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The impact of applying the CAMELS Banking evaluation model on Islamic Banks in Arab Countries: A comparative study of Qatar Islamic Bank and Al Baraka Bank of Algeria during the period (2018-2023)

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***Abstract*---**The purpose of this report is to analyze the financial performance of Qatar Islamic Bank and Al Baraka Bank Algeria by the help of CAMELS model from 2018 to 2023. CAMELS is the most important model that is generally used to find out the financial performance of the banks by emphasizing the several aspects such as capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk. By utilizing the composite ratings of each bank, this research found out the general performance of these two banks in different economic and regulatory settings. The results showed that Al Baraka Bank Algeria got a satisfactory rating. In contrast, Qatar Islamic Bank showed an average rating as it lacked liquidity and was sensitive to market risk.

***Keywords*---**Performance Evaluation, CAMELS Model, Qatar Islamic Bank, Al Baraka Bank Algeria.

Introduction

Islamic banks were are very important arm of financial system in Arab countries, enabling significant financial resources to be collected and spent on the support of social, economic, educational, health and other activities. However, these banks have been subject to a number of threats as a result of financial and

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administrative risks arising from global and local economic and financial changes. As a result of these risks, there has been an increasing number of comprehensive analysis tools suiting each bank, examining the performance of the bank in various fields in order to identify its strengths that should be promoted as well as the weaknesses that should be removed.

The CAMELS banking evaluation model is considered one of the most prominent supervisory tools used globally to assess bank performance. This model is distinguished by its comprehensive approach to analyzing capital adequacy, asset quality, management efficiency, profitability, liquidity, and sensitivity to market risks. Through its application, a precise and comprehensive picture of the financial and operational performance of banks can be obtained.

Study Problem:

From this, we present the main problem of this study, which can be formulated as follows: What is the impact of applying the CAMELS banking evaluation model on the performance of Islamic banks in Arab countries during the period (2018-2023)?
From the main problem, the following sub-questions can be raised:

- What is the CAMELS model, and what are its main components and indicators?
- Does the economic and regulatory environment in both Qatar and Algeria have an impact on the performance of the two banks under study during the specified period?
- What are the expected results of evaluating the performance of Qatar Islamic Bank and Al Baraka Bank Algeria using the CAMELS model?

Study Hypotheses:

To answer the sub-questions, the following preliminary hypotheses can be proposed:

- The CAMELS model is an analytical framework for assessing the financial performance of banks based on a set of key indicators.
- There is a positive effect of a stable economic and regulatory environment on the performance of both Qatar Islamic Bank and Banque Al Baraka Algeria.
- The evaluation of the performance of Qatar Islamic Bank and Banque Al Baraka Algeria using the CAMELS model is expected to reveal their financial and regulatory performance, classification, and their alignment with international banking standards.

Study Objectives:

The aim of this study is to achieve a set of objectives, including:

- Analyzing the impact of applying the CAMELS model on the financial and regulatory performance of Islamic banks in Arab countries.
- Investigating the alignment of the results of Islamic bank evaluations using the CAMELS model with international banking standards.

- Offering recommendations to enhance the efficiency and sustainability of Islamic banks based on the performance evaluation results using the CAMELS model.

Study Methodology:

The study relied on a descriptive-analytical approach to analyze the performance of Qatar Islamic Bank and Banque Al Baraka Algeria using the CAMELS model during the period (2018-2023) with the aim of evaluating the effectiveness of the model in measuring bank performance in two different economic environments.

Study Structure:

We will attempt to address the research problem through two main sections as follows:

- The theoretical foundations of the CAMELS banking performance evaluation model;
- The evaluation of the status of Qatar Islamic Bank and Banque Al Baraka Algeria according to the CAMELS model during the period (2018-2023).

1. The Theoretical Foundations of the CAMELS Bank Performance Evaluation Model:

The CAMELS model represents one of the most prominent tools used in evaluating bank performance. In this section, a set of key concepts related to this model will be addressed.

1.1 Definition of the CAMELS Bank Performance Evaluation Model:

This can be worded as "A set of financial indicators for analyzing the financial condition of any bank and assigning it a grade. This is one of the direct supervisory tools whose functioning relies on field audit operations. The powers that be in the United States built several decisions on the results of the CAMELS model." (Al-Khammas, 2022, p. 35). The CAMELS assessment system is used to recognize the banking system's weaknesses and supervisory authorities' primary purpose is to examine and prioritize the necessary supervisory measures. The CAMELS system enables one to assess the bank's financial condition and classify the bank; regulatory agencies use it to make decisions since it provides a fairly accurate picture of the bank's financial condition. This system has a grading system of 1 to 5, in which grade 1 is the highest and 5 is the lowest. Banks in grades 4 and 5 have a range of operational issues that may necessitate additional amounts of risk capital (Mohammed, 2013, p. 169).

From the above, it can be said that the CAMELS model is a comprehensive system for evaluating bank performance, relying on a set of financial and managerial indicators. Its goal is to provide an accurate and comprehensive picture of the bank's financial condition and operational efficiency, which aids in classifying its performance and identifying its strengths and weaknesses.

1.2 Mechanism of the CAMELS Bank Evaluation System:

The "CAMELS" model relies on evaluating banks based on six main indicators, with each element being rated on a scale from 1 to 5. A rating of 1 is the best, while 5 represents the weakest. The overall bank rating is then calculated by evaluating each element individually. After determining the ratios of all components of the six indicators, specific weights are applied to each component, allowing for comparisons between banks based on ratings ranging from 1 to 5. These ratings are then aggregated to yield an overall rating that reflects the bank's general performance. Banks are classified as strong if they score 1 or 2, while banks that score 3, 4, or 5 are considered weak and high-risk (Ali, 2019, p. 220). This classification is illustrated in the following table:

Table (01): Composite Bank Classification According to the CAMELS Evaluation Model

Classification	Classification Weight	Type of Classification	Classification Analysis
1	1.0 – 1.5	Strong Classification	The bank has a stable financial and operational position with no issues.
2	1.6 – 2.4	Satisfactory Classification	The bank has a solid foundation but has some weaknesses that need to be addressed to improve performance.
3	2.5 – 3.4	Average Classification	The bank has weaknesses in financial, operational, and compliance aspects, raising concerns from regulatory authorities.
4	3.5 – 4.4	Borderline Classification	The bank faces serious financial challenges that may impact its ability to achieve growth and development in the future.
5	4.5 – 5.0	Unsatisfactory Classification	The bank faces severe financial weaknesses, increasing the likelihood of failure in the near future.

Source: (Rozzani & Rahman, 2013, p. 39).

1.3 CAMELS Model Indicators:

The CAMELS model includes six key indicators used to assess banking performance comprehensively. These indicators can be summarized as follows:

1.3.1 Capital Adequacy:

This indicator is used to assess the ability of banks to withstand shocks that may affect their balance sheets. It focuses on key financial risks, such as interest rate risk, exchange rate volatility, and credit risks, in addition to risks associated with off-balance-sheet items, such as derivative trading (Dhaigham, 2020, p. 183). The capital adequacy ratio is calculated by comparing risk-weighted assets with

actual capital. This ratio evolved from merely representing the relationship between capital and deposits to weighting assets by risk, according to Basel I (1988), which set the minimum ratio at 8%. Later, in 1996, market risk was added to complicate the calculation. After the 2008 crisis, Basel III (2010) was issued to gradually raise the solvency ratio to 10.5%, with a redefinition of capital to include two main tiers (Kroumi, 2022, p. 172).

1.3.2 Asset Quality:
Asset quality is a fundamental criterion in the "CAMELS" model, as high-quality assets ensure high income generation and a distinguished bank evaluation (Bounihi, 2021, p. 188). The credibility of the capital ratio relies on the reliability of asset quality indicators, as the risks of insolvency and banking failure are linked to asset quality and their liquidity challenges. Therefore, it is essential to monitor quality indicators, taking into account credit risks from off-balance-sheet operations, such as derivatives and collateralized loans. Enhancing asset quality aims to measure the ratio of non-performing loans and distressed assets to their total amounts (Al-Khammas, 2022, p. 36).

1.3.3 Management Efficiency:
Management efficiency is one of the most crucial elements of the CAMELS model, as it reflects the bank's ability to assume responsibilities and manage risks effectively to ensure compliance with regulations and laws. This element focuses on the efficiency of management levels, adherence to supervisory instructions, and the integrity of internal control systems. It also includes the bank's ability to plan and adapt to changes to ensure its stability and promote growth (Huna, 2018, p. 37).

1.3.4 Earning:
Earning quality reflects the current operational performance of the bank and is an important indicator for predicting its future performance. It also demonstrates the bank's ability to maintain the stability and quality of its earnings (Al-Musawi, Al-Dahan, & Al-Jubouri, 2018, p. 539). Profitability is the primary source for enhancing capital, supporting provisions, and expanding the bank's current and future activities. It also reflects the bank's ability to absorb losses, expand financing, and distribute profits to shareholders. The evaluation of earnings is not based solely on their size but also includes their duration and quality (Christopoulos & Mylonakis, 2011, p. 13).

1.3.5 Liquidity:
Liquidity quality refers to the bank's ability to meet withdrawals, settle debts, and fulfill loan demands promptly, ensuring the coverage of short-term liabilities. In crises, banks may be forced to borrow at high-interest rates, which negatively impacts their profits (Chena, 2018, p. 539).

1.3.6 Sensitivity to Market Risk:
The sensitivity of banks to market risk reflects the impact of changes in asset prices, such as fluctuating interest rates for loans and deposits, and exchange rates. Fixed-interest assets are not affected by these risks, whereas variable-interest assets are more exposed to them. This sensitivity is measured using the "gap." (Ferrouhi, 2014, p. 623).

2. Evaluation of the Status of Qatar Islamic Bank and Banque Al Baraka Algeria According to the CAMELS Model During the Period (2018 - 2023)

In this part, a comparison study will be conducted to evaluate the performance of Qatar Islamic Bank and Banque Al Baraka Algeria over the period (2018 – 2023), the research aims to examine the performance differences between the Islamic banks in the GCC and one Islamic bank, which operates in the Maghreb region, and it will use the components of CAMELS model to classify banking performance every bank, where the indicators are rated (1) as the highest level and (5) as the lowest level. This study will provide deeper insight into problems and prospects, which are faced by Islamic banks in different geographical and economic conditions.

2.1 Analysis of Capital Adequacy Ratio:

The capital adequacy ratio is an important indicator of the bank's solvency and its ability to resist financial risks and unforeseen accidents. It is calculated by comparing the bank's equity with risk-weighted assets, ensuring that the bank is stable and conforms to international standards, such as the Basel Agreement. The table below shows the weightings used for evaluating the capital adequacy ratio in banks as follows:

Table (02): Composite Classification of the Capital Adequacy Ratio

Classification	Capital Adequacy Ratio (%)
1	≥ 15%
2	12% – 14.99%
3	11.99% – 8%
4	7.99% – 7%
5	≤ 6.99%

Source: (Ghazavi & Bayraktar, 2018, p. 868).

The following table illustrates the classification of the capital adequacy ratio for Qatar Islamic Bank and Bank Al Baraka Algeria according to the CAMELS model during the period (2018 - 2023).

Table (03): Classification of the Capital Adequacy Ratio for the Banks Under Study According to the CAMELS Model

Qatar Islamic Bank						
	2018	2019	2020	2021	2022	2023
Capital Adequacy (%)	10.06%	10.48%	10.50%	10.69%	12.64%	13.42%
Annual Classification	3	3	3	3	2	2
Overall Classification	2.66					
Banque Al Baraka Algeria						
Capital Adequacy (%)	9.79%	11.40%	11.33%	10.92%	11.70%	10.79%
Annual Classification	3	3	3	3	3	3
Overall Classification	3					

Source: Prepared by the authors based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023).

The data presented in the table indicates that Qatar Islamic Bank enjoys a higher level of capital adequacy compared to Bank Al Baraka Algeria. The average capital adequacy ratio for Qatar Islamic Bank during the study period (2018-2023) was 11.30%, with an overall rating of 2.66 according to the CAMELS model, placing it in the "satisfactory" category, close to "strong." The bank showed significant improvement in its capital adequacy ratios, increasing from 10.06% in 2018 to 13.42% in 2023, reflecting effective efforts to enhance its capital and its ability to withstand financial risks.

On the other hand, Bank Al Baraka Algeria had an average capital adequacy ratio of 10.99%, with an overall rating of 3 (average rating), indicating relative weaknesses compared to Qatar Islamic Bank. Although the ratios remained relatively stable during the period (ranging between 9.79% and 11.70%), the improvement was minimal and insufficient to reach higher capital adequacy levels.

Based on these results, it can be concluded that Qatar Islamic Bank has greater financial flexibility and stability, making it more capable of facing economic challenges compared to Bank Al Baraka Algeria, which requires further efforts to strengthen its capital base and improve its rating within the CAMELS model.

2.2 Asset Quality Indicator Analysis:

Owning high-quality assets enhances a bank's ability to generate greater income and improves its liquidity, capital, and management evaluation. To assess and analyze the asset quality of Qatar Islamic Bank and Bank Al Baraka Algeria during the period (2018-2023), the elements of this indicator can be summarized by the following two ratios:

2.2.1 Weighted Classification Ratio (WCR):

This ratio shows the size of the provisions for impaired loans relative to equity and provisions. The lower this ratio, the higher the bank's profitability and the enhanced potential for growth. The formula is:

Weighted Classification Ratio (WCR) = Provisions / (Equity + Provisions)

2.2.2 Leverage Ratio:

This ratio reflects the extent to which a bank relies on external funds to finance its assets. A higher leverage ratio indicates increased risks faced by the bank, accompanied by lower returns, as risk and return are positively correlated. The formula for the leverage ratio is:

Leverage Ratio = (Total Deposits / Total Assets)

The following table illustrates the weightings of the asset quality index in relation to the weighted rating ratio (WCR) and the leverage ratio as follows:

Table (04): Composite Rating for the Weighted Rating Ratio (WCR) and Leverage Ratio

Composite Rating	Weighted Classification Ratio (WCR)	Financial Leverage Ratio (A)
1	WCR < 5%	A > 60%
2	5% < WCR < 15%	60% < A < 64%
3	15% < WCR < 35%	64% < A < 70%
4	35% < WCR < 60%	70% < A < 80%
5	WCR > 60%	A > 80%

Source: (Choucha, 2017) and (Saad Abdulhamid Mutawe, 2018).

The following table presents an analysis of the ratios mentioned above during the study period from 2018 to 2023:

Table (05): Weighted Rating Ratio and Leverage Ratio for Qatar Islamic Bank and Al Baraka Bank Algeria during the period (2018-2023)

Qatar Islamic Bank						
Year	2018	2019	2020	2021	2022	2023
WCR Ratio (%)	20.88%	16.72%	18.07%	12.08%	12.17%	9.64%
Annual Classification	3	3	3	2	2	2
Average Classification	2.25					
Leverage Ratio (%)	21.31%	17.94%	17.94%	18.96%	19.78%	18.55%
Annual Classification	1	1	1	1	1	1
Average Classification	1					
Overall Classification	1.62					
Banque Al Baraka Algeria						
WCR Ratio (%)	4.19%	4.32%	4.06%	3.92%	4.07%	2.54%
Annual Classification	1	1	1	1	1	1
Average Classification	1					
Leverage Ratio (%)	65.11%	65.57%	67.66%	68.83%	65.34%	67.49%
Annual Classification	3	3	3	3	3	3
Average Classification	3					
Overall Classification	2					

Source: Prepared by the researchers based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023).

The data concerning asset quality for both Qatar Islamic Bank and Al Baraka Bank Algeria indicate a clear discrepancy in performance according to the weighted rating ratios (WCR) and leverage ratios. For Qatar Islamic Bank, the weighted rating ratio ranged from a highest of 20.88% to a lowest of 9.64%, with an overall rating of 2.25, placing it in the "satisfactory" category. This slow deterioration of the proportion is a representation of an appreciable amelioration of the management of risks that have to do with non-performing loans which is a positive indicator of enhanced asset quality over a period. Additionally, the bank's leverage ratio showed strong stability with an average rating of 1 and an overall rating of 1.62 which indicates good capability in managing financial risks.

However, in contrast, the weighted rating ratio (WCR) of Al Baraka Bank Algeria was more successful, and during the study period its rates were kept at very low levels from 4.32% to 2.54%, the average rating: 1, which indicates the high quality of the assets and the efficiency of the loan management. The leverage ratio of the bank, in contrast with Qatar Islamic Bank, was less successful and the average rating turned out to be 3, which indicates that in the future the bank may need to pay more attention to improving the financial risk management.

Based on this evidence, it is obvious that there is a considerable difference in asset quality experienced by Al Baraka Bank Algeria and Qatar Islamic Bank. While the first financial institution has better asset quality due to lower weighted rating ratios (WCR) and low bad loan efficiency, the second bank exhibits steady growth in asset quality and stable leverage ratios.

2.3 Analysis of Management Efficiency Indicator:

In this section, we will analyze the management quality ratios for both Qatar Islamic Bank and Banque Al Baraka Algeria during the period 2018-2023 using the operating expenses to assets ratio as a tool to measure management efficiency in controlling expenses. The table below illustrates the classification weights of the indicator according to the CAMELS model.

Table (06): Management Efficiency Weights According to the CAMELS Model

Composite Rating	Management Quality Ratio (M)
1	M ≤ 25%
2	26% - 30%
3	31% - 38%
4	39% - 45%
5	M ≥ 46%

Source: ((Al-Musawi, Al-Dahan, & Al-Jubouri, 2018, p. 185).

The following table presents the management efficiency classification for both Qatar Islamic Bank and Banque Al Baraka Algeria according to the CAMELS model during the period (2018-2023):

Table (07): Management Efficiency Classification for the Banks Under Study According to the CAMELS Model

Qatar Islamic Bank						
Year	2018	2019	2020	2021	2022	2023
Management Efficiency (%)	0.91%	0.90%	0.90%	0.79%	0.83%	0.79%
Annual Classification	1	1	1	1	1	1
Overall Classification	1					
Banque Al Baraka Algeria						
Management Efficiency (%)	1.83%	1.92%	2.13%	1.77%	2.13%	1.99%
Annual Classification	1	1	1	1	1	1
Overall Classification	1					

Source: Prepared by the researchers based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023)

The data related to the management efficiency indicator for both Qatar Islamic Bank and Banque Al Baraka Algeria indicate strong and stable performance for both banks during the study period (2018-2023). Qatar Islamic Bank maintained an exceptionally low management efficiency ratio, ranging from 0.79% to 0.91%, with an annual rating of level 1 and an overall strong rating of level 1. This performance demonstrated the bank's considerable ability to effectively manage its operational resources and attain sustainable administrative and operational stability. On a similar note, Banque Al Baraka Algeria recorded low efficiency management ratios of 1.77% to 2.13% with an annual rating of level 1 and an overall rating of level 1 too. This instance is a sign of good operational efficiency and the bank's capacity to oversee administrative expenditures for a more secure company.

According to these findings, the banks have been concluded to be very successful in controlling both banks' operational assets with the smaller management efficiency ratio of Qatar Islamic Bank. This is a sign of the banks' successful daily operations and upcoming financial and managerial success.

2.4 Analysis of Profitability Indicator:

Profitability is significant financial indices to measure how efficiently banks generate profits and to have better assessment to the performance of banks. In this part, the profitability of Qatar Islamic Bank and Banque Al Baraka Algeria banks for the period (2018-2023) will be examined by the following two ratios:

2.4.1 Return on Assets (ROA):

The ratio is an indicator of the effectiveness of generating profit from the investment of assets. High values of 2 indicators in the current period indicate that the bank effectively uses assets. The decline in coefficient values in comparison with previous periods is an indicator of the low efficiency of the bank. The formula means:

Return on Assets (ROA) = Net Profit / Total Assets

2.4.2 Return on Equity (ROE):

This ratio measures the bank's ability to generate profits from its equity or owned capital. The formula is:

Return on Equity (ROE) = Net Profit / Total Equity

The following table shows the weights used for evaluating the profitability indicator in banks:

Table (08): Composite Classification of Return on Assets and Return on Equity

Composite Rating	Return on Assets (ROA)	Return on Equity (ROE)
1	ROA ≥ 1%	ROE ≥ 22%
2	0.75% < ROA < 1%	17% – 21.99%
3	0.5% < ROA < 0.75%	10% – 16.99%
4	0.25% < ROA < 0.5%	7% – 9.99%
5	ROA < 0.25%	ROE < 6.99%

Source: (Saad Abdulhamid Mutawe, 2018, p. 11) and (Nasir, 2017, p. 40).

From the table above, we can analyze and classify the profitability of Qatar Islamic Bank and Bank Al Baraka Algeria during the period (2018-2023) as follows:

Table (09): Return on Assets (ROA) and Return on Equity (ROE) for the Banks Under Study During the Period (2018-2023)

Qatar Islamic Bank						
Year	2018	2019	2020	2021	2022	2023
ROA (%)	1.72%	1.83%	1.73%	1.83%	2.19%	2.27%
Annual Classification	1	1	1	1	1	1
Average Classification	1					
ROE (%)	12.73%	13.47%	13.03%	13.98%	14.41%	14.28%
Annual Classification	3	3	3	3	3	3
Average Classification	3					
Overall Classification	2					
Banque Al Baraka Algeria						
ROA (%)	1.91%	2.42%	1.57%	1.48%	1.45%	1.28%
Annual Classification	1	1	1	1	1	1
Average Classification	1					
ROE (%)	30.11%	33.39%	19.38%	18.54%	16.47%	15.44%
Annual Classification	1	1	2	2	3	3
Average Classification	2					
Overall Classification	1.5					

Source: Prepared by the authors based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023).

The data concerning the profitability quality of both Qatar Islamic Bank and Bank Al Baraka Algeria indicates variability in performance during the period (2018-2023). For Qatar Islamic Bank, the return on assets (ROA) ranged from 1.72% to 2.27%, with an annual rating of level 1 throughout the study period, reflecting high efficiency in asset utilization to generate profits. The return on equity (ROE) ranged between 12.73% and 14.41%, with an annual rating of level 3 and an overall average of 2, indicating satisfactory performance but weaker compared to the return on assets.

On the contrary, Bank Al Baraka Algeria had shown a quite stable return on assets (ROA) ratio, ranging from 1.28% to 1.91%, with an annual rating of level 1 during the whole period, which showed a good strength in asset operation. The return on equity (ROE) was higher than that of Qatar Islamic Bank, ranging from 15.44% to 33.39%, whose level was on average 2, which indicated the ability to generate high returns for shareholders.

Based on the overall profitability quality classification, Bank Al Baraka Algeria shows a slight superiority, given an overall rating of 1.5 against Qatar Islamic Bank, which got an overall rating of 2. This superiority is due to Bank Al Baraka Algeria's ability to achieve higher returns on equity, while Qatar Islamic Bank benefits from better efficiency in using assets to generate profits.

2.5 Liquidity Indicator Analysis:
To analyze the liquidity of Qatar Islamic Bank and Bank of Al Baraka Algeria, we will use the following two ratios:

2.5.1 Loan-to-Total Assets Ratio:
This metric highlights the proportion of the loans provided by a particular bank in comparison to the size of its assets. It is a critical aspect of assessing the degree of risk that a bank faces in the funding of its operations and also the ability to accommodate possible losses. Mathematically, this ratio is calculated through the formula: Loan-to-Total Assets Ratio = Total Loans / Total Assets.

2.5.2 Loan-to-Deposits Ratio:
This ratio expresses the bank's ability to balance the deposits it receives with the loans it provides. It is commonly used to assess the level of financial risk borne by the bank. It is calculated as follows: Loan-to-Deposits Ratio = Total Loans / Total Deposits

Table (10): Composite Liquidity Quality Indicator Classification in Banks According to the CAMELS Model

Composite Rating	Loan-to-Deposit Ratio (A)	Loan-to-Total Assets Ratio (D)
1	A ≤ 55%	D ≤ 50%
2	60% > D > 50%	60% > D > 55%
3	65% > D > 60%	65% > D > 60%
4	70% > D > 65%	70% > D > 65%
5	A > 70%	D > 70%

Source: (Nasir, 2017, p. 41) The table below shows the liquidity indicator ratio and classification for Qatar Islamic Bank and Bank of Al Baraka Algeria for the period (2018-2023).

Table (10): Liquidity Indicator Ratio and Classification for the Studied Banks during the Period (2018-2023)

Qatar Islamic Bank						
Year	2018	2019	2020	2021	2022	2023
Loans to Total Assets (%)	70.89%	71.74%	72.26%	70.07%	66.56%	66.42%
Annual Classification	5	5	5	5	4	4
Average Classification	4.67					
Loans to Deposits Ratio (%)	332.67%	399.90%	402.72%	369.58%	336.43%	358.14%
Annual Classification	5	5	5	5	5	5
Average Classification	5					
Overall Classification	4.83					
Banque Al Baraka Algeria						
Loans to Total Assets (%)	57.74%	59.11%	55.04%	48.74%	47.68%	44.89%
Annual Classification	2	2	2	1	1	1
Average Classification	1.5					
Loans to Deposits Ratio (%)	88.67%	90.13%	81.34%	70.81%	72.98%	66.51%
Annual Classification	5	5	5	5	5	4
Average Classification	4.83					
Overall Classification	3.16					

Source: Prepared by the researchers based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023).

The data regarding the liquidity quality indicator for both Qatar Islamic Bank and Bank of Al Baraka Algeria show a clear variance in performance during the period (2018-2023). For Qatar Islamic Bank, the loan-to-total assets ratio showed a significant increase, ranging between 66.42% and 70.89%, with an annual classification at level 5 and an overall classification of 4.67. The loan-to-deposits ratio also recorded very high values, ranging between 332.67% and 402.72%, with an annual classification at level 5 and an overall classification of 4.83. The high figures represented major dependence on loans, a situation that could hinder liquidity and heighten short-term financial vulnerability. A review discovered that one of the reasons behind these high ratios of the bank was the bank's significant financing for infrastructure projects concerned with the 2022 FIFA World Cup in Qatar.

In comparison, Bank of Al Baraka Algeria showed more stable and lower risk ratios. The loan-to-total assets ratio was between 44.89% and 57.74%, with an average annual classification of 1.5. The loan-to-deposit ratio varied between 66.51% and 90.13%, with an average annual classification of 4.83 and an overall classification of 3.16. This result highlights the bank's better ability to balance these two aspects.

Based on these results, Bank of Al Baraka Algeria clearly outperforms Qatar Islamic Bank in liquidity management, as the latter faces significant challenges due to high loan ratios to assets and deposits driven by substantial financing commitments. The performance of Bank of Al Baraka Algeria reflects a more conservative liquidity management strategy, which strengthens its long-term financial stability.

Based on these results, the Bank of Al Baraka Algeria clearly performs better than the Qatar Islamic Bank in liquidity management, as the latter faces substantial challenges related to large loan ratios to assets and deposits due to large financing commitments. The results of.

2.6 Sensitivity to Market Risk:

The bank's sensitivity to market risk reflects the impact of changes in interest rates and exchange rates on its financial position. The sensitivity of Qatar Islamic Bank and Al Baraka Bank Algeria during the period (2018-2023) will be analyzed using the gap (GAP) between interest-sensitive assets and liabilities, where a positive gap indicates that assets exceed liabilities, and vice versa. The formula for the gap is:

GAP = Interest-sensitive assets - Interest-sensitive liabilities

The following table shows the weightings for this indicator according to the American CAMELS evaluation model:

Table 12: Sensitivity to Market Risk Weights According to the CAMELS Model

Composite Rating	Market Risk Sensitivity Ratio (S)
1	25% ≥ S
2	26% - %30
3	31% - %37
4	38% - %42
5	43% ≤ S

Source: (Al-Khammas, 2022, p. 38).

The following table presents the market risk sensitivity ratings for Qatar Islamic Bank and Al Baraka Bank Algeria according to the CAMELS model during the period (2018-2023):

Table 13: Market Risk Sensitivity Assessment for the Banks Under Study According to the CAMELS Model

Qatar Islamic Bank						
Year	2018	2019	2020	2021	2022	2023
Market Risk Sensitivity (%)	39.65%	46.35%	47.60%	49.88%	47.60%	44.78%
Annual Classification	4	5	5	5	5	5
Overall Classification	4.83					
Banque Al Baraka Algeria						
Market Risk Sensitivity (%)	-7.40%	-6.49%	-12.64%	-20.10%	-17.67%	-22.61%
Annual Classification	1	1	1	1	1	1
Overall Classification	1					

Source: Prepared by the researchers based on (Qatar Islamic Bank, n.d.) and (Al Baraka Bank Algeria, n.d.) for the period (2018-2023).

The data related to market risk sensitivity indicate a significant disparity between Qatar Islamic Bank and Al Baraka Bank Algeria during the period (2018-2023). Qatar Islamic Bank showed very high market risk sensitivity ratios, ranging between 39.65% and 49.88%, with an annual rating of level 5 and an overall rating of 4.83. These high ratios reflect significant exposure to market risk, particularly in the event of interest rate fluctuations or changes in financial markets. This performance indicates a need for the bank to improve its market risk management strategies and develop more effective hedging tools to reduce the impact of market volatility.

In contrast, Al Baraka Bank Algeria showed negative market risk sensitivity ratios ranging between -6.49% and -22.61%, with an annual rating at level 1 and an overall rating of 1. These ratios reflect the bank's ability to manage the gaps between interest-sensitive assets and liabilities in a balanced manner, thereby reducing the impact of market fluctuations on its financial performance.

Based on these results, it is clear that Al Baraka Bank Algeria has greater flexibility and more effective strategies in managing market risk compared to Qatar Islamic Bank, which requires significant improvements in this area to

ensure the stability of its financial performance and reduce its exposure to market fluctuations.

2.7 Final Classification of Qatar Islamic Bank and Banque Al Baraka Algeria for the Period (2018-2023)

To conduct the final classification, the average ranking of the indicators obtained by Qatar Islamic Bank and Banque Al Baraka Algeria during the period (2018-2023) will be calculated to evaluate the level and performance of each bank according to the American CAMELS assessment model, as shown in the following table:

Table 14: Final Classification of Qatar Islamic Bank and Banque Al Baraka Algeria for the Period (2018-2023)

	Capital Adequacy Rating	Asset Quality Rating	Management Efficiency Rating	Profitability Rating	Liquidity Rating	Market Risk Sensitivity Rating
Qatar Islamic Bank						
Indicator Ratings	2.66	1.62	1	2	4.83	4.83
Average Rating	2.82 = 6 / (4.83 +4.83 + 2 + 1 + 1.62+ 2.66)					
Final Rating	3					
Banque Al Baraka Algeria						
Indicator Ratings	3	2	1	1.5	3.16	1
Average Rating	1.94 = 6 / (1 +3.16 +1.5 + 1 + 2+ 3)					
Final Rating	2					

Source: Prepared by the researchers based on previous tables.

Based on the final classification of the CAMELS indicators, there is a clear difference in the performance of Qatar Islamic Bank and Banque Al Baraka Algeria in the period (2018-2023). Banque Al Baraka Algeria obtained a global score of 2, which falls into a “satisfactory” classification, which is consistent and stable for all its indicators. The best indicator was sensitivity to market risk (1), which showed a great deal of effectiveness in risk management and, therefore, financial stability. The bank also did well in liquidity (3.16) and profitability (1.5), both of which give the organization flexibility and make it easier for it to work in different economic conditions.

On the other hand, Qatar Islamic Bank was given a 3 for an overall score, meaning it performed average with weaknesses. They did outstandingly in the assessment and management quality indicator (1.62) and in the capital adequacy. However, they received a score of 4.83 in both the liquidity and market risk sensitivity criteria. This is since the bank has a high loan-to-deposit ratio and is

heavily involved in financing developmental projects, such as contributing to the 2022 FIFA World Cup in Qatar.

According to these results, there is no doubt that the general performance of Banque Al Baraka Algeria is better and more balanced in all indicators compared to the Qatar Islamic Bank, which has significant weaknesses that should be significantly improved in order to ensure the liquidity of its financial performance and risk management. the market to ensure long-term stability and improvement.

Conclusion

This research aimed to assess the bank performance of Qatar Islamic Bank and Bank Al Baraka Algeria based on the CAMELS model as a comprehensive model for evaluating performance across six areas. This model is one of the best approaches to assess banks as it provides a deep grasp of their strengths and weaknesses that can affect their stability and profitability. The study contributed by explaining the significance of using this model to assess the bank performance of Islamic banks in the Gulf Cooperation Council (GCC) countries and Maghreb nations, enlightening the readers about the challenges these banks face in distinct economic and regulatory environments.

The application of CAMELS model has other added benefits, the main objective of this study was to understand the CAMELS model applicability while some of these are to analyze the performance of the bank. The study also serves as a reference point for policy makers who can get the required information they need in order to improve the financial sector.

Study Results:

The study led to a number of key findings, including:

- The CAMELS model is a comprehensive tool for evaluating bank performance, as it offers a detailed analysis of various financial and management indicators, which helps to identify strengths and weaknesses of the banks being studied.
- The findings show that both financial institutions (Qatar Islamic Bank and Bank Al Baraka Algeria) met capital adequacy requirements according to Basel standards. In addition, these results indicate that these banks have the capacity to overcome financial distress. One bank (Qatar Islamic Bank) outperformed the other with a value of 2.66 compared to 3 for Bank Al Baraka Algeria.
- Bank of Al Baraka Algeria has a firmer asset quality because of a lesser weighted classification ratio (WCR) that shows the bank is more efficient in managing nonperforming loans, and on the other side, Qatar Islamic Bank has been enjoying higher asset quality slowly but steadily with a strong stability in the leverage ratios.
- The data revealed strong stability in management efficiency for both banks, as each received a "1" rating, reflecting effective operational management and the ability to control expenses.
- Bank of Al Baraka Algeria excelled in achieving higher returns on equity (ROE), receiving an overall rating of "2", compared to Qatar Islamic Bank,

which received a "3" rating but demonstrated better efficiency in utilizing assets to generate profits (ROA).

- The results indicated notable liquidity management problems for Qatar Islamic Bank as it obtained a "4.83" among the others. Huge amounts of financing obligations cause high loan deposit and loan asset ratios, which explains this high rate. Conversely, Bank of Al Baraka Algeria was able to obtain a "3.16," which is deemed good given its lowest ratio among the others.
- -With a "4.83" score, the research indicated Qatar Islamic Bank is highly exposed to market risks. Bank of Al Baraka Algeria, on the other hand, excelled with a "1" rating, indicating more flexibility and efficient market risk management techniques.
- Bank of Al Baraka Algeria shows more consistent and balanced performance than Qatar Islamic Bank. The key advantages of Bank of Al Baraka are in asset quality and its low market risk sensitivity.

Study Recommendations:

- While lowering market-sensitive risks, increasing investment returns, and diversifying income sources to guarantee the sustainability of financial performance, both Qatar Islamic Bank and Bank of Al Baraka Algeria should concentrate on strengthening asset quality and liquidity.
- Target benchmark ratios for management quality indicators and market risk sensitivity should be set, with new equations added to increase the model's relevance for Islamic and private banks.
- Training courses on banking assessment using early warning systems should be planned for staff members of Qatar Islamic Bank and Bank of Al Baraka Algeria to use worldwide knowledge and strengthen banking supervision effectiveness.
- The difficulties Islamic banks in Qatar and Algeria face should be studied together with suggested remedies to strengthen the business climate, so increasing investment appeal and strengthening banking performance.
- While Bank of Al Baraka should keep its present liquidity management approach, Qatar Islamic Bank should find a better balance between loans and deposits to lower liquidity risks.

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