

Report On
Financial Performance Analysis of Midland Bank PLC &
Eastern Bank PLC

By
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An internship report submitted to the BRAC Business School in partial
fulfilment of the requirements for the degree of
Masters of Business Administration

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Student's Declaration

I'm Syed Aunagh Albab, student of MBA program here by declared that the report of internship program titled "CAMEL Rating Analysis of Midland Bank PLC and Eastern Bank PLC" is prepared by me under the supervision of Dr. Mohammad Enamul Hoque, Assistant Professor of Brac University. I have almost completed this report when I was continuing my job in the Midland Bank PLC.

I also declare that I prepare this report from my original work experience for fulfilling my academic requirement which is the integral part of my Internship program. I also want to mention that I don't copy my report from any previously submitted report of other University or Organization.

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Assistant Professor of BRAC Business School

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Letter of Transmittal

Dr. Mohammad Enamul Hoque

Assistant Professor,

BRAC Business School

BRAC University, kha 224 Bir Uttam Rafiqul Islam Avenue, Merul badda, Dhaka

Subject: Submission of Internship Report.

Dear Sir,

It gives me immense gladness to submit my internship report on “CAMELS Rating Analysis” of Midland Bank PLC and Eastern Bank PLC. This report is informative, beneficial and also discerning. I have given my maximum effort to make a fruitful and reliable report. The report covers my information regarding internship such as job details, organization’s overview, financial performance analysis and finally findings and recommendations. Information are collected through different online sources and mainly from company’s annual reports, websites, and product program guidelines (PPG). I provide my best effort to prepare this report so I’m confident the study will fulfill the outcomes.

Sincerely yours,

Syed Aunagh Albab

ID: 21264010

MBA Program

Department of Finance

Brac Business School

Brac University

Acknowledgement

At first, I would like to express my heartiest reverence and respect to Almighty Allah for special kindness to give me the opportunity to complete the Internship program successfully. In my internship period, I tried to contribute my best effort which helps to develop my personal and practical knowledge and it is also added to the theoretical part of my study.

My pleasure and special thanks given to those persons whose ideas; views and supports provided fluency to prepare and enrich this report.

I would like to express my heartiest gratitude to my internship supervisor, Dr. Mohammad Enamul Hoque, Assistant Professor whose motivation, inspiration, kind direction, valuable suggestions and advice helps in my overall internship period and to prepare this report.

I would also like to express my special thanks to my honourable supervisor and Line Manager Mahmudur Rahman Tohin, Midland Bank PLC Contact Centre Unit for giving his support and suggestion in official time constraint. Moreover, I want to applaud all colleagues of my unit for their outstanding cooperation.

At last, my thanks go to everyone who supported me a lot for successfully completing my report.

Executive Summary

The topic of the internship report is “Financial performance analysis” of Midland Bank PLC and Eastern Bank PLC through CAMELS rating. This report contains three chapters. The first chapter covers the person’s information who is the MBA intern of BRAC University. The second chapter talks about the introductory overview of Midland Bank PLC along with its practices of Management, Marketing, Financial performance, Information system, etc. and finally competitive analysis through SWOT and Porter’s 5 forces model. The prime focusing chapter of this study is third chapter. This section evaluates two bank’s financial performances through CAMELS rating for the last three years. Various components under CAMELS are used in the analysis such as capital adequacy, asset quality, management efficiency, return on assets (ROA) under earnings, advance to deposit (L1) under liquidity and finally sensitivity. We execute scoring those CAMELS rating components of both banks from 1 to 5. When we multiply the scores and weights of CAMELS ratings, we find weighted averages. Finally, composite range of CAMELS ratings are evaluated based on the weighted average values. According to the analysis, it has been noticed that EBL has slightly performed better than Midland in last three years. The whole analysis is executed using annual reports of Midland and EBL.

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Chapter 1: Overview of Internship

1.1 Student Details

Name: Syed Aunagh Albab

ID: 21264010

Program: MBA

Major: Finance

1.2 Internship Information

1.2.1 Details of organization

Name of the organization: Midland Bank PLC (MDB)

Department: Contact Center Unit

Division: Public Relation Division (PRD)

Address: Hong Kong Shanghai Tower 2nd Floor, Plot-106, Road-11, Block-C, Banani,
Dhaka-1213.

1.2.2 Supervisor Details

Name: Mahmudur Rahman Tohin

Position: Executive Officer

1.2.3 Job Description

Primary:

- Receive and record all incoming and outgoing calls to MDB Contact Center.
- Provide timely and accurate information to callers, as when required.
- Ensure a consistent and coherent approach while dealing with customers.
- Uphold the reputation of MDB Contact Center (CC) by being professional.
- Provide into on abuse calls/ callers to supervisor, if any.

Secondary:

- Involve with process development for better customer service.
- Build and share knowledge pool with colleagues.
- Report issue to reporting concern, as and when applicable.

1.3 Outcomes of Internship

1.3.1 Contribution of Student to the Organization

I'm employed as a service associate (contractual) in Midland Bank PLC. Some duties and responsibilities are assigned on me that I must perform daily for meeting up the customer queries. Though I'm a team member of the Contact Center Unit of Midland Bank, so my job responsibilities is to meet up the client queries over the phone calls & E-mails. One of my major benefactions to the organization is time management and performs multi tasks. My job environment trains me to do multiple tasks together which helps to save supervisor's huge amount of time. That also results in meeting my client's needs as per their requirement. Moreover, I have to responsible to communicate with branches & different concern division like cards, operations, etc. for solving the customer's queries and problems. I work as a front-line soldier of Midland Bank's Contact Center and perform my duty with dedication in different shifts.

1.3.2 Benefits to the student

Following facilities I get from the organization:

- Recognition from my supervisor for working hard.
- Received positive effect on appraisal of performance.
- Rising of increment after six months of service.
- Getting opportunity to learn not only banking related tasks but also acquire more experiences.

1.3.3 Difficulties facing during internship

In my internship period, I tried my best to gather maximum knowledge and information related to banking activities and I also tried to add my overall professional experiences and performance into this report. But while conducting the report, I faced following difficulties:

- Time limitation was one of the main constraints of my study. The duration of my internship program is only for 3 months which is not sufficient to gather proper knowledge and materials to complete the study effectively.
- We, the executives of MDB, were very busy in the working time. So, it was difficult to collect sufficient primary data.
- I didn't have access in some areas because of confidential issue. So, it was not possible for me to work in these restricted areas which might be helpful for further improvement of my report.
- All required information was not available in the domain of my working area and there was also limited opportunity to visit other areas of the bank for the collection of information.
- Since I'm not a professional researcher, it is difficult for me to prepare the report better than this in spite of giving utmost effort.
- Like other organizations, I faced Biasedness difficulties in my workplace during roster our duties where senior colleagues get more benefit from the supervisor.

1.3.4 Recommendation

There are lot of changes should be needed by Midland for the betterment of the bank, its staffs and the potential intern. These are:

- Both Professionalism and bonding should be maintained between supervisor and his team members.
- Work life balance should be properly maintained for resulting a positive environment inside office.
- A line manager should equally treat his all employees. Biasedness and other unfair practices should be eliminated.
- Recognize effort of junior staffs of the organization.
- Line manager should be on personnel's favor when they have personal issues and face difficult times.
- Giving opportunity to allow employees to perform their internship related academic work during their internship period.
- A positive and inspiring work environment should be made.

Chapter 2: Organization Part

2.1 Introduction

Generally, the word bank means the financial institutions which deals with money. There are different types of banks like; central bank, commercial bank, savings bank, investment bank, industrial bank, cooperative bank and so on. But when we use the term bank without any prefix, it refers to the “commercial banks”. We can also call commercial banks as business banking. This bank provides checking accounts, savings accounts, money market accounts and that accepts time deposits. Moreover, large commercial banks also deal with underwrite bonds and make market in currency, interest rates and credit-related securities.

In recent days, people are becoming more aware about the management of their resources. So, they want to deposit their resources to banks. As the banking sectors demand is increasing day by day, it is essential to enhance this sector on a regular basis. In addition, the banking function is getting speedy, flexible and broader. Because of increasing of demand of banking sectors, they increase different and unique innovative ideas and products in order to compete with their competitor banks. Nowadays, all banking organizations try to provide best service for their clients. Bank's reputation is a critical factor for its success and therefore multinational banks must follow appropriate guidelines, policies and relevant manuals for their success.

2.2 Organizational Profile

“Midland Bank PLC is a fourth generation entered in the financial frontier of Bangladesh in 2013 for serving people through the banking service. The bank was issued certificate by incorporation and certificate of commencement of business on March 20, 2013 under the Companies Act 1994 as a public limited company by shares of directing all sorts of banking activities. An experienced and talented board of directors led the bank. The bank's daily activities are guided by a highly skilled and experienced team of bankers whose goal is to move in the right direction.

On June 20, 2013 MDB started its commercial operations with a corporate slogan “bank for inclusive growth”. This bank develops its business model time to time. In order to make their position more competitive and customer focused, MDB is more aware of the need to introduce

qualitative changes to their operational module and will continue to concentrate on achieving the highest possible level of customer satisfaction. Moreover, MDB looking for unique and innovative ideas for searching new ways to expand its financial services across different demographic and geographic segments.

Midland Bank PLC always tries its best to provide maximum service to their customers. This bank has almost all types of major banking facilities and services. MDB has 39 branches and 19 sub-branches and they have different type of products and services. Currently, they also make plan and work for increasing their branches in rural area and also spread their networking.

Midland has a commitment to the customers, community and economy. So it always tries to run in its right direction for serving the nation together with urban and rural, SME and agriculture, local and global. The bank is forging with a soaring ambition. It can be believed that midland bank will be succeed in utilizing its full potential to become one of the top customer-centric banks in the country.” (Midland Bank IT Division, 2018)

2.3 Corporate vision and Mission

Vision:

“Midland Bank seeks the first choice as their customers as a distinct financial service provider, trusted, respected and valued by all stakeholders within the region and beyond pursuing an endless voyage towards excellence in every respect.

Mission:

Midland Bank always strive-

- Continuously providing quality banking service with enhanced customer focus and innovative a wide variety of need based products with widely popular solutions.
- Reaching supremacy in customer service through state-of-the-art delivery channels and user-friendly tools and technology.
- Make sharpen leadership with the standard of learning organization well supported by the finest team of banking experts and professionals.

- Maintaining a healthy and diversified financial profile for inclusive economic growth.
 - Being responsible for social enterprise by effectively blending commercial peruse and social banking.
 - To be the benchmark of regulators in term of compliance, corporate governance and ethics.
 - Building long term shareholder value with consistent growth momentum.”
- (Midland Bank IT Division, 2018)

2.4 Management Practices

Midland Bank PLC follows Democratic leadership. At MDB, the managers of each departments have to follow it on a regular basis. A morning huddle is directed every day where the supervisors consult with their teams regarding work details of last day, work planning of the present day and so on. Most of the department’s line managers encourages their staffs to say any planning or idea related to work. Group discussions are conducted in the team for solving the problem. But Midland follows autocratic leadership in some cases where decisions come from top management. In general, MDB always encourage employee participation in decision making for betterment for the organization.

2.4.1 The Human Resource Planning

i. Process of Recruitment and Selection:

Written test, viva, background checking and verification etc. are included in the process of recruitment and selection. This process is quite common to recruitment process of other reputed banks of Bangladesh which are operated according to the guidelines of Bangladesh Bank. They conduct a written test then conduct a viva if candidates are passed the written test.

In case of experienced candidate, they conduct an initial interview & a final interview based on first interview. Sometimes these recruitment processes are changing.

ii. System of Compensation:

Basic monthly salary with two festival bonuses per year are included in the compensation scheme. Festival bonuses is the 50% of the basic salary.

iii. Training and Development:

Training & development program are arranged sometimes for the improvement for the employee's skill. IT department sometimes launch training program session for training the employees about IT security & technical improvement of employees. After the training session employees have to attend a quiz session regarding on the discussion of the training program. Moreover, Midland also set training program sometimes when new banking products are launched.

iv. Appraisal system:

After two years confirmation, a contractual or trainee employee are eligible for sit for a written exam for obtained his position as permanent. If the employee passes the exam, he is promoted as a junior officer. Moreover, permanent senior employees are promoted based on their experiences, work dedication, performance, marking of their boss, etc. criteria.

2.5 Marketing Practices

Marketing strategies are very essential for today's business world. Midland bank also tries to utilize effective marketing strategies to attract the customers. MDB follows several ways to attract their clients;

i. Social Media:

Now a days, social media can be a major tool for the promotion of banks and establish a brand presence among the rivals. Midland Bank posts their vital information in their Facebook page where customers are introduced about the banking products of Midland. When any discount offer is launched, it is first introduced to the customers through Facebook page.

ii. Customer Service:

Midland Bank's top most concern is to ensure the customer satisfaction. Here, customers category is not the concerning issue. The bank tries to provide their customers full support and help. Midland always tries to utilize their marketing practices effectively for fostering customer satisfaction through the perfection of customer service and banking products that results in profitability over the long term and build a strong brand image.

iii. Product & Service Offers:

Midland bank frequently launches offers on their products & services for attracting their customers. Generally, midland launch more discount offer to the credit card like 0% EMI facilities with particular merchants, discounts on particular buffet, Bolaka launch free access facility, case of air ticket purchase etc. Recently, they offered 500 Tk or 40% cashback in case of payment in Bangla QR Code using midland bank apps. Moreover, they facilitate Facebook boasting, payment of sevis fee for educational purpose, e-commerce & POS transaction facilities locally and internationally through the dual currency (prepaid card) card. These set of offers act as an effective marketing practices of Midland that results in customer attraction and satisfaction.

iv. Campaign:

Midland Bank sometimes arrange campaign program for introducing their products & services. For example; they select a university for campaign. Students, faculties & other staffs of that university are introduced about the products and services of banks through this campaign. Sometimes, Midland provides easier facilities for the students for opening student account or provides credit card to faculties with special facilities.

2.6 Financial Performance and Accounting Practices

2.6.1 Financial Performance Highlights

According to the published annual report of Midland Bank of 2022-2023, the financial highlights is in following. This will deeply be analyzed in the third part of the report.

Firstly, ROA and ROI have increased compared in 2022. The ROA shows that it has increased from 0.75% to 1.39% and ROI is from 7.47% to 13.49%, which is a positive sign. It indicates about Midland's capacity of utilizing its assets in an efficient way for generating profit. In addition, they also take advantages of the capital raised from the shareholders for increasing profit. MDB's balance sheet represents its EPS has increased from 0.88 to 1.77. A higher EPS indicates that MDB has generated satisfactory return from each stock. The Capital adequacy ratio is slightly increased in 2023 compared to 2022. It is 17.28% in 2023 and 15.87% in 2022, which indicates Midland Bank is solvent and has the ability to face major crisis. Moreover, Midland's total assets, income

from investment, deposit, loans and advances, shareholder's equity etc. have also improved in comparison to previous year.

2.6.2 Accounting Practices

“Accounting principles are the rules and guidelines that companies, banks, or other institutions have to follow when reporting financial data. These rules make it easier to examine financial data.” (TUOVILA, 2023)

According to the IFRS framework for preparing financial reports, Midland uses consistency concept in accounting where they maintain the same accounting methods throughout the accounting periods.

They also ensure the Going Concern concept which indicates that Midland has enough financial resources to continue its operations. So, it can be said that the bank is well prepared for satisfying its financial commitments as well as business operations.

2.7 Operations Management and Information System Practices

Management of operations is maintained by Midland bank where they administrate the business practices to create the highest level of possible efficiency. Information technology has also a great contribution for the bank to improve its operational efficiency, transparency, speed & accuracy of the activities. MDB digitalized banking services give customers online banking facilities where they don't need to go any branch, sub-branch or agent banking. Deposit, loan, account, customer, branch, sub-branch, divisions etc. related data are congealed regularly in Daily MIS Dashboard. MIS of other products such as inclusion of fund, NPL are accumulated as on a regular basis. Midland stored their card related information in card management software (CMS) and account related information in Inhouse software.

2.8 Industry and Competitive Analysis

2.8.1 SWOT Analysis of Midland Bank PLC

Strengths:

- Internet banking apps “Midland online” is very effective and user friendly.
- IT system is comparatively satisfactory.
- Facilitate students with totally charge free student account.
- Free access facility in “Bolaka Lounge” of MDB main credit card holder and also supplementary card holder.

Weakness:

- Insufficient ATM booth.
- Absence of banking facilities in rural area.
- Growth rate is comparatively lower.
- Crisis of dollar in current situation.
- Take more time for dispute settlement issue.
- Recurring payment issue of prepaid card when Facebook boasting.

Opportunities:

- Growing demand
- Planning to move into rural regions.
- Trying to improve more advance IT system.

Threats:

- Faster growth of rival banks.
- External business risk.
- Excessive Competition in banking industry.

2.8.2 Porter's Five Forces Analysis of Midland Bank PLC

“Porter's Five Forces is a classic model that companies use to evaluate their competitive environment and make informed decisions. The framework was developed by renowned Harvard Business School Professor Michael E. Porter.” (Danao, 2024)

1. Power of Buyer: Moderate

- Customers can move to other bank which is more popular and has more reputation.
- Due to the competitive market, customer can move to other bank for comparatively better services and rates.

2. Power of Supplier: Low to moderate

- Suppliers of Midland like technology providers have some bargaining power but Midland bank has the option for choosing multiple suppliers, which results in reducing supplier bargaining power.
- Specific suppliers for critical services or technology can increase supplier power.

3. Threat of Substitutes: High

- Threat arises due to increasing competition of substitutes like fitness startups, peer to peer lending platforms, payment processors, etc.
- The mobile banking financial services provides swift and facile access of financial transaction facility like Bkash, Nagad, Rocket and so on which creates threats for traditional banking services.
- Threat also arises from non-financial organization which give EMI related facilities on commodities such as vehicle and other accessories. Here, no financial intermediary is required.

4. Threat of New Entry: Low

- Banking industry has high barriers to entry due to rules and regulations, capital requirements, etc. that make it difficult for new banks to enter into the market.
- Midland is gaining brand loyalty so it is not easy for new entrants to gain market share.

5. Competitive Rivalry: High

- Nowadays, competition among existing banks is very high. So, it is a big challenge for Midland Bank to compete in the market.
- This competition runs based on the factors like interest rates, fees, customer service, and product innovation, etc.
- Mergers and acquisition also shape the competitive landscape in the banking industry.

Midland Bank always tries to play its significant role in socio-economic development of the country. Though the bank starts its operation in 2013, it provides better service to their customers and launched several innovative banking products. Since the starting of MDB, it has been continuing its banking services to customers in order to meet their demands and needs. Midland is the bank which is able to meet up the demands of mass people of the country by giving priority to their service. From the above discussion, it has noticed that the bank has strength, weakness, opportunities and threats. So, for the development it is necessary to use its strengths, grab the opportunities, convert the weakness into threat, and finally take defensive actions to face the threats.

Chapter 3: Project Part

3.1 Introduction

Bangladesh Bank (BB), the central bank, has the authority to supervise and regulate financial system of Bangladesh. For performing this significant responsibility, BB assesses the overall performance of banking system in order to find out its strengths and weaknesses. Components of CAMELS rating system can be used as an essential tool to measure the strength and weakness of banks.

“CAMELS rating is an international rating system authorized by regulatory banking authorities to rate financial institutions. This system assesses the strength of bank through six factors like capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity. A rating of 1 is considered as the best and a rating of 5 is considered as the worst.” (KAGAN, 2023)

Financial ratios are used as monitoring instruments for assessing the entire scenario of a particular bank. Bangladesh Bank has the authority to apply suitable plods if it is needed. In this research report, financial performance of two banks; Midland Bank PLC & Eastern Bank PLC are analyzed. Financial performance comparison has been executed between two banks based on the last three years of 2023, 2022 and 2021.

3.1.1 Background

For analyzing & comparing between two banks, following ratios are used that are straightly relates to CAMELS rating.

When we breakdown the term “CAMELS”, we will find:

- Capital Adequacy
- Asset Quality
- Management Efficiency
- Earnings
- Liquidity
- Sensitivity

Capital Adequacy:

“This indicator of CAMELS rating system assesses the bank’s compliance with the regulations of the minimum reserve capital which evaluates the solvency of a financial organization or its ability to pay the debt.” (Corbolokovic, 2024)

Asset Quality:

“This indicator determines the bank’s assets quality that means whether it risky or not. It is a crucial indicator because if existence of risk in asset value decreasing, it negatively affects financial organization’s ability to pay back its debt. This devaluation of asset quality will also affect the profitability of the organization.” (Corbolokovic, 2024)

Management Efficiency:

It determines the ability of a financial institution to identify and respond during its financial stress. This efficiency depends on the following factors such as quality of a bank’s business strategy, financial performance and internal controls.

Earning:

“It determines bank’s earnings, growth of earnings, stability, valuation allowances, net margins, net worth level & the quality of the bank’s existing assets. Basically, it assesses the earnings consistency.” (KAGAN, 2023)

To measure the earnings of the banks, following ratios are used:

- Return on Assets (ROA)
- Return on Equity (ROE)

Liquidity:

“It assesses interest rate sensibility, availability of assets that can be easily converted to cash, dependence on short-term volatile financial resources and asset & liability management competence.” (KAGAN, 2023)

Sensitivity:

“It measures an institution’s sensitivity to market risks. Experts evaluates an organization's sensitivity to market risk through proper monitoring the management of credit concentrations. This evaluation facilitates them to notice how lending to specific industries affects an institution. Sensitivity reflects the degree to which earnings are affected by interest rates, exchange rates etc. which can be expressed as Beta.” (KAGAN, 2023)

3.1.2 Objectives

The study’s objective is to analyze the financial performance comparison between Midland Bank PLC & Eastern Bank PLC through CAMELS rating. Here, various ratios are given under CAMELS which are applied to evaluate the performance of two banks in latest three years.

3.1.3 Significance

During the study, it has been noticed that the report regarding CAMELS rating is rare in Bangladesh. So, we can use it for any academic purposes. It is absolutely useful for any researchers or students who are basically curious to work in these sorts of study. It is a strong believe about this paper that it is a favorable tool for doing this kind of report. It is very informative and contains general ideas regarding CAMELS rating study.

3.2 Methodology of the study**3.2.1 Research Design**

The topic of the study is “Comparison of Financial Performance between Midland bank and Eastern bank’ under CAMELS rating analysis. This study’s data is mainly based on the secondary data. The main focusing point of the study is three years comparison of financial performance between two banks.

3.2.2 Sources of Information

The major data sources of this reports are annual report (2021-2023) and website of Midland Bank PLC. Besides, I search different links of internet for collecting required information regarding this topic. As an MDB staff, I got support from the bank's product program guidelines. Moreover, data are also collected from Google, online sources, articles, journals, etc. sources. The CAMELS ratios are studied from several websites to get idea about the previous execution of CAMELS rating study of Bangladesh. Basically, the purpose of data collection is to prepare a fruitful and informative report.

3.3 Findings and Analysis

This findings & analysis part is prepared based on the financial performance analysis of Midland Bank PLC and Eastern Bank PLC. Here, latest three years financial performance of both banks are analyzed through the international rating system “CAMELS Ratings”, then comparison of financial performance between two banks is executed. “Though this part is executed based on financial data, so Midland’s latest three years (2023, 2022, 2021) annual report are used here.” (Midland, 2021, 2022, 2023). Same as, “EBL’s latest three years (2023, 2022, 2021) annual report are also used.” (EBL, 2021, 2022, 2023)

“Scoring of CAMELS ratings components are given below as Table-1.” (Omar Masood, 2016)

Table-1: Scoring of CAMELS Rating Components.

	Component	Weight	1	2	3	4	5
C	Capital Adequacy	20%	>11%	8%-11%	4%-8%	1%-4%	<1%
A	Asset Quality	20%	<1.5%	1.5%-3.5%	3.5%-7%	7%-9.5%	>9.5%
M	Management Efficiency	25%	≤25%	30%-26%	38%-31%	45%-39%	≥46%
E	Earnings (ROA)	15%	>1.5%	1.25%-1.5%	1.01%-1.24%	0.75%-1%	<0.75%
L	Liquidity (L1)	10%	<60%	60%-65%	65%-70%	70%-80%	>80%
S	Sensitivity	10%	>80%	71%-80%	65%-70%	60%-64%	<60%

Year wise CAMELS Ratings Components of Midland Bank & EBL

1. Capital Adequacy

Table-2: Year wise Capital Adequacy & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
Particular	CAR	Ratings	CAR	Ratings	CAR	Ratings
MDB	17.28%	1	15.87%	1	14.83%	1
EBL	15.04%	1	14.61%	1	14.08%	1

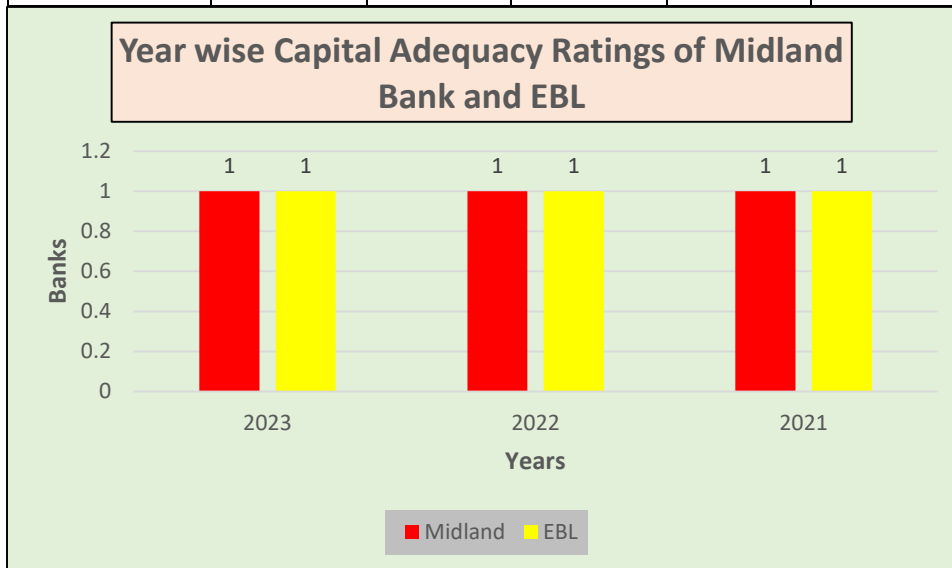


Figure 1: Year wise Capital Adequacy Ratings of Midland Bank and EBL.

Figure-1 demonstrates that capital adequacy ratio of Midland & EBL from 2021 to 2023 are greater than 11%, so it indicates ratings 1 based on the CAMELS ratings scoring chart. Here, both banks performance is strong.

2. Asset Quality

Table-3: Year wise Asset Quality & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
Particular	Asset Quality	Ratings	Asset Quality	Ratings	Asset Quality	Ratings
MDB	3.91%	3	3.65%	3	1.68%	2
EBL	1%	1	0.81%	1	1.44%	1

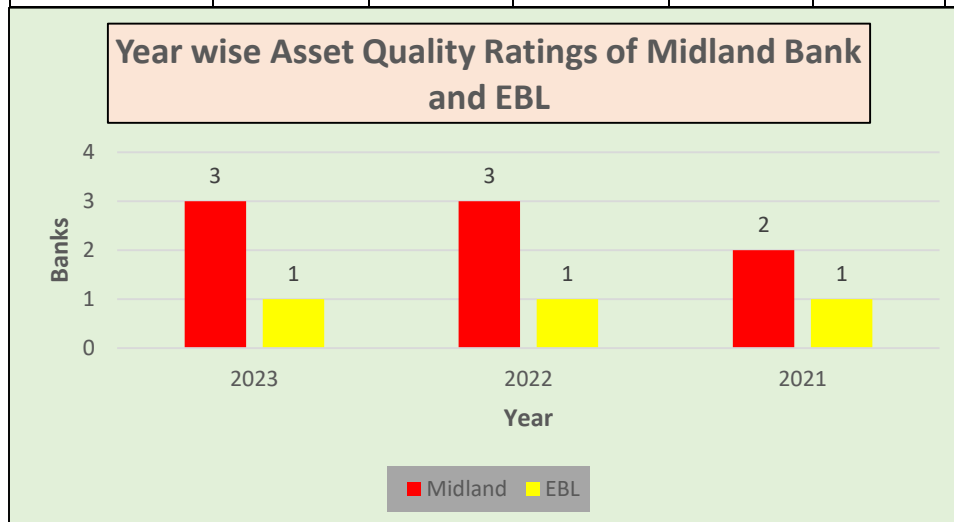


Figure 2: Year wise Asset Quality Ratings of Midland Bank and EBL.

Figure-2 demonstrates that asset quality of Midland Bank is within 3.5% to 7% in 2022 and 2023. So, it indicates ratings 3 that represents the fair performance which is flawed to some degree. In case of 2021, asset quality is within 1.5% to 3.5%, which indicates rating 2 and represents satisfactory performance.

On the Other hand, asset quality of EBL from 2021 to 2023 is lower than 1.5% which means ratings 1 based on the CAMELS ratings scoring chart. It indicates that EBL has performed strong in last three years.

3. Management Efficiency

Table-4: Year wise Management Efficiency & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
Particular	Management Efficiency	Ratings	Management Efficiency	Ratings	Management Efficiency	Ratings
MDB	45.39%	5	44.40%	4	40.41%	4
EBL	44.22%	4	43.53%	4	38.99%	4

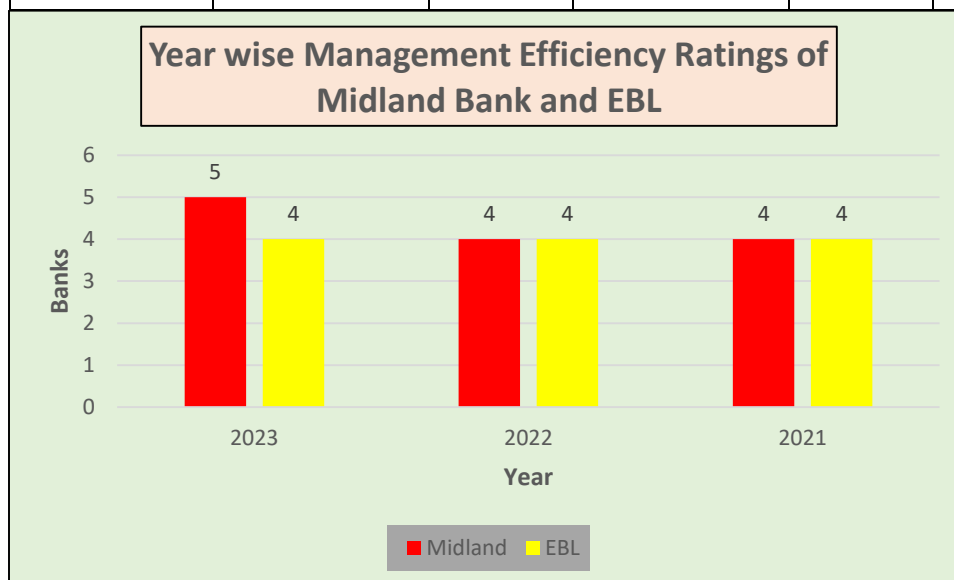


Figure 3: Year wise Management Efficiency Ratings of Midland Bank and EBL.

Figure-3 demonstrates that management efficiency of Midland is within 39% to 45% in 2022 and 2021 that indicates ratings 4, which means the performance is marginal or below average. But in 2023, it is above 45% that indicates rating 5, which results in worst or unsatisfactory performance.

On the Other hand, management efficiency of EBL from 2021 to 2023 is within the range of 39% to 45% that indicates ratings 4 according to the CAMELS ratings scoring chart. So, it also represents marginal or below average performance.

4. Earnings

Return on Asset Ratio (ROA) is included in Earnings.

Return of Assets (ROA):

Table-5: Year wise ROA & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
Particular	ROA	Ratings	ROA	Ratings	ROA	Ratings
MDB	1.39%	2	0.75%	4	0.78%	4
EBL	1.27%	2	1.21%	3	1.28%	2

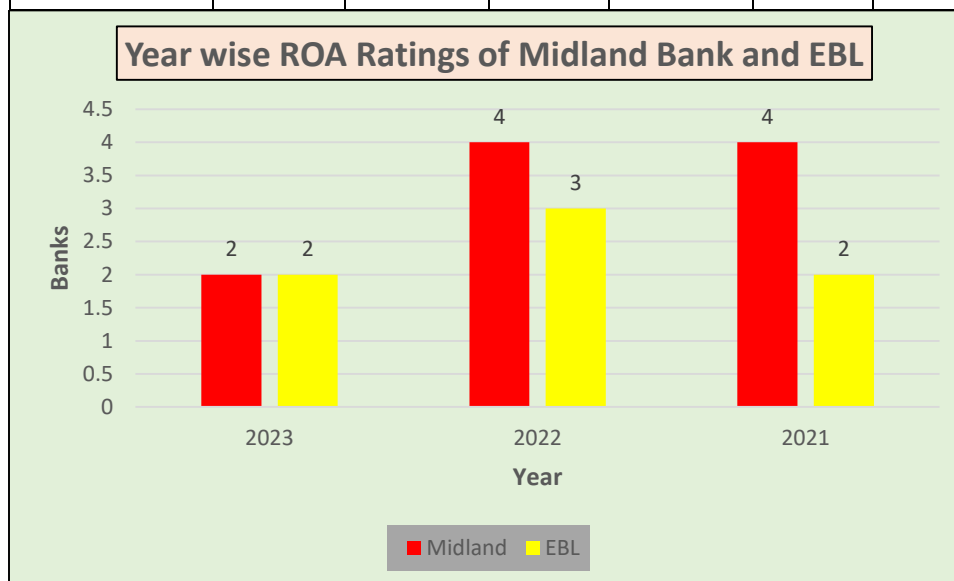


Figure 4: Year wise ROA Ratings of Midland Bank and EBL.

Figure-4 demonstrates that ROA of Midland in 2023 is within 1.25% to 1.50%, which means ratings 2 that reflects satisfactory performance. But in 2022 and 2021, the range is within 0.75%-1% which indicates rating 4. It represents the marginal performance.

On the Other hand, ROA of EBL from 2023 to 2022 are 2 and 3, respectively, as their ranges are within 1.25%-1.50% and 1.01%-1.24%, respectively. Moreover, the CAMELS rating score of 2021 is also 2 because it is within the range of 1.25%-1.50%. In a nutshell, EBL's performance is satisfactory in 2023 and 2021 but in 2022's performance is fair due to some defective issues.

5. Liquidity

L1 & L2 are included in liquidity. L1 is also known as Advance to Deposit ratio.

Advance to Deposit Ratio (L1):

Table-6: Year wise Advance to Deposit Ratio (L1) & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
	L1	Ratings	L1	Ratings	L1	Ratings
MDB	90.98%	5	81.71%	5	83.62%	5
EBL	79.45%	4	77.83%	4	79.69%	4

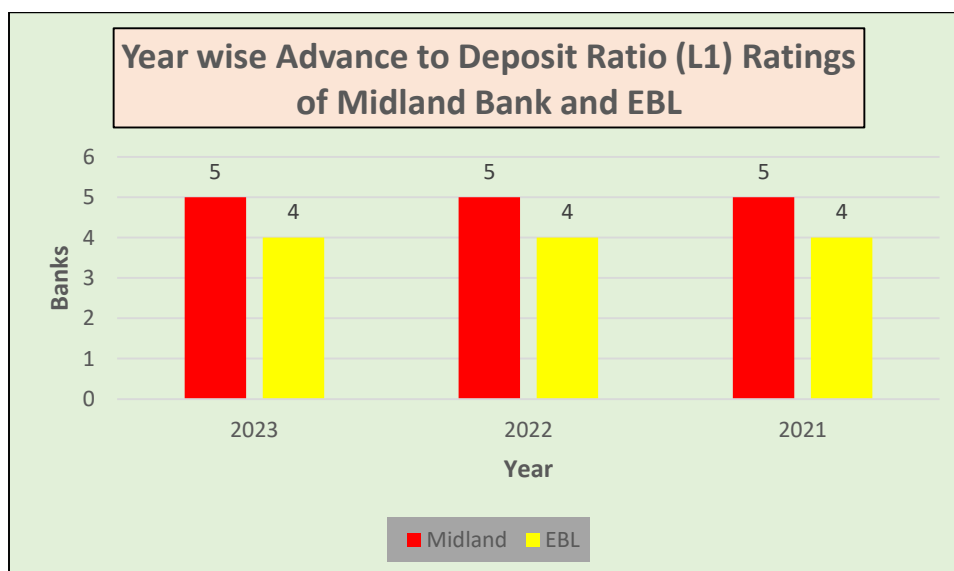


Figure 5: Year wise Advance to Deposit Ratio (L1) Ratings of Midland Bank and EBL.

Figure-5 demonstrates that Midland Bank's Advance to Deposit Ratio is above 80% in case of 2023, 2022 and 2021 that indicates ratings 5, which results in worst or unsatisfactory performance.

On the Other hand, L1 or Advance to Deposit Ratio of EBL from 2021 to 2023 is within the range of 70% -80% that indicates ratings 4 according to the CAMELS ratings scoring chart. So, it results in below average or marginal performance.

6. Sensitivity

Table-7: Year wise Sensitivity & Ratings of Midland Bank and EBL.

Banks	2023		2022		2021	
Particular	Sensitivity Ratio	Ratings	Sensitivity Ratio	Ratings	Sensitivity Ratio	Ratings
MDB	20.83%	5	21.17%	5	21.70%	5
EBL	18.49%	5	19.83%	5	17.14%	5

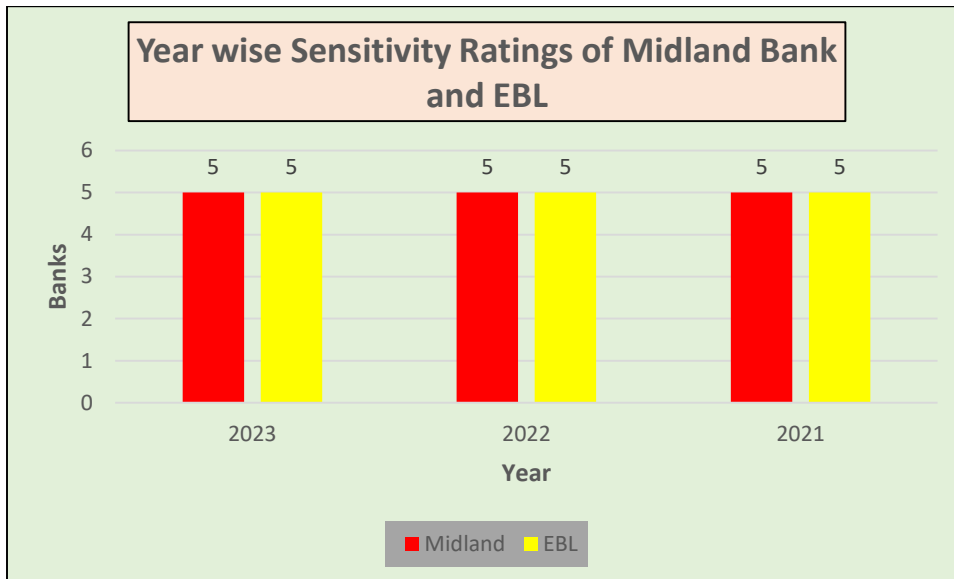


Figure 6: Year wise Sensitivity Ratings of Midland Bank and EBL.

Figure-6 demonstrates that Midland Bank and EBL's CAMELS ratings score of sensitivity scenario is 5 because their ratios is below 60% in last three years. So, both banks rating is unsatisfactory in case of sensitivity. Here, both banks need more improvement.

Weighted Average CAMELS Rating

Weighted Average CAMELS Rating of Midland Bank PLC:

Table-8: Weighted Average CAMELS Ratings of Midland Bank in 2023.

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2023	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	3	0.60
	Management Efficiency	25%	5	1.25
	Earnings (ROA)	15%	2	0.30
	Liquidity (L1/ or AD Ratio)	10%	5	0.50
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of Midland Bank in 2023				3.35

Table-9: Weighted Average CAMELS Ratings of Midland Bank in 2022.

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2022	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	3	0.60
	Management Efficiency	25%	4	1
	Earnings (ROA)	15%	4	0.60
	Liquidity (L1/ or AD Ratio)	10%	5	0.50
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of Midland Bank in 2022				3.4

Table-10: Weighted Average CAMELS Ratings of Midland Bank in 2021.

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2021	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	2	0.40
	Management Efficiency	25%	4	1
	Earnings (ROA)	15%	4	0.60
	Liquidity (L1/ or AD Ratio)	10%	5	0.50
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of Midland Bank in 2021				3.2

Weighted Average CAMELS Rating of Eastern Bank PLC:**Table-11: Weighted Average CAMELS Ratings of EBL in 2023.**

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2023	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	1	0.20
	Management Efficiency	25%	4	1
	Earnings (ROA)	15%	2	0.30
	Liquidity (L1/ or AD Ratio)	10%	4	0.40
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of EBL in 2023				2.6

Table-12: Weighted Average CAMELS Ratings of EBL in 2022.

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2022	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	1	0.20
	Management Efficiency	25%	4	1
	Earnings (ROA)	15%	3	0.45
	Liquidity (L1/ or AD Ratio)	10%	4	0.40
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of EBL in 2022				2.75

Table-13: Weighted Average CAMELS Ratings of EBL in 2021.

Year	CAMELS Rating Components	Weights	Ratings	Weighted Average (Weights*Rating)
2021	Capital Adequacy	20%	1	0.20
	Asset Quality	20%	1	0.20
	Management Efficiency	25%	4	1
	Earnings (ROA)	15%	2	0.30
	Liquidity (L1/ or AD Ratio)	10%	4	0.40
	Sensitivity	10%	5	0.50
Total Weighted Average CAMELS Rating of EBL in 2021				2.6

Summary of year wise Weighted Average of Midland & EBL:

Table-14: Year wise Weighted Average of Midland & EBL.

Banks	2023	2022	2021
Midland	3.35	3.4	3.20
EBL	2.6	2.75	2.6

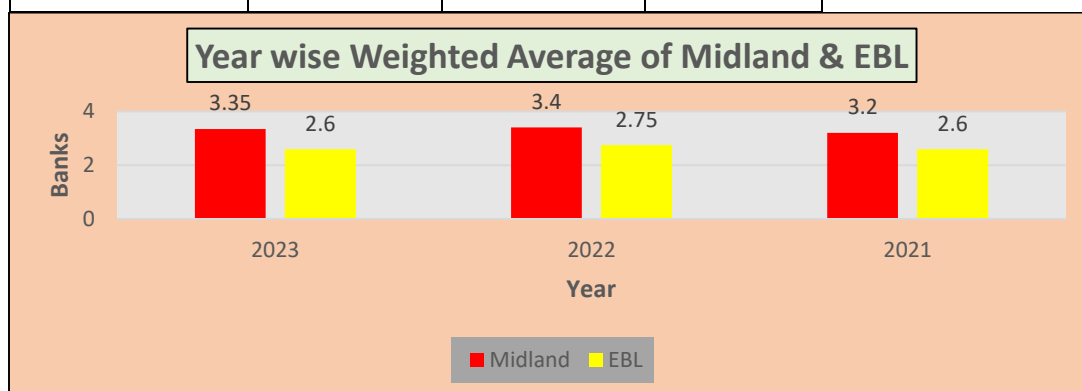


Figure 7: Year wise Weighted Average of Midland & EBL.

Composite Range of CAMELS Ratings

Composite range of CAMELS rating is evaluated based on the weighted average values.

“Composite range CAMELS ratings are given below as Table-15.” (Omar Masood, 2016)

Table-15: Composite Range of CAMELS Ratings

Rating	Composite Range	Description	Meaning
1	1.00-1.49	Strong	<ul style="list-style-type: none"> • Basically, sound in every respect • Findings are of minor nature and can be handled routinely • Resistant to external economic and financial disturbances • No cause for supervisory concern

2	1.5-2.49	Satisfactory	<ul style="list-style-type: none"> • Fundamentally sound • Findings are of minor nature and can be handled routinely • Stable & can withstand business fluctuations well • Supervisory concerns are limited to extent that findings are corrected
3	2.50-3.49	Fair	<ul style="list-style-type: none"> • Financial, operational or compliance weakness ranging from moderately severe to unsatisfactory • Vulnerable to the onset of adverse business conditions • Easily deteriorate if actions are not effective in correcting weaknesses • Supervisory concern and more than normal supervision to address deficiencies
4	3.50-4.49	Marginal	<ul style="list-style-type: none"> • Immoderate volume of serious financial weakness • Unsafe conditions may exist which are not being satisfactorily addressed; • Without corrections, these conditions could develop further and impair future viability; • High potential for failure; • Close supervision surveillance and a definite plan for correcting deficiencies
5	4.50-5.00	Unsatisfactory	<ul style="list-style-type: none"> • High immediate or near term probability failure; • Severity of weakness is so critical that urgent aid from stockholders or other financial sources is necessary; • Without immediate corrective actions will likely require liquidations, merger or acquisition

Composite Range of CAMELS Ratings of Midland Bank PLC:

Table-16: Year wise Composite Range of CAMELS Ratings of Midland Bank PLC.

Year wise Composite Range of CAMELS Ratings of Midland Bank PLC				
Year	Weighted Average	Ratings	Composite Range	Description
2023	3.35	3	2.50-3.49	Fair
2022	3.4	3	2.50-3.49	Fair
2021	3.20	3	2.50-3.49	Fair

Table-16 demonstrates that last three years weighted average or composite CAMELS ratings of Midland Bank are respectively 3.35, 3.4 and 3.2, which are within the composite range of 2.50-3.49. That range indicates rating 3 in every year which shows the status fair. This status “fair” is also known as watch category that indicates the bank has financial, operational or compliance related weakness that is from moderate to unsatisfactory. It is vulnerable to the onset of adverse business condition. Here, more than normal supervision is needed to identify deficiencies.

Composite Range of CAMELS Ratings of Eastern Bank PLC:

Table-17: Year wise Composite Range of CAMELS Ratings of EBL.

Year wise Composite Range of CAMELS Ratings of EBL				
Year	Weighted Average	Ratings	Composite Range	Description
2023	2.6	3	2.50-3.49	Fair
2022	2.75	3	2.50-3.49	Fair
2021	2.6	3	2.50-3.49	Fair

Table-17 demonstrates that last three years weighted average or composite CAMELS ratings of EBL are respectively 2.6, 2.75 and 2.6, which are within the composite range of 2.50-3.49. That range indicates rating 3 in every year which means the status fair. It means the bank has financial,

operational or compliance related weakness that is from moderate to unsatisfactory. It is also vulnerable to the onset of adverse business condition. So, it requires more than normal supervision for detecting shortfalls.

Summary of year wise Composite Range CAMELS Rating of Midland & EBL:

Table-18: Year wise Composite Range CAMELS Rating of Midland & EBL.

Banks	2023	2022	2021
Midland	3	3	3
EBL	3	3	3

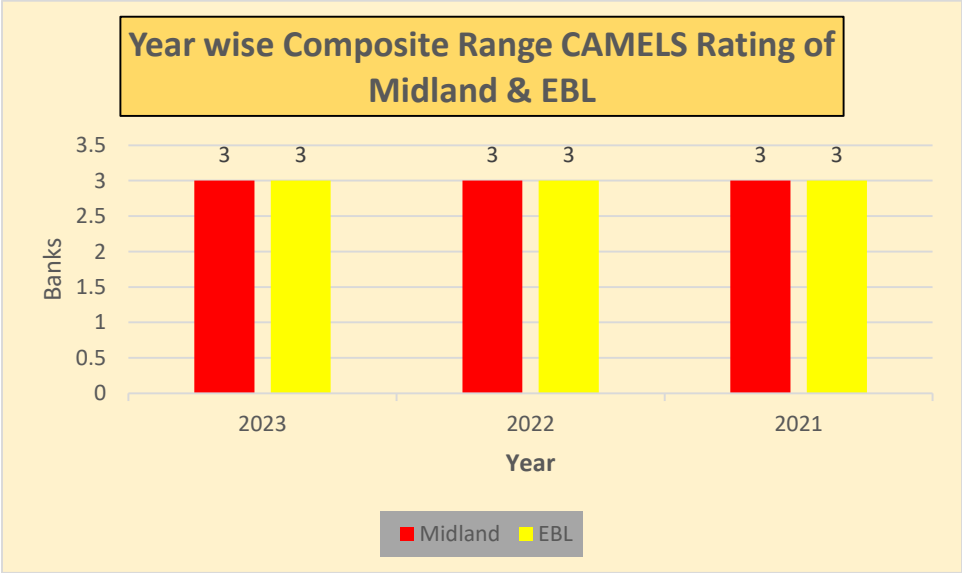


Figure 8: Year wise Composite Range CAMELS Rating of Midland & EBL.

Overall comparison between Midland Bank & EBL through Composite Range CAMELS Rating:

Table-19: Year wise comparison between Midland Bank & EBL through composite range CAMELS Rating.

Bank	Composite Range	Year wise Composite Rating						Ranks
		2023	Composite Rating	2022	Composite Rating	2021	Composite Rating	
Midland	2.50-3.49: Fair	3.35	3	3.4	3	3.2	3	2
EBL		2.6	3	2.75	3	2.6	3	1

Overall scenario of Table-19 indicates that Midland Bank and EBL’s composite CAMELS rating is within the composite range of 2.50-3.49, so both banks rating is 3 in 2023, 2022 and 2021. This rating indicates the fair status where the bank has financial, operational or compliance related weakness from moderate to unsatisfactory level. In this case, both banks should concern about more than normal supervisory actions for detecting their limitations.

Though both banks rating is 3 in every year which is within the fair range of 2.50-3.49, EBL has slightly performed better than Midland in last three years. The reason is that EBL’s weighted average values are lower than Midland in last three years. Lower weighted average is a positive sign for good performance. EBL’s last three years weighted average values are respectively 2.6, 2.75 and 2.60. It is noticeable that EBL’s 2023 and 2021 rating is nearest to rating 2. On the other hand, Midland bank’s weighted average values are 3.35, 3.4 and 3.2, which are higher than EBL. So, it can be said that EBL is a better performer than Midland.

Chapter 4: Conclusion & Recommendation

4.1 Conclusion

Nowadays, CAMELS rating is broadly used by banks to measure their effectiveness. This system assesses the strength of bank through six factors like capital adequacy, asset quality, management, earnings, liquidity, and sensitivity. Here, ratings range are considered from 1 to 5, where 1 indicating excellent and 5 indicating worst. Though it has some limitations, but analysts universally apply this grading. Generally, difficulties are faced in case of CAMELS rating if more than two organizations are arranged in a row. Here, it is a great challenge to assess and rank according to the position. This problem was arisen during the report's working time. However, it is proved that CAMELS rating is a useful system for facilitating evaluation of financial institutions. This method is costly and it needs highly proficient manpower to execute the operations.

From the analysis of CAMELS rating analysis of two banks, it is proved that Midland bank has lower position than EBL. Though both banks composite rating score is the same but EBL's performance is comparatively better than Midland. It is true that EBL is one of the most renowned banks which operates their banking activities since long time. On the other hand, Midland's journey in banking industry is not so long. As a developing bank they try their level best to compete in the banking industry through launching innovative banking products, satisfying customer needs, improving financial performance, proper credit management and so on. According to the financial performance scenario of latest three years in this report, it is noticed that Midland has improved their financial performance under CAMELS rating. It should concentrate more on its lacking as well as perform all banking activities for compete in the market. Nevertheless, Midland bank has the potentiality. It can play a vital role for the economic development of the country. If the bank tactfully competes in the market, it may achieve a satisfactory level of progress in all areas of its operations and also reach in its targeted profitability.

4.2 Recommendation

- Both banks should focus on their capital adequacy, because capital adequacy ratio secures more stability as well as efficiency which prevent from insolvency. Last three years analysis shows that both banks capital adequacy performance was strong. However, Midland performs slightly better than EBL but it needs to monitor properly.
- Midland's asset quality ratio must be monitored very carefully because its asset quality has increased over last three years, which we noticed from the analysis. In 2023 and 2022, its rating has reached in 3 whereas, it was 1 in 2021. As increasing asset quality is not a positive sign, MDB should make comprehensive strategic plans for reducing asset quality for their improvement.
- A bank's management efficiency should be high. So, it is important to launch training session or recruit talented and proficient personnel's for improving efficiency through higher profit per employee. Contrariwise, bank should use unique ideas and skills regarding marketing which contribute to gain more deposits. Nowadays, customers are more concern about interest rates. So, they became attracted from those banks whose rates of interest is comparatively good. Generally, it attracts priority-based customers to deposit more that results in investing more by earning profit. Midland's management efficiency is poor compared to EBL, because Midland's rating goes from 4 to 5 in 2023 which is a negative sign. So, they need special attention to improve the management efficiency performance.
- It is not possible to fully eliminate the risk but it is possible to reduce. However, banks can monitor the risk management very carefully and concentrate on innovation which can facilitate to develop unique technological advancement for risk reduction.
- Maintaining a good profitability ratio is necessary for any banks because it assesses a bank's capability to use its assets to generating profits relative to its operating costs, shareholder equity, revenue and balance sheet assets over a specified time frame. Some suggestions can be applicable for prospering profitability like implementing directly automated system for most of the services in banking industry, launching self-service facility of customers in certain situations.
- Earning quality indicates the ability of banks to earn usury or return through other form of investments. Banks should always seek the opportunity of generating new revenue. Though

the rating is the same in 2023, but Midland Bank's performance on ROA under earnings is slightly better than EBL, which we have already noticed from the analysis. Moreover, Midland's rating goes from 4 to 2 in 2023 which is a good sign. For continuing this improvement, Midland should focus on potential business opportunity to invest thorough proper market research for improving their earnings performance.

- Coming generations are very convenient and more focused on technology. Though they are familiar with technology, it is easier to them to perform any technology-based work. Banks may chase this point because they will get benefit from the effective work of young generation. Under this circumstance, it is necessary to recruit more eligible candidates that leads to strengthen the human resources of banks, results in higher profitability in the future.
- A banks liquidity condition can be flourished by selling fruitless assets that can't generate any income at all. If they maintain this properly, they will always sufficient with liquid asset and meet up the expenses. According to the analysis, Midland's L1 or Advance to Deposit Ratio under liquidity has been increased and reached in rating 5 in last three years, which indicates unsatisfactory performance. To compete in the market, they have to handle their liquidity more efficiently.
- Sensitivity performance of Midland is also unsatisfactory in last three years because of 5 ratings. To improve the condition the bank should work on it properly.

According to the overall performance, both banks composite ratings is the same which is 3, but Midland has comparatively performed poor due to the higher weighted values. In this case, the bank should work hard to identify its lacking and find out the best way for the improvement to compete in the banking industry.

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Appendix

Formulas for CAMELS Rating Calculation

1. Capital Adequacy:

- $(\text{Tier-1 Capital} + \text{Tier-2 Capital}) / \text{Risk weighted assets} * 100$

2. Asset Quality:

- $(\text{Total Non-Performing Assets} - \text{Provision Non Performing assets}) / \text{Total Loan \& Advances} * 100$

3. Management Efficiency

- $(\text{Administrative Expenses} / \text{Total Earnings or Total Income}) * 100$

4. Earning

- $\text{Return on Assets (ROA)} = (\text{Net Profit} / \text{Average Total Assets}) * 100$

5. Liquidity

- $\text{L1 or Advance to Deposit Ratio} = (\text{Total Loans \& Advance} / \text{Total Deposit}) * 100$

6. Sensitivity

- $(\text{Total Securities} / \text{Total Assets}) * 100$