Internship Report Title

"COMPARATIVE ANALYSIS BETWEEN ISLAMIC AND CONVENTIONAL BANKING IN BANGLADESH IN ACCORDANCE TO CAMEL RATING SYSTEM ANALYSIS"

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Letter of Transmittal

April 30 2019

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Subject: Internship Report submission on "Comparative analysis between Islamic and conventional banking in BANGLADESH in accordance to CAMEL rating system analysis"

Sir,

It is an honor to complete my report titled "**comparative analysis between Islamic and conventional banking in BANGLADESH in accordance to CAMEL rating system analysis**" for BUS400 course under your guidance. I have given my level best to follow your instructions while preparing this report. I have used information's from previous researches available in context of Islamic Banking in Bangladesh along with that I used my analytical abilities to interpret the data and give them a proper outlook.

I believe I have tried my utmost level to make the used information's as coherent and specific as possible. However this report might have some flaws, so I would be grateful if you accept it with your humble considerations

Sincere Regards,

Dilara Fahmida Islam

Dilara Fahmida Islam

ID- 15204077

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Letter of Endorsement

This to state that Dilara Fahmida Islam, holding the student ID – 15304077, is a consistent and disciplined student of BRAC Business School, under BRAC University. She has able been to completed the internship report titled “**Comparative analysis between Islamic and conventional banking in BANGLADESH in accordance to CAMEL rating system analysis** “under my supervision. Her internship placement was at Social Islami Bank Limited. I am satisfied to certify that she has worked her level best throughout her internship and arranging this report as well. Authenticity is found in the information’s and data findings provided on this report. Yet there have been few flaws and slip ups still it can be assured that others by all means can use it for their similar study and further research purposes.

I wish her successful accomplishments in life.

With regards,

Riyashad Ahmed

Assistant Professor of Finance &

Co-Coordinator, Executive MBA Program

BRAC Business School

BRAC University

Acknowledgement

Above all I would like to express my immense appreciation to THE Almighty Creator for bestowing me with strength and abiding me with wisdom and patience to reach in a state where I am today and making me being able to fulfill my internship report under the course BUS400 in the journey of four years of undergraduate life at BRAC University.

Now I would like to grab this opportunity to state my profound in debt consideration, gratitude and deep regard to my supervisor faculty under the BUS400 course Mr. Riyashad Ahmed, Assistant Professor of Finance and Coordinator Executive MBA Program, BRAC Business School, BRAC University, for his treasured feedbacks, moral guidance, valuable suggestion's and for his constant support and endless encouragement during the whole tenure of my internship and also while preparing this internship report.

Last yet not to be considered as the least one I would to acknowledge the participation of my respective and most honorable Ms. Kaniz Farzana, First Assistant Vice President of Social Islami Bank Limited, Dhanmondi Branch for her being available to guide me with her consistent supervision Without her proper instructions I get to know a lot of work that are done while operating a Bank. I also respectfully want to show my gratitude towards the other supportive member of Social Islami Bank for giving their kind assistance during my internship tenure.

Contents

LIST OF FIGURES

List of Abbreviations:

- IBBL – Islami Bank Bangladesh Limited
- SIBL – Social Islami Bank Limited
- SJIBL – Shahjalal Islami Bank Limited
- JBL – Jamuna Bank Limited
- DBBL – Dutch Bangla Bank Limited
- JB – Janata Bank
- BB – Bangladesh Bank
- CAR – Capital Adequacy Ratio
- NPL – Nonperforming Loan
- ROA – Return On Assets
- ROE – Return On Equity
- EPS – Earnings Per Share
- P/E – Price To Earnings
- IB – Islami Bank
- CB – Conventional Bank
- CFI – Corporate Finance Institute
- FDIC –Federal Deposit Insurance Corporation
- PCB – Private Commercial Banks
- NCB – National Commercialized Banks
- FCB – Foreign Commercialized Banks

EXECUTIVE SUMMARY

As a Muslim country Bangladesh is seen to have a great potential to practice Islamic Finance on the financial sector. People are seen to have an attraction towards the Islamic banks. And the profitability growth of these banks seems to be emerging. Not only in the Middle East, but also the whole global banking now come to terms to understand the value of Islamic Finance. Bangladesh has thirty Banks as of 2018 which seem to rise in 2019. The conventional banks are also seen to make Islamic banking a part of their deposit now for the religious believe of the people as their main factor of profitability is higher deposits.

CAMELS rating are the rating system used for banks for evaluation. The six sample banks taken for the purpose of this report are evaluated through eleven ratios. The ratios seem to be in a good position for the banks. Yet at times few banks did not perform according to standard on some cases. While covering the five year evaluation some banks seemed to evolve their position some seem to have a downward moving line.

The ultimate result is seen in a way that the banks perform the best in the competitive market. So there should always be competition rather that performing at notch. This competitiveness is a great advantage for the growing economy of the country.

ORGANIZATIONAL OVERVIEW

The SOCIAL ISLAMI BANK LTD (SIBL) is operating in Bangladesh since November 1995. SIBL strictly follows the Shariah Principles focusing on the core believe of "profit and loss sharing." SOCIAL ISLAMI BANK LTD is developing a concept of 21st century partaking three sector banking model in one frame. It works as an Islamic Commercial Bank on the formal Banking Sector. Its Non-formal banking sector comes with a package of investment and informal finance that creates local income opportunities by empowering poor families and SIBL highly discourages internal migration. SIBL also has a voluntary sector which involves the management of Waqf, properties of Mosque and cash Waqf was first introduced in SIBL in the banking history.

The Bank has taken a reestablished drive going for uniting its business in progressively centered regions covering SME and Agro-account with accentuation on scanning for elective conveyance channel under which SMS banking and portable based settlement installment frameworks and by step by step acquainting the equivalent with disperse the SIBL administrations to the doorsteps of the clients. The Bank has just presented Internet Banking and propelled some new items to reinforce its business. To strengthen the business SIBL launched its Internet banking featuring some new products known as Sommridhir Sopan, Sanchita, Sonali Din, Subornarekha, Sonchoy Protidin,Sabuj Chhaya, Swopner Shiri,Subarnolata, Shukher Thikana, Sabuj Shayanho,etc. with an ATM Debit card called "Zameel".

Social Islami Bank Limited has commenced in the brokerage industry in 2012 through its subsidiary named "SIBL Securities Limited" becoming one of the largest stock brokerage company of the country, at a time by entering both the stock exchanges in the country DSE and CSE. Social Islami Bank Limited has also shown a rise in their profit and performances yet the slope on their EPS has taken a downward turn (SIBL, 2017). As per 2018 SIBL got a rating of AA- by the emerging credit rating limited. Social Islami Bank is successfully running 155 branches in all over Bangladesh. At present SIBL have two wholly owned subsidiaries.

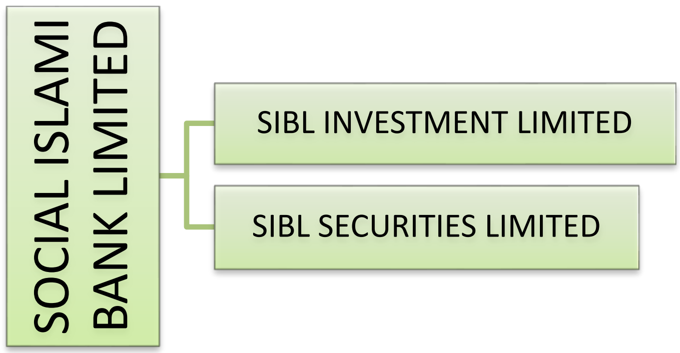

Figure 1: Social Islami Bank Limited

Mission

The mission of Social Islami Bank Limited is transparent as it focuses mainly on establishing three sector banking model with balanced & sustainable growth. It also aims to be the one of the top technology driven profit oriented Bank of the whole country. Accurate return on the shareholders equity, satisfactory service providing to the customers, reliable and qualified human resources is also a part of its mission. Further the mission of Social Islami Bank Limited includes bringing the core innovative Islamic Banking Products in the Banking Sector. SIBL also gives high value on empowering poor families by creating local income opportunities. Social Islami Bank Limited also provides support for social benefit administrations by way of organizing funds and social services.

Vision

The vision statement of SIBL is followed by this quotation

“Working together for a caring society

দরদী সমাজ গঠনে সমবেত অংশগ্রহণ”

Values

- Morality
- Transparency
- Efficiency
- Responsibility

- Religiousness
- Modernization
- Elasticity
- Security

Learning's gathered from SIBL as an Intern

I have successfully conducted my internship at SIBL Dhanmondi Branch. I had the opportunity to complete the whole the three months long internship program where I get to experience the three departments of SIBL, which are called the General Banking Department, the Investment Department and the Foreign Exchange Department. On my journey I have been able to grasp a couple of things. Including Mudaraba policy, Al – Wadiah policy, Shariah laws regarding banking, NID verification, Check verification, profit fluctuation in different types of deposits in SIBL, profit rate in recent years, investment income and classifications. Further I got the real life experience of maintaining the files for one of their biggest investment projects. Among all the knowledge I gathered while doing my internship the most valuable thing I got to learn ishow to behave in a polite manner or with professionalism. It was of enormous pleasure working as an intern at SIBL with such sociable organizational culture and strict working environment at the same time.

INTRODUCTION

Financial institutions play a very important part in controlling a country's economy. Economy is the determinant of how well is the country working for its people. Financial sector is a standout amongst the most noteworthy parts of Bangladeshi economy. This area has a great deal of fascinating and critical episodes going on day by day which have an adverse effect on the economy of Bangladesh. Bangladesh's monetary industry was having a not all that sooth circumstance in the ongoing time with incredible instability in it. Islamic banking has over taken a huge part of the financial sector in Bangladesh as most of its people follow this religion. While working as an intern at SIBL I got know that Islamic Banking is much more different than Conventional Banking. Not only due to fluctuating deposit rates but also various other factors including investment rates, Loans, Non-performing Loans rates differ in Islamic and conventional Banking. It also is a reason why Islamic Banks and Conventional Banks have different profitability growth rate. So I decided to do a comparative analysis between conventional and Islamic banking system for the internship report topic. This topic is common and also informative in Bangladesh's banking Sector. The topic I have chosen is comparative analysis which I will do focusing on the CAMEL rating system analysis.

Statement of the problem

The acknowledged problem in the paper was the volatility of profit growth rates between Islamic Banks and Conventional Banks. This report is solely focused on accurate and authentic reasons behind this difference through CAMEL rating system.

Limitations and scope

The topic I have chosen for my report is one of the common topics of Bangladesh as Islamic Banking is having its growth in the country alarmingly these days. Through this report determinants can be identified clearly.

However nothing is free from limitations. There are also some limitations for these reports. Most financial institutions work in a very conservative manner for which the most of the information gathered for this report is from doing secondary research. Availing all of this information was also a tough job to do and at the same time it was challenging to analyze them as CAMELS are done by high officials with great experience. Also time constraint is another big factor here. These type of reports need a lot more time to go through all the in depth studies and analysis.

Objective of the Report

The objective of my internship report is to address which determinants are responsible between the profit growth between Islamic banking and Conventional Banking through CAMEL rating system analysis. Also to analyze those reasons and evaluate the reasons, also to come up with a convenient recommendation for both the systems to perform better and have a fair competition which however will also will help to increase the economic growth of Bangladesh.

Banking in Bangladesh

After Liberation of Bangladesh, the financial industry along with banking sector started its journey. It started its journey commencing with just six NCB (nationalized commercialized banks), 9 FB (foreign banks) and 3 state owned specialized banks till year 1980. The Banking sector reformed its system in the verge of weakening and destabilizing system including weak capitalization and poor asset quality (Jahan & Mohiuddin, 2014). The revised banking industry now includes NCBs, FB, PCBs, FCBs whereas Bangladesh Bank is the Central Bank of banking industry in Bangladesh and the strategies are controlled with maintenance of standard controlling is also regulated under Bangladesh Bank. A supervisory panel was established in the Bangladesh Bank to measure the performance of banks in Bangladesh, using the CAMEL rating system analysis where major five indicators are used to grade the banks on a scale of 1 to 5 where 1 is considered as poor and 5 is considered as well enough (Khalil, 2018).The Banks of Bangladesh are classified in two categories such as Scheduled Banks and Nonscheduled banks. Nonscheduled banks are the banks which are established for distinctive and definite purpose, these banks are also regulated under the act which solely focuses on the purpose of meeting the goals of establishment. On the other hand Scheduled Banks are the banks which get the license to operate under Bank Company Act, 1991(Amended in 2003) and there are 58 scheduled banks in Bangladesh which are in full control and supervision of Bangladesh Bank. (Source: Bangladesh Bank). There are 40 private commercial banks, 32 conventional PCBs, 9 Foreign Commercial Banks, 8 Islamic Shariah based PCBs, 6 state Owned Commercial Banks, 3 specialized banks (Source: Bangladesh Bank)

Bangladesh Banking industry has 8 institutions which fully follow the Shariah laws for Banking and these systems is known as Islamic banking and how the other Banks operate is known as conventional banking. There is handful amount of difference in both of the Banking styles.

- Islamic Banking

Islamic banking is a concept and can be defined as conduct of banking with the ethical values of Islam Islamic banking system holds its operation based on the core Islamic principles which involve profit and loss sharing ensuring equity and justice in the economy for the betterment of the country's people (Ali & Sarkar, 1995). The main principle followed by Islami Banks is the prohibition of the payment of interest commonly known as RIBA in Islam.

- .Conventional Banking

Conventional banking is based on the debtor-creditor relationship between the bank in one hand and the depositor or borrowers on the other. , Interest is the percentage of the main amount of credit that is given to them as an opportunity cost. Conventional bank are run by a group of individuals to the highest profit. These banks work like a financial intermediary who collects credit from lenders naming it as deposits and then lends it in the form of loans to the lender. A difference chart between Islamic and Conventional Banking is given below:

Difference between Conventional and Islamic banking

CONVENTIONAL BANKING	ISLAMIC BANKING
Pre-determined rate of interest	Free from the use of Riba (Interest)
Debt-based	Asset-based
Risk transfer (lending on interest)	Risk sharing (profit-loss system)
Money makes money	Money for real-sector development
Based on traditional laws	Based on Shariah principles
Creating medium of exchange and only aims at maximising profit	Avoidance of economic activities involving oppression

Source: BIBM

Figure 2: Difference between Conventional and Islamic banking (Source: BB)

LITERATURE REVIEW

The Financial sector for monetary transactions, investments, also for foreign exchange, of a country is mostly handled by the central bank under which there are BANKS and NBFI's (Non-Banking Financial Institutions). Under the central Bank of a country different banks with different names operate. They not only operate with different names yet they offer different deposit rates. Bangladesh is known as a Muslim country with 89.5% Muslim people living in the country (livepopulation.com, 2018)Islamic Banking was mostly established to serve the urge of Muslims to follow and lead their life abide by the Shariah Law where is interest (known as RIBA in Islam) is completely forbidden (HARAM) in all the aspects of life (Islamic Jurisprudence) (Haneef, 2008) A study conducted by Hassan and Mamunur on the customers perception towards Islamic Banking in Bangladesh has established and assured the fact that customers are undoubtedly satisfied with the Islamic Banking service in Bangladesh. In accordance with six very important elements like corporate efficiency, cost benefit, core banking, corporate banking compliance with Islamic banking rules (HASSAM & RASHID, 2019). Islamic Banking has the fastest growth in Muslim countries specifically on the credit market. (ZAHER & HASSAN, 2001).Islamic banking now has become significant in the international financial marketplace, especially in Middle East and Asia. The assets of Islamic industry stood 528.7 billion USD at the end of year 2017 which was almost 26% of the world's Shariah based financial assets (Ershad, Ahammad, mily, sarker, & akhtaruzzaman, 2018).MIFC has made a prediction that at the end of 2023 the value of Islamic Financial Assets, in Asia is about to across one trillion US Dollars (MIFC, 2018). The Data for total deposits in Islamic financial sect of eighteen-teen countries and total investments in nine- teen countries were counted in 2017 which were both respectively above 1500 billion USD (IFSB, 2018).

Scenario of Islamic banking In Bangladesh

Islamic banking the literature term was introduced to Bangladeshi's by investors who were from far way Middle East lands. In 1983 it was first introduced to Bangladesh's people. In 2019 there are more than one thousand branches of fully- fledged Islamic Banks. (Source: Bangladesh Bank). The banks are as follows

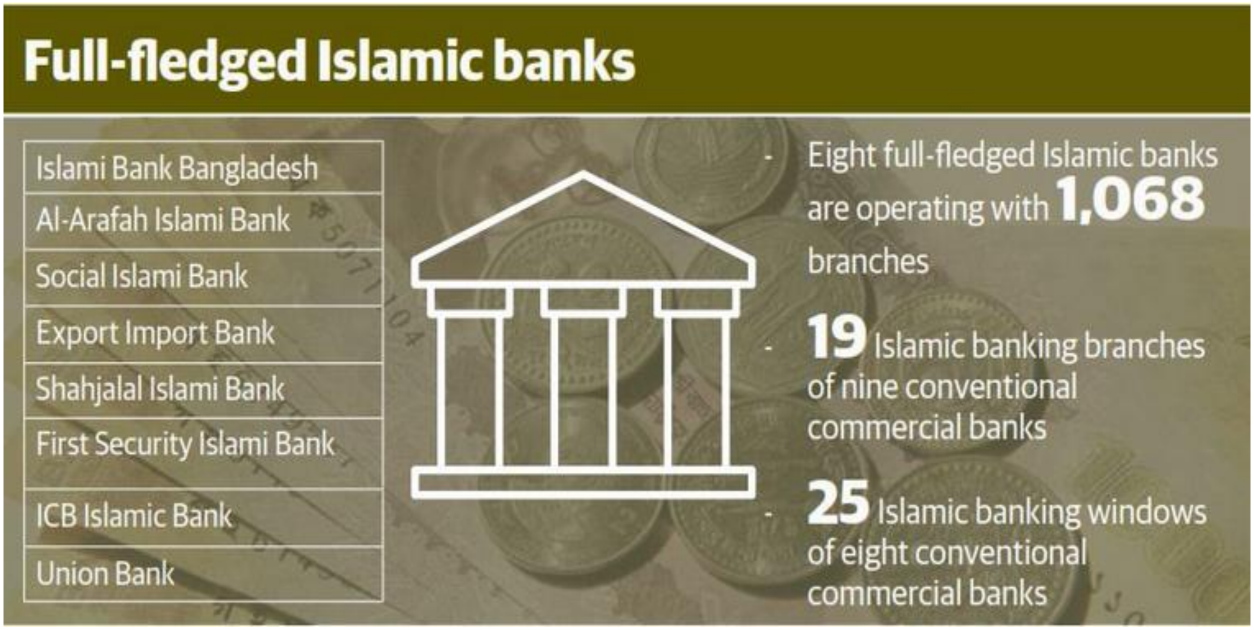

Figure 3:Full-fledged Islamic banks (source: BB)

Islamic banking entered the financial sector of Bangladesh with approximately thirty thousand plus human resource, covering about 23% banking sector's market sector in Bangladesh (Alam, 2017). Also according to Dhaka tribune, a daily online news portal, the numerical value of total investments and deposits in the Islamic Banking Sector was near two core in the year 2017 (Alam, 2017).

DETERMINANT OF PROFIT GROWTH IN ISLAMI BANKS

The determinants for profit growth in Islamic Banks are mentioned in two categories which are named as internal and external factors. The internal determinants are a list of things to be considered (Haron, 2004). Firstly profitability can be considered as one of them yet under profitability financial and nonfinancial both variables are taken in consideration. In the financial variables there are all the things included by the financial statements. But in the nonfinancial variable are nowhere near to be fallen in terms with financial statements as these variables include size of bank under which number of branches and the number of employees working in these branches, the condition of the branch also the location of the branch (emery, 1979). These factors which are classified as financial and nonfinancial factors can be controlled by the bank management. The factors like competition, lack of capital, shortage of money supply, deflation, inflation, equity disbursement, market share price fluctuation are not in the hands of the management (Huizinga & Demirguc, 1999). These cannot be controllable that is why these variables are known as the external factors.

The sources by which Islamic banks collect funds are related to profitability in a positive dimension (Bashir, 2004). It is very clear in both conventional banking and Islamic banking the deposits work as a multiplier for their profitability ratios. Higher deposits promise the bank an incremental performance in many ways. The profit sharing concept of the Islamic banks can turn out to have an adverse relationship with their profitability (haron, 2004). So their profit sharing funds should be taken care of. And relationship between both the fund providers and fun users should be kept healthy, wealthy and wise. At present the profit sharing ratio is commendable for Islamic banks. In future another thing might be very interesting topic for Islamic banks which is the asset-liability management and profitability only if Islamic banks are able to accept the tools developed in conventional banking in regards to their asset liability management (Wan Azmi & Haron, 2004). At present it is in a strong position with conventional banking yet if the Islamic banks show an adaptive attitude towards the techniques then only it could be in favor of Islamic bank's profitability. Researchers say that size of the market, inflation, economy, interest rates affects both conventional and Islamic banks in the same way. Market share and money supply acts adversely sometimes on the banks profitability. Lastly it is said that banks perform really well in competitive market (weber & Park, 2006). So there should be more Islamic banks along with conventional banks so that the banks can perform neck to neck and help to increase the economy for a greater cause which will lead to the ultimate goal of development of Bangladesh.

METHODOLOGY

All the data along with the information's are collected from secondary source such as newspaper articles, online journals, scholar's articles, Bangladesh Bank's articles, Federal Financial Institution's Council reports, Annual reports of all the sample banks taken for the purpose of this report and many other periodicals. The Financial Institutions along with Banks are very conservative organizations specially when it comes to dealing with their internal information's, therefore the use of primary date in my report is very significantly limited. The Annual reports of all the six banks with five years information, starting with 2013 and ending in 2017, I have tried to complete the charts and graphical analysis part of my report. From the thirty enlisted banks I have chosen three Islamic Banks (from the eight enlisted one) and three conventional banks. So in total the comparison is between these six banks.

Further I would like to add that all the numbers are collected from the annual reports, still the ranking has been inferred by solely thyself and my understanding of CAMELS rating. As the CAMEL Ratings are never made public let alone the ranking, yet the concerned banks do get their needed attention by the central banks (Lopez, 2019). Here is a short discussion about how I have completely conducted by interpretation part of my report.

- Firstly I have decided of which all the ratios I will be using to determine the five factors of CAMEL rating.
- Then I collected all the numbers needed for calculating the ratios.
- For primary information's the annual report from fiscal year 2013 to fiscal year 2019which have been available to public, of the six sample banks has been taken for the purpose this report.
- Along with some help of periodicals, journals, internet, online articles, and study materials the CAMELS analysis is done.

INTERPRETATION OF DATA

CAMELS rating system analysis

CAMELS rating system represents the whole situation of a bank by giving it a rating comparing with standards through analyzing its six factors. These factors are known as capital adequacy, asset quality, management quality, earnings ability, liquidity and sensitivity towards the market risks, which are abbreviated into CAMELS rating system (Business Dictionary, 2019). Sensitivity was added on 1997 (Lopez, 2019). These factors are rated on a scale of one to five and any notch which will be more than three would be considered as lesser satisfactory performance which will be in need to extreme level of supervisory concerns. CAMELS ratings are never made public only confined to the upper management of a bank as these things are highly confidential (Lopez, 2019).

Capital adequacy:

If the Bank is financially sound or not is detected by knowing its capital adequacy. It is used in a way to prevent banks from going bankrupt and also portrays a good image of the bank toward the shareholders (Kumar & Dhawal, 2016).

Chart:

Capital adequacy					
	BANK NAMES	CAR		LEVERAGE RATIO	
		(%)	Rank	(%)	Rank
ISLAMIC BANKS	IBBL	12.21%	1	0.65	3
	SIBL	11.68%	2	0.07	5
	SJIBL	12.68%	2	0.12	3
CONVENTIONAL BANKS	JBL	11.55%	2	0.10	3
	DBBL	13.76%	1	0.29	3
	JANATA BANK	10.30%	3	0.12	3

Figure 4: Capital Adequacy

Interpretation:

CAR:

Capital adequacy ratio is the ratio that is expressed to show a banks capital's condition as a percentage of its eligible risk weighted assets. The formula is given below

$$CRAR = \frac{\text{Total Eligible Capital}}{\text{Credit RWA} + \text{Market RWA} + \text{Operational RWA}}$$

Graph:

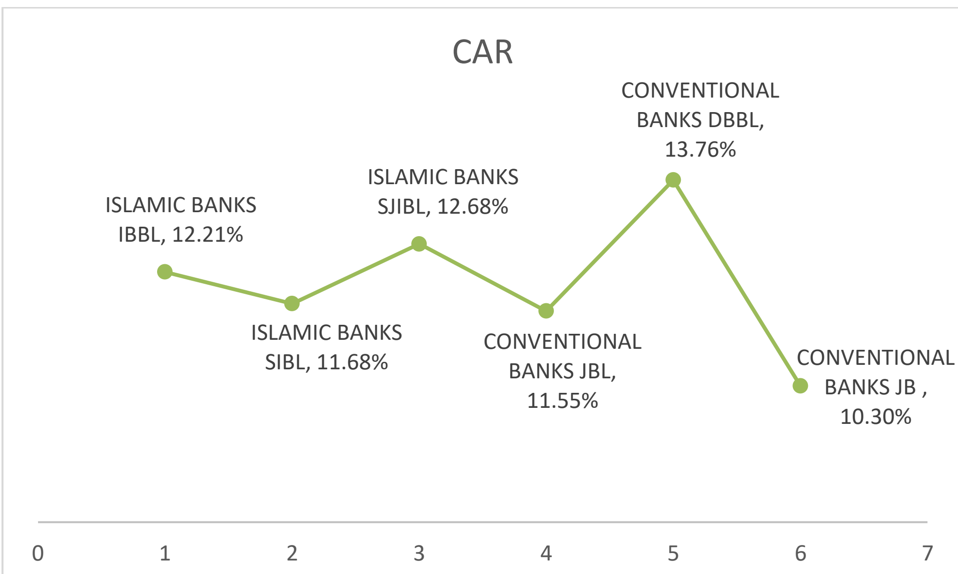

Figure 5: Graph of CAR ratio

The graph above shows the average CAR for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for CAR ratio is 8% whereas for Bangladeshi banks the standard is 10% set by the central Bank of Bangladesh (BB).

LEVERAGE RATIO:

Leverage ratio mainly focuses on the capital which comes in form of debt. It also helps to determine if the company is meeting its financial requirements. The formula is given below

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$

Graph:

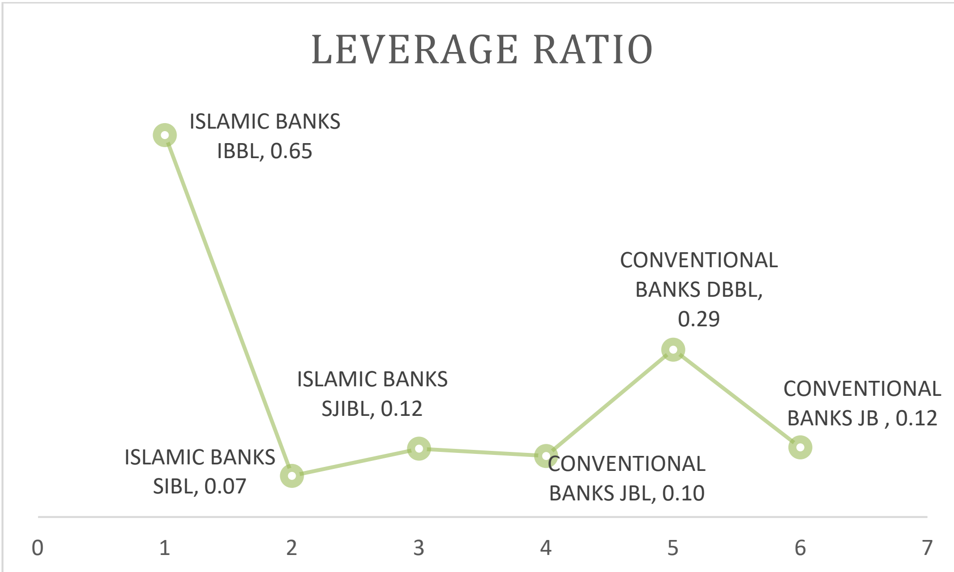

Figure 6: Graph of LEVERAGE Ratio

The graph above shows the average Debt equity Ratio for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for Debt to equity ratio is 1.5 to 2. Yet for large companies it is more than 2 (CFI, 2015 - 2019). When it comes to banks it is a bit more complicated. According to the Federal Deposit Insurance Corporation (FDIC) banks leverage ratio should be less than 1 for better performance (Hayes & Kenton, 2019).

Analysis:

The Capital adequacy of all the banks are seem to be in a good position when it comes to CAR ratio, yet while considering the Leverage Ratio the banks need to improve their debt condition against their equity.

Asset Quality:

It is said that assets quality is the financial strength of bank, it indicates the performance of the banks and how strong it is (Kumar & Dhawal, 2016).

Chart:

Asset Quality					
	BANK NAMES	NPL RATIO		ROA	
		(%)	Rank	(%)	Rank
ISLAMIC BANKS	IBBL	4.06%	1	0.64%	3
	SIBL	5.28%	2	1.91%	1
	SJIBL	5.90%	2	0.85%	3
CONVENTIONAL BANKS	JBL	5.61%	2	1.11%	2
	DBBL	4.38%	1	1.16%	2
	JANATA BANK	13.28%	5	0.68%	3

Figure 7: Asset Quality

Interpretation:

NPL RATIO:

NPL ratio showcases the percentage of defaulted loans of a bank. It is considered as an indicator for lenders and borrowers to measure their risks in terms of taking loan from a bank. The formula is given below

$$NPL\ Ratio = \frac{\textbf{Nonperforming loans}}{\textbf{Total loans}}$$

Graph:

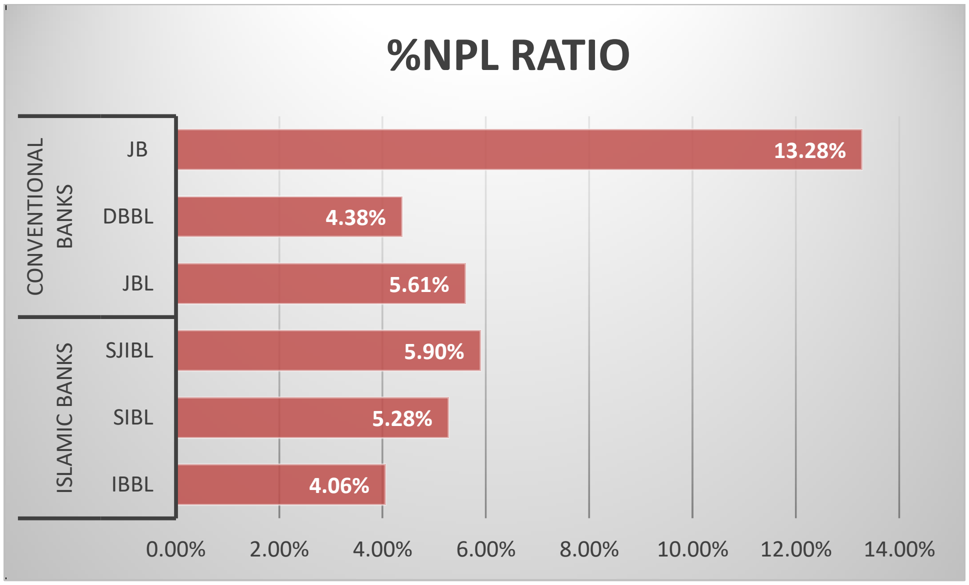

Figure 8: Graph of %NPL Ratio

The graph above shows the average NPL Ratio for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for NPL ratio is 3%, Banks with for than 3% NPL ratio are considered to be a less satisfactory performer.

ROA:

Return on total assets gives the clear indication of how profitable is an organization in terms of its total assets. It is considered as one of the efficient ratios in comparing in the same industry, yet not a good option for different industries comparison as assets might differ in that case (Hargrave, 2019). The formula is given below

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets}$$

Graph:

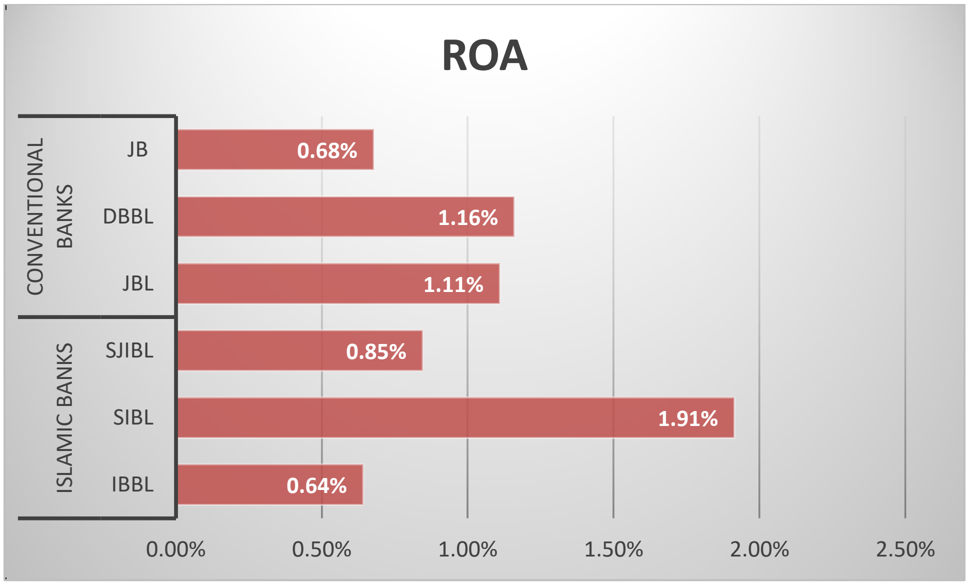

Figure 9: Graph of ROA

The graph above shows the average ROA for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for ROA ratio is 1% or more. For banks more than 1% is preferable (Lukosiunas, 2017).

Analysis:

Depending on the NPL Ratio it can be said that all the Banks are yet to achieve the standard NPL ratio, still JANATA BANK is at the worst condition. According to the Daily Star JANATA BANK started facing this detrition at the beginning of 2018 when two borrowers miserably failed to return a vast amount of money (Alo, 2019).The ROA of IBBL, SJIBL and JANATA BANK needs to improve while the other three are in the good condition.

Management capacity:

Management capacity is something which indicate how well equipped a bank is when it comes to their human resource. Still a lot of things matter while it comes to management capacity such as employee turnover rate, labor demand, the age of the company (Kenton, 2019).

Chart:

MANAGEMENT CAPACITY					
	BANK NAMES	INCOME PER EMPLOYEE	COST PER EMPLOYEE	Comparison	Ranks
		Million/employee	Million/employee		
ISLAMIC BANKS	IBBL	4.24	4.22	Income>Cost	2
	SIBL	8.34	6.07	Income>Cost	1
	SJIBL	1.24	5.01	Income<Cost	5
CONVENTIONAL BANKS	JBL	1.55	1.48	Income>Cost	2
	DBBL	3.83	2.85	Income>Cost	1
	JANATA BANK	0.33	3.16	Income<Cost	5

Figure 10: Management Capacity

Interpretation:

INCOME PER EMPLOYEE:

This is an equation to show how much revenue collected allocating each and every employee of each branch. The formula is given below

$$Income\ per\ employee = \frac{Total\ Income}{Total\ Number\ Of\ Employee}$$

Graph:

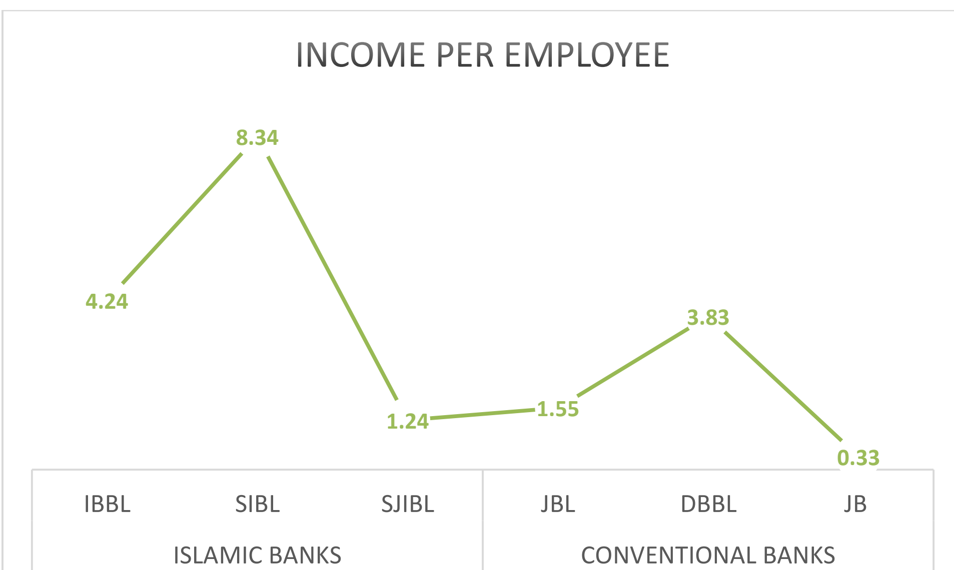

Figure 11: Graph of Income per employee

The graph above shows the average Income per employee for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks.

COST PER EMPLOYEE:

This equation shows how much overhead cost is spend on each and every employee of each branch. The formula is given below

$$Cost\ per\ employee = \frac{Total\ Cost}{Total\ Number\ Of\ Employee}$$

Graph:

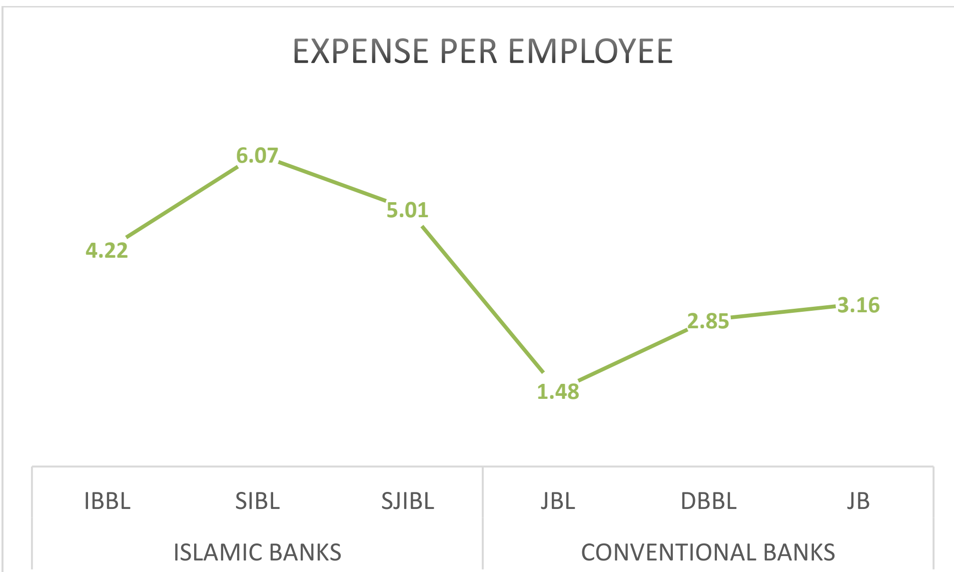

Figure 12: Graph of Cost per employee

The graph above shows the average Cost per employee for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks.

Analysis:

Depending on these two equations it can be interpreted how much a Bank's Management Capacity is. For analyzing both the equations are required as their comparison will give the ultimate situation. After comparing it can be said that both SJIBL and JANTA BANK need to focus on their total cost as it has an upper hand over their revenue.

Earning's ability:

Earning's ability for financial institutions projects the efficiency of a bank, including how it will be able to sustain is performance in the long run (Kumar & Dhawal, 2016).

Chart:

EARNINGS ABILITY					
	BANK NAMES	ROE		EPS	
		(%)	Rank	Times	Rank
ISLAMIC BANKS	IBBL	9.18%	3	2.662	2
	SIBL	13.82%	1	2.466	2
	SJIBL	10.32%	2	1.626	2
CONVENTIONAL BANKS	JBL	12.08%	2	2.832	2
	DBBL	15.20%	1	11.46	1
	JANATA BANK	11.98%	2	31.8	1

Figure 13: Earnings Ability

Interpretation:

EPS:

EPS basically represents the earning or income allocating to each share of common stock in a public company or institution. The formula is given below

$$\text{Earnings per share} = \frac{\text{Net income - preferred dividends}}{\text{End - of - period common shares outstanding}}$$

Graph:

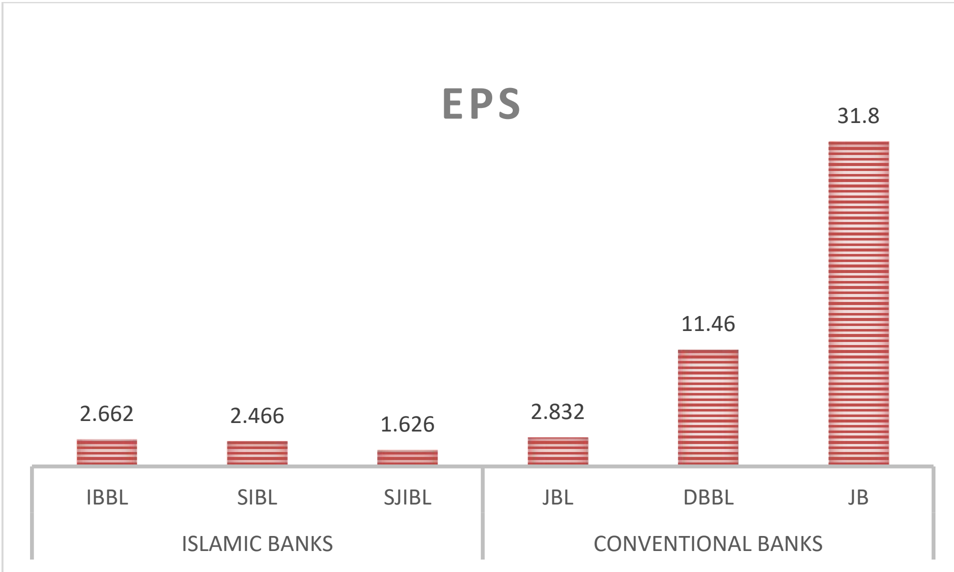

Figure 14: Graph of EPS

The graph above shows the average EPS for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. A positive EPS which has a value more than 1 is considered as a satisfactory EPS for any organization.

ROE:

Return on Equity ratio shows how efficiently the equities are used to create the banks profit. Return on equity is quite expressive in terms of analyzing an organizations financial performance. It is expressed as a percentage of the net assets. It is a great equipment to understand the profitability of a company on the basis of its equity. How effectively a company can use its investments to accelerate its profit growth that is what ROE of a company decides. The formula is given below

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

Graph:

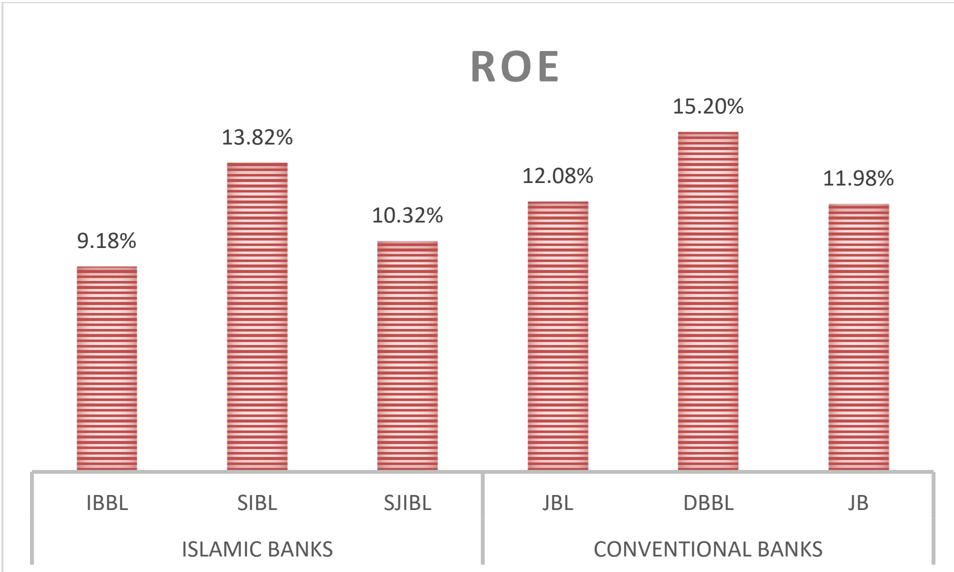

Figure 15: Graph of ROE

The graph above shows the average ROE for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for ROE ratio is 11% according to the Federal Financial Institutions Council as per 2018.

Analysis:

The earnings of the bank seem to be pretty good. Still IBBL needs to work on their ROE, so it can be said that the banks are in profitable condition and have adequate future sustainability.

Liquidity:

Liquidity is measured by the liquid assets that the financial institutions possess. Bank can reserve a good enough liquidity position by the conversion of assets into cash (Kumar & Dhawal, 2016).

Chart:

LIQUIDITY					
	BANK NAMES	Loan To Deposit		Liquid Assets Ratio	
		(%)	Rank	(%)	Rank
ISLAMIC BANKS	IBBL	64.53%	4	84.01%	2
	SIBL	87.50%	2	82.11%	2
	SJIBL	80.01%	2	94.14%	1
CONVENTIONAL BANKS	JBL	89.15%	2	70.51%	3
	DBBL	83.69%	2	78.58%	3
	JANATA BANK	78.13%	3	63.35%	4

Figure 16: Liquidity

Interpretation:

LOAN TO DEPOSIT:

Loan to deposit measures the total loan against total deposit to understand the banks position against its deposits. The formula is given below

$$Loan\ To\ Deposit = \frac{Total\ Loans}{Total\ Deposits}$$

Graph:

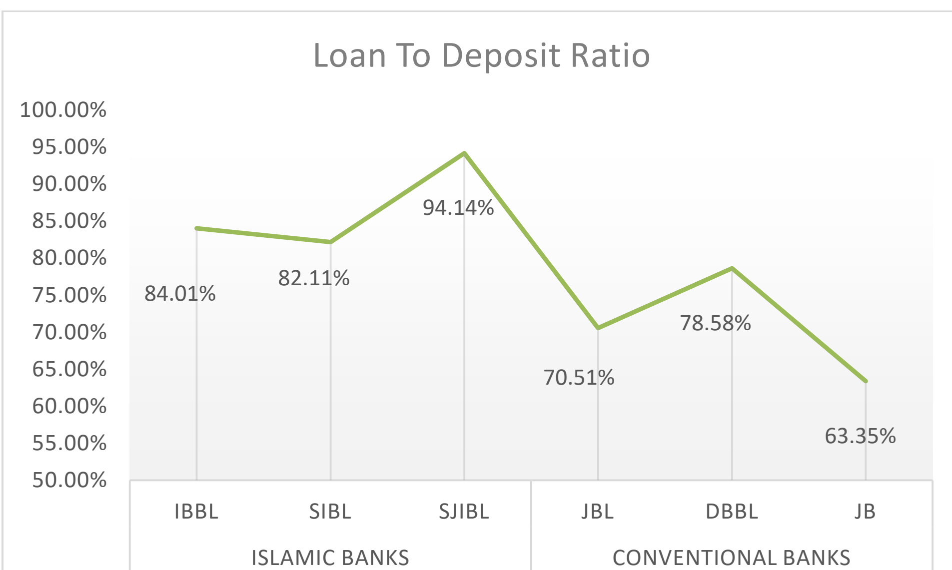

Figure 17: Graph of Loan to deposit ratio

The graph above shows the average loan to deposit for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard for loan to deposit ratio for banks is 80% to 90%.

LIQUID ASSETS RAIO:

Liquid assets are of what percentage to total assets is known as liquid assets ratio. It indicates the liquidity scenario of an organization. The formula is given below

$$Liquid\ Assets\ Ratio = \frac{Total\ Liquid\ Assets}{Total\ Assets}$$

Graph:

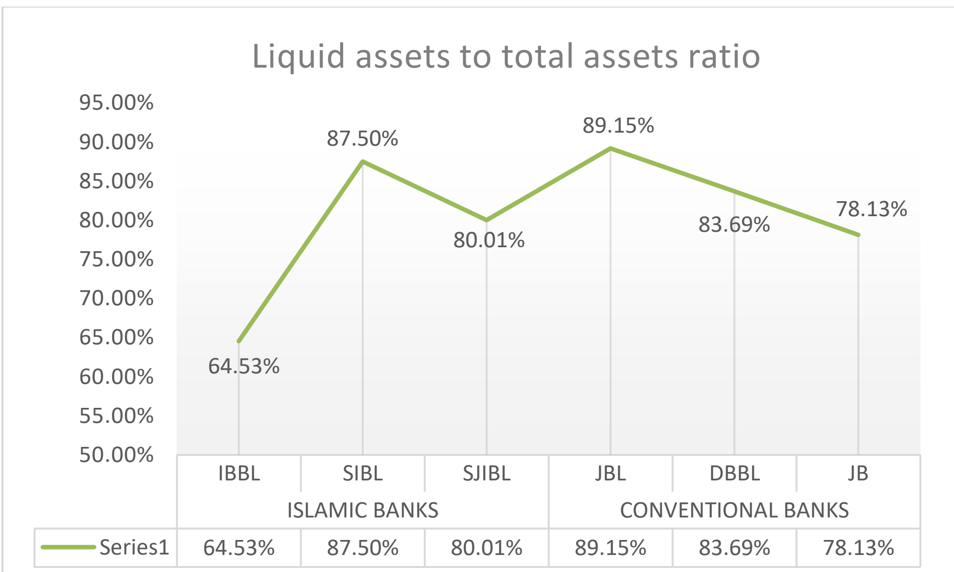

Figure 18: Graph of Liquid assets ratio

The graph above shows the average liquid assets ratio for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. This series is a liquid asset ratio, which provides an indication of the liquidity available to meet expected and unexpected demands for cash. The level of liquidity indicates the ability of the deposit-taking sector to withstand shocks to their balance sheet (International Monetary Fund. Reprinted with permission., 2019).

Analysis:

The banks are performing quite remarkable in terms of maintaining their liquid assets as per requirement.

Sensitivity:

The last factor of CAMELS elaborates the risks occurring due to the market conditions fluctuations; especially it is concerned with the fluctuations of the interest rates, share prices, foreign exchange rates and so on. For banks interest rate fluctuation is considered as the most sensitive thing (Kumar & Dhawal, 2016).

Chart:

SENSITIVITY			
	BANK NAMES	Price Earnings Ratio	
		(%)	Rank
ISLAMIC BANKS	IBBL	11.46	3
	SIBL	8.40	4
	SJIBL	11.25	3
CONVENTIONAL BANKS	JBL	6.04	5
	DBBL	10.56	3
	JANATA BANK	N\A	N\A

Figure 19: Sensitivity

Interpretation:

PRICE EARNINGS RAIO:

P/E ratio shows the current price of the share in terms with the earning per share. The formula is given below

$$\mathrm{P/E\ Ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}}$$

Graph:

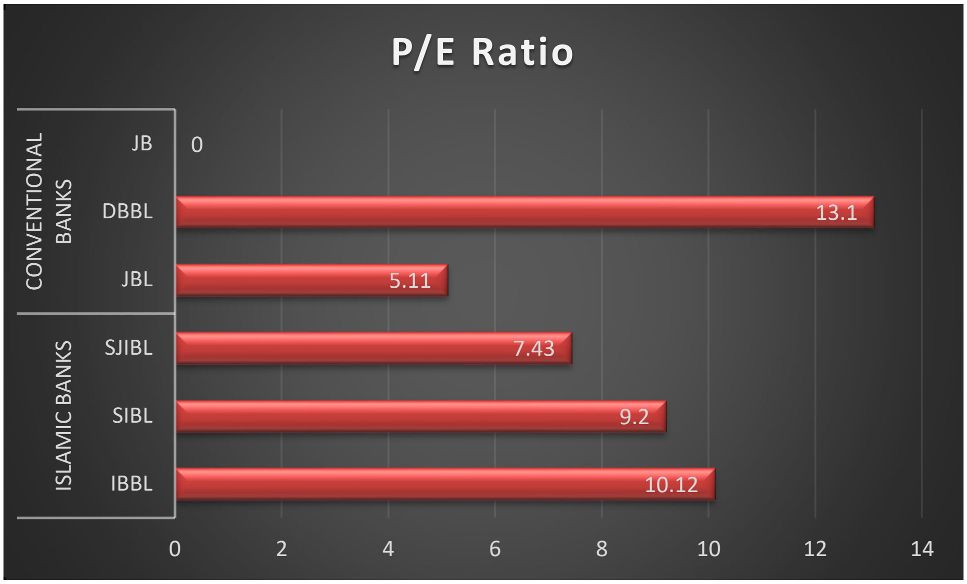

Figure 20: Graph of Price to earnings ratio

The graph above shows the average P/E ratio for 2013 to 2017 for the three Islamic banks comparing with the three conventional banks. The standard average P/E ratio varies from industry to industry.

Analysis:

The P/E ratio indicates the sensitivity here. According to the source standard P/E ratio should be way higher than these banks, so it can be concluded that these banks are market sensitive except for janata Bank. As according to their annual report of 2017 this ratio is not applicable for them. Also while calculating P/E ratio it is very important to consider if the comparison is between the same industry or not. As per these banks JBL is underrated and DBBL is overrated.

FINDINGS

		ISLAMI BANK (IB)			CONVENTIONAL BANK (CB)			REMARK
	RATIOS	IBBL	SIBL	SJIBL	JBL	DBBL	JB	
Capital Adequacy	CAR	12.21%	11.68%	12.68%	11.55%	13.76%	10.30%	IB
	LEVERAGE	0.65	0.67	0.12	0.10	0.29	0.12	CB
Assets Quality	% OF NPL	4.06%	5.28%	5.90%	5.61%	4..38%	13.28%	IB
	ROA	0.64%	1.91%	0.85%	1.11%	1.16%	0.68%	CB
Management Capacity	INCOME PER EMPLOYEE	4.24	8.34	1.24	1.55	3.83	0.33	IB
	EXPENSE PER EMPLOYEE	4.22	6.07	5.01	1.48	2.85	3.16	
Earnings Ability	ROE	9.18%	13.82%	10.32%	12.08%	15.20%	11.98%	CB
	EPS	2.66	2.46	1.62	2.83	11.46	31.8	CB
Liquidity	LOAN TO DEPOSIT	64.53%	87.50%	80.01%	89.15%	83.69%	78.13%	CB
	LIQUID ASSETS	84.01%	82.11%	94.14%	70.51%	78.58%	63.35%	IB
Sensitivity	P/E	11.46	8.40	11.25	6.04	10.56	N\A	IB

Figure 21: Summary table

From the table the summary can be clearly seen. There are eleven ratios that are taken for the CAMELS method and the majority of the ratios display for Islamic Banks, yet it can never be concluded that the Conventional Banks were not in good position. Both the categories Banks were performing up to the mark yet there were some miss outs of the banks. For example it can be said that they need to be more focused on their market shares as their EPS and P/E ratios have a lot to improve. All the banks are in an adequate position for capitals. Their ROA and ROE are up to mark but they have to improve a lot more. Now the management capacity is quite good except for janata bank as their income per employee is really low in terms of their expense per employee. Also the nonperforming loans of janata banks have pulled them a lot due to two big loans going to default. Apart from that it is said that Islamic banks percentage of NPL is a lot lower than Conventional banks which plays a vital role in increasing their profitability with regards to helping them perform better than of the conventional banks. Also the better competition the better is for the economy of the country. So the banks should emerge in their own way and help prosper the country's economy to a great extent.

CONCLUSION

CAMELS rating are now popularly known for rating a banks efficient performance. Due to its confidentiality it is done by the Central Banks of different countries and is handed over to individual banks. Only the superior management has access to it. So, doing a CAMELS analysis was not at all an easy task. Though there were times when the data seemed, neck to neck and it creates a situation where one might get stuck weather to give it a rating "3" or "4". However, there are several other factors that should be taken in consideration while doing CAMELS ratio interpretation such as the income per employee can be much higher, yet the turnover ratio can be fluctuating so it might seem that the bank is in a profitable situation yet its management it's to be taken under supervisory actions. While doing the comparative analysis it can be conducted that there is not much of a difference between the ratios of ISLAMI BANKS and CONVENTIONAL BANKS. Even by one ratio among the 11 ratios Islamic banks seem to have a leading position. With this emerging economy and religious sentiment of conscience of most of the population making people to be more tentative towards Islamic banks and thus the performance of Islamic banks are evolving day by day. On the other hand, CAMELS rating is very costly method and a very skilled and efficient person with a lot of experience is to be held responsible for giving such labels to banks. Therefore, there would number of lacking's in this rating system, yet this report might be of some help for the sectors to focus on their scope of improvements.

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APPENDIX:

CAPITAL ADEQUACY:

BANK TYPE	BANK NAME	CALCULATION OF THE RATIO	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	CAR	14.26%	12.93%	11.66%	10.92%	11.30%	12.21%
	SIBL		11.58%	11.36%	12.33%	11.55%	11.57%	11.68%
	SJIBL		12.56%	13.61%	13.52%	11.54%	12.19%	12.68%
CONVENTIONAL BANKS	JBL		11.10%	11.25%	12.74%	10.82%	11.86%	11.55%
	DBBL		13.70%	13.80%	13.70%	13.10%	14.50%	13.76%
	JB		10.27%	10.30%	10.16%	10.69%	10.06%	10.30%
			IDEAL 10%					
ISLAMIC BANKS	IBBL	DEBT TO EQUITY	0.34	0.76	0.69	0.71	0.75	0.65
	SIBL		0.09	0.09	0.07	0.06	0.05	0.07
	SJIBL		0.13	0.15	0.10	0.11	0.09	0.12
CONVENTIONAL BANKS	JBL		0.12	0.12	0.09	0.10	0.09	0.10
	DBBL		0.24	0.32	0.26	0.21	0.40	0.29
	JB		0.13	0.12	0.10	0.12	0.12	0.12
			IDEAL 1 OR MORE					

FOR GRAPH:

CAR:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	12.21%
	SIBL	11.68%
	SJIBL	12.68%
CONVENTIONAL BANKS	JBL	11.55%
	DBBL	13.76%
	JB	10.30%

LEVERAGE RATIO:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	0.65
	SIBL	0.07
	SJIBL	0.12
CONVENTIONAL BANKS	JBL	0.10
	DBBL	0.29
	JB	0.12

ASSETS QUALITY:

BANK TYPE	BANK NAME	CALCULATION OF THE RATIO	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	%NPL RATIO	3.71%	4.92%	4.25%	3.83%	3.59%	4.06%
	SIBL		5.35%	4.56%	3.84%	4.44%	8.20%	5.28%
	SJIBL		6.47%	7.87%	6.47%	4.70%	3.97%	5.90%
CONVENTIONAL BANKS	JBL		7.59%	5.68%	6.69%	4.05%	4.02%	5.61%
	DBBL		3.90%	4.40%	3.70%	5.20%	4.70%	4.38%
	JB		11.12%	11.69%	12.34%	14.73%	16.54%	13.28%
ISLAMIC BANKS	IBBL	2. ROA	0.96%	0.67%	0.44%	0.59%	0.55%	0.64%
	SIBL		1.67%	2.36%	2.08%	2.06%	1.40%	1.91%
	SJIBL		1.00%	0.59%	0.98%	1.02%	0.64%	0.85%
CONVENTIONAL BANKS	JBL		1.01%	1.06%	1.16%	1.21%	1.11%	1.11%
	DBBL		1.20%	1.90%	1.10%	0.70%	0.90%	1.16%
	JB		1.42%	0.61%	0.70%	0.33%	0.33%	0.68%

FOR GRAPH:

%NPL RATIO:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	4.06%
	SIBL	5.28%
	SJIBL	5.90%
CONVENTIONAL BANKS	JBL	5.61%
	DBBL	4.38%
	JB	13.28%

ROA:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	0.64%
	SIBL	1.91%
	SJIBL	0.85%
CONVENTIONAL BANKS	JBL	1.11%
	DBBL	1.16%
	JB	0.68%

MANAGEMENT CAPACITY:

BANK TYPE	BANK NAME	CALCULATION OF THE RATIO	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	Income per employee	4.14	4.26	4.13	3.79	4.86	4.24
	SIBL		6.77	9.90	9.73	9.70	5.60	8.34
	SJIBL		1.24	1.09	1.1	1.36	1.39	1.24
CONVENTIONAL BANKS	JBL		1.39	1.39	1.58	1.7	1.67	1.55
	DBBL		4.30	3.73	4.20	3.48	3.46	3.83
	JB		0.62	0.26	0.34	0.20	0.22	0.33
ISLAMIC BANKS	IBBL	Expense per employee	4.12	4.22	4.09	4.1	4.56	4.22
	SIBL		6.82	6.12	5.85	5.70	5.87	6.07
	SJIBL		5.94	5.08	4.51	4.56	4.98	5.01
CONVENTIONAL BANKS	JBL		1.25	1.37	1.45	1.61	1.72	1.48
	DBBL		3.31	2.77	2.96	2.58	2.62	2.85
	JB		2.77	3.17	3.18	3.36	3.32	3.16

FOR GRAPH:

INCOME PER EMPLOYEE:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	4.24
	SIBL	8.34
	SJIBL	1.24
CONVENTIONAL BANKS	JBL	1.55
	DBBL	3.83
	JB	0.33

EXPENSE PER EMPLOYEE:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	4.22
	SIBL	6.07
	SJIBL	5.01
CONVENTIONAL BANKS	JBL	1.48
	DBBL	2.85
	JB	3.16

EARNING'S ABILITY:

BANK TYPE	BANK NAME	CULATION OF THE R	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	2. ROE	11.00%	9.00%	7.00%	9.28%	9.63%	9.18%
	SIBL		11.01%	15.68%	16.00%	16.16%	10.27%	13.82%
	SJIBL		12.67%	6.60%	10.78%	12.40%	9.14%	10.32%
CONVENTIONAL BANKS	JBL		12.78%	12.46%	10.41%	11.84%	12.92%	12.08%
	DBBL		17.00%	16.20%	19.30%	10.30%	13.20%	15.20%
	JB		30.09%	9.66%	9.70%	5.22%	5.23%	11.98%
			ideal 11%					
ISLAMIC BANKS	IBBL	3. EPS	3.07	2.49	2.04	2.77	2.94	2.662
	SIBL		1.74	2.71	2.81	3.1	1.97	2.466
	SJIBL		1.78	1.02	1.76	2.02	1.55	1.626
CONVENTIONAL BANKS	JBL		2.53	2.61	2.67	3.06	3.29	2.832
	DBBL		10	11	15.1	8.9	12.3	11.46
	JB		86.31	19.92	25.12	13.61	14.04	31.8

FOR GRAPH:

EPS:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	2.662
	SIBL	2.466
	SJIBL	1.626
CONVENTIONAL BANKS	JBL	2.832
	DBBL	11.46
	JB	31.8

ROE:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	9.18%
	SIBL	13.82%
	SJIBL	10.32%
CONVENTIONAL BANKS	JBL	12.08%
	DBBL	15.20%
	JB	11.98%

LIQUIDITY:

BANK TYPE	BANK NAME	CALCULATION OF THE RATIO	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	Loan to Deposit	82.35%	79.88%	83.59%	86.43%	87.80%	84.01%
	SIBL		75.79%	80.36%	83.39%	84.95%	86.09%	82.11%
	SJIBL		88.83%	85.25%	88.63%	98.85%	109.14%	94.14%
CONVENTIONAL BANK	JBL		67.95%	67.95%	74.41%	68.95%	73.29%	70.51%
	DBBL		73.30%	74.60%	81.50%	79.40%	84.10%	78.58%
	JB		59.71%	61.97%	61.50%	62.80%	70.77%	63.35%
			ideal 80% - 90%					
ISLAMIC BANKS	IBBL	Liquid assets ratio	63.13%	66.20%	59.67%	66.55%	67.12%	64.53%
	SIBL		87.00%	92.00%	88.00%	85.55%	84.95%	87.50%
	SJIBL		78.13%	77.21%	78.34%	83.08%	83.31%	80.01%
CONVENTIONAL BANK	JBL		82.47%	76.19%	80.41%	131.47%	75.24%	89.15%
	DBBL		81.16%	82.61%	86.38%	83.69%	84.59%	83.69%
	JB		78.71%	79.05%	79.44%	77.76%	75.68%	78.13%
			ideal 80% - 90%					

FOR GRAPH:

LOAN TO DEPOSIT RATIO:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	84.01%
	SIBL	82.11%
	SJIBL	94.14%
CONVENTIONAL BANKS	JBL	70.51%
	DBBL	78.58%
	JB	63.35%

LIQUID ASSETS RATIO:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	64.53%
	SIBL	87.50%
	SJIBL	80.01%
CONVENTIONAL BANKS	JBL	89.15%
	DBBL	83.69%
	JB	78.13%

SENSITIVITY:

BANK TYPE	BANK NAME	CULATION OF THE R/	2013	2014	2015	2016	2017	AVERAGE
ISLAMIC BANKS	IBBL	Price Earnings Ratio	11.17	11.24	12.54	10.12	12.24	11.46
	SIBL		7.2	8.3	8.6	9.2	8.7	8.40
	SJIBL		8.6	11.27	7.67	7.43	21.29	11.25
CONVENTIONAL BANKS	JBL		6.44	7.43	4.52	5.11	6.69	6.04
	DBBL		10.5	9.6	7.1	13.1	12.5	10.56
	JB		Not listed in any stock exchange					#DIV/0!

FOR GRAPH:

PRICE TO EARNINGS RATIO:

AVERAGE OF FY2013-FY2019

ISLAMIC BANKS	IBBL	10.12
	SIBL	9.2
	SJIBL	7.43
CONVENTIONAL BANKS	JBL	5.11
	DBBL	13.1
	JB	0