29,261,534,342	4.83%
2010	2,239,968,230	46,341,513,504	4.83%
2011	2,489,790,200	56,884,757,885	4.38%

Fig: Ratio of classified loan of BASIC

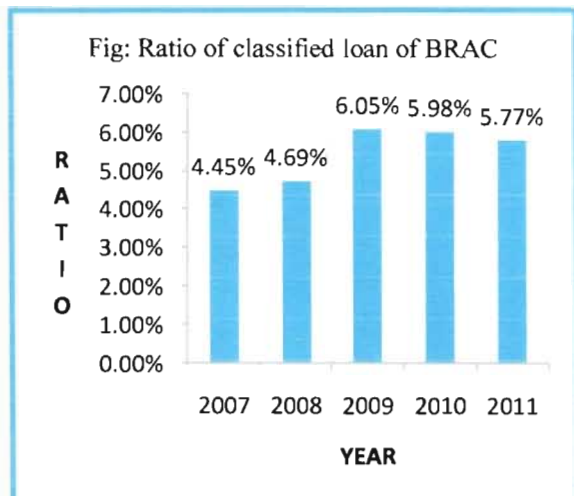


From the above diagram and table we can see that there is a gradual increase in the ratio of classified loan over the last five years. Although there is gradual increase in amount of classified loan, but the overall performance in loan maintenance is satisfactory.

3.1.11 Ratio of classified loan of BRAC Bank Ltd

Table: Ratio of classified loan of BRAC Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,445,000,000	32,461,000,000	4.45%
2008	2,473,000,000	52,677,000,000	4.69%
2009	3,878,000,000	64,151,000,000	6.05%
2010	4,930,000,000	82,461,000,000	5.98%
2011	5,240,000,000	90,822,000,000	5.77%

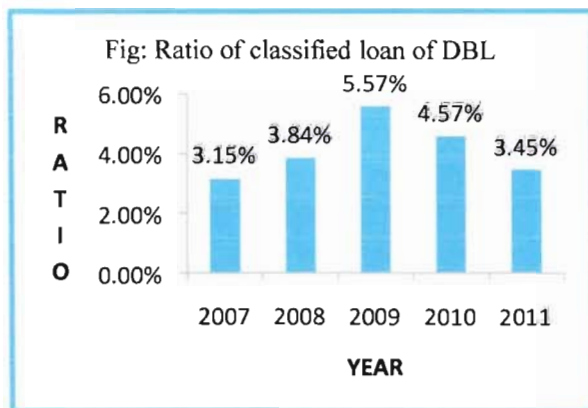


From the above table and diagram we can see that there is a gradual increase in the amount of classified loan over the last five years, but the overall loan maintenance is satisfactory.

3.1.12 Ratio of classified loan of Dhaka Bank Ltd

Table: Ratio of classified loan of DBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,258,000,000	39,972,000,000	3.15%
2008	1,908,000,000	49,698,000,000	3.84%
2009	2,946,000,000	52,910,000,000	5.57%
2010	2,908,586,000	63,591,387,406	4.57%
2011	2,624,031,892	75,983,291,662	3.45%

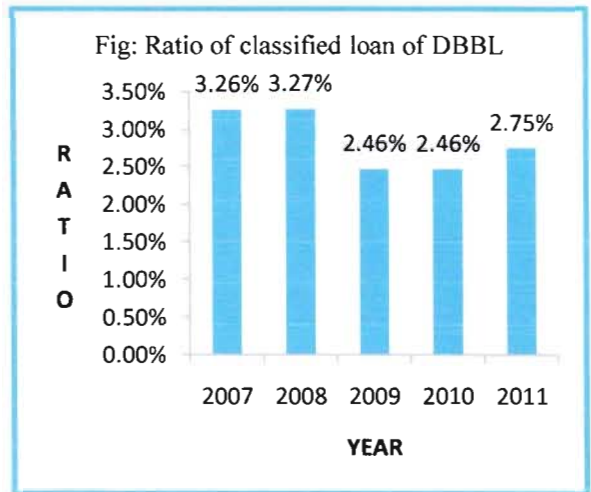


From the above diagram we can see that from 2007 to 2009 ratio of classified loan gradually increases and after that upto 2011 it gradually decreases. Therefore we can say that the loan maintenance is satisfactory.

3.1.13 Ratio of classified loan of Dutch Bangla Bank Ltd

Table: Ratio of classified loan of DBBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	958,028,734	29,403,123,212	3.26%
2008	1,363,174,636	41,698,321,269	3.27%
2009	1,193,317,209	48,410,989,619	2.46%
2010	1,665,670,064	67,657,666,378	2.46%
2011	2,186,797,123	79,660,698,143	2.75%

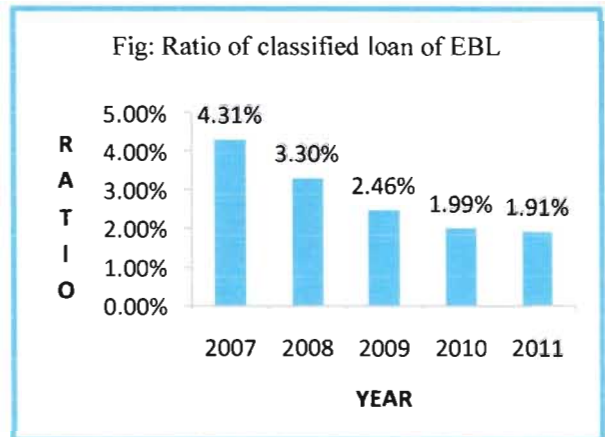


From the above diagram we can see that over the last five years there is slightly ups and downs in the ratio of classified loan. So the overall loan maintenance of Dutch Bangla Bank is satisfactory.

3.1.14 Ratio of classified loan of Eastern Bank Ltd

Table: Ratio of classified loan of EBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,334,000,000	30,962,000,000	4.31%
2008	1,309,000,000	39,662,000,000	3.30%
2009	1,172,000,000	47,668,000,000	2.46%
2010	1,169,000,000	58,607,000,000	1.99%
2011	1,561,000,000	81,774,000,000	1.91%

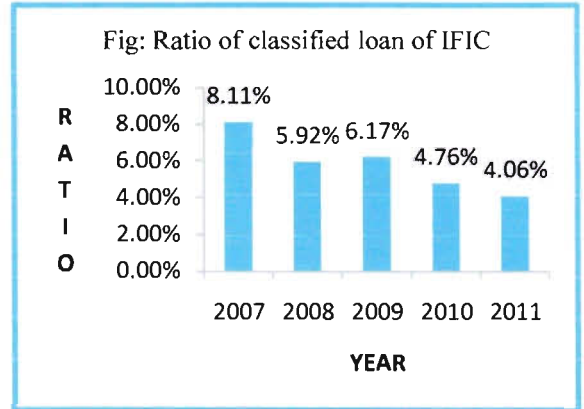


From the above diagram we can see that there is gradual decrease in the ratio of classified loan over the last five years. Therefore we can say that the loan maintenance of Eastern Bank Ltd is satisfactory.

3.1.15 Ratio of classified loan of IFIC Bank Ltd

Table: Ratio of classified loan of IFIC Bank Ltd

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	2,299,901,000	28,361,456,225	8.11%
2008	1,953,070,000	33,018,385,382	5.92%
2009	2,330,307,000	37,793,886,723	6.17%
2010	2,264,283,000	47,563,427,882	4.76%
2011	2,578,088,000	63,557,971,662	4.06%

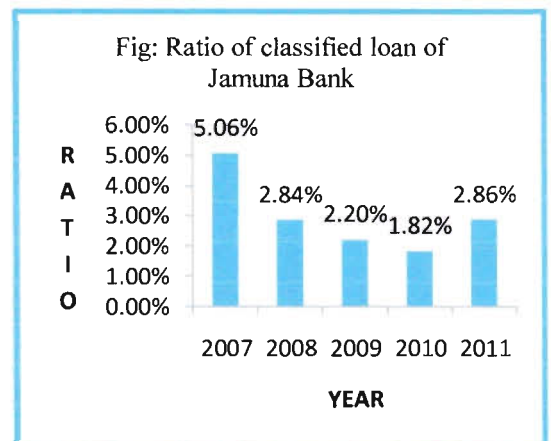


From the above diagram we can see that there is gradual decrease in the ratio of classified loan over the last five years. Therefore we can say that the loan maintenance of IFIC Bank is satisfactory.

3.1.16 Ratio of classified loan of Jamuna Bank Ltd

Table: Ratio of classified loan of Jamuna Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	840,339,000	16,617,450,517	5.06%
2008	598,309,000	21,036,861,012	2.84%
2009	710,858,000	32,287,661,155	2.20%
2010	905,516,000	49,734,800,806	1.82%
2011	1,618,726,000	56,611,792,780	2.86%



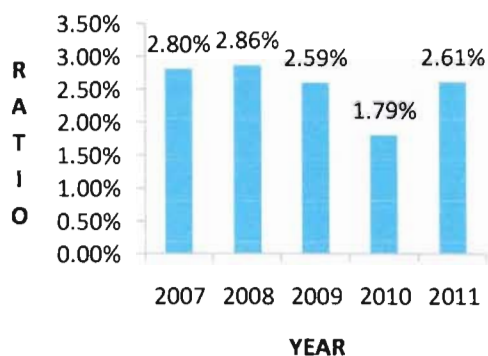
From the above diagram we can see that there is gradual decrease of ratio of classified loan over the last four years and in 2011 it slightly increases. Therefore we can say that the loan maintenance of Jamuna Bank Ltd is satisfactory.

3.1.17 Ratio of classified loan of Mercantile Bank Ltd

Table: Ratio of classified loan of MBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	893,990,000	31,877,860,000	2.80%
2008	1,242,470,000	43,419,360,000	2.86%
2009	1,252,050,000	48,295,550,000	2.59%
2010	1,187,810,000	66,377,700,000	1.79%
2011	2,084,620,000	79,999,800,000	2.61%

Fig: Ratio of classified loan of MBL



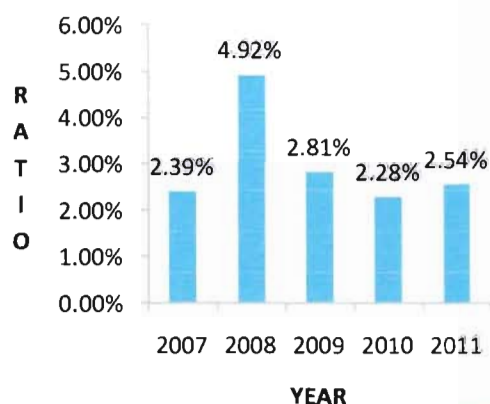
From the above diagram we can see that there is ups and downs in the ratio of classified loan over the last five years. Although in 2011 amount of classified loan slightly increases, but the overall loan maintenance of Mercantile Bank Ltd is satisfactory.

3.1.18 Ratio of classified loan of Mutual Trust Bank Ltd

Table: Ratio of classified loan of MTBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	541,643,000	22,683,227,657	2.39%
2008	1,402,847,000	28,529,345,619	4.92%
2009	952,762,000	33,883,923,705	2.81%
2010	903,969,000	39,676,121,484	2.28%
2011	1,195,103,000	47,005,479,862	2.54%

Fig: Ratio of classified loan of MTBL



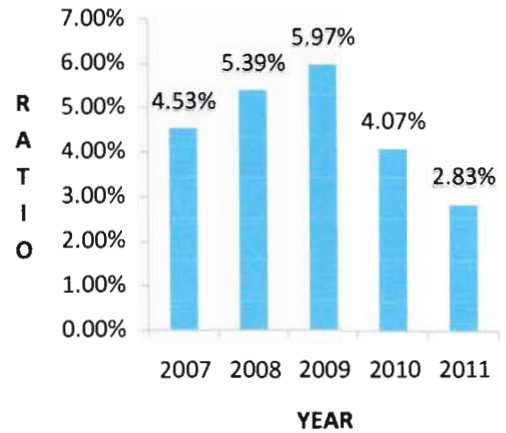
From the above diagram we can see that from 2007 to 2008 ratio of classified loan increases and after that it gradually decreases and over the last five years the ratio is always below the 5%. Therefore we can say that the loan maintenance of Mutual Trust Bank is satisfactory.

3.1.19 Ratio of classified loan of National Bank Ltd

Table: Ratio of classified loan of NBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,652,351,022	36,475,740,000	4.53%
2008	2,730,847,273	50,665,070,000	5.39%
2009	3,880,311,000	64,962,312,154	5.97%
2010	3,642,571,000	89,516,598,077	4.07%
2011	3,264,951,000	115,388,890,470	2.83%

Fig: Ratio of classified loan of NBL



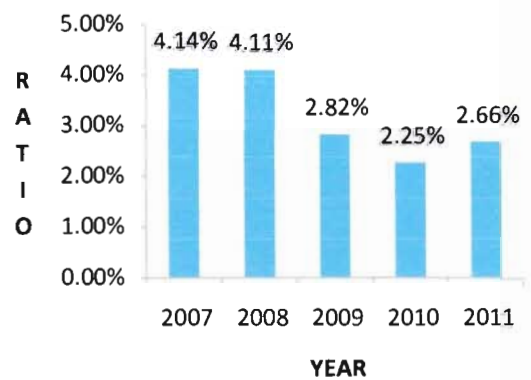
From the above diagram we can see that from 2007 to 2009 ratio of classified loan gradually increases and after that upto 2011 it gradually decreases. Therefore we can say that the loan maintenance of National Bank Ltd is satisfactory.

3.1.20 Ratio of classified loan of NCC Bank Ltd

Table: Ratio of classified loan of NCC Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,353,310,000	32,687,750,000	4.14%
2008	1,902,580,000	46,332,690,000	4.11%
2009	1,420,567,000	50,387,683,203	2.82%
2010	1,425,280,000	63,230,141,628	2.25%
2011	1,938,304,000	72,733,540,709	2.66%

Fig: Ratio of classified loan of NCCBL



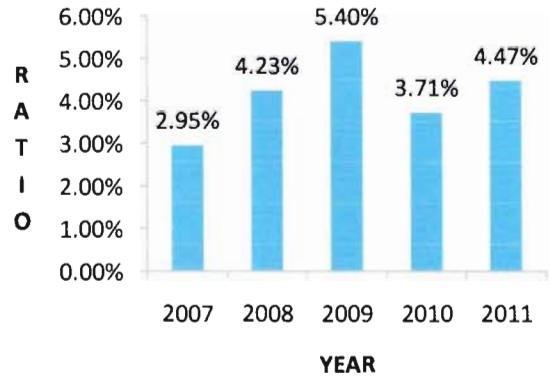
From the above diagram we can see that there is gradual decrease in the ratio of classified loan to total loan over the last five years. Therefore we can say that the loan maintenance is satisfactory.

3.1.21 Ratio of classified loan of ONE Bank Ltd

Table: Ratio of classified loan of ONE Bank Ltd

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	580,628,250	19,709,000,000	2.95%
2008	985,615,369	23,287,000,000	4.23%
2009	1,755,723,733	32,533,000,000	5.40%
2010	1,565,579,222	42,190,000,000	3.71%
2011	2,137,195,810	47,814,000,000	4.47%

Fig: Ratio of classified loan of ONE Bank



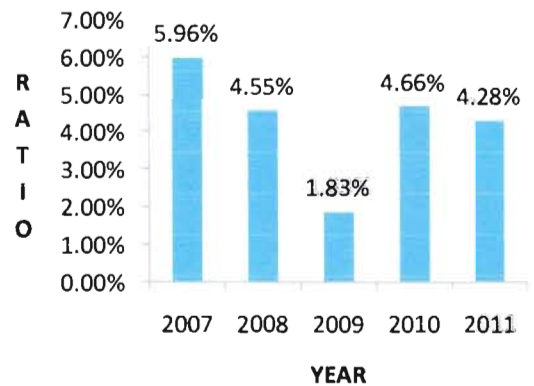
From the above diagram we can see that from 2007 to 2009 ratio of classified loan gradually increases and after that in 2010 it decreases and again in 2011 it increases, but the ratio is always in the satisfactory level. Therefore we can say that the loan maintenance of ONE Bank Ltd is satisfactory.

3.1.22 Ratio of classified loan of The Premier Bank Ltd

Table: Ratio of classified loan of The Premier Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,409,430,000	23,637,610,000	5.96%
2008	1,378,660,000	30,319,530,000	4.55%
2009	617,550,000	33,664,590,000	1.83%
2010	2,160,980,000	46,400,570,000	4.66%
2011	2,132,340,000	49,774,910,000	4.28%

Fig: Ratio of classified loan of Premier Bank

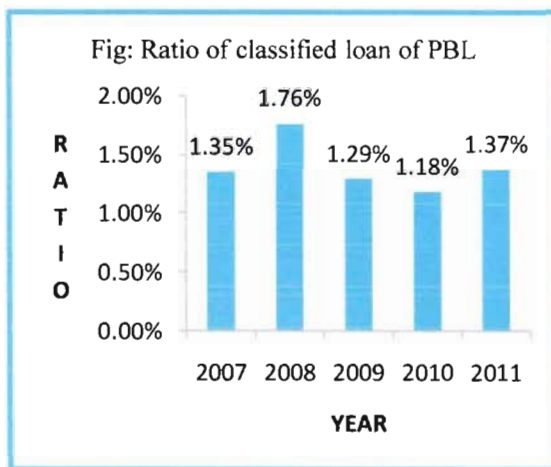


From the above diagram we can see that from 2007 to 2009 ratio of classified loan gradually decreases and after that in 2010 it increases and in 2011 it slightly decreases. Over the last five years the ratio of classified loan is satisfactory. Therefore we can say that the loan maintenance of The Premier Bank is satisfactory.

3.1.23 Ratio of classified loan of Prime Bank Ltd

Table: Ratio of classified loan of PBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	777,000,000	57,683,000,000	1.35%
2008	1,323,000,000	75,156,000,000	1.76%
2009	1,149,000,000	89,252,000,000	1.29%
2010	1,368,000,000	116,057,000,000	1.18%
2011	1,908,000,000	139,409,000,000	1.37%

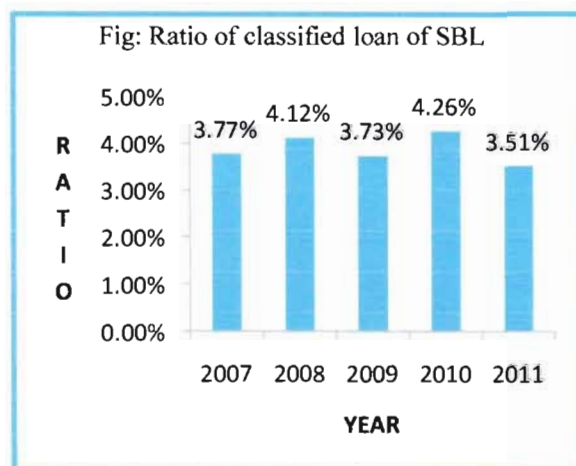


From the above diagram we can see that there are ups and downs in the ratio of classified loan over the last five years. The most important thing is that the ratio is always below the 2% over the last five years. Therefore we can say that the loan maintenance of Prime Bank Ltd is highly satisfactory.

3.1.24 Ratio of classified loan of Southeast Bank Ltd

Table: Ratio of classified loan of SBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,815,805,420	48,164,600,000	3.77%
2008	2,483,587,912	60,281,260,000	4.12%
2009	2,890,659,361	77,497,570,000	3.73%
2010	4,003,599,120	93,981,200,000	4.26%
2011	3,765,828,456	107,288,560,000	3.51%



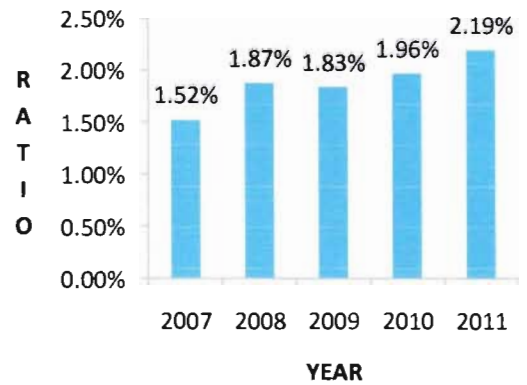
From the above diagram we can see that there are ups and downs in the ratio of classified loan over the last five years. The most important thing is that the ratio is always below the 5% over the last five years. Therefore we can say that the loan maintenance of Prime Bank Ltd is satisfactory.

3.1.25 Ratio of classified loan of Standard Bank Ltd

Table: Ratio of classified loan of Standard Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	263,000,000	17,311,000,000	1.52%
2008	509,000,000	27,190,000,000	1.87%
2009	697,000,000	38,056,000,000	1.83%
2010	1,016,670,868	51,757,689,073	1.96%
2011	1,211,228,000	55,332,044,249	2.19%

Fig: Ratio of classified loan of Standard Bank



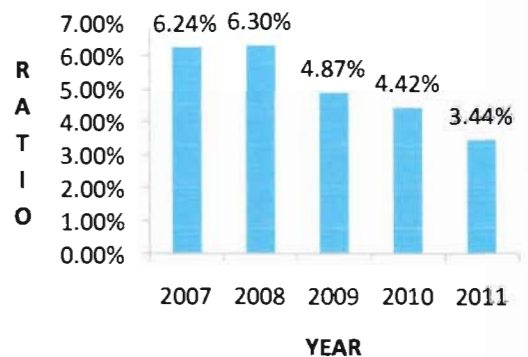
From the above diagram we can see that there is gradual increase in the ratio of classified loan over the last five years, but the ratio is never above the 3%. Therefore we can say that the loan maintenance of Standard Bank Ltd is satisfactory.

3.1.26 Ratio of classified loan of The City Bank Ltd

Table: Ratio of classified loan of The City Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,671,833,000	26,788,466,138	6.24%
2008	2,169,808,000	34,420,944,980	6.30%
2009	2116962000	43486421803	4.87%
2010	2,668,698,000	60,326,545,084	4.42%
2011	2,644,313,000	76,807,031,331	3.44%

Fig: Ratio of classified loan of The City Bank



From the above diagram we can see that ratio of classified loan gradually decreases over the last five years and in 2011 it was 3.44%. Therefore we can say that the loan maintenance of The City Bank Ltd is satisfactory.

3.1.27 Ratio of classified loan of Trust Bank Ltd

Table: Ratio of classified loan of Trust Bank

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	506650000	18682160000	2.71%
2008	693280000	27528080000	2.52%
2009	860720000	32663110000	2.64%
2010	960020000	39799920000	2.41%
2011	1534310000	50801740000	3.02%

Fig: Ratio classified loan of Trust Bank



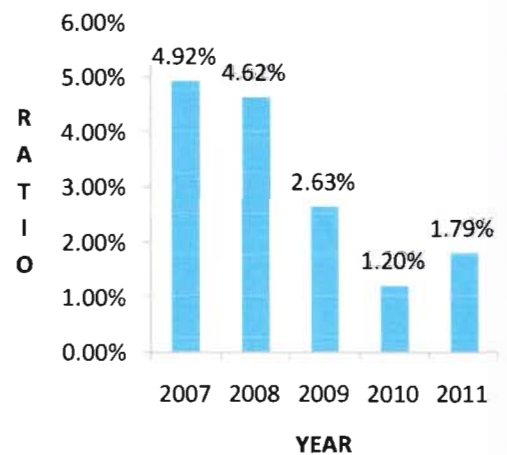
From the above diagram we can see that there are ups and downs in the ratio of classified loan over the last five years. The most important thing is that the ratio is always below the 5% over the last five years. Therefore we can say that the loan maintenance of Trust Bank Ltd is satisfactory.

3.1.28 Ratio of classified loan of United Commercial Bank Ltd

Table: Ratio of classified loan of UCBL

YEAR	CLASSIFIED LOAN	TOTAL LOAN	RATIO
2007	1,848,248,184	37,566,020,000	4.92%
2008	2,053,420,446	44,446,330,000	4.62%
2009	1,622,505,386	61,692,220,000	2.63%
2010	1,122,728,400	93,560,700,000	1.20%
2011	2,067,563,307	115,506,330,000	1.79%

Fig: Ratio of classified loan of UCBL



From the above diagram we can see that there is gradual decrease in the ratio of classified loan over the last five years and in the last year it was 1.79%. Therefore we can say that the loan maintenance of United Commercial Bank Ltd is satisfactory.

CHAPTER FOUR: COMPARISON OF CLASSIFIED LOAN BETWEEN ISLAMIC BANKS AND CONVENTIONAL BANKS

Chapter Objective

To provide an idea about

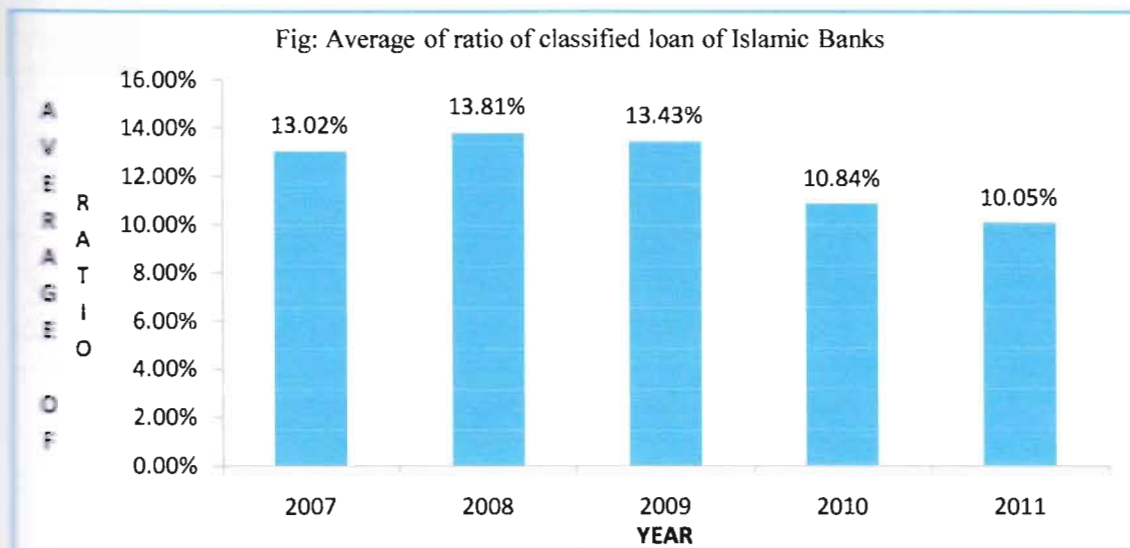
- Average of classified loan of Islamic Banks
- Average of classified loan of Conventional banks
- Comparison between Islamic banks and Conventional banks

4.0 COMPARISON OF CLASSIFIED LOAN OF ISLAMIC BANK AND CONVENTIONAL BANK

4.1 Average of Ratio of Classified Loan of Islamic Banks

Table: Average of ratio of classified loan of Islamic Banks

YEAR	AL ARAFAH	EXIM	FSIBL	ICB ISLAMIC	ISLAMI	SHAHJALAL	SOCIAL	TOTAL	AVERAGE
2007	3.73%	1.58%	6.50%	70.83%	2.93%	0.62%	4.93%	91.13%	13.02%
2008	2.95%	1.88%	4.20%	80.42%	2.39%	0.44%	4.38%	96.65%	13.81%
2009	1.68%	2.68%	2.14%	80.99%	2.36%	0.94%	3.23%	94.03%	13.43%
2010	1.14%	1.99%	2.61%	61.60%	1.78%	1.91%	4.81%	75.85%	10.84%
2011	0.97%	1.63%	1.94%	57.27%	2.71%	1.89%	3.96%	70.37%	10.05%



From the above table and diagram it is clear that the average of ratio of classified loan of all Islamic Banks gradually decreases over the last five years, but the ratio is huge. Over the last five years the ratio is always above the 10%. The reason is that the ratio of classified loan of ICB Islamic Bank is huge that is always above 50% over the last five years. From the table we can see that the ratio of classified loan of other Islamic Banks is quite satisfactory, while

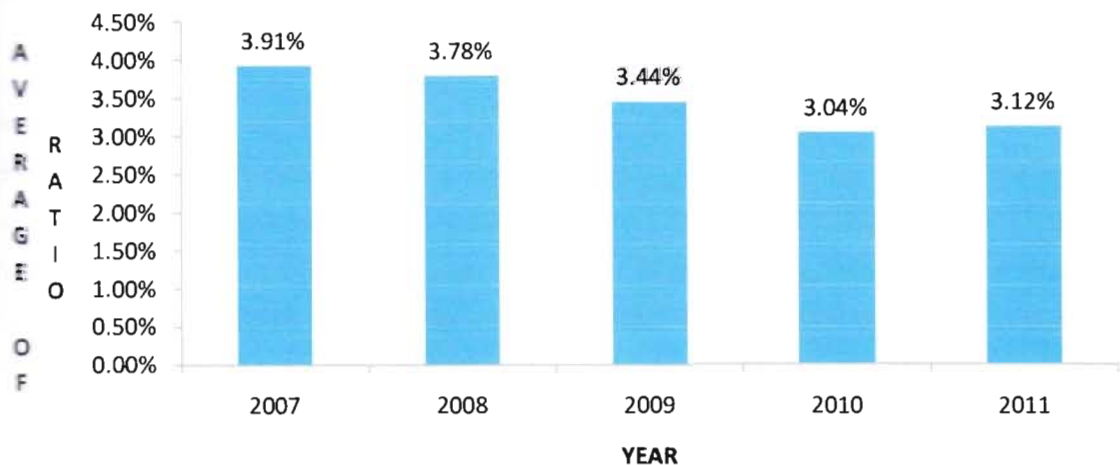
the ratio of classified loan of ICB Islamic Bank is highly unsatisfactory. Therefore it has negative impact in the loan management of Islamic Banking industry of Bangladesh.

4.2 Average of Classified Loan of Conventional Banks

Table: Average of ratio of classified loan of Conventional Banks

NAME OF BANK	2007	2008	2009	2010	2011
AB BANK	4.48%	3.12%	2.80%	2.16%	2.86%
BANK ASIA	2.44%	2.68%	1.56%	1.62%	2.72%
BASIC	3.25%	4.59%	4.83%	4.83%	4.38%
BRAC	4.45%	4.69%	6.05%	5.98%	5.77%
DHAKA	3.15%	3.84%	5.57%	4.57%	3.45%
DUTCH BANGLA	3.26%	3.27%	2.46%	2.46%	2.75%
EASTERN	4.31%	3.30%	2.46%	1.99%	1.91%
IFIC	8.11%	5.92%	6.17%	4.76%	4.06%
JAMUNA	5.06%	2.84%	2.20%	1.82%	2.86%
MERCANTILE	2.80%	2.86%	2.59%	1.79%	2.61%
MUTUAL	2.80%	2.86%	2.59%	1.79%	2.61%
NATIONAL	4.53%	5.39%	5.97%	4.07%	2.83%
NCC	4.14%	4.11%	2.82%	2.25%	2.66%
ONE	2.95%	4.23%	5.40%	3.71%	4.47%
PREMIER	5.96%	4.55%	1.83%	4.66%	4.28%
PRIME	1.35%	1.76%	1.29%	1.18%	1.37%
SOUTHEAST	3.77%	4.12%	3.73%	4.26%	3.51%
STANDARD	1.52%	1.87%	1.83%	1.96%	2.19%
THE CITY	6.24%	6.30%	4.87%	4.42%	3.44%
TRUST	2.71%	2.52%	2.64%	2.41%	3.02%
UCBL	4.92%	4.62%	2.63%	1.20%	1.79%
TOTAL	82.20%	79.44%	72.29%	63.89%	65.54%
AVERAGE	3.91%	3.78%	3.44%	3.04%	3.12%

Fig: Average of ratio of classified loan of Conventional Banks

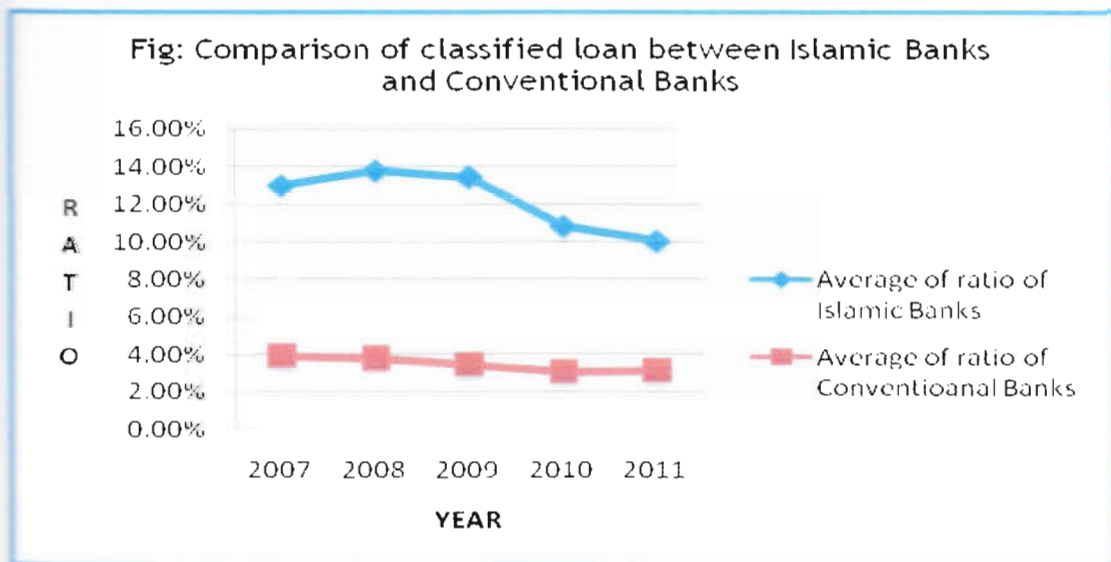


From the above diagram we can see that there is gradual decrease in the average of ratio of classified loan of conventional banks over the last five years and the most important thing is that ratio of classified loan is never above the 5%. Therefore we can say that the loan maintenance of Conventional banking industry of Bangladesh is satisfactory.

4.3 Comparison of classified loan between Islamic banks and conventional banks

Table: Comparison of classified loan between Islamic Banks and Conventional Banks

YEAR	2007	2008	2009	2010	2011
Average of ratio classified loan of Islamic Banks	13.02%	13.81%	13.43%	10.84%	10.05%
Average of ratio classified loan of Conventioanal Banks	3.91%	3.78%	3.44%	3.04%	3.12%



In analysis I found that ratio of classified loan to total loan of Islamic Banking industry is above 10% over the last five years, which is unsatisfactory. On the other hand we see that ratio of classified loan to total loan of Conventional Banking industry is below 5% over the last five years, which is satisfactory. The reason for high ratio of classified loan of Islamic Banking industry is huge amount of classified loan of ICB Islamic Bank Ltd. The ratio of classified loan of ICB Islamic Bank Ltd is always above 50% over the last five years. Therefore the overall Islamic Banking industry is in bad position of loan maintenance than the Conventional Banking industry of Bangladesh. So the conclusion is the Conventional Banks are highly effective and efficient in loan maintenance than Islamic Banks in Bangladesh.

CHAPTER FIVE: ANALYSIS OF PROVISION FOR LOAN

Chapter Objective

To provide an idea about

- Provision for loan of Islamic Banks
- Provision for loan of Conventional banks

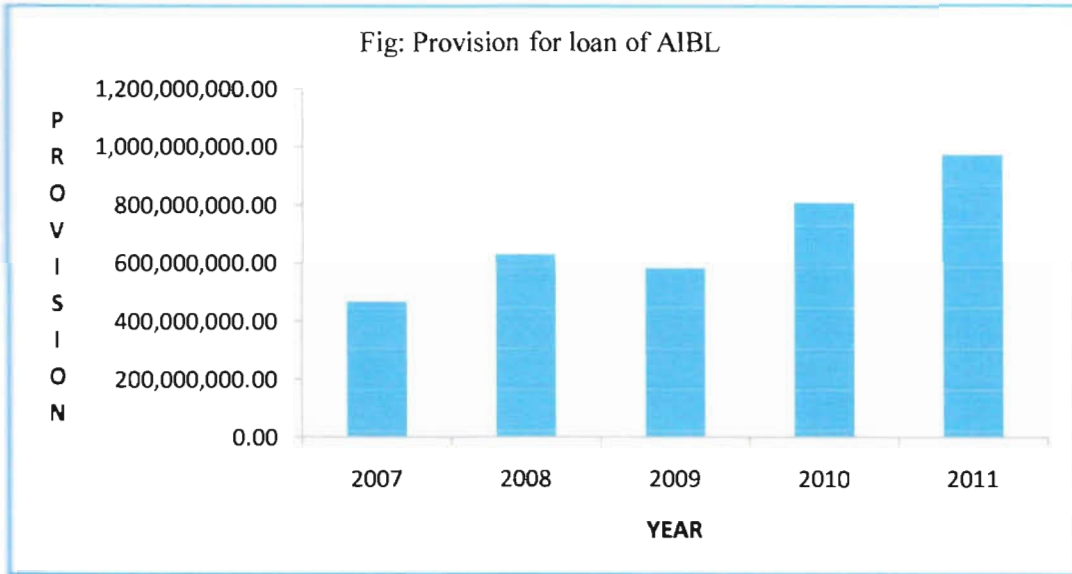
5.0 ANALYSIS OF PROVISION ON LOAN

5.1 Analysis of Provision on Loan of Islamic Banks

5.1.1 Analysis of Provision on Loan of Al Arafah Islami Bank Limited

Table: Provision for loan of AIBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	246,480,000.00	220,480,000.00	466,960,000.00
2008	329,780,000.00	298,090,000.00	627,870,000.00
2009	173,130,000.00	409,190,000.00	582,320,000.00
2010	137,580,000.00	666,950,000.00	804,530,000.00
2011	105,930,000.00	866,460,000.00	972,390,000.00

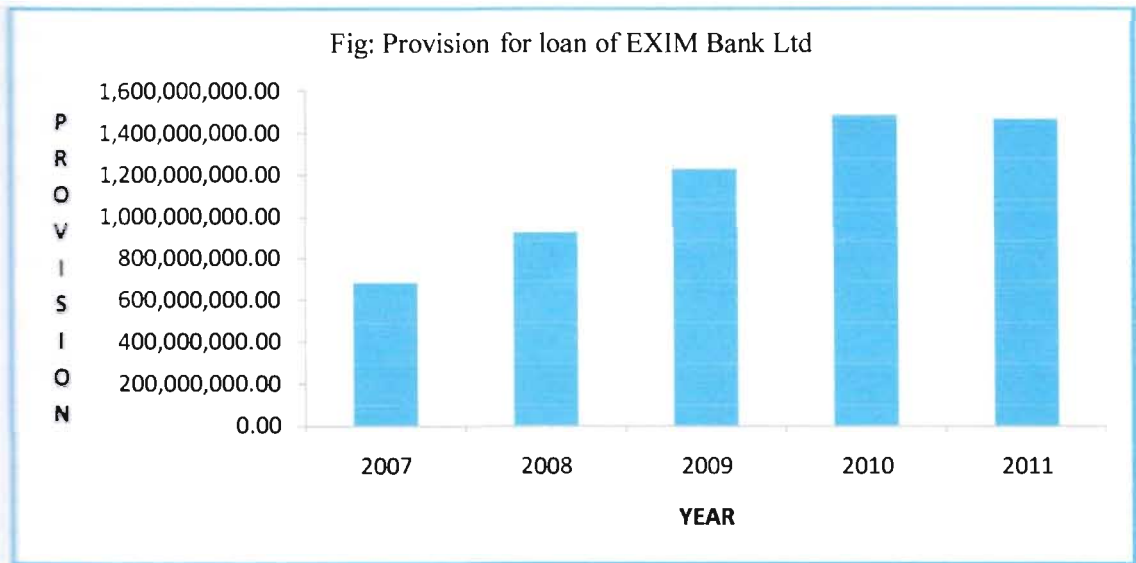


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.2 Analysis of Provision on Loan of EXIM Bank Limited

Table: Provision for loan of EXIM

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	270,763,271.00	409,661,510.00	680,424,781.00
2008	369,899,801.00	555,852,475.00	925,752,276.00
2009	522,432,383.00	704,804,949.00	1,227,237,332.00
2010	539,205,420.00	942,722,462.00	1,481,927,882.00
2011	399,437,597.00	1,064,621,148.00	1,464,058,745.00

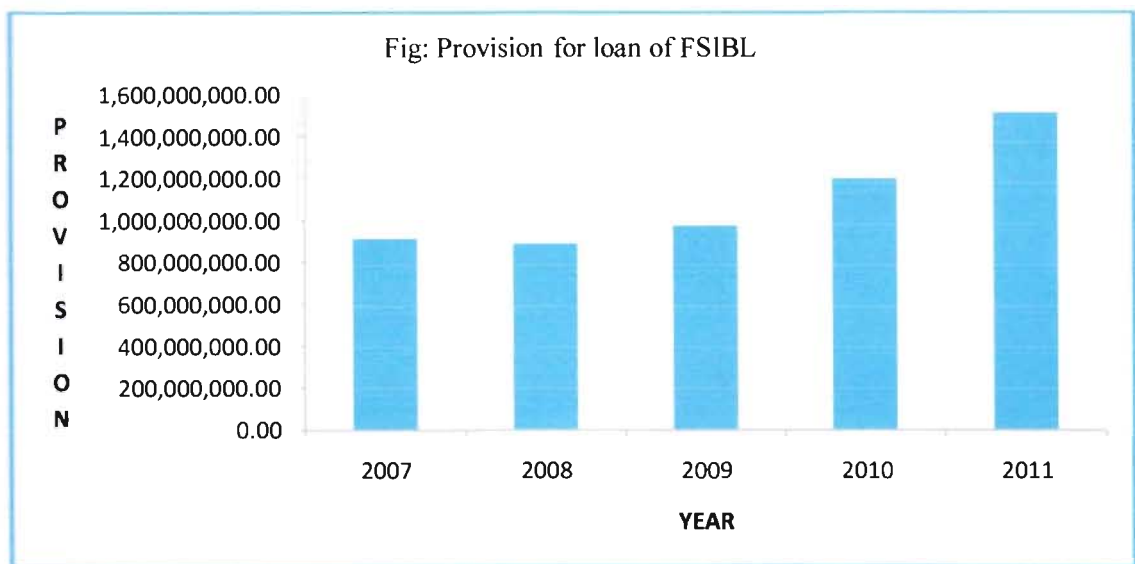


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.3 Analysis of Provision on Loan of First Security Islami Bank Limited

Table: Provision for loan FSIBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	707,694,000.00	203,729,082.00	911,423,082.00
2008	597,694,000.00	290,906,873.00	888,600,873.00
2009	507,694,000.00	466,287,428.00	973,981,428.00
2010	542,894,000.00	657,546,119.00	1,200,440,119.00
2011	612,923,299.00	900,376,700.00	1,513,299,999.00

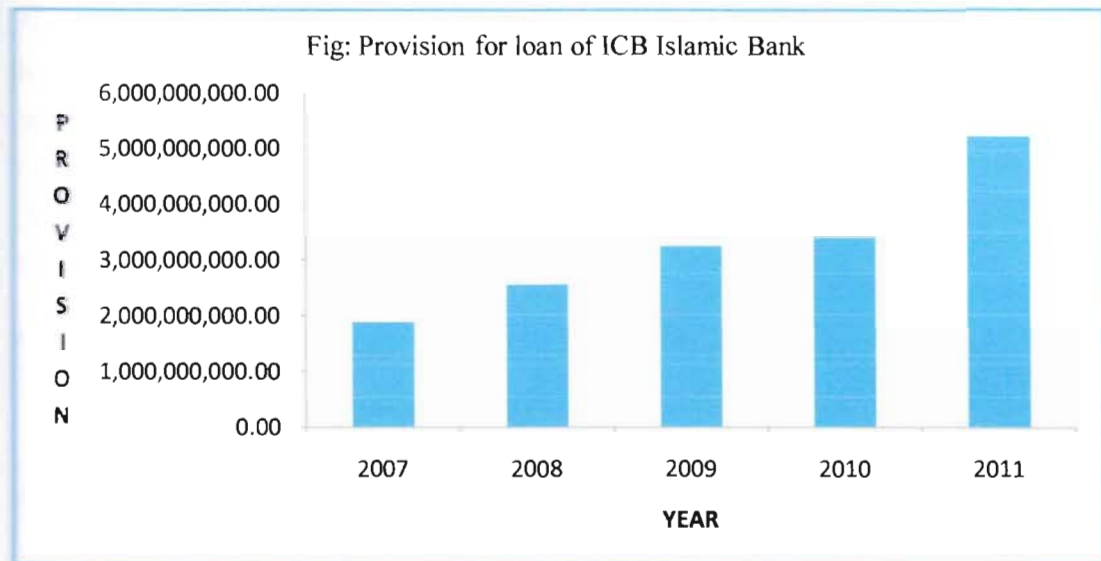


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.4 Analysis of Provision on Loan of ICB Islamic Bank Limited

Table: Provision for loan of ICB Islamic Bank

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	1,796,199,425.00	80,543,820.00	1,876,743,245.00
2008	2,496,029,985.00	43,955,720.00	2,539,985,705.00
2009	3,188,755,473.00	44,022,808.00	3,232,778,281.00
2010	3,295,975,627.00	93,273,868.00	3,389,249,495.00
2011	5,116,709,982.00	96,400,640.00	5,213,110,622.00

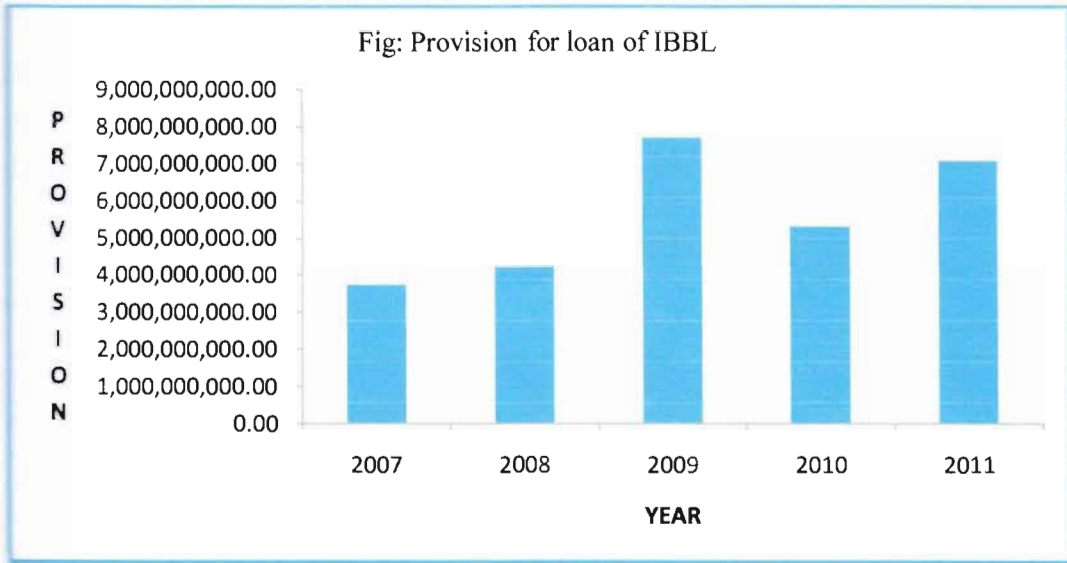


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.5 Analysis of Provision on Loan of Islami Bank Bangladesh Limited

Table: Provision for loan of IBBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	1,703,127,000.00	2,005,717,000.00	3,708,844,000.00
2008	1,883,431,000.00	2,315,736,000.00	4,199,167,000.00
2009	2,490,000,000.00	5,190,000,000.00	7,680,000,000.00
2010	1,840,000,000.00	3,443,000,000.00	5,283,000,000.00
2011	3,054,000,000.00	3,996,000,000.00	7,050,000,000.00

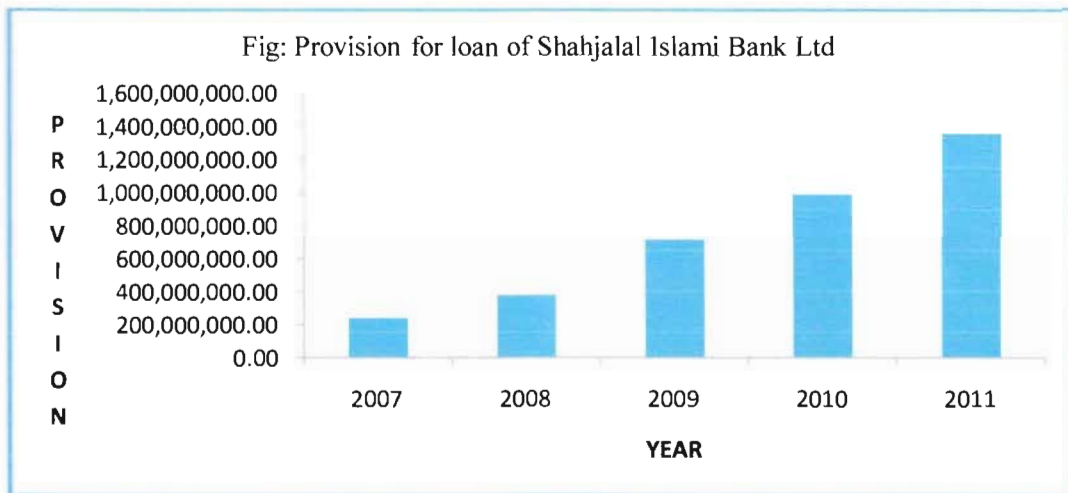


From the above diagram we can see that there are ups and downs in the amount of provision for the last five years. From the graph it is clear that amount of provision in 2011 is higher than amount of provision in 2007. So we can say that there is increase in the amount of provision over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.6 Analysis of Provision on Loan of Shahjalal Islami Bank Limited

Table: Provision for loan of Shahjalal Islami Bank Limited

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	23,009,403.00	215,000,000.00	238,009,403.00
2008	28,009,403.00	355,000,000.00	383,009,403.00
2009	118,009,403.00	598,488,403.00	716,497,806.00
2010	268,009,403.00	720,479,000.00	988,488,403.00
2011	423,009,403.00	925,479,000.00	1,348,488,403.00

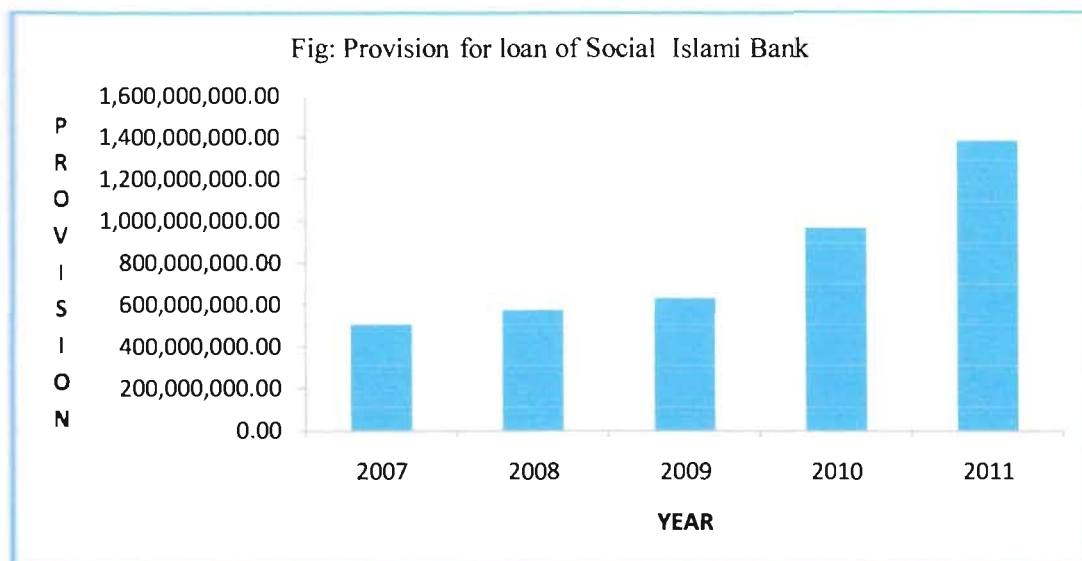


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.1.7 Analysis of Provision on Loan of Social Islami Bank Limited

Table: Provision for loan of SIBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	299,516,195.00	205,652,110.00	505,168,305.00
2008	283,964,000.00	292,318,000.00	576,282,000.00
2009	268,445,890.00	358,523,110.00	626,969,000.00
2010	486,033,897.00	479,425,418.00	965,459,315.00
2011	691,946,712.00	690,790,500.00	1,382,737,212.00



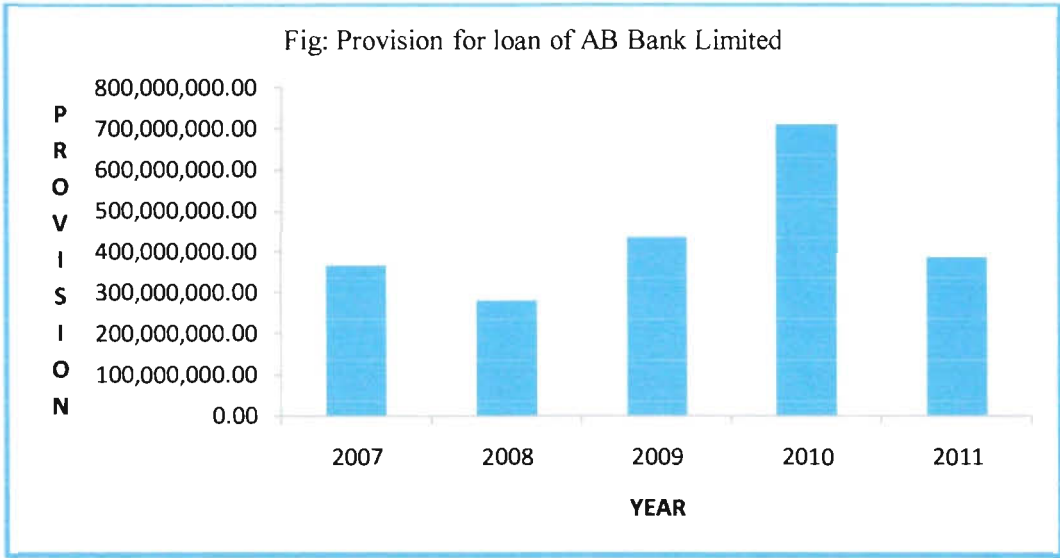
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2 Analysis of Provision on Loan of Conventional Banks

5.2.1 Analysis of Provision on Loan of AB Bank Limited

Table: Provision for loan of AB Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	245,795,702.00	120,204,298.00	366,000,000.00
2008	91,410,500.00	189,856,015.00	281,266,515.00
2009	291,000,000.00	145,600,000.00	436,600,000.00
2010	493,591,270.00	215,645,813.00	709,237,083.00
2011	130,000,000.00	254,672,572.00	384,672,572.00

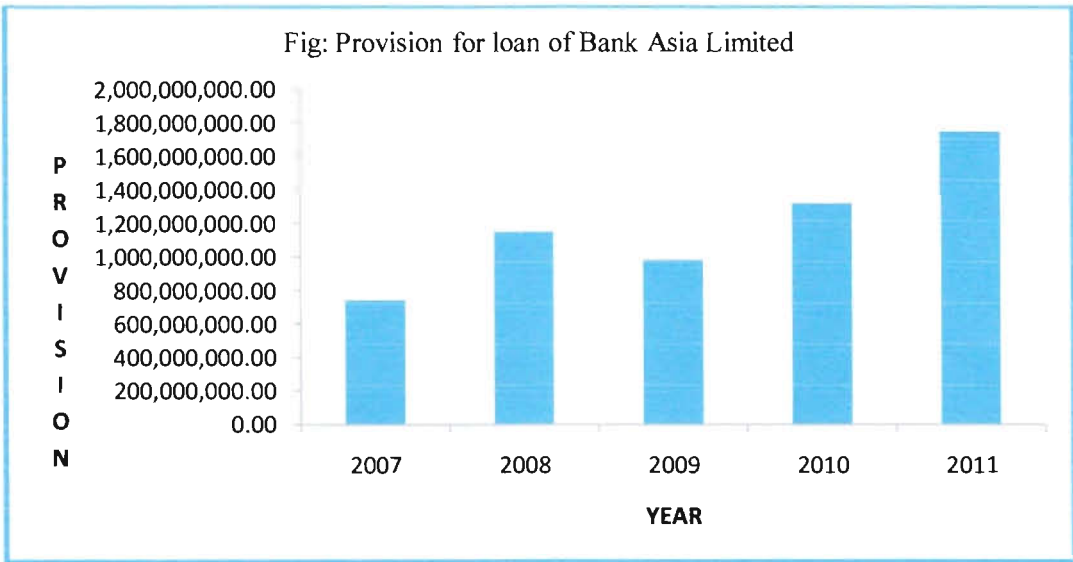


From the above diagram we can see that from 2007 to 2010 amount of provision for loan increases. Therefore over the four years banks credit risk reduces but profitability also reduces. On the other hand in 2011 provision for loan reduces almost by 50% than the year 2010. Therefore in the last year banks credit risk increases, but profitability also increases.

5.2.2 Analysis of Provision on Loan of Bank Asia Limited

Table: Provision for loan Bank Asia Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	417,480,000.00	322,340,000.00	739,820,000.00
2008	644,770,000.00	498,240,000.00	1,143,010,000.00
2009	355,380,000.00	622,930,000.00	978,310,000.00
2010	354,630,000.00	959,670,000.00	1,314,300,000.00
2011	772,420,000.00	974,030,000.00	1,746,450,000.00

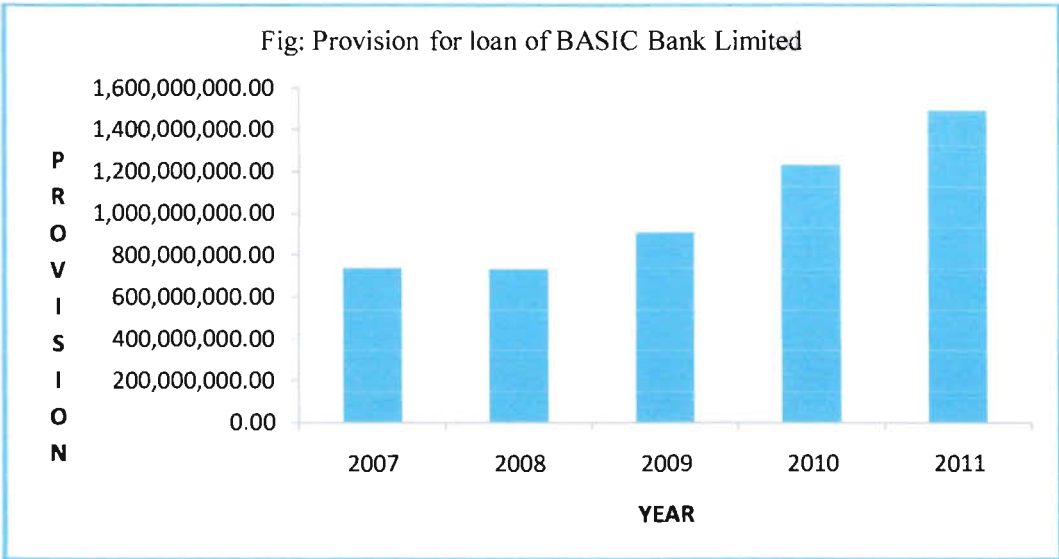


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.3 Analysis of Provision on Loan of BASIC Bank Limited

Table: Provision for loan of BASIC Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	436,543,180.00	300,650,221.00	737,193,401.00
2008	415,840,591.00	314,321,419.00	730,162,010.00
2009	523,394,422.00	379,057,735.00	902,452,157.00
2010	734,544,770.00	494,185,370.00	1,228,730,140.00
2011	894,376,516.00	596,173,500.00	1,490,550,016.00



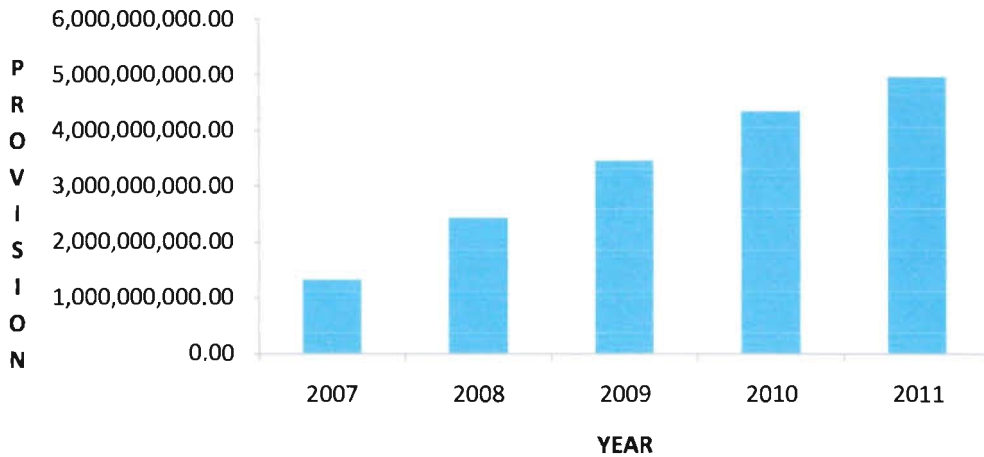
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.4 Analysis of Provision on Loan of BRAC Bank Limited

Table: Provision for loan of BRAC Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	607,000,000.00	708,000,000.00	1,315,000,000.00
2008	1,638,000,000.00	770,000,000.00	2,408,000,000.00
2009	2,587,000,000.00	866,000,000.00	3,453,000,000.00
2010	2,996,000,000.00	1,342,000,000.00	4,338,000,000.00
2011	3,536,000,000.00	1,414,000,000.00	4,950,000,000.00

Fig: Provision for loan of BRAC Bank Limited



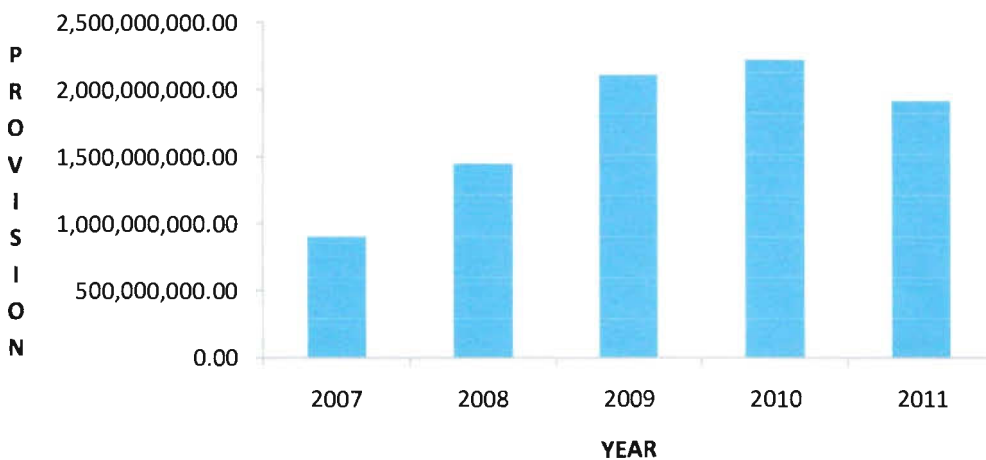
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.5 Analysis of Provision on Loan of Dhaka Bank Limited

Table: Provision for loan of DBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	439,000,000.00	465,000,000.00	904,000,000.00
2008	825,000,000.00	620,000,000.00	1,445,000,000.00
2009	1,488,000,000.00	625,000,000.00	2,113,000,000.00
2010	1,481,392,000.00	741,990,000.00	2,223,382,000.00
2011	1,066,976,000.00	848,023,500.00	1,914,999,500.00

Fig: Provision for loan of Dhaka Bank Limited

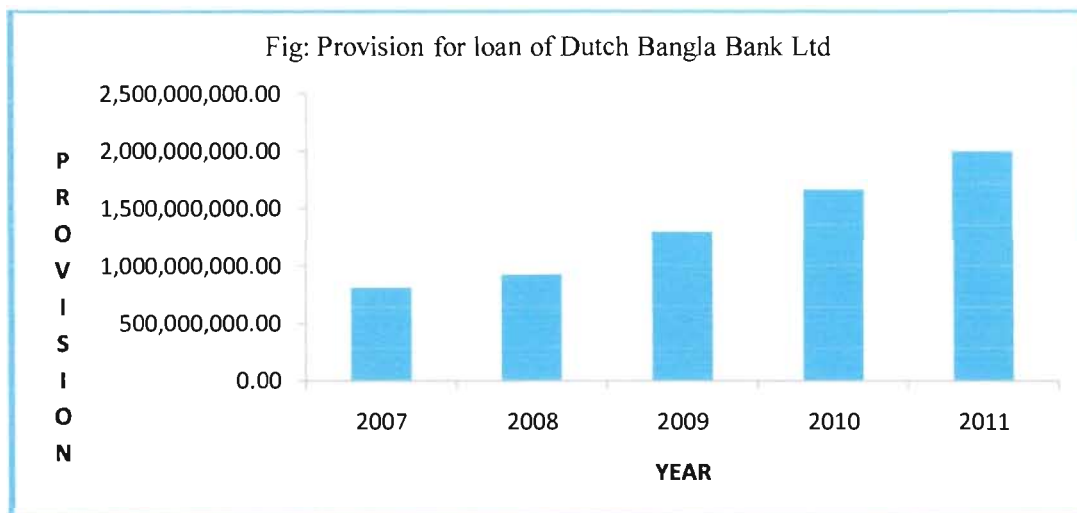


From the above diagram we can see that from 2007 to 2009 provision for loan increases and after that it decreases gradually. From the graph it is clear that amount of provision in 2011 is higher than amount of provision in 2007. So we can say that there is increase in the amount of provision over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.6 Analysis of Provision on Loan of Dutch Bangla Bank Limited

Table: Provision for loan of DBBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	508,868,481.00	295,251,852.00	804,120,333.00
2008	464,010,979.00	454,664,740.00	918,675,719.00
2009	742,710,945.00	551,434,448.00	1,294,145,393.00
2010	884,088,319.00	777,879,995.00	1,661,968,314.00
2011	1,061,111,210.00	935,646,061.00	1,996,757,271.00

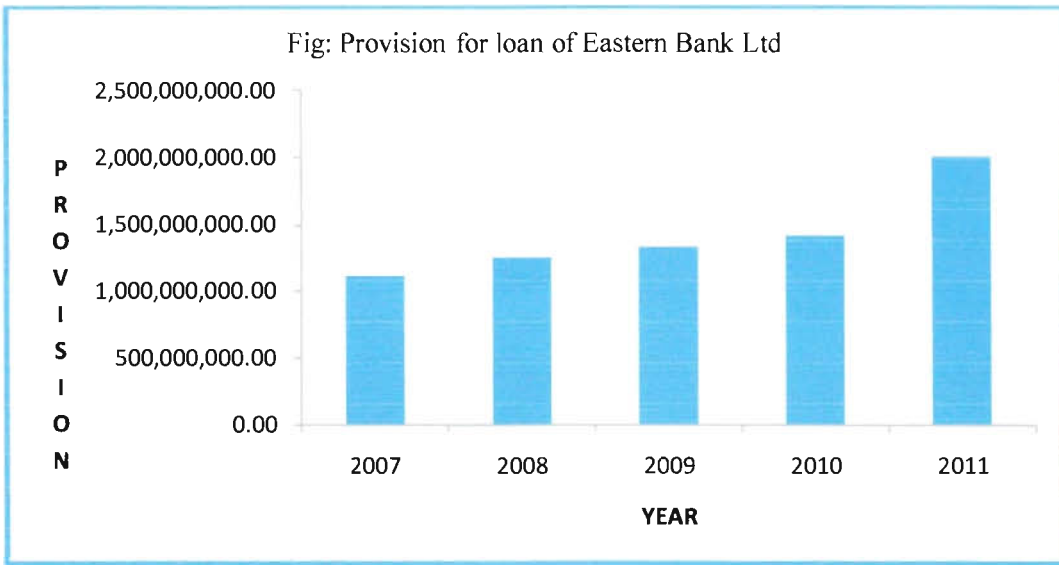


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.7 Analysis of Provision on Loan of Eastern Bank Limited

Table: Provision for loan of EBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	659,691,825.00	450,176,810.00	1,109,868,635.00
2008	692,374,800.00	555,702,310.00	1,248,077,110.00
2009	636,200,402.00	696,841,684.00	1,333,042,086.00
2010	610,681,300.00	807,928,663.00	1,418,609,963.00
2011	856,437,600.00	1,149,619,985.00	2,006,057,585.00

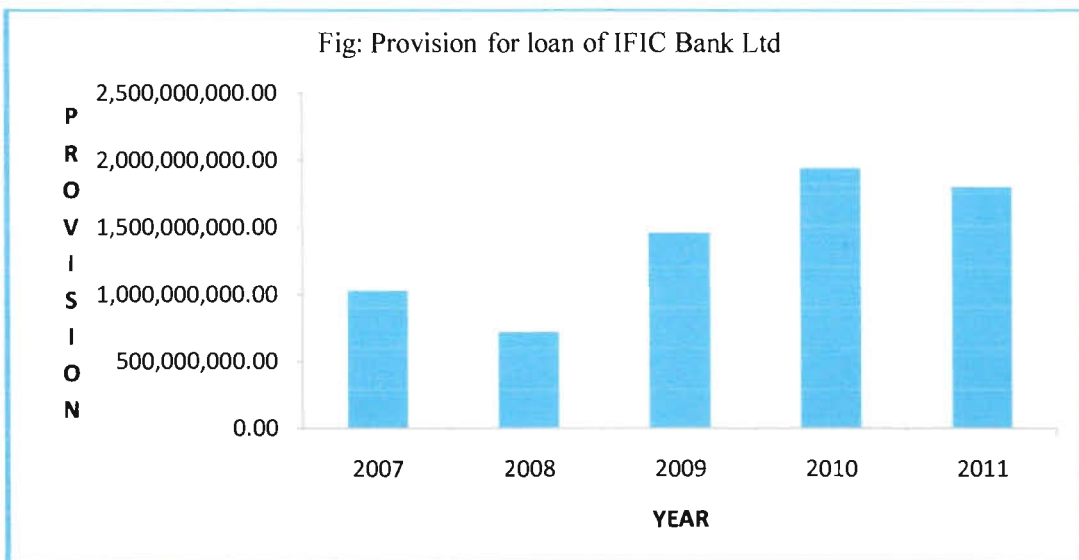


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.8 Analysis of Provision on Loan of IFIC Bank Limited

Table: Provision for loan of IFIC Bank Limited

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	984,016,231.00	38,000,000.00	1,022,016,231.00
2008	651,852,515.00	65,000,000.00	716,852,515.00
2009	951,852,515.00	511,308,000.00	1,463,160,515.00
2010	1,323,150,515.00	614,308,000.00	1,937,458,515.00
2011	1,001,982,032.00	792,808,000.00	1,794,790,032.00

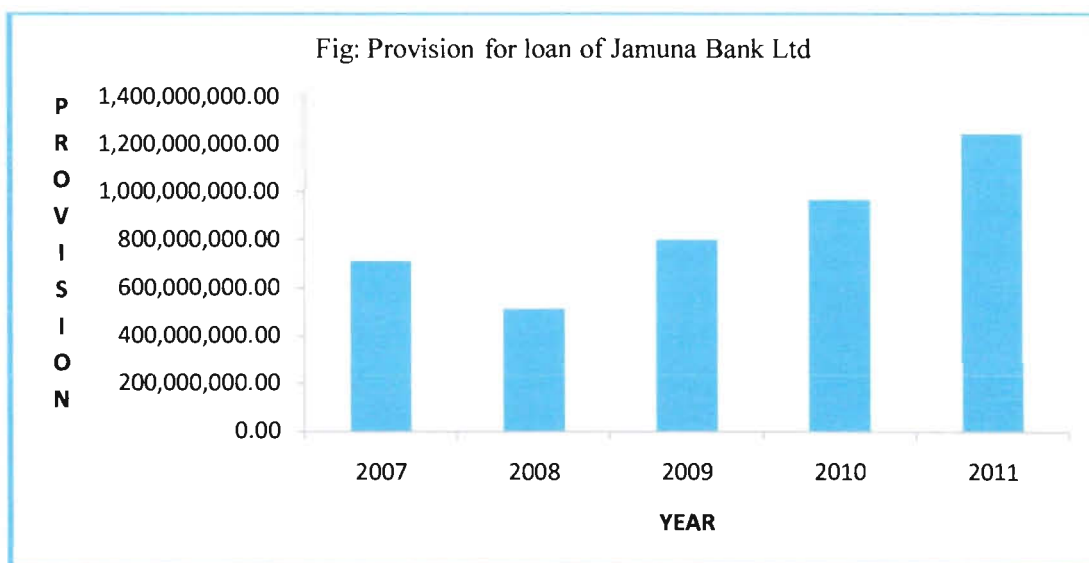


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.9 Analysis of Provision on Loan of Jamuna Bank Limited

Table: Provision for loan of JBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	518,852,491.00	191,378,999.00	710,231,490.00
2008	296,285,000.00	213,800,999.00	510,085,999.00
2009	465,638,000.00	332,638,300.00	798,276,300.00
2010	453,759,126.00	511,864,046.00	965,623,172.00
2011	627,301,126.00	616,908,046.00	1,244,209,172.00



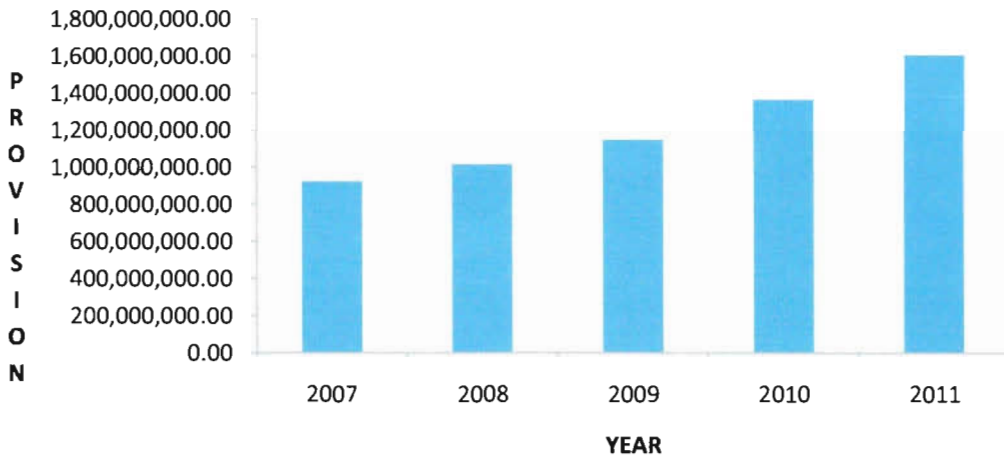
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.10 Analysis of Provision on Loan of Mercantile Bank Limited

Table: Provision for loan of Mercantile Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	563,850,000.00	361,030,000.00	924,880,000.00
2008	578,200,000.00	438,200,000.00	1,016,400,000.00
2009	629,700,000.00	518,500,000.00	1,148,200,000.00
2010	617,530,000.00	749,000,000.00	1,366,530,000.00
2011	712,420,000.00	889,630,000.00	1,602,050,000.00

Fig: Provison for loan of Mercantile Bank Limited



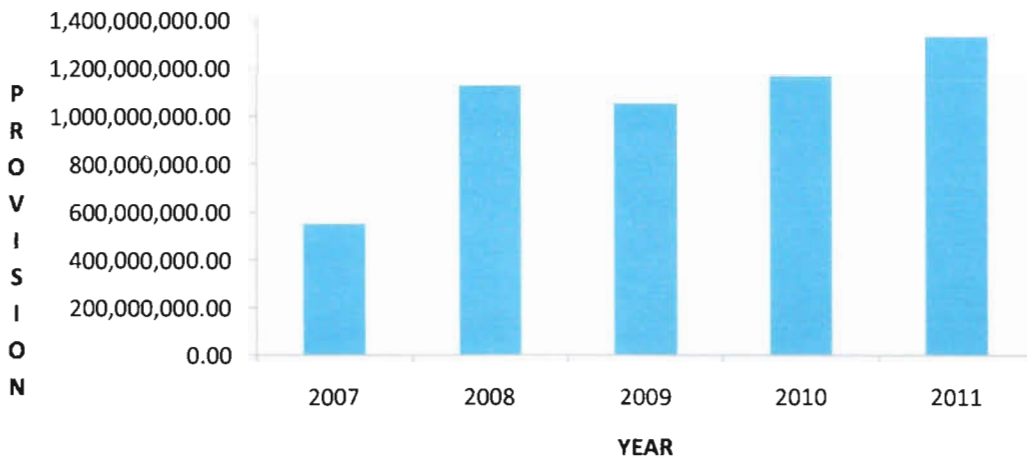
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.11 Analysis of Provision on Loan of Mutual Trust Bank Limited

Table: Provision for loan of MTBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	217,430,000.00	331,000,000.00	548,430,000.00
2008	829,330,000.00	298,608,000.00	1,127,938,000.00
2009	663,095,815.00	388,592,078.00	1,051,687,893.00
2010	677,968,800.00	489,643,900.00	1,167,612,700.00
2011	716,500,000.00	613,400,000.00	1,329,900,000.00

Fig: Provision for loan of Mutual Trust Bank Limited

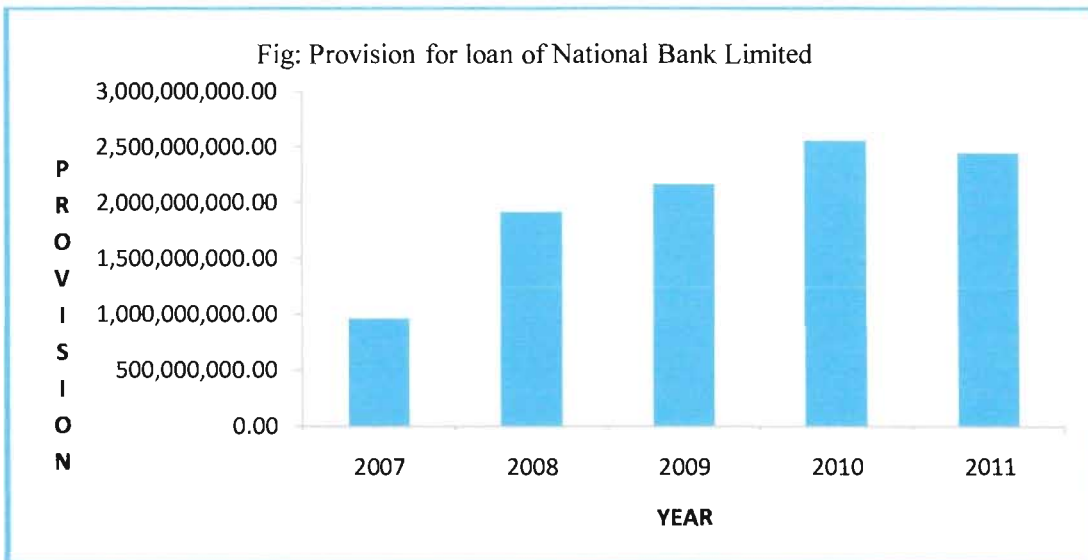


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.12 Analysis of Provision on Loan of National Bank Limited

Table: Provision for loan of NBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	447,740,000.00	514,910,000.00	962,650,000.00
2008	1,121,760,000.00	784,910,000.00	1,906,670,000.00
2009	1,195,860,000.00	959,911,215.00	2,155,771,215.00
2010	1,086,080,000.00	1,461,282,834.00	2,547,362,834.00
2011	1,166,789,673.00	1,270,782,141.00	2,437,571,814.00

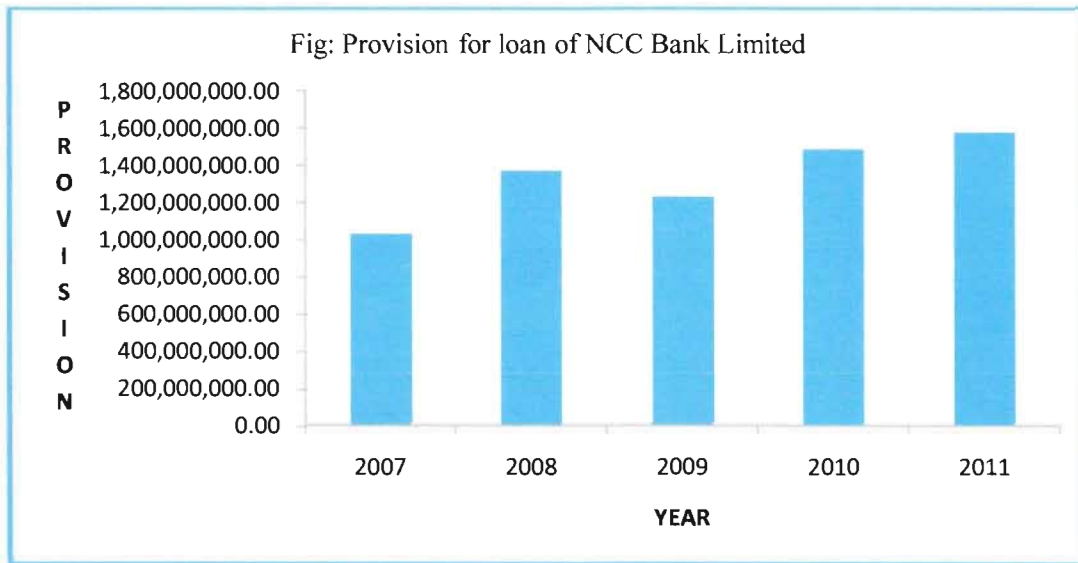


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.13 Analysis of Provision on Loan of NCC Bank Limited

Table: Provision for loan of NCCBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	644,110,000.00	388,780,000.00	1,032,890,000.00
2008	912,900,000.00	456,070,000.00	1,368,970,000.00
2009	720,224,000.00	509,672,000.00	1,229,896,000.00
2010	742,802,000.00	740,313,000.00	1,483,115,000.00
2011	780,005,000.00	795,153,000.00	1,575,158,000.00

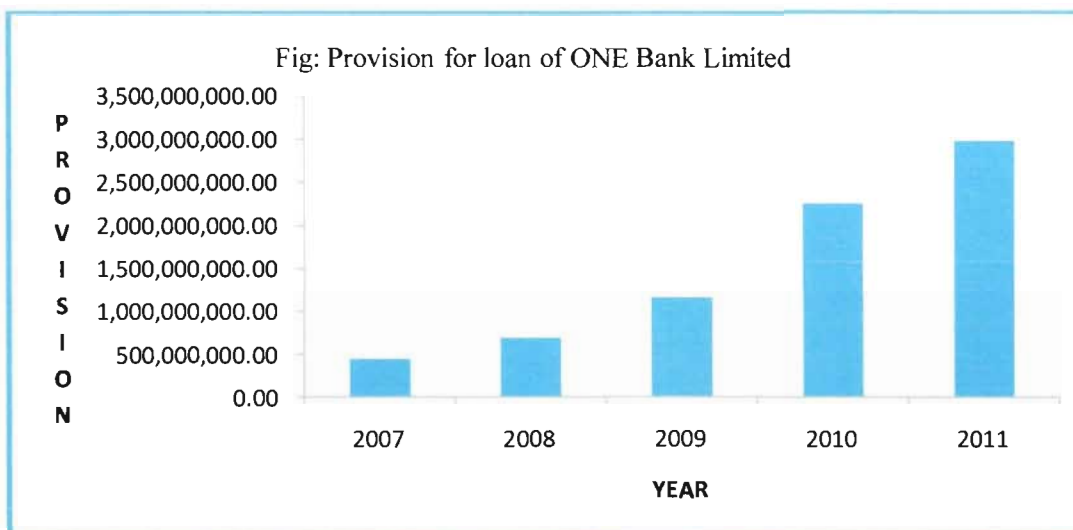


From the above diagram we can see that there are ups and downs in the amount of provision for the last five years. From the graph it is clear that amount of provision in 2011 is higher than amount of provision in 2007. So we can say that there is increase in the amount of provision over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.14 Analysis of Provision on Loan of ONE Bank Limited

Table: Provision for loan of ONE Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	229,100,005.00	222,126,727.00	451,226,732.00
2008	429,149,957.00	270,031,278.00	699,181,235.00
2009	766,749,326.00	401,896,857.00	1,168,646,183.00
2010	852,282,167.00	1,402,650,721.00	2,254,932,888.00
2011	983,135,062.00	1,995,622,661.00	2,978,757,723.00

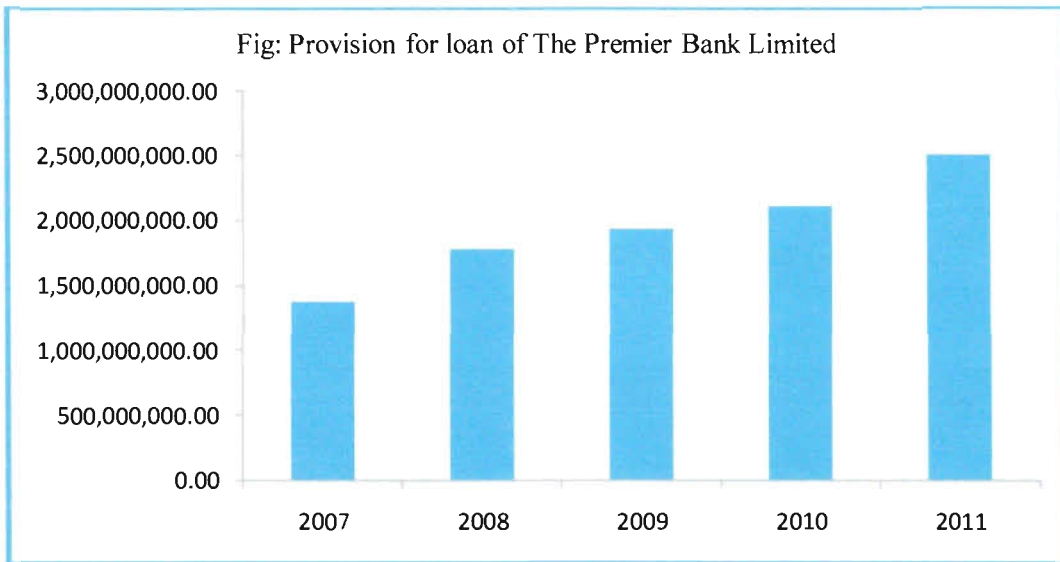


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.15 Analysis of Provision on Loan of The Premier Bank Limited

Table: Provision for loan of The Premier Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	598,800,000.00	267,130,000.00	865,930,000.00
2008	600,000,000.00	344,300,000.00	944,300,000.00
2009	450,000,000.00	380,000,000.00	830,000,000.00
2010	600,000,000.00	491,600,000.00	1,091,600,000.00
2011	598,800,000.00	518,610,000.00	1,117,410,000.00

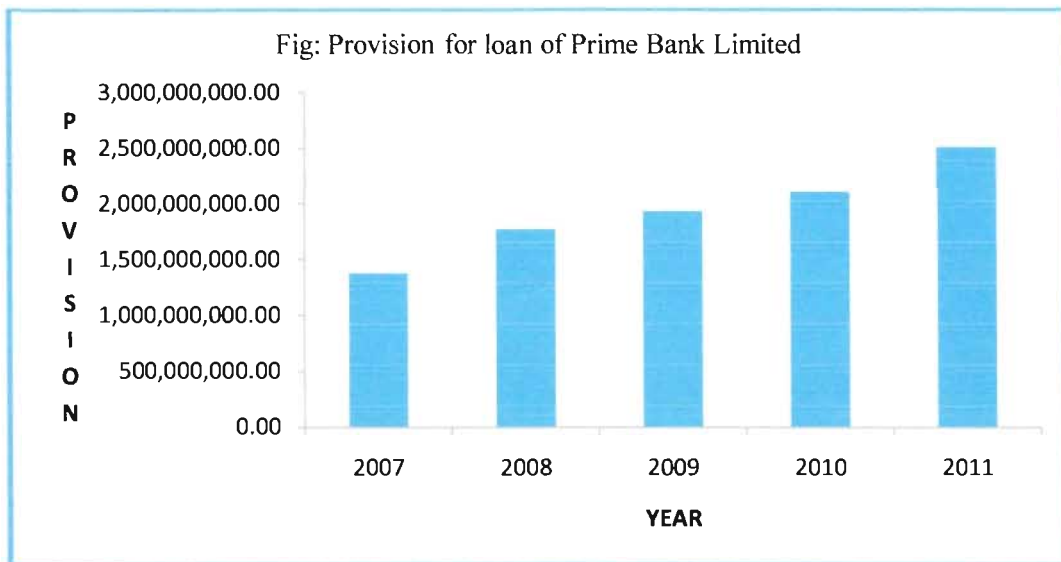


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.16 Analysis of Provision on Loan of Prime Bank Limited

Table: Provision for loan of PBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	478,000,000.00	895,000,000.00	1,373,000,000.00
2008	734,000,000.00	1,040,000,000.00	1,774,000,000.00
2009	631,000,000.00	1,303,000,000.00	1,934,000,000.00
2010	642,000,000.00	1,463,000,000.00	2,105,000,000.00
2011	778,000,000.00	1,725,000,000.00	2,503,000,000.00

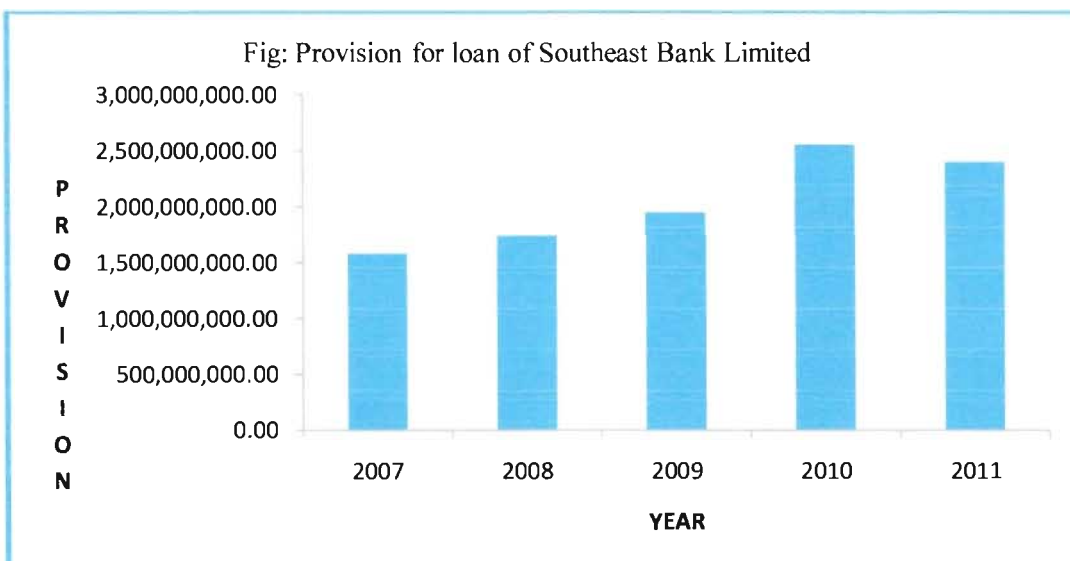


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.17 Analysis of Provision on Loan of Southeast Bank Limited

Table: Provision for loan of SBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	1,073,775,347.00	496,203,416.00	1,569,978,763.00
2008	1,094,302,809.00	641,313,002.00	1,735,615,811.00
2009	1,120,717,425.00	827,296,811.00	1,948,014,236.00
2010	1,578,735,974.00	972,175,435.00	2,550,911,409.00
2011	1,221,906,717.00	1,173,586,468.00	2,395,493,185.00

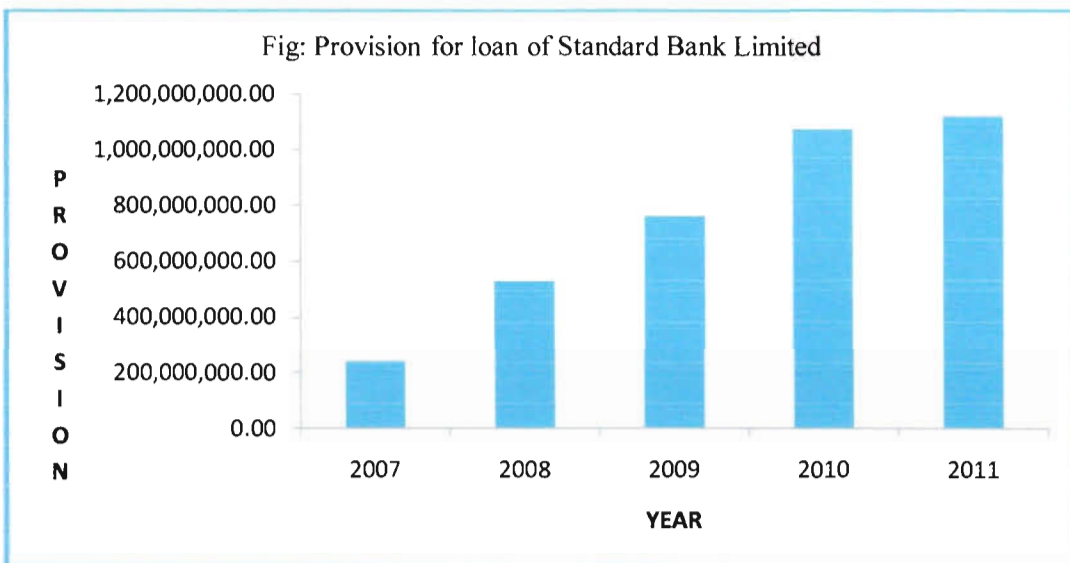


From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.18 Analysis of Provision on Loan of Standard Bank Limited

Table: Provision for loan of Standard Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	61,000,000.00	180,000,000.00	241,000,000.00
2008	245,000,000.00	282,000,000.00	527,000,000.00
2009	365,000,000.00	391,000,000.00	756,000,000.00
2010	511,928,268.00	558,531,738.00	1,070,460,006.00
2011	539,616,000.00	580,224,995.00	1,119,840,995.00



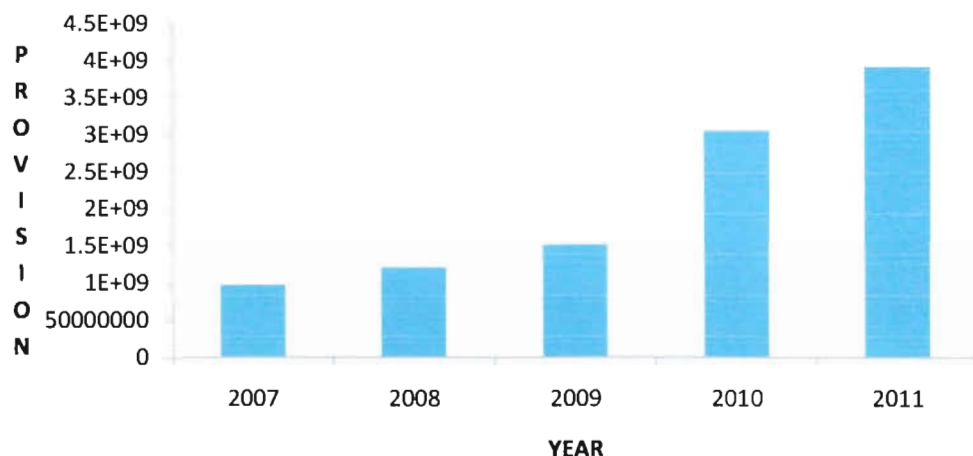
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.19 Analysis of Provision on Loan of The City Bank Limited

Table: Provision for loan of The City Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	462780000	500832192	963612192
2008	779800000	420200000	1200000000
2009	708470500	799206000	1507676500
2010	2010257125	1040000000	3050257125
2011	2501496836	1400000000	3901496836

Fig: Provision for loan of The City Bank Limited



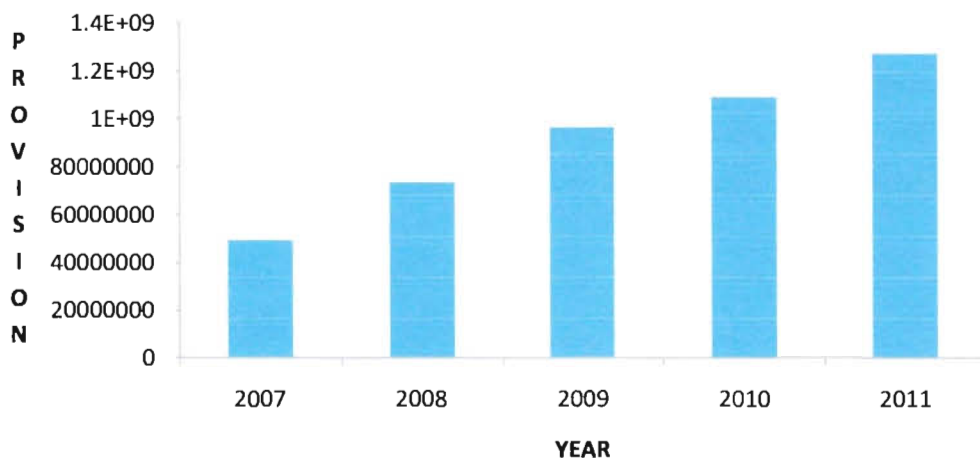
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.20 Analysis of Provision on Loan of Trust Bank Limited

Table: Provision for loan of Trust Bank Ltd

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	225837248	264034688	489871936
2008	311807000	418935000	730742000
2009	439000000	519400000	958400000
2010	304752000	778148000	1082900000
2011	339392000	929490000	1268882000

Fig: Provision for loan of Trust Bank Limited



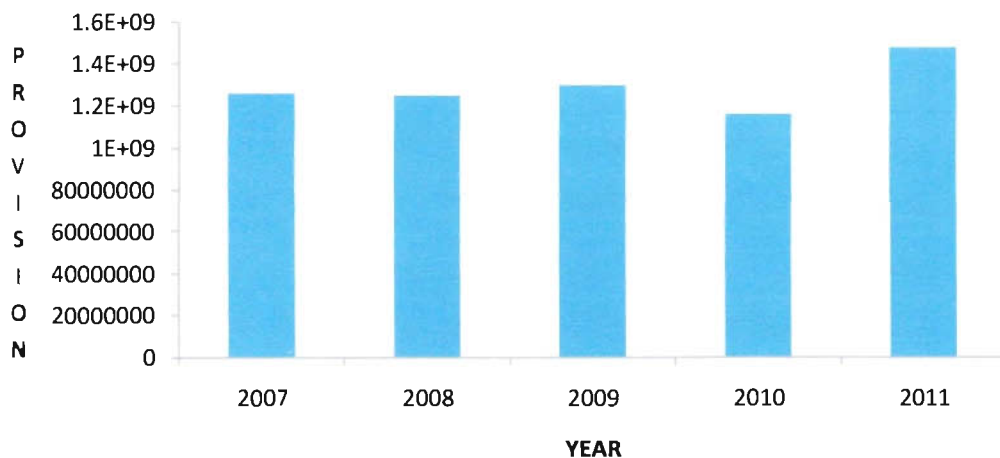
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of bank. But the problem is bank can't invest that amount in any other sector rather bank has to freeze that amount. Therefore the profitability of the bank reduces.

5.2.21 Analysis of Provision on Loan of United Commercial Bank Limited

Table: Provision for loan of UCBL

YEAR	PROVISION FOR CLASSIFIED LOAN	PROVISION FOR UNCLASSIFIED LOAN	TOTAL PROVISION ON LOAN
2007	824414000	431258000	1255672000
2008	788009000	455063000	1243072000
2009	575213000	720866000	1296079000
2010	7585875	1148827000	1156412875
2011	60916097	1417302836	1478218933

Fig: Provision for loan of United Commercial Bank Limited



From the above graph we can see that there are slight ups and downs in the amount of provision for loan over the last four years. In 2011 amount of provision for loan increases and it is the highest amount in the last five years. Therefore the positive thing is credit risk of bank reduces, but the negative thing is profitability reduces.

CHAPTER SIX: COMPARISON OF PROVISION FOR LOAN BETWEEN ISLAMIC BANKS AND CONVENTIONAL BANKS

Chapter Objective

To provide an idea about

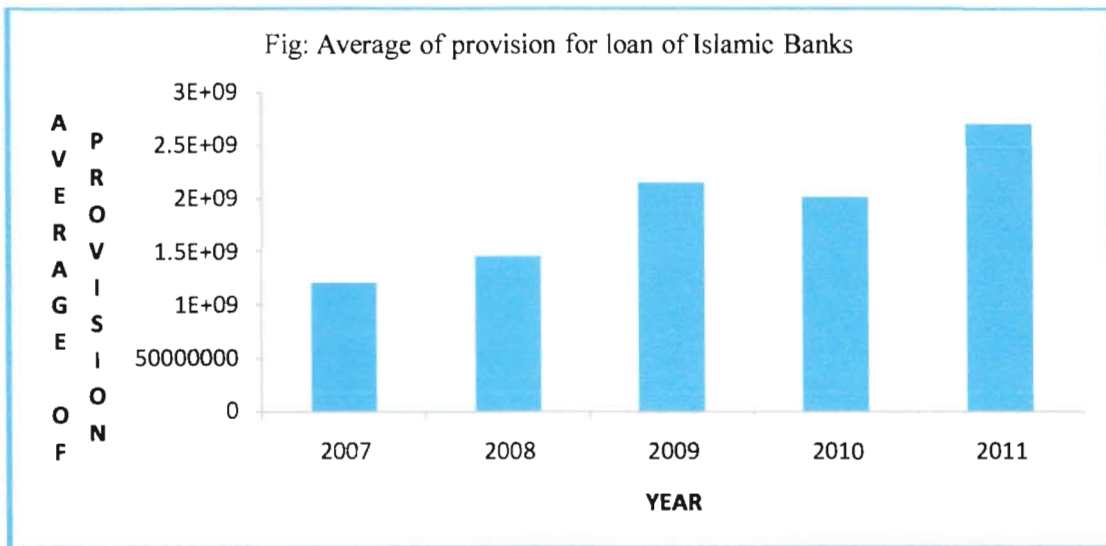
- Average of provision for loan of Islamic Banks
- Average of provision for loan of Conventional banks
- Comparison of provision for loan between Islamic banks and Conventional banks

6.0 COMPARISON OF PROVISION FOR LOAN BETWEEN ISLAMIC BANKS AND CONVENTIONAL BANKS

6.1 Average of Provision for Loan of Islamic Banks

Table: Average of provision for loan of Islamic Banks

YEAR	2007	2008	2009	2010	2011
AL ARAFAH	466960000	627870000	582320000	804530000	972390000
EXIM BANK	680424781	925752276	1227237332	1481927882	1464058745
FSIBL	911423082	888600873	973981428	1200440119	1513299999
ICB ISLAMIC	1876743245	2539985705	3232778281	3389249495	5213110622
ISLAMI BAN	3708844000	4199167000	7680000000	5283000000	7050000000
SHAHJALAL	238009403	383009403	716497806	988488403	1348488403
SOCIAL ISLA	505168305	576282000	626969000	965459315	1382737212
TOTAL	8387572816	1.0141E+10	1.504E+10	14113095214	18944084981
AVERAGE	1198224688	1448666751	2148540550	2016156459	2706297854



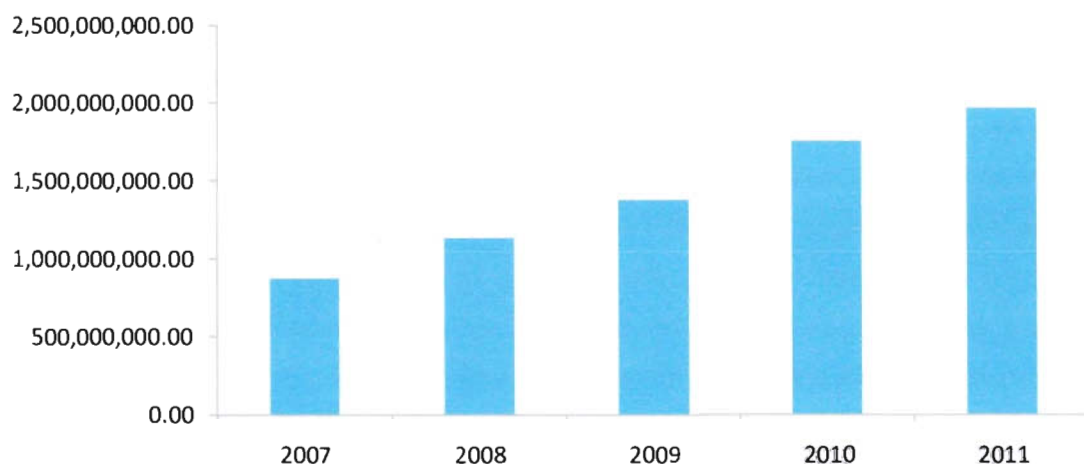
From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of Islamic banking industry. But the problem is banks can't invest that amount in any other sector rather banks has to freeze that amount. Therefore the profitability of the Islamic banking industry reduces.

6.2 Average of Provision on Loan of Conventional Banks

Table: Average of Provision on Loan of Conventional Banks

YEAR	2007	2008	2009	2010	2011
AB BANK	366,000,000.00	281,266,515.00	436,600,000.00	709,237,083.00	384,672,572.00
BANK ASIA	739,820,000.00	1,143,010,000.00	978,310,000.00	1,314,300,000.00	1,746,450,000.00
BASIC	737,193,401.00	730,162,010.00	902,452,157.00	1,228,730,140.00	1,490,550,016.00
BRAC	1,315,000,000.00	2,408,000,000.00	3,453,000,000.00	4,338,000,000.00	4,950,000,000.00
DHAKA	904,000,000.00	1,445,000,000.00	2,113,000,000.00	2,223,382,000.00	1,914,999,500.00
DBBL	804,120,333.00	918,675,719.00	1,294,145,393.00	1,661,968,314.00	1,996,757,271.00
EASTERN	1,109,868,635.00	1,248,077,110.00	1,333,042,086.00	1,418,609,963.00	2,006,057,585.00
FIC	1,022,016,231.00	716,852,515.00	1,463,160,515.00	1,937,458,515.00	1,794,790,032.00
JAMUNA	710,231,490.00	510,085,999.00	798,276,300.00	965,623,172.00	1,244,209,172.00
MERCANTILE	924,880,000.00	1,016,400,000.00	1,148,200,000.00	1,366,530,000.00	1,602,050,000.00
MUTUAL	548,430,000.00	1,127,938,000.00	1,051,687,893.00	1,167,612,700.00	1,329,900,000.00
NATIONAL	962,650,000.00	1,906,670,000.00	2,155,771,215.00	2,547,362,834.00	2,437,571,814.00
NCC	1,032,890,000.00	1,368,970,000.00	1,229,896,000.00	1,483,115,000.00	1,575,158,000.00
ONE	451,226,732.00	699,181,235.00	1,168,646,183.00	2,254,932,888.00	2,978,757,723.00
THE PREMIER	865,930,000.00	944,300,000.00	830,000,000.00	1,091,600,000.00	1,117,410,000.00
PRIME	1,373,000,000.00	1,774,000,000.00	1,934,000,000.00	2,105,000,000.00	2,503,000,000.00
SOUTHEAST	1,569,978,763.00	1,735,615,811.00	1,948,014,236.00	2,550,911,409.00	2,395,493,185.00
STANDARD	241,000,000.00	527,000,000.00	756,000,000.00	1,070,460,006.00	1,119,840,995.00
THE CITY	963,612,192.00	1,200,000,000.00	1,507,676,500.00	3,050,257,125.00	3,901,496,836.00
TURST	489,871,936.00	730,742,000.00	958,400,000.00	1,082,900,000.00	1,268,882,000.00
UCBL	1,255,672,000.00	1,243,072,000.00	1,296,079,000.00	1,156,412,875.00	1,478,218,933.00
TOTAL	18,387,391,713.00	23,675,018,914.00	28,756,357,478.00	36,724,404,024.00	41,236,265,634.00
AVERAGE	875,590,081.57	1,127,381,853.05	1,369,350,356.10	1,748,781,144.00	1,963,631,696.86

Fig: Average of provision for loan of Conventional Banks



From the above diagram we can see that there is gradual increase in the provision for loan over the last five years. This is a positive sign because higher amount of provision reduces the credit risk of conventional banking industry. But the problem is banks can't invest that amount in any other sector

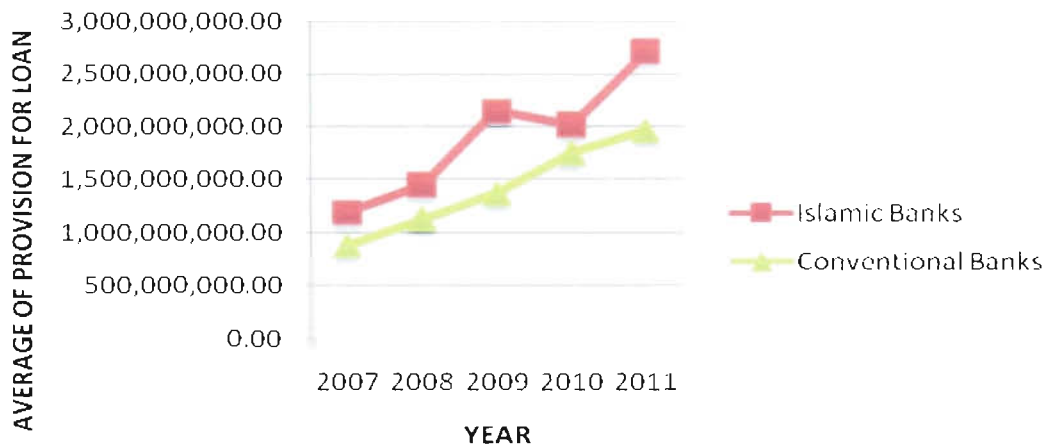
rather banks has to freeze that amount. Therefore the profitability of the conventional banking industry reduces.

6.3 Comparison of Provision on Loan between Islamic Banks and conventional banks

Table: Comparison of provision for loan between Islamic Banks and Conventional Banks

Year	2007	2008	2009	2010	2011
Islamic Banks	1198224688.00	1448666751.00	2148540549.57	2016156459.14	2706297854.43
Conventional Banks	875590081.57	1127381853.05	1369350356.10	1748781144.00	1963631696.86

Fig: Comparison of provision for loan between Islamic Banks and Conventional Banks



From the above analysis there is hardly any difference in the trend of provision for loan over the last five years for both Islamic banking industry and Conventional banking industry. The only difference is amount of provision for loan is higher in Islamic banks than conventional banks. But there are lots of similarities in the trend of provision for loan for both Islamic banking industry and Conventional banking industry. Both the graph shows that the amount of provision for loan gradually increases over the last five years. From one perspective it is a positive sign and from another perspective it is a negative sign for any banking industry. By maintaining higher amount of provision the banks can recover their loss from loan, and reduces the credit risk. But the problem is the banks can't use that amount of money for earning profit. Therefore the profitability of the banks reduces. In our analysis we see that ICB Islamic Bank always maintains above 50% of loan as provision for loan. Therefore it hampers the profitability of the banks greatly. This is a very negative thing for the bank. For ICB Islamic Bank, the amount of provision in the Islamic Banking industry is higher than Conventional Banking industry.

CHAPTER SEVEN: REGRESSION AND CORRELATION ANALYSIS

Chapter Objective

To provide an idea about

- Correlation Analysis
- Regression Analysis

7.0 REGRESSION AND CORRELATION ANALYSIS

7.1 Correlation analysis among classified loan and total loan, total deposit, total asset, no of branch, age

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
1	854410000.00	22906370000.00	30182320000.00	23009130000.00	46	47310000.00	12
2	817900000.00	27742570000.00	37177220000.00	29690120000.00	50	668230000.00	13
3	608480000.00	36134080000.00	48515790000.00	38355500000.00	60	858990000.00	14
4	610480000.00	53582960000.00	74005010000.00	53882960000.00	78	1959040000.00	15
5	751100000.00	77714950000.00	106768180000.00	82186980000.00	88	2198750000.00	16
6	635106791.00	40195239222.00	51503027985.00	41546568592.00	35	930843607.00	8
7	1007844801.00	53637677103.00	68446646400.00	57586991798.00	42	1096627046.00	9
8	1839691067.00	68609907470.00	86213373094.00	73835461825.00	52	1694095372.00	10
9	1855245594.00	93296648855.00	113070981888.00	94949400069.00	59	3476007955.00	11
10	1626535269.00	99699627656.00	129874424163.00	107881205901.00	62	2009372842.00	12
11	1210643000.00	18616225315.00	26941780871.00	23504045031.00	20	30630728.00	8
12	1053412705.00	25094658077.00	31239393418.00	25854541500.00	29	104282064.00	9
13	830515000.00	38725874774.00	47978552952.00	42423092722.00	52	326837749.00	10
14	1362061955.00	52123903164.00	63619797799.00	56344959167.00	66	548600731.00	11
15	1345729000.00	69467328284.00	91012899089.00	78145045008.00	84	579939082.00	12
16	10851965000.00	15320899734.00	17484364439.00	17201340675.00	30	610881841.00	20
17	11866557000.00	14756492006.00	19744236045.00	13014350677.00	31	-776740602.00	21
18	10868925931.00	13419642011.00	19000566224.00	13046153819.00	33	-2062209895.00	22
19	8565982621.00	13904840155.00	18641604702.00	13594547691.00	33	-1358237479.00	23
20	8145383376.00	14222446393.00	18015163087.00	12619163785.00	33	-1796150107.00	24
21	4246020000.00	144920609595.00	191362349717.00	166325286292.00	186	2049053457.00	24
22	4311133000.00	180053935732.00	230879135344.00	202115445098.00	206	2674796768.00	25
23	5063396000.00	214615801272.00	278302839706.00	244292144333.00	231	3403551874.00	26
24	4655632000.00	261725131026.00	330785171734.00	291937493665.00	251	4485479898.00	27
25	8292324000.00	305790180873.00	389375604220.00	341855262815.00	266	4624593651.00	28
26	128246000.00	20616605335.00	28346996395.00	22618187303.00	26	646992691.00	6
27	143243000.00	32918773668.00	44109502922.00	34279739993.00	33	817709533.00	7

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
28	413234220.00	43958260711.00	58920895401.00	47459231493.00	51	1070568293.00	8
29	1173125000.00	61440075905.00	78575401984.00	62514948065.00	63	2072340363.00	9
30	1522507000.00	80592461683.00	107734797556.00	82404341682.00	73	1290176900.00	10
31	811087545.00	16440260000.00	24546547255.00	19648950065.00	24	150037061.00	12
32	873682000.00	19951300000.00	29808880564.00	24099823370.00	28	202068294.00	12
33	847227000.00	26247100597.00	39980819472.00	31588160397.00	52	431522723.00	12
34	1744056655.00	36246845945.00	54665814961.00	44350891493.00	64	640104563.00	12
35	2114426803.00	53337106772.00	83961647464.00	66461721747.00	76	1032461861.00	12
36	1762636000.00	39303901301.00	63549864403.00	53375348391.00	71	1903493845.00	26
37	1695381577.00	54412358249.00	84053612585.00	68560474323.00	72	2300621640.00	27
38	1949168813.00	69732552194.00	107093007184.00	83082628680.00	77	3417185114.00	28
39	1852480771.00	85894851126.00	134003878314.00	94780200605.00	82	3989519974.00	29
40	2671800773.00	93411192735.00	154404751243.00	115825485296.00	86	1390385050.00	30
41	695660000.00	28456940000.00	38427850000.00	30004090000.00	29	725640000.00	8
42	1072670000.00	39975000000.00	53371250000.00	42435240000.00	33	686700000.00	9
43	785070000.00	50267920000.00	68663200000.00	54832820000.00	41	1327180000.00	10
44	1284250000.00	79504230000.00	105198050000.00	86365840000.00	49	1929580000.00	11
45	2249960000.00	82819970000.00	117729410000.00	95131100000.00	63	1916210000.00	12
46	723233815.00	22263349608.00	38773905836.00	31947979101.00	27	282965086.00	18
47	1251209878.00	27269131180.00	46651534174.00	38368237432.00	31	549953737.00	19
48	1412346626.00	29261534342.00	45308315925.00	34501698265.00	32	648853399.00	20
49	2239968230.00	46341513504.00	61569386676.00	49259600843.00	38	660936270.00	21
50	2489790200.00	56884757885.00	78031732029.00	62650734774.00	45	976112816.00	21
51	1445000000.00	32461000000.00	46383000000.00	37368000000.00	36	618000000.00	8
52	2473000000.00	52677000000.00	72442000000.00	58007000000.00	56	973000000.00	9
53	3878000000.00	64151000000.00	95127000000.00	75220000000.00	70	1304000000.00	10
54	4930000000.00	82461000000.00	117298000000.00	88158000000.00	79	1670000000.00	11

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
55	5240000000.00	90822000000.00	133201000000.00	103726000000.00	81	1702000000.00	12
56	1258000000.00	39972000000.00	57443000000.00	48731000000.00	41	704000000.00	12
57	1908000000.00	49698000000.00	71137000000.00	56986000000.00	45	839000000.00	13
58	2946000000.00	52910000000.00	77767000000.00	60918000000.00	50	959000000.00	14
59	2908586000.00	63591387406.00	90139480260.00	70420380740.00	56	1678976188.00	15
60	2624031892.00	75983291662.00	1047256500566...	85276888686.00	64	2165606211.00	16
61	958028734.00	29403123212.00	49371346238.00	42110147036.00	49	479810510.00	12
62	1363174636.00	41698321269.00	60618968787.00	51575667260.00	64	821665049.00	13
63	1193317209.00	48410989619.00	81480529482.00	67788533035.00	79	1137698057.00	14
64	1665670064.00	67657666378.00	101181637054.00	83244772836.00	96	2002315963.00	15
65	2186797123.00	79660698143.00	123267035863.00	100711010944.00	111	2154888510.00	16
66	1334000000.00	30962000000.00	40204000000.00	30092000000.00	28	419000000.00	15
67	1309000000.00	39662000000.00	54598000000.00	41573000000.00	34	798000000.00	16
68	1172000000.00	47668000000.00	69871000000.00	49190000000.00	39	1455000000.00	17
69	1169000000.00	58607000000.00	82098000000.00	56425000000.00	49	2425000000.00	18
70	1561000000.00	81774000000.00	117581000000.00	75536000000.00	59	2521000000.00	19
71	2299901000.00	28361456225.00	39914149418.00	29900052990.00	69	964927945.00	31
72	1953070000.00	33018385382.00	45737490694.00	36092169540.00	74	657310698.00	32
73	2330307000.00	37793886723.00	62901864980.00	50017960808.00	82	899518416.00	33
74	2264283000.00	47563427882.00	70840260680.00	55918497452.00	95	1664085277.00	34
75	2578088000.00	63557971662.00	91796759542.00	73042234330.00	99	831791382.00	35
76	840339000.00	16617450517.00	26405404056.00	20924021090.00	35	89110861.00	6
77	598309000.00	21036861012.00	31646629499.00	27307936141.00	39	479437923.00	7
78	710858000.00	32287661155.00	48730951557.00	42356203563.00	49	923123207.00	8
79	905516000.00	49734800806.00	71063772785.00	60673564672.00	65	1066369649.00	9
80	1618726000.00	56611792780.00	87065130866.00	70508045932.00	73	1330193325.00	10
81	893990000.00	31877860000.00	44940540000.00	39348000000.00	41	540500000.00	8

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
82	1242470000.00	43419360000.00	55928720000.00	49538350000.00	42	615880000.00	9
83	1252050000.00	48295550000.00	66166520000.00	58033470000.00	53	807520000.00	10
84	1187810000.00	66377700000.00	87140110000.00	75629140000.00	65	1425340000.00	11
85	2084620000.00	79999800000.00	116553010000.00	102262020000.00	75	1734170000.00	12
86	541643000.00	22683227657.00	32181896220.00	24776924968.00	30	219802117.00	8
87	1402847000.00	28529345619.00	38964974123.00	33820407506.00	36	305031285.00	9
88	952762000.00	33883923705.00	52774766068.00	42354065907.00	44	820605398.00	10
89	903969000.00	39676121484.00	58246031053.00	45846309207.00	67	988362060.00	11
90	1195103000.00	47005479862.00	76331366189.00	59050804354.00	76	404222699.00	12
91	1652351022.00	36475740000.00	56530912276.00	47961226398.00	101	1238348700.00	24
92	2730847273.00	50665070000.00	72227300164.00	60187889559.00	106	1524516935.00	25
93	3880311000.00	64962312154.00	91965769328.00	76834127152.00	131	2082228607.00	26
94	3642571000.00	89516598077.00	134748036603.00	102471832969.00	145	6871559790.00	27
95	3264951000.00	115388890470.00	168555482028.00	127475154743.00	154	6112985936.00	28
96	1353310000.00	32687750000.00	42471641370.00	34901770000.00	53	667176546.00	14
97	1902580000.00	46332690000.00	57365523726.00	46904660000.00	57	882277833.00	15
98	1420567000.00	50387683203.00	65937491463.00	53900150635.00	65	1724838566.00	16
99	1425280000.00	63230141628.00	83554177553.00	67961244777.00	79	2371678769.00	17
100	1938304000.00	72733540709.00	103510699339.00	81127168218.00	87	2198956315.00	18
101	580628250.00	19709000000.00	27475000000.00	24484000000.00	30	405000000.00	8
102	985615369.00	23287000000.00	31744000000.00	27861000000.00	32	422000000.00	8
103	1755723733.00	32533000000.00	45163000000.00	39365000000.00	39	727000000.00	10
104	1565579222.00	42190000000.00	58736000000.00	50734000000.00	50	1887000000.00	11
105	2137195810.00	47814000000.00	67619000000.00	57240000000.00	54	1449000000.00	12
106	1409430000.00	23637610000.00	32573190000.00	27114470000.00	27	78760000.00	8
107	1378660000.00	30319530000.00	38723490000.00	32059620000.00	30	650750000.00	9
108	617550000.00	33664590000.00	47343240000.00	37381960000.00	38	1088320000.00	10

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
109	2160980000.00	46400570000.00	68240350000.00	54691470000.00	52	1772020000.00	11
110	2132340000.00	49774910000.00	74951110000.00	60692970000.00	64	510900000.00	12
111	777000000.00	57683000000.00	79588000000.00	70512000000.00	61	1401000000.00	12
112	1323000000.00	75156000000.00	110437000000.00	88021000000.00	70	1232000000.00	13
113	1149000000.00	89252000000.00	124806000000.00	106956000000.00	84	2784000000.00	14
114	1368000000.00	116057000000.00	154342000000.00	124574000000.00	94	3101000000.00	15
115	1908000000.00	139409000000.00	199950000000.00	159816000000.00	102	3662000000.00	16
116	1815805420.00	48164600000.00	64370690000.00	55474050000.00	38	1222970000.00	12
117	2483587912.00	60281260000.00	81181530000.00	68714670000.00	46	887240000.00	13
118	2890659361.00	77497570000.00	112676980000.00	96669050000.00	56	1870190000.00	14
119	4003599120.00	93981200000.00	131784270000.00	107253190000.00	76	2763930000.00	15
120	3765828456.00	107288560000.00	158078590000.00	127178220000.00	84	1912190000.00	16
121	263000000.00	17311000000.00	22949000000.00	19214000000.00	29	347000000.00	8
122	509000000.00	27190000000.00	34210000000.00	29305000000.00	32	657000000.00	9
123	697000000.00	38056000000.00	49001000000.00	42556000000.00	41	765000000.00	10
124	1016670868.00	51757689073.00	66596011627.00	58344441292.00	58	1369069153.00	11
125	1211228000.00	55332044249.00	74953060139.00	63870621033.00	68	1296508644.00	12
126	1671833000.00	26788466138.00	48755403018.00	40539634035.00	83	343463026.00	24
127	2169808000.00	34420944980.00	57114576058.00	45034334502.00	88	398110184.00	25
128	2116962000.00	43486421803.00	76466801564.00	62384280002.00	97	818719600.00	26
129	2668698000.00	60326545084.00	90685127670.00	66836847010.00	100	1870226507.00	27
130	2644313000.00	76807031331.00	116123043257.00	83634606145.00	102	2056139123.00	28
131	506650000.00	18682160000.00	30382220000.00	27101590000.00	31	239030000.00	8
132	693280000.00	27528080000.00	38475640000.00	32919760000.00	37	436050000.00	9
133	860720000.00	32663110000.00	54206650000.00	48464640000.00	42	610910000.00	10
134	960020000.00	39799920000.00	58276330000.00	50413290000.00	52	1274780000.00	11
135	1534310000.00	50801740000.00	76215220000.00	65819510000.00	62	616210000.00	12

	CLASSIFIEDLOAN	TOTALLOAN	TOTALASSET	TOTALDEPOSIT	NOOFBRANCHS	NETPROFIT	AGE
133	860720000.00	32663110000.00	54206650000.00	48464640000.00	42	610910000.00	10
134	960020000.00	39799920000.00	58276330000.00	50413290000.00	52	1274780000.00	11
135	1534310000.00	50801740000.00	76215220000.00	65819510000.00	62	616210000.00	12
136	1848248184.00	37566020000.00	50180580000.00	42296000000.00	84	815120000.00	24
137	2053420446.00	44446330000.00	64794860000.00	54485270000.00	84	764750000.00	25
138	1622505386.00	61692220000.00	90483780000.00	77730400000.00	98	932900000.00	26
139	1122728400.00	93560700000.00	129877030000.00	113070780000.00	107	2182430000.00	27
140	2067563307.00	115506330000.00	168891780000.00	139484750000.00	115	2945800000.00	28

By analyzing the data in SPSS I get,

Correlations								
		CLASSIFIED LOAN	TOTAL LOAN	TOTAL ASSET	TOTAL DEPOSIT	NO OF BRANCHS	NET PROFIT	AGE
CLASSIFIED LOAN	Pearson Correlation	1	.284**	.174*	.275**	.309**	.007	.423**
	Sig. (2-tailed)		.001	.040	.001	.000	.937	.000
	N	140	140	140	140	140	140	140
TOTAL LOAN	Pearson Correlation	.284**	1	.585**	.995**	.876**	.737**	.355**
	Sig. (2-tailed)	.001		.000	.000	.000	.000	.000
	N	140	140	140	140	140	140	140
TOTAL ASSET	Pearson Correlation	.174*	.585**	1	.584**	.488**	.475**	.223**
	Sig. (2-tailed)	.040	.000		.000	.000	.000	.008
	N	140	140	140	140	140	140	140
TOTAL DEPOSIT	Pearson Correlation	.275**	.995**	.584**	1	.889**	.730**	.369**
	Sig. (2-tailed)	.001	.000	.000		.000	.000	.000
	N	140	140	140	140	140	140	140
NO OF BRANCHS	Pearson Correlation	.309**	.876**	.488**	.889**	1	.680**	.581**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	140	140	140	140	140	140	140
NET PROFIT	Pearson Correlation	.007	.737**	.475**	.730**	.680**	1	.343**
	Sig. (2-tailed)	.937	.000	.000	.000	.000		.000
	N	140	140	140	140	140	140	140
AGE	Pearson Correlation	.423**	.355**	.223**	.369**	.581**	.343**	1
	Sig. (2-tailed)	.000	.000	.008	.000	.000	.000	
	N	140	140	140	140	140	140	140

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Interpretation:

The “Classified loan” and “Total loan” has a positive correlation as the correlation coefficient is 0.284 which is between 0 to 0.5.

The “Classified loan” and “Total asset” has a positive correlation as the correlation coefficient is 0.174 which is between 0 to 0.5.

The “Classified loan” and “Total deposit” has a positive correlation as the correlation coefficient is 0.275 which is between 0 to 0.5.

The “Classified loan” and “No of Branch” has a positive correlation as the correlation coefficient is 0.309 which is between 0 to 0.5.

The “Classified loan” and “Net Profit” has a weekly positive correlation as the correlation coefficient is 0.007 which is between 0 to 0.5.

The “Classified loan” and “Total loan” has a strongly positive correlation as the correlation coefficient is 0.423 which is between 0 to 0.5.

7.2 Regression analysis among classified loan and total loan, total deposit, total asset, no of branch, age

7.2.1 ANOVA Table and the value of R square

By analyzing the data in SPSS we get,

Variables Entered/Removed			
Model	Variables Entered	Variables Removed	Method
1	AGE, TOTAL ASSET, NET PROFIT, TOTAL DEPOSIT, NO OF BRANCHS , TOTAL LOAN ^a		. Enter
a. All requested variables entered.			

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.588 ^a	.346	.317	1.61223E9

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.588 ^a	.346	.317	1.61223E9

a. Predictors: (Constant), AGE, TOTAL ASSET, NET PROFIT, TOTAL DEPOSIT, NO OF BRANCHS , TOTAL LOAN

Here, $R^2 = 0.346$ or 34.6% which means the independent variables (total loan, total asset, total deposit, no of branches, age), explain 34.6% of the variation in dependent variable which is classified loan.

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.830E20	6	3.049E19	11.732	.000 ^a
	Residual	3.457E20	133	2.599E18		
	Total	5.287E20	139			

a. Predictors: (Constant), AGE, TOTAL ASSET, NET PROFIT, TOTAL DEPOSIT, NO OF BRANCHS , TOTAL LOAN

b. Dependent Variable: CLASSIFIED LOAN

7.2.2 Regression analysis:

Here, the multiple linear regression equation is:

$$C = a + b_1L + b_2A + b_3D + b_4B + b_5NP + b_6A'$$

Now, in the above equation

C = Classified Loan

L = Total Loan

A = Total Asset

D = Total Deposit

B = No of Branch

NP = Net Profit

A' = Age

a = It is the intercept and the value of C, when the value of all independent variables are zero.

b₁ = It represents if L changes by one value then what is the change in C

b₂ = It represents if A changes by one value then what is the change in C

b₃ = It represents if D changes by one value then what is the change in C

b₄ = It represents if B changes by one value then what is the change in C

b₅ = It represents if NP changes by one value then what is the change in C

b₆ = It represents if A' changes by one value then what is the change in C

By analyzing the data in SPSS we get,

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3410924.649	3.378E8		.010	.992
	TOTAL LOAN	.091	.032	1.945	2.805	.006
	TOTAL ASSET	.001	.002	.036	.415	.679
	TOTAL DEPOSIT	-.057	.030	-1.372	-1.896	.060
	NO OF BRANCHS	-5091528.490	9239655.906	-.107	-.551	.583
	NET PROFIT	-.861	.171	-.532	-5.048	.000
	AGE	1.278E8	2.535E7	.475	5.039	.000

a. Dependent Variable: CLASSIFIED LOAN

7.2.2 Interpretations of coefficient

$a = 3410924.649$, which means the value of C is 3410924.649 when all independent variables are zero.

$b_1 = 0.091$ which means one unit increase in “Total Loan”, Classified loan will be increased by 0.091 unit when other things remain constant. This is statistically significant and this is right because if amount of total loan increases then the probability of increase in the amount of default loan increases. Therefore amount of classified loan increases.

$b_2 = 0.001$ which means one unit increase in “Total Asset”, Classified loan will be increased by 0.001 unit when other things remain constant. But the result is not statistically significant. As loan is an asset account and increase in loan will increase the asset. Therefore increase in classified loan will increase the asset. Although the result is not statistically significant, but increase in classified loan will increase asset.

$b_3 = -.057$, which means one unit increase in “Total Deposit”, Classified loan will be decreased by 0.057 unit when other things remain constant.

$b_4 = -5091528.490$, which means one unit increase in “No of Branch”, Classified loan will be decreased by 5091528.490 unit when other things remain constant. A bank can diversify its business by increasing its number of branches. Therefore profitability of the bank increases. As we know that if classified loan decreases then profitability increases. So increase in number of branch will reduce the amount of classified loan.

$b_5 = -.861$, which means one unit increase in “Net Profit”, Classified loan will be decreased by 0.861 unit when other things remain constant. If a banks income from loan increases, then it indicates amount of non-performing loan decreases. Therefore increase in net profit will reduce classified loan.

$b_6 = 1.278E8$, which means one unit increase in “Age”, Classified loan will be increased by 1.278E8 unit when other things remain constant. An old bank must have more amount of loan then a new bank. So increase in bank’s age will increase amount of loan. Therefore increase in bank’s age will increase amount of classified loan.

CHAPTER EIGHT: CONCLUSION

Chapter Objective

To provide an idea about

- Overall report

8.0 CONCLUSION

In the modern economy bank is the most important institution without which modern economy will not exist. So, for strong economy the financial strength of the bank must be very strong. One indicator of the financial strength of bank is ratio of classified loan to total loan. In the analysis we see that ratio of classified loan of Islamic Banks is higher than the ratio of classified loan of Conventional Banks. On the other hand we see that provision for loan for both Islamic Banks and Conventional Banks is increasing over the years. Therefore the condition of banking industry in terms of loan management is not good. It shows banks are in high risky position. Therefore banks must take necessary steps to improve the situation.

Bibliography

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14	Annual Report of Easten Bank Ltd form 2007 to 2011
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22	Annual Report of The Premier Bank Ltd form 2007 to 2011
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25	Annual Report of Standard Bank Ltd form 2007 to 2011
26	Annual Report of The City Bank Ltd form 2007 to 2011
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28	Annual Report of United Commercial Bank Ltd form 2007 to 2011
Note	All the above information is collected from Bank's website and the library of Dhaka Stock Exchange