BICM

Endeavour Education Excellence

FINANCIAL MARKET REVIEW

May 2023

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CAMEL Rating
How it works and the performance of Listed Banks in Bangladesh

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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.

"With 9.33% inflation rate, the cost of production and living is increasing day by day but other parameters like exchange rate at 104.76 per USD seems to recover the earlier depreciation. While decrease of LC openings may hamper import of basic necessities, Bangladesh's ranking in the World Bank's Logistics Performance Index (LPI) 2023 going up by 12 notches invites positive pushes."

Economy of Bangladesh

Key indicators at a glance

Countries	Nominal GDP (USD in billion)	Real GDP Growth (yearly % Change)	Inflation Point to point (as of Mar, '23)	Currency Appreciation/Depreciation against USD	Reserve (Billion US$)	Currency Exchange Rates (per USD)
Bangladesh	460.75	7.10%	9.33%	-0.98%	31.14	104.76
Emerging Economies						
India	3,821.00	8.70%	5.66%	0.54%	584.76	81.75
China	17,300.00	3%	0.70%	0.92%	3183	6.91
Developed Economies						
USA	23,618.00	2.90%	4.98%	0%	246	1
UK	3,080.00	1.90%	10.10%	2.06%	117.80	0.80

Appreciation/Depreciation of Currencies against USD

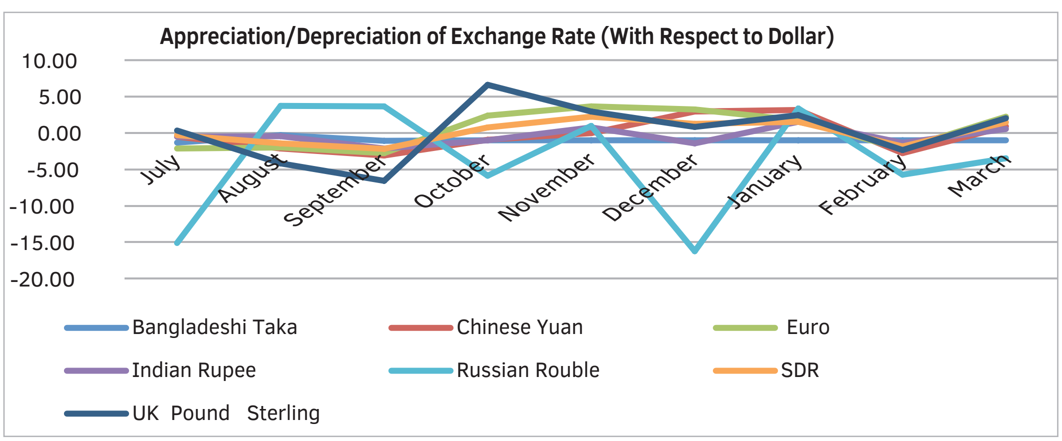


Figure 1: Appreciation or Depreciation of Different Currencies against USD

A visual tour of the key statistics

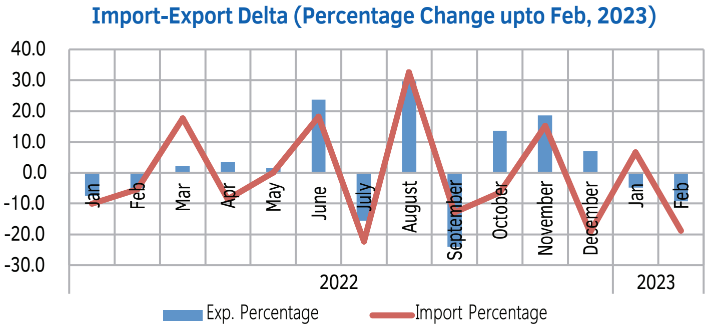


Figure 2: Import-Export Delta (Percentage Change up to Feb, 2023)

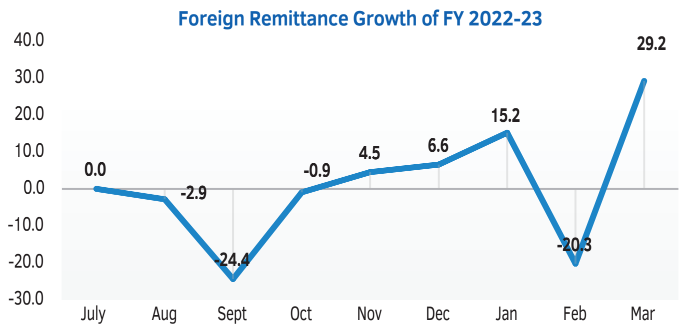


Figure 3: Foreign Remittance Growth of FY 2022-23

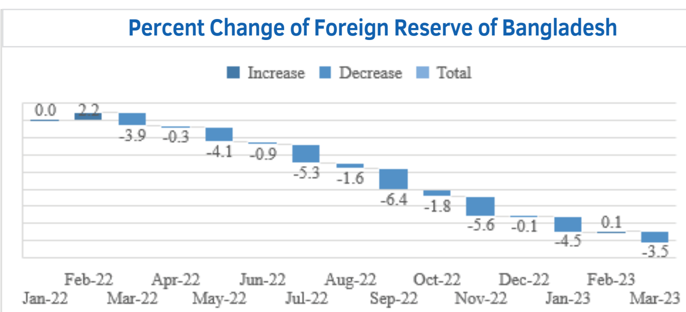


Figure 4: Percent Change of Foreign Reserve

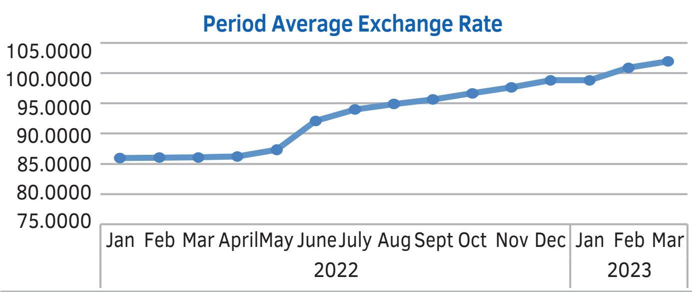


Figure 5: Period Average Exchange Rate of Bangladesh

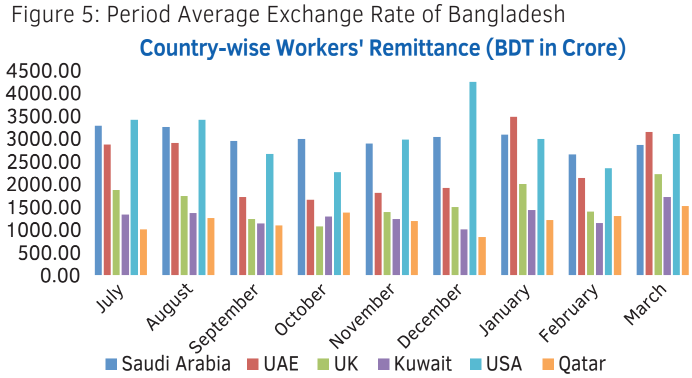


Figure 6: Country-wise Workers' Remittance

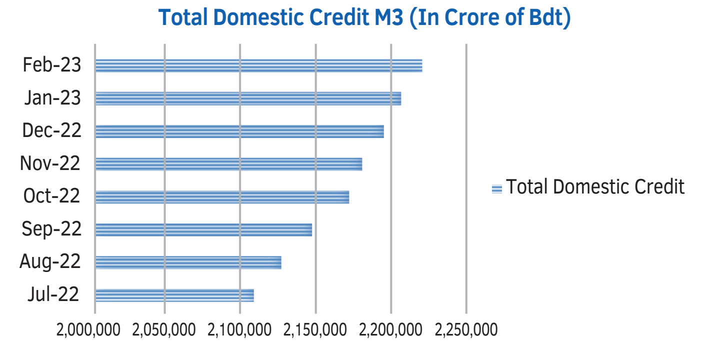


Figure 7: Total Domestic Credit

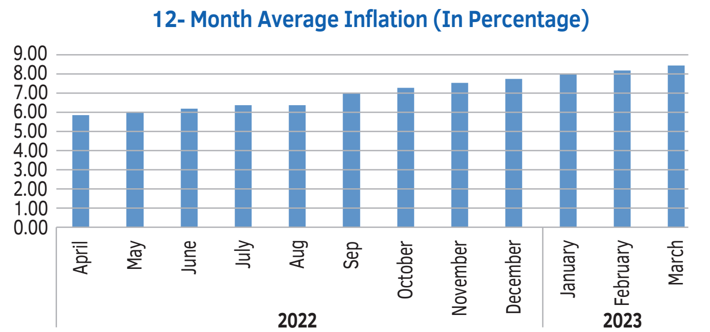


Figure 8: 12- Month Average Inflation (In Percentage)

Numbers to Note

1. Bangladesh's ranking in the World Bank's Logistics Performance Index (LPI) 2023 went up by 12 notches, indicating that the country's skills in trade and business have improved.
2. BDT was found to be depreciating by 0.98% per USD while other big South Asian economies appreciated against USD in this month.
3. Export growth was negative while import growth was more negative during the month which is an alarming indicator of price hike for necessary products.
4. Foreign remittance growth decreased by 3.5% in March, 2023 comparing to February, 2023.
5. The reserve is now 31.14 billion US Dollar which is lower than previous month.
6. The average monthly exchange rate is now 101.95 Taka per USD that represents continuous depreciation over the last few months.
7. The Debt to GDP percentage in 2021 is 21.8% which was19.5% in the previous year.
8. The 12-month average inflation is 8.39% which was 8.14% in the previous month.

Economic Challenges Ahead

1. The month of April and May of 2023 may be facing a drastic decrease of remittance income.
2. The failure in opening LCs for importing necessary goods from abroad turned into a consequence of drastic reduction in import and export.
3. The industrial loans are more than BDT 1,00,000 Crore which is resulting in alarming debt-equity ratios for the industry.
4. The Non-Performing Loans may shrink the scopes of improvement for the economy.
5. The rising inflation and increasing cost of commodities may turn on the switch of the economic depression in Bangladesh unless tackled properly.

Data Source: Bangladesh Bank, IMF, WB & BBS

Capital Market Orchestrated Upward Movement Gaining 45 Points in April

Capital Market

In April 2023, the market demonstrated a 0.72% increase in the DSEX index compared to the previous month. The prices of the majority of issues remained unchanged

It is glaringly apparent by analyzing the capital market snapshot of April 2023 that the DSE market indices demonstrated an upward movement throughout the month along a short positive trend in the last week of the month. The prices of the majority of issues remained unchanged compared to the previous month. Other indices have also increased compared to those of March. During April, on an average only 60 issues advanced, 61 issues declined and 200 issues remained unchanged. The AD ratio compares the number of stocks that increased in value to the number of stocks that decreased in value. By shedding light on the AD ratio of this month, it is evident that the 18-trading day denoted a downtrend in the market throughout the month along with sharp increase on some days of the month.

The market gained points on the maximum trading days of the month though the increase was not so high. Investment in the market decreased due to the slow movement of business sector, instability in the foreign exchange market and industry specific stricken news. Investment in the market has not increased due to investors' inertia to invest in stocks in fear of having their investment stuck for a long time. Institutional and eligible investors inhibited their exposure, causing many of the stocks to be on the floor price. The decrease in the flows of foreign remittances (by 16.27%), the widening trade deficit, along with the free fall in foreign exchange reserves to $31 billion, have created a panic among investors to return to the capital market. Overall 09 IPOs are in the pipeline to penetrate the market waiting for the approval from BSEC. Analyzing the returns of the world's major indices, it is apparent that India, Bangladesh, USA, China, Japan and the UK all showed a positive return in April. Amongst these, India's stock index had a higher positive return compared to the other stated countries. among these countries Bangladesh and Japan had lower return in April. In terms of global commodity future markets, Sugar and Natural Gas gained the maximum value of 20.25% and 13.33% respectively. Gold, Soybean, and Crude oil prices have decreased in the month of April.

The market PE ratio of the Dhaka Stock Exchange this month was 17.68 on an average. EHL was in the top position based on turnover; EMERALDOIL was the top gainer in terms of price increase whereas LEGACYFOOT was the top loser. In terms of sector return, food and allied sector, travel and leisure sector, IT sector and pharmaceutical sector performed well in this month. Aggregately, the average trade volume and the average trade value increased by 27.85% and 29.43% respectively along with a 0.06% increase in the average market capitalization compared to the previous month. A piece of positive news this month for the economy of Bangladesh is that Bangladesh will receive loans from the World Bank totaling USD 2.25 billion to fund its programs for regional connectivity, economic growth, and disaster preparedness.

BSEC already has taken several actions to improve the market performance. A discussion was held between Financial Services Agency of Japan and BSEC. Both parties discussed about the growth prospects of the capital market of Bangladesh. BSEC organized a summit on 'Trade and Investment Opportunities between Bangladesh and Japan' on April 27, 2023 to promote capital market of Bangladesh and attract more foreign investment. Authority has also increased the capital market investment of Mutual Fund by 20% which was 60% before. Though this month was not so good for the investors, it can be said that the positive reinforcements taken by the policymakers of Bangladesh and the increased participation of institutional investors, and foreign investors will bring heydays for the capital market of Bangladesh.

DSE Market Indices

Index Name	1-Apr-23	30-Apr-23	Change	% Change
DSEX	6,217.79	6,262.69	44.9	0.72%
DSES	1,352.90	1,359.83	6.93	0.51%
DS30	2,209.78	2,202.42	-7.36	-0.33%
CDSET	1,210.18	1,212.22	2.04	0.17%
DSMEX	1,206.80	1,034.99	-171.81	-14.24%
Scripts	Advance		Decline	Unchanged
Movement	60		61	201

Figure 9: DSE Market Indices

Market Aggregates

	30 Apr 2023	30 Mar 2023	Change	% Change
Average Market Capital (TK Million)	7,628,299.54	7,624,086.38	4,213.16	0.06%
Average Traded Value (TK Million)	5,588.21	4,317.50	1,270.71	29.43%
Average Number of Trades	113,166.60	89,274.30	23,892.30	26.76%
Average Trade Volume	81,328,449.35	63,614,238.87	17,714,210.48	27.85%

Figure 10: Market Aggregates

Sectorwise Contribution

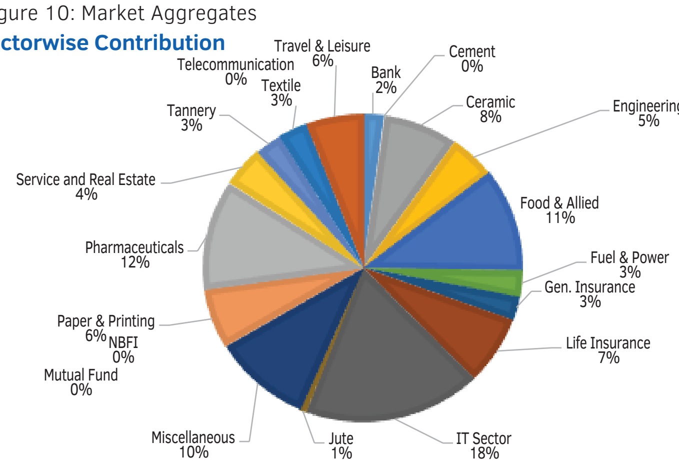


Figure 11: Sectorwise Contribution

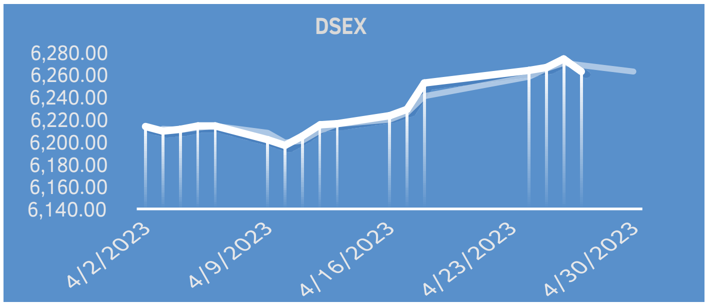


Figure 12: DSEX

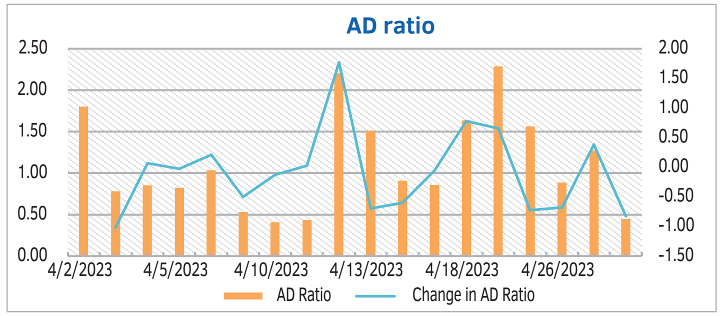


Figure 16: AD Ratio

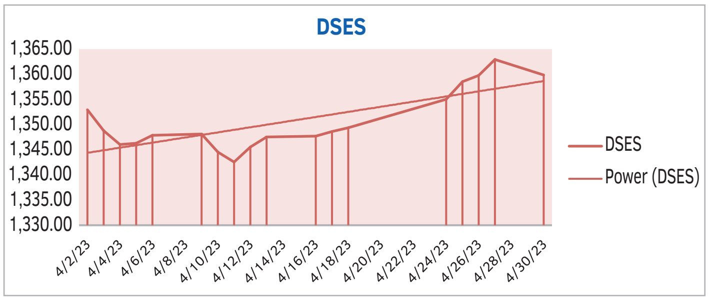


Figure 13: DSES

Performance comparison of World's Major Index

Country	Index Name	Return
India	BSESENSEX	3.39%
USA	DOWJONES	1.75%
Japan	Nikkei 225	0.81%
UK	FTSE 250	2.89%
Bangladesh	DSEX	0.72%

Figure 17: Performance comparison of World's Major Index

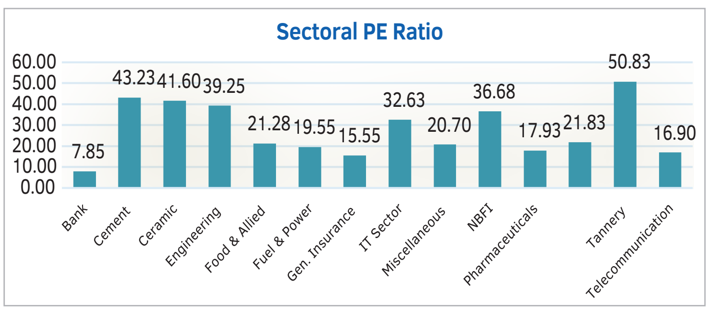
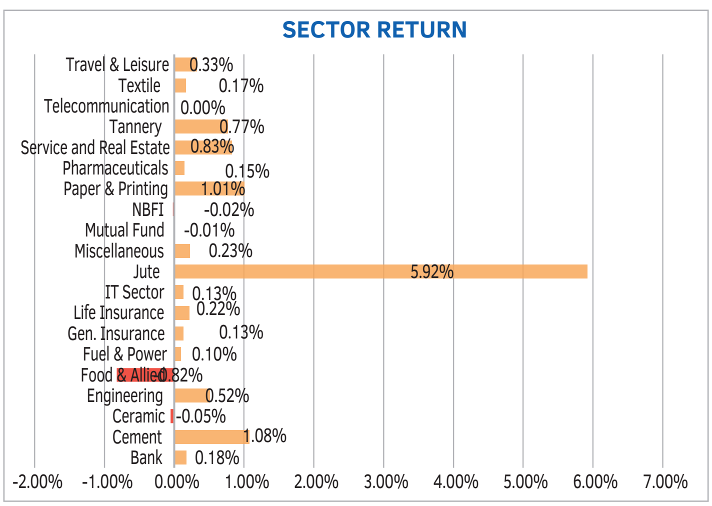


Figure 14: Sectoral PE Ratio

Turnover				Gainer			Loser		
Sl	Stock	Turnover	Total (%)	Sl	Stock	Return(%)	Sl	Stock	Return(%)
1	EHL	620.57	12.56%	1	EMERALDOIL	106.58%	1	LEGACYFOOT	-20.38%
2	UNIQUEHRL	594.39	7.94%	2	HEIDELBCEM	79.56%	2	SAMATALETH	-19.35%
3	AAMRANET	533.81	29.40%	3	APEXFOODS	46.49%	3	AL-HAJTEX	-16.80%
4	GENEXIL	527.72	-2.06%	4	GEMINISEA	42.63%	4	SEAPEARL	-12.74%
5	GEMINISEA	449.84	42.63%	5	MIDLANDBNK	33.33%	5	ADNTEL	-12.67%

Figure 18: Performance comparison of DSE Major Index



Performance comparison of commodity futures

Commodity name	Return
SUGAR	20.25%
NATURAL GAS	13.33%
COTTON	-1.98%
SOYBEAN	-8.46%
GOLD	-0.16%
CRUDEOIL	-5.11%

Figure 19: Performance comparison of commodity futures

> **Agent banking has been playing a significant role in providing banking services to the marginal people as evidenced from the transactions conducted by rural people.**

Money Market

Total deposits have increased by around 7.53 percent YoY as of March 2023, with demand deposits and time deposits growing by 10.82 and 7.1 percent respectively. [Table-01]

Total bank credits have scaled up by 9.19 percent annually. Advances of the banks and Bills grew by 13.12 and 3.58 percent respectively. Investments of banks decreased by 4.42 percent yearly as of March 2023.

Table 1: Deposits Held in DMBs and Bank Credit

Deposits held in DMBs				(Taka in Million)	
				Percentage Changes	
Items	Mar, 2023	Feb, 2022	Mar, 202 2	Mar, 2023 over Feb, 2022	Mar, 2023 over Mar, 2022
Demand Deposits	17,98,886	17,90,335	16,23,301	0.48	10.82
Time Deposits	134,34,075	132,57,336	125,43,511	1.33	7.1
Total	152,32,961	150,47,671	141,66,812	1.23	7.53

Bank s' Credits				(Taka in Million)	
				Percentage Changes	
Items	Mar, 2023	Feb, 2022	Mar, 202 2	Mar, 2023 over Feb, 2022	Mar, 2023 over Mar, 2022
Advances	142,87,371	141,66,038	126,30,223	0.86	13.12
Bills (Import & Inlands Bills)	3,62,755	3,42,590	3,50,227	5.89	3.58
Investments	33,47,992	32,88,167	35,02,823	1.82	-4.42
Total	**1,79,98,118**	**1,77,96,795**	**164,83,273**	**1.13**	**9.19**

Notes: 1. Deposits exclude Interbank Deposits and Government Deposits, 2. Advances include Loans and Advances, Money at Call, Balances and R. Repo with NBFI's and Accrued Interest, 3. Investments include Treasury Bills, Treasury Bonds, Share and Securities with accrued interest.

Table 01: Deposits and Bank Credit

Call money rates in April witnessed downward sloping with a monthly average of 6.04 percent. [Figure-20]. The nominal interest rates for loans and deposits reached at 7.27 and 4.31 percentage respectively. [Figure-21]

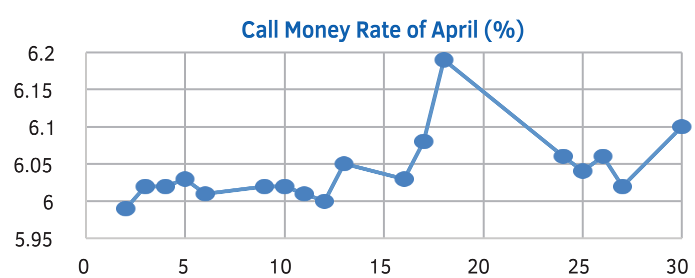


Figure 20: Call Money Rate of March

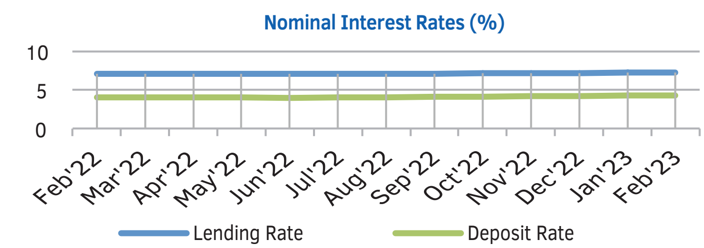


Figure 21: Nominal Interest Rates

Both cost of funds and adjusted cost of funds remained high and stroked at 6.65 and 7.62 percent as of February 2023. [Figure-22]. Government net borrowing from banking sector stood 41,393 crores between Jul-Feb of FY23 against the target of 106,334 crore. [Figure-23]

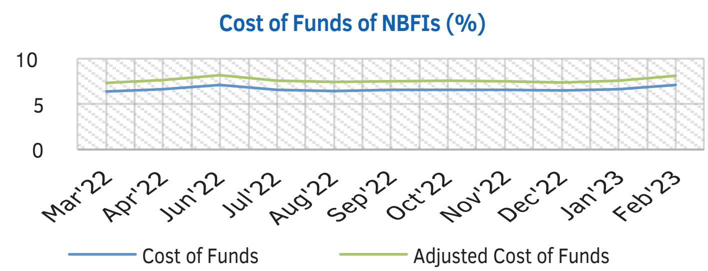


Figure 22: Cost of Funds of NBFI

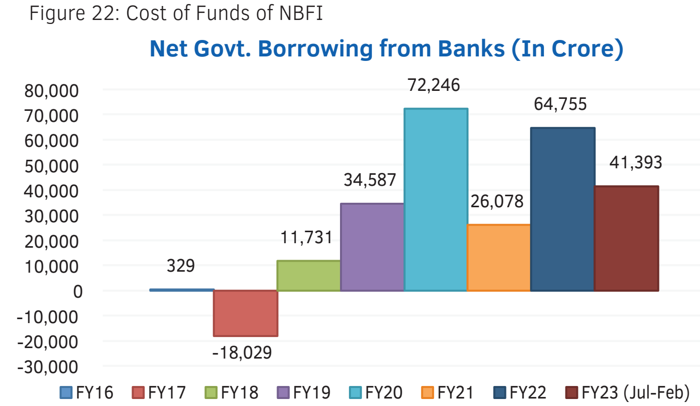


Figure 23: Govt. Borrowing

Private sector credit growth remined downward and reached at 12.14 percent as of February 2023. [Figure-24].

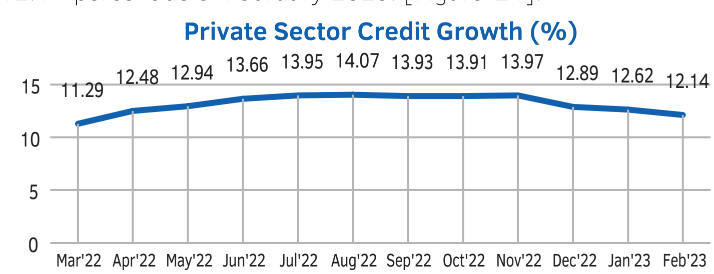


Figure 24: Private Sector Credit Growth

As of April 2023, the yields on T-Bills with terms of 91, 181 and 364 days were 6.64, 7.10 and 7.60 percent respectively. [Figure-25]. The yields on the 2, 5, 10, 15, and 20-year T-Bonds hit 8.03, 8.26, 8.60, 8.70 and 8.80 percent respectively. [Figure-26].

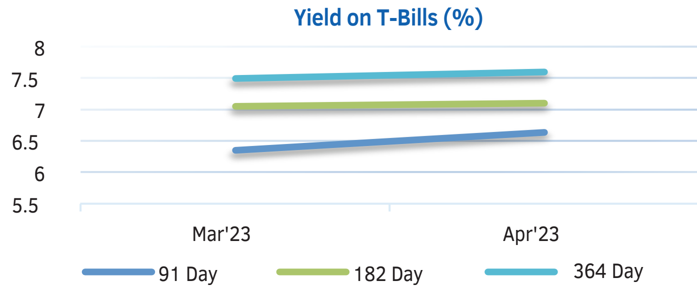


Figure 25: Yields on T-Bills

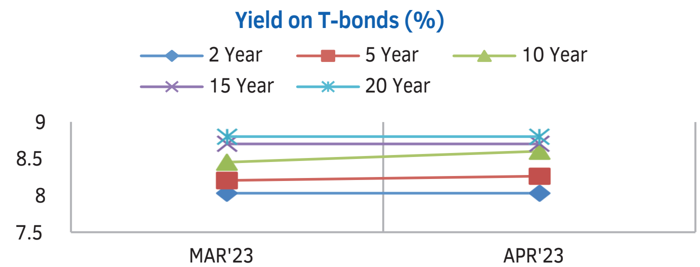


Figure 26: Yields on T-Bonds

Trends in Financial Inclusion and Digital Finance Statistics

As of February 2023, there were around 6.57 million internet banking subscribers, which is an increase of 36.31 percent year over year. [Figure-27]. The number of MFS users remained buoyant and reached at around 196.76 million as of February 2023. [Figure-28].

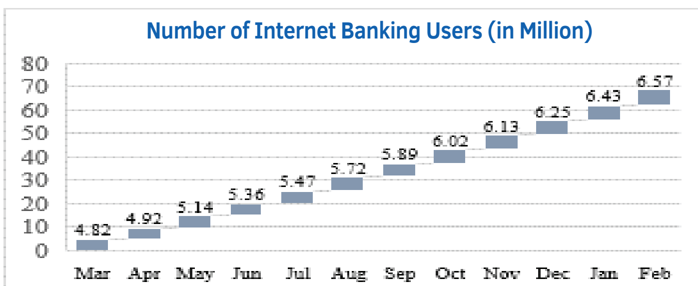


Figure 27: Number of Internet Banking Users

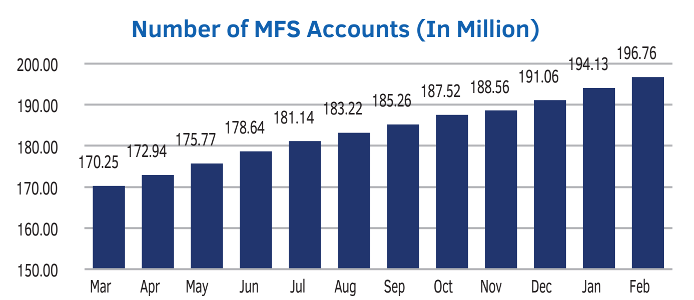


Figure 28: Number of MFS Accounts

Of the total transactions through agent banking, only 16% transactions were conducted by urban whereas 84% were conducted by rural people. [Figure-29]. In using the modern banking gateways, around 70%, 11%, 10% and 9% transactions take place through ATMs, POS, CRM, and E-commerce [Figure-30]

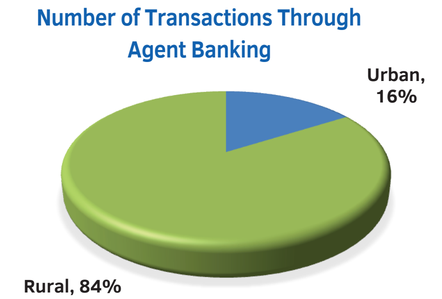


Figure 29: Number of Transactions through Agent Banking

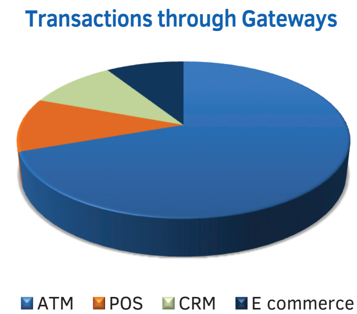


Figure 30: Transactions through Gateways

Key Takeaways

> Following the decision by central bank to relax the deposit rate restrictions as well as an upward adjustment of consumer loans by 3 percent, Commercial banks increased their deposit rates to entice more deposits. Thus, banks' deposits have increased consecutively from January to March this year.

> Prior to Eid-Ul-Fitr, there was a significant surge in cash withdrawal from banks, which in part increased the interbank call money rate. However, according to sources, the rate has not increased significantly as a result of the central bank's recent increase in market liquidity assistance through a variety of instruments.

> The NBFIs' high cost of funds was a result of their extensive reliance on the call money market.

> According to bankers, the rise in government spending relative to its relatively low income was the cause of the government's increased bank borrowing. In addition, the sale of national savings certificates also failed to bring it any profit which further stretched on bank borrowing by the government.

> The slowdown in private sector loan growth in February was primarily caused by the banking industry's tight liquidity situation.

> As more people choose to conduct financial transactions through digital platforms, internet banking is still growing. With the beginning of the lockdown during the Covid pandemic in 2020, this type of banking increased in Bangladesh.

> The number of MFS users has shown an upward trend throughout the years which results from people's growing interest in doing financial transactions digitally.

> Agent banking has been playing a significant role in providing banking services to the marginal people as evidenced from the transactions conducted by rural people.

Source: Bangladesh Bank Website

POS: Point of Sale
ATM: Automated Teller Machine
CRM: Cash Recycling Machine
MFS: Mobile Financial Service
YoY: Year on Year

Imran Mahmud

CAMEL Rating

How it works and the performance of Listed Banks in Bangladesh

Insights

In the modern economy, banks serve as the foundation of every financial system directing public savings. It is essential that the banks be in good shape in order to keep the country's financial system turning and safeguard the interests of the general public. A suggestion from the US Federal Reserve led to the adoption of the CAMEL rating in US banking institutions in 1979. CAMEL rating is used to categorize how well-off banks and Non-Baking Financial Institutions (NBFIs) are generally doing. The ratings are assigned based on ratio analysis of the financial statements that are combined with on-site examinations by a designated supervisory regulator.

The overall objective of this issue is to use the CAMEL rating methodology to assess the financial performance of 25 commercial banks for the period from 2017 to 2021 in Bangladesh and to give reliable and accurate information regarding their financial standing.

CAMEL stands for capital adequacy (C), assets quality (A), management soundness (M), earnings (E), and liquidity (L). The first element is Capital Adequacy. Capital adequacy refers to the amount of capital that is expected to remain in balance with the risks in order to absorb potential losses and safeguard the financial institution's debt holder that the financial institution is exposed to. Assets' quality refers to whether those are uncollectible or have a lower true value than what is indicated on the bank's balance sheet. Management efficiency refers to the evaluation of the board and management’s ability to measure, identify, monitor, and control the risks of activities of the bank. Earnings are the measure of the profitability of the banks. Liquidity is one of the most important aspects of a bank. Liquidity determines a bank's ability to counter the short-term risks associated with changes in interest rates.

Table 1: Operational definition of CAMEL

Operational Variables	Concepts	Formula
Capital Adequacy (C)	Capital Adequacy Ratio (CAR)	Total Regulatory Capital/ Risk weighted Asset
Asset Quality (A)	NPLs to Total Loans (NPLL)	NPLs/Total Loans
Management Soundness (M)	Asset Growth Rate (AGR)	Average of Historical Asset Growth Rate
Earnings Ability (E)	Return on Assets (ROA)	Net Profit/Total Asset
Liquidity(L)	Loan to Deposits (LD)	Total Loans/Total Customer Deposits

After calculating the CAMEL for all banks, an overall rating is given following the methodology of Rozzani and Rahman (2013). According to the classification, each component is given a score of 1 to 5 where 1 stands for the best score and 5 stands for the poorest score. The score is allotted based on the criterion given on the following table.

Table 2: Scoring of components of CAMEL rating

Name of component	Scoring				
	1	2	3	4	5
Capital Adequacy (CAR)	Above 11%	Between 8% to 11%	Between 4% to 8%	Between 1% to 4%	Below 1%
Asset Quality (NPLL)	Below 1.5%	Between 1.5% to 3.5%	Between 3.5% to 7%	Between 7% to 9.5%	Above 9.5%
Management Soundness (AGR)	More than 5%	Between 4% to 5%	Between 3% to 4%	Between 2% to 3%	Below 2%
Earnings Ability (ROA)	Above 1.5%	Between 1.25% to 1.5%	Between 1.01% to 1.25%	Between 0.75% to 1%	Below 0.75%
Liquidity(LD)	Below 60%	Between 60% to 65%	Between 65% to 70%	Between 70% to 80%	More than 80%

Source: Majithiya & Pattani (2010); Babar & Zeb (2011); Sarwar & Asif (2011); Masngut & Abdul Rahman (2012)

Finally, a composite rating is given based on the score of each component that gives us an understanding of the financial stability and conditions of the banks. The rating always ranges from 1 to 5. The rating analysis and their interpretation are given below:

Table 3: CAMEL rating ranking criteria and interpretation

Rating	Range	Comment	Explanation
1	1.0-1.4	Outstanding	Bank is basically good in every aspect.
2	1.5-2.4	Superior	Bank is primarily good but has several identified weaknesses.
3	2.5-3.4	Average, with some categories to be watched	Bank has financial, operational, or compliance weaknesses that would give reasons for supervisory concern.
4	3.5-4.4	Underperform with risk of failure	Bank has serious financial weaknesses that could damage future capability to ensure normal growth and development.
5	4.5-5.0	unsatisfactory	Bank has critical financial weaknesses that give a probability of failure to be extremely high soon.

Source: Wrinkar & Tanko (2008); Sarker (2006)

Comparison of Capital Adequacy Ratio of listed banks

To begin with, it is seen from the table below that the CAR ratio of almost all listed banks is on an increasing trend on average. Prime Bank, Dutch Bangla Bank, Bank Asia, Jamuna Bank, Al Arafah Islami Bank, and Eastern Bank all managed to keep a CAR of more than 15% in 2021. AB Bank and FSIBL still is in a shortfall in maintaining a buffer capital reserve.

Table 4: Comparison of CAR ratio of listed selected banks

Comparative position of CAR ratio of listed banks						
Name of Bank	2017	2018	2019	2020	2021	5 year comparison
Prime Bank	12.45%	14.01%	17.04%	17.42%	17.23%	
Dutch Bangla	13.06%	14.49%	15.62%	15.53%	17.23%	
Bank Asia	14.89%	15.05%	17.93%	17.10%	15.66%	
Jamuna Bank	10.93%	11.86%	13.58%	14.25%	15.50%	
Al Arafah	14.41%	12.28%	14.38%	13.88%	15.07%	
Eastern Bank	15.10%	14.09%	12.16%	14.74%	15.03%	
UCB Bank	11.39%	12.07%	12.90%	14.68%	14.92%	
Pubali Bank	11.23%	12.93%	12.17%	13.80%	14.66%	
South East	12.18%	10.87%	12.47%	11.61%	14.52%	
Dhaka Bank	13.67%	11.96%	13.84%	16.12%	14.52%	
Shahjalal Islami Bank	11.54%	12.19%	14.50%	16.02%	13.72%	
Premier Bank	12.38%	12.12%	12.27%	12.61%	13.68%	
Mercantile Bank	13.03%	11.93%	13.28%	13.92%	13.61%	
Islami Bank	10.84%	12.17%	12.95%	11.06%	13.55%	
Social Islami	11.55%	11.57%	14.27%	13.78%	13.50%	
City Bank	14.71%	13.42%	15.16%	14.28%	13.38%	
Exim Bank	11.83%	12.11%	10.90%	12.62%	13.24%	
NCC Bank	11.97%	11.51%	12.62%	13.41%	13.21%	
BRAC Bank	12.72%	13.67%	15.07%	13.52%	13.08%	
One Bank	13.89%	11.56%	11.93%	12.80%	13.02%	
National Bank	13.19%	12.20%	14.04%	13.38%	13.00%	
IFIC Bank	11.25%	12.57%	12.63%	12.80%	12.96%	
MTB	11.51%	13.80%	12.82%	12.86%	12.92%	
FSIBL	10.51%	12.01%	10.18%	11.26%	12.12%	
AB Bank	10.79%	10.80%	10.03%	10.12%	11.33%	
Average	12.44%	12.53%	13.39%	13.74%	14.03%	

Source: Author's calculation

Comparison of Capital Adequacy Ratio of listed banks

If we look at the NPL scenario of the listed banks from table 5, we can clearly see an upward trend till 2019 but it began to decline after that. On average, AB Bank has the highest NPL ratio with an 11% of their total loan categorized. National Bank secured the second position in this list with a NPL ratio of 10.2% though a declining trend in NPL ratio is patent as well. Among the banks with the lowest NPL to loan ratio, Eastern Bank, UCB bank, Islami Bank, BRAC Bank, FSIBL, Jamuna Bank, Bank Asia and Dutch Bangla Bank all have a NPL of 4.5% on an average over the 5-year period.

Table 5: NPL scenario of Listed selected banks

NPL of selected listed banks						
Name of Bank	2017	2018	2019	2020	2021	Average
AB Bank	3.6%	3.6%	26.3%	5.2%	16.3%	11.0%
National Bank	10.3%	10.6%	9.5%	11.0%	9.3%	10.2%
Prime Bank	6.0%	5.4%	6.2%	4.7%	14.0%	7.3%
One Bank	4.9%	5.3%	7.1%	9.2%	8.6%	7.0%
Social I slami	4.4%	8.2%	7.7%	6.6%	6.0%	6.6%
South East Bank	4.9%	6.0%	5.9%	4.9%	10.2%	6.4%
IFIC Bank	5.3%	6.4%	6.2%	5.4%	4.0%	5.4%
NCC Bank	5.8%	5.8%	5.8%	4.8%	4.9%	5.4%
Pubali Bank	5.4%	8.7%	5.5%	4.4%	2.7%	5.3%
City Bank	5.4%	5.3%	5.8%	4.0%	4.9%	5.1%
Shahja lal Islami Bank	4.7%	4.0%	6.8%	4.9%	4.5%	5.0%
MTB	4.5%	4.4%	5.5%	5.5%	4.6%	4.9%
Exim Bank	5.2%	5.3%	5.1%	4.3%	3.8%	4.8%
Mercantile Bank	5.1%	3.8%	4.8%	4.9%	4.7%	4.6%
Premier Bank	5.2%	4.7%	4.0%	6.7%	2.5%	4.6%
Dhaka Bank	4.0%	6.0%	5.0%	4.7%	3.1%	4.6%
Al Arafah	4.8%	4.3%	4.9%	5.0%	3.8%	4.5%
Dutch Bangla	5.4%	4.9%	4.4%	4.6%	2.2%	4.3%
Bank Asia	4.4%	4.1%	4.6%	3.2%	5.1%	4.3%
Jamuna Bank	4.1%	4.0%	3.8%	3.7%	2.9%	3.7%
FSIBL	2.6%	3.1%	3.3%	4.9%	4.4%	3.7%
BRAC Bank	3.6%	3.1%	4.0%	3.4%	4.3%	3.7%
Islami Ba nk	3.8%	4.1%	3.8%	1.8%	3.4%	3.4%
UCB Bank	4.2%	2.9%	2.2%	1.1%	2.5%	2.6%
Eastern Bank	2.0%	1.8%	1.6%	1.8%	2.7%	2.0%
Average	4.8%	5.0%	6.0%	4.8%	5.4%	5.2%

CAMEL rating scenario of listed banks

Following the methodology of Rozzani and Rahman (2013), the study finds that almost every listed bank of Bangladesh is falling under the category called "Underperform or Average to Underperform". The interpretation of falling in "Average" is that banks have financial, operational, or compliance weaknesses that would give reasons for supervisory concern

Table 6: CAMEL rating of selected listed banks from 2017 to 2021.

CAMEL rating of selected Listed Banks						
Name of Bank	2017	2018	2019	2020	2021	Comment
AB Bank	4.00	4.00	4.40	4.00	4.20	Underperform
Prime Bank	3.60	3.80	3.80	3.80	4.20	Underperform
South east Bank	3.60	4.00	3.80	3.80	4.20	Underperform
National Bank	3.40	3. 60	4.00	4.00	4.00	Average to underperform
One Bank	3.20	3.40	4.00	4.00	4.00	Average to underperform
Al A rafah	3.40	3.60	3.80	3.80	3.80	Average to underperform
Bank Asia	3.80	3.80	3.80	3.60	3.80	Underperform
Exim Bank	3.60	3.60	4.00	3.80	3.80	Underper form
FSIBL	3.80	3.60	3.80	3.80	3.80	Underperform
IFIC Bank	3.80	3.40	3.80	3.60	3.80	Underperform
Mercantile Bank	3.40	3.20	3.40	3.80	3.80	Underperform
MTB	3.60	3.40	3.80	3.80	3.80	Underperform
Shahjalal IBL	3.40	3.60	3.80	3.80	3.80	Underperform
Soci al Islami	3.40	3.80	4.00	3.80	3.80	Underperform
BRAC Bank	3.00	2.80	2.80	3.40	3.60	Underperform
Dhaka Bank	3.80	3.80	3.80	3.80	3.60	Underperform
NCC Bank	3.40	3.60	3.60	3.60	3.60	Underperform
Premier Bank	3.40	3.40	3.40	3.00	3.60	Underperform
UCB B ank	3.60	3.60	3.60	3.40	3.60	Underperform
Islami Bank	4.00	3.80	3.80	3.00	3.40	Average to underperform
Pubali Bank	3.80	4.00	3.60	3.60	3.40	Average to underperform
City Bank	3.20	3.80	3.80	3.40	3.20	Average
Eastern Bank	3.00	3.40	3.20	3.20	3.20	Ave rage
Jamuna Bank	3.60	3.40	3.40	3.40	3.20	Average
Dutch Bangla	3.60	3.80	3.40	3.40	2.80	Average

It is evident from the table that only 4 banks are falling in the 'Average' category while all other banks are between average to underperform. Dutch Bangla Bank has the highest ranking among all with an upward move in the ranking over the years. Since the message is clear from the categorical interpretation that 'Banks have serious financial weaknesses that could damage future capability to ensure normal growth and development', it would be essential for the regulatory authority to be of serious concern on how to improve the CAMEL rating of the banks.

Conclusion

CAMEL rating is an outstanding tool to assess the overall financial condition of the banks after considering all the aspects relevant to a bank's success. In this study a methodological approach was taken to have an introspective view of the financial condition of the listed banks of Bangladesh. It is evident that banks have a poor CAMEL ranking calling out a serious supervisory intervention. To conclude, the study reveals that lower market returns are correlated with worsening of the CAMEL grade.

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