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Evaluating the Performance of Al Salam Islamic Bank Using the PATROL Model during the Period (2020–2024)

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Abstract:

This study evaluated the financial performance of Al Salam Bank Algeria during (2020–2024) using the modern supervisory framework PATROL. The empirical findings revealed that Al-Salam Bank demonstrated outstanding resilience in both Credit Risk and Profitability (Grade 1), driven by prudent financing policies and high asset-use efficiency, followed by a stable performance in Capital Adequacy and Organization (Grade 3). Furthermore, the bank's strong credit quality and earning capacity balanced the overall multi-component mean to (2.6), securing a final composite rating of Grade (2). This classifies the bank as a fundamentally sound and resilient institution, with isolated and manageable deficiencies.

Keywords: Banking Performance; Al Salam Bank; Patrol Model.

Jel Classification Codes: G21, G28, G24.

1. INTRODUCTION

In light of global banking transformations and Algeria's expansion of Islamic banking to boost financial inclusion, evaluating performance using suitable tools has become imperative. The unique Sharia-compliant nature of Islamic banks specifically regarding products, profitability, and risk management renders conventional evaluation frameworks insufficient, highlighting the need for modern analytical approaches. Accordingly, the PATROL model emerges as an integrated framework, similar to CAMELS evaluating capital adequacy, profitability, liquidity, credit risk, and organization. Serving as an early warning tool, it identifies potential imbalances to ensure financial stability in Algeria's evolving banking environment.

Therefore, this study evaluates the financial and operational performance of Al Salam Islamic Bank in Algeria using the PATROL model to uncover its strengths and weaknesses and provide actionable insights for decision-makers.

Research Problematic:

Given the rapid expansion of Islamic banking in Algeria, represented by Al Salam Bank, conventional assessment tools fail to capture the unique operational nature of Sharia-compliant institutions. This necessitates adopting modern, integrated frameworks like PATROL to provide an accurate evaluation. Consequently, the primary research question is formulated as follows:

What is the final composite rating of Al Salam Bank according to the Patrol model during the period (2020–2024)?

To address this main problematic, the following sub-questions are:

a) What is the rating of the Capital Adequacy indicator for Al Salam Bank according to the Patrol model during the period (2020–2024)?
b) What is the rating of the Profitability indicator for Al Salam Bank according to the Patrol model during the period (2020–2024)?

c) What is the rating of the Liquidity indicator for Al Salam Bank according to the Patrol model during the period (2020–2024)?
d) What is the rating of the Credit Risk indicator for Al Salam Bank according to the Patrol model during the period (2020–2024)?
e) What is the rating of the Organization indicator for Al Salam Bank according to the Patrol model during the period (2020–2024)?

Research Hypotheses:

To address the primary research question, the following main hypothesis is formulated:

- **Main Hypothesis**: Al Salam Bank maintained a satisfactory final composite rating according to the Patrol Model during the period (2020–2024).

Based on the research sub-questions, the following sub-hypotheses are:

a) Al Salam Bank's capital adequacy indicator is classified as satisfactory according to the Patrol model during the period (2020–2024).
b) Al Salam Bank's profitability indicator is classified as satisfactory according to the Patrol model during the period (2020–2024).
c) Al Salam Bank's liquidity indicator is classified as satisfactory according to the Patrol model during the period (2020–2024).
d) Al Salam Bank's credit risk indicator is classified as satisfactory according to the Patrol model during the period (2020–2024).
e) Al Salam Bank's organization indicator is classified as satisfactory according to the Patrol model during the period (2020–2024).

Significance of the Study :

The significance of this study stems from the growing importance of Islamic banking in Algeria as a driver of financial inclusion and economic stability. Given the distinct operational nature of Islamic banks, adopting modern evaluation frameworks is imperative for precise performance

diagnosis.

Consequently, this research applies the PATROL model to assess Al Salam Bank (2020–2024), identifying key operational strengths and vulnerabilities. Ultimately, it provides actionable insights for decision-makers to optimize performance and reinforce financial stability amidst Algeria's evolving, highly competitive banking landscape.

Research Objectives:

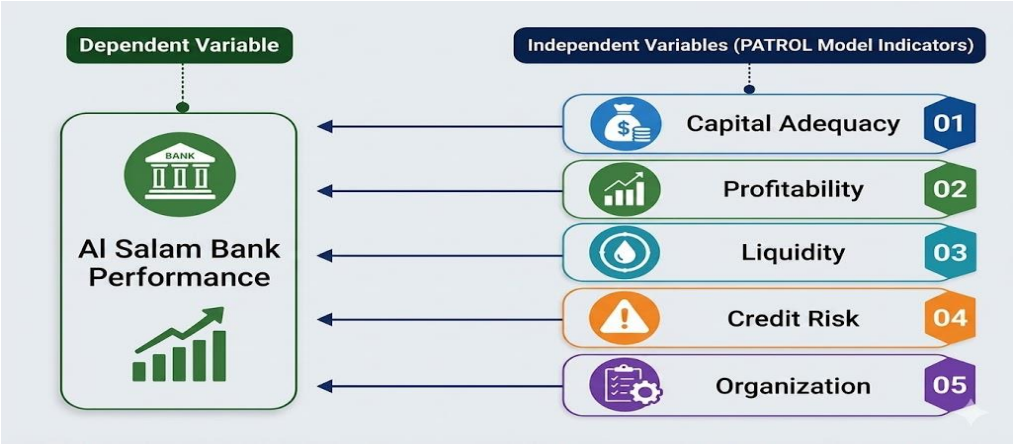
This study seeks to achieve the following set of objectives:

a) Evaluating the financial performance of Al Salam Bank in Algeria using the Patrol model during the period (2020–2024).
b) Analyzing capital adequacy and the bank's resilience in confronting financial risks.
c) Measuring profitability levels and the efficiency of financial resource utilization.
d) Assessing asset quality and determining the extent of credit risk exposure.
e) Examining organizational and administrative efficiency within the bank.
f) Analyzing the liquidity position and the bank's capacity to meet its short-term obligations.
g) Identifying the underlying strengths and vulnerabilities in Al Salam Bank's performance during the period (2020–2024).
h) Highlighting the effectiveness of the PATROL model as a comprehensive tool for evaluating Islamic banking performance.
i) Providing actionable recommendations aimed at optimizing performance and reinforcing the bank's financial stability.

Research Model:

The conceptual model of this study consists of the independent variables, which represent the set of financial indicators comprising the Patrol framework-namely, capital adequacy, profitability, liquidity, credit risk, and organization, which directly influence the overall performance of Al Salam Bank, serving as the dependent variable.

Figure 1: The Model of the Study



Source: Prepared by the researcher

2. Literature Review and the Research Gap:

2.1 Literature Review:

The literature review reveals significant academic interest in evaluating financial and banking performance through comprehensive regulatory frameworks. Studies such as those by (**Mohiuddin**, **2014**) and (**Rozzani & Abdul Rahman**, **2013**) focused on deploying the CAMELS framework to assess the stability of commercial and Islamic banks in international contexts like Bangladesh and Malaysia, confirming the model's efficacy in distinguishing strong financial institutions from weaker ones to protect depositors and investors.

Conversely, the contemporary PATROL model has garnered widespread research attention as an advanced early warning tool tailored to diagnose operational strengths and vulnerabilities within Arab banking environments. Empirical applications in Yemen banks for the period (2015-2020) in the study of (**Mansour**, **2022**) and the study of (**Al-Badrani, 2025**) in Iraq banks for the peroid (2019-2022) verified the model's capacity across its five dimensions to rate and rank bank performance, noting that Islamic banks demonstrated superior outcomes

when the weighting method was applied. While the study of (**Abed Hameed, Jothr, & Ali, 2025**) which aimed to examine the application of the PATROL model in evaluating bank performance by identifying its rating scale and operational framework to pinpoint financial strengths and weaknesses, thereby boosting banking efficiency. The results indicate that the PATROL model plays a crucial role in performance assessment across its five dimensions (capital adequacy, profitability, credit risk, organization, and liquidity), providing valuable guidance for decision-makers in banks.

Furthermore, (**Saif-Allah & Abbas, 2025**) evaluated the Iraqi banking sector (2018–2022) using the PATROL model, revealing strong overall performance across most dimensions, despite credit risk challenges from lower asset quality. Their findings affirm the model's value as an early warning tool for regulators to monitor financial health and preserve stability. From an econometric perspective, (**Al-Rubaie & Al-Suhurwardi**, **2023**) established that capital adequacy and liquidity indicators exert a statistically significant positive impact on performance, whereas credit risk exhibits a significant negative effect.

When projecting the PATROL model into the Algerian banking environment, (**Beldjilali**, **2023**) evaluated four of the largest commercial banks and revealed a clear convergence in their performance levels, driven by identical regulatory and legal frameworks, while emphasizing the critical balance between liquidity and profitability. Expanding on this, the study of (**Zidane & Saliha, 2021**) on the National Bank of Algeria (BNA) covering the period 2015–2019 highlighted the model's capacity to disclose internal strengths and weaknesses to guide decision-makers, ultimately classifying the bank in Grade 2 (solid and stable) and stressing the need for continuous, specialized evaluation.

Furthermore, (**Rekik & Zid**, **2024**) validated the diagnostic efficiency of the PATROL framework on Gulf Bank Algeria (AGB) for (2015–2022), the bank similarly achieved Grade 2 (overall satisfactory and stable performance), though the model effectively captured recurring vulnerabilities requiring ongoing monitoring.

2.2 Research Gap:

Following a comprehensive review of the existing literature, it is evident that the majority of studies deploying the PATROL model have focused almost exclusively on conventional banking environments in Western and European contexts. Conversely, local and regional studies addressing the performance evaluation of Islamic banks in Algeria (such as Al-Salam Bank and Al Baraka Bank) have predominantly relied on classical financial analysis tools or the traditional CAMELS framework.

Hence, the added value and research gap addressed by this study lie in being one of the pioneering attempts to the best of the author's knowledge, to project the modern Patrol regulatory framework, with its five integrated indicators (including organizational structure and critical credit risks), onto the Islamic banking sector in Algeria. By applying this model to Al Salam Bank during a recent and pivotal timeframe (2020–2024), this study provides decision-makers and monetary authorities with a hybrid evaluation framework that simultaneously accounts for Sharia specificities and operational proficiency.

3. Concepts of Performance and Banking Performance

3.1 Definition of Performance :

Given the extensive scope of the performance evaluation concept, it has been narrowed down to its most significant aspects, namely: the definition of performance evaluation, its key stages, and the definition of banking performance. These are presented below :

- The Performance evaluation refers to the systematic process of assessing an organization’s activities and outcomes to determine the extent to which objectives are achieved efficiently and effectively (Neely, Gregory, & Platts, 1995).
- Performance evaluation is defined as the process of measuring and analyzing the results of organizational actions against predefined goals, in order to improve decision-making and overall effectiveness (Kaplan & Norton, 1996).
- The Performance evaluation involves the use of financial and non-

financial indicators to assess how well an organization is performing in relation to its strategic objectives (Otley, 1999).

Thus, performance can be defined as the degree to which an organization succeeds in accomplishing its goals through the effective and efficient use of its resources, reflecting the outcomes of its activities over a given period of time.

3.2 Stages of the Performance Appraisal Process : They are :

3.2.1. Establishing Performance Standards: The process begins before the actual evaluation by setting clear, specific, and measurable (SMART) standards. Employees must fully understand what is expected of them, such as target sales volume, service quality, or punctuality.

3.2.2. Communicating the Standards to Employees: It is not enough for management to just set standards; they must be clearly communicated and explained to employees. This ensures they completely grasp the criteria against which they will be evaluated.

3.2.3. Measuring Actual Performance: During this stage, data is gathered and the employee's actual performance is monitored throughout the specified period. Measurement relies on reports, direct observation, and actual work outputs.

3.2.4. Comparing Actual Performance with Standards: Here, the employee's actual achievements are compared against the standards set in the first stage to identify "performance deviations"—whether positive (exceeding expectations) or negative (falling short).

3.2.5. Discussing the Appraisal (Providing Feedback): A face-to-face feedback interview is conducted with the employee to discuss their strengths and weaknesses. The goal is not to assign blame, but to ensure transparency and help the employee understand their current standing.

3.2.6. Taking Corrective or Developmental Actions: The final and ongoing step; if performance falls short, a Performance Improvement Plan (PIP) or training is provided. If performance is outstanding, the employee is rewarded or promoted.

3.3. Banking Performance :

Banking performance serves as a vital barometer for assessing the financial soundness, operational efficiency, and overall stability of financial institutions within an increasingly competitive global economy. Evaluating this performance is no longer limited to measuring traditional accounting profits; rather, it has evolved into a multi-dimensional process that encompasses risk management, capital adequacy, and liquidity optimization

- Bank performance evaluation refers to the process of assessing a bank's financial condition and operational efficiency through the analysis of financial statements and key performance indicators such as profitability, liquidity, and risk (Rose & Hudgins, 2013).
- Bank performance evaluation is defined as the systematic analysis of a bank's activities and results to determine its ability to achieve financial stability, profitability, and efficient risk management (Saunders & Cornett, 2014).
- Bank performance evaluation involves the use of both quantitative and qualitative measures to assess the efficiency, effectiveness, and overall financial health of a banking institution (Sinkey, 2002).
- It can be described as an analytical framework used to examine how well a bank utilizes its resources to generate returns while maintaining adequate liquidity and managing (Golin & Delhaise, 2013).

Therefore, it can be said that bank performance evaluation is the process of analyzing and assessing a bank's financial and operational activities using a set of indicators and measures, with the aim of determining its efficiency in achieving profitability, maintaining liquidity, managing risks effectively, and ensuring overall financial stability.

3.4 The PATROL Model :

The PATROL model is one of the essential frameworks used in banking performance evaluation. Introduced by the Bank of Italy in 1993, it operates as an off-site supervisory system that highly resembles the CAMELS framework, despite some differences in certain components. Under this model, banks are rated based on their financial performance, utilizing data extracted from monthly, semi-annual, and annual regulatory reports submitted to supervisory and regulatory authorities, represented by central banks. Furthermore, the Patrol model serves as an early warning system utilized to evaluate internal control mechanisms.

3.4.1 The PATROL Model Indicators :

The model derives its name as an acronym for six core indicators and concepts that integrate to determine a bank's financial position :

- **(P)** measures the capacity to absorb financial shocks, where central banks enforce strict minimum Capital Adequacy Ratios (CAR) based on Basel Committee regulations to preserve the stability of the entire banking ecosystem (Zutter & Smart, 2019). its can be mathematically formulated as follows:

$$CAR = \frac{Total\ Regulatory\ Capital}{Total\ Assets}$$

- **(A) : Ability to Earn:** Represents the sustainability of returns as a critical indicator of banking performance, where profits provide the primary source for generating shareholder returns and strengthening capital. Profitability is measured using the (ROA) Return on Assets (Al-Saadawi & Ali-Taie, 2024). which is calculated according to the following equation:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

- **(T)** : denotes Management/Organization quality.

- **(R)** : focuses on evaluating Riskiness, particularly, Credit risk is calculated according to the following equation:

$$\textbf{Credit Risk} = \frac{\textbf{Provision for Doubtful Debts}}{\textbf{Total Loans}}$$

- **(O)** : which assesses the quality of the organizational structure and internal control mechanisms. The organization ratio can be calculated using the following equation:

$$\textbf{Organization Ratio} = \frac{\textbf{Total Operating Expenses}}{\textbf{Total Operating Income}}$$

- **(L)**, designated for measuring Liquidity levels and the bank's capacity to meet sudden withdrawals. The liquidity ratio (as a core indicator in the model) can be calculated according to the following equation:

$$\textbf{Liquidity Ratio} = \frac{\textbf{Total Current Assets}}{\textbf{Total Deposits}}$$

3.4.2 Model Mechanism:

The performance of banks is evaluated under the PATROL model using two methodologies:

a) Scoring Methodology:

This methodology is concerned with converting the quantitative financial ratios and indicators extracted from the bank's books (covering capital, profitability, credit risk, organization, and liquidity) into standardized scores or grades. Each sub-indicator is evaluated, and based on its value, it is assigned a numerical rating, typically on a scale from (1 to 5).

The score of (1) represents the highest performance levels and lowest risk, whereas (5) reflects severe performance deterioration and high-risk exposure, allowing supervisors to easily compare indicators of different natures. The following is the table adopted for scoring and rating:

Table 1: Scoring Grades According to the PATROL Model

	Level 1	Level 2	Level 3	Level 4	Level 5
Capital Adequacy	٪15 ≤	٪14.9 – 12	٪11.99 – 8	٪7.99 – 7	٪6.99 ≥
Profitability	٪1 ≤	٪0.9 – 0.8	٪0.7 – 0.35	٪0.34 – 0.24	٪0.24 ≥
Credit Risk	٪20 ≥	٪34 – 21	٪49 – 35	٪75 – 50	٪76 ≤
Organization	٪25 ≥	٪30 – 26	٪38 – 31	٪45 – 39	٪46 ≤
Liquidity	٪55 ≥	٪62– 56	٪68 – 63	٪80 – 69	٪81 ≤

Source: Prepared by the researcher based on literature review.

As for the banking classification table according to the PATROL model:

Table 2 : Banking Classification According to the PATROL Model

Score	Rating	Description
1	Strong	The bank exhibits superior financial performance and robust stability across all five dimensions. It is highly resilient to economic shocks.
2	Satisfactory	The bank is fundamentally sound with only minor, easily correctable weaknesses that pose no systemic risk.
3	Fair	The bank demonstrates noticeable vulnerabilities that could worsen under adverse economic conditions, requiring supervisory attention.
4	Marginal	The bank suffers from significant financial deficiencies (e.g., capital erosion), requiring strict corrective actions from regulators.
5	Critical	The bank is in severe distress with a high probability of failure, necessitating immediate emergency intervention or resolution.

Source: Prepared by the researcher based on literature review .

b) The weighting methodology :

This methodology is a core pillar in banking risk assessment systems. The relative weights assigned to financial indicators vary based on the regulatory importance attributed to each element by supervisory authorities (such as assigning greater weight to credit risk and capital adequacy compared to other components).

The designated weight of each indicator is multiplied by its score to ensure that secondary indicators do not disproportionately affect the final composite assessment of the bank (Sahajwala & Van Der Bergh, 2000).

In this methodology, the components of the model are weighted with specific weights to arrive at a single composite figure that reflects the bank's performance. Capital adequacy, profitability, and liquidity are each weighted at 25%, while credit risk is weighted at 15%, and organization is weighted at 10%.

4. Testing the Research Hypotheses:

4.1. Study Methodology:

This study will adopt the descriptive-analytical approach. Data for the study was gathered from secondary sources, specifically the financial reports of Al Salam Bank Algeria, covering the period from 2020 to 2024 due to data unavailability. These reports include the balance sheets, income statements, and notes to the financial statements.

4.2. Study Tool:

To test the study's hypotheses, a set of financial and accounting ratios and indicators extracted from the financial statements of the bank under study, will be utilized. To achieve the study's objective of determining the final rating of Alsalam Bank according to the Patrol model, the following steps were undertaken:

- Calculating the ratios of the Patrol model indicators, which are: Capital Adequacy, Profitability, Liquidity, Credit Risk, and Organization.

- Calculating the arithmetic mean of these indicators throughout the study period to obtain the specific rating for each individual indicator.

- Calculating the grand arithmetic mean of the five individual arithmetic means of the model's indicators, in order to arrive at the final composite rating of Alsalam Bank according to the Patrol model.

4.3. Classification of the Patrol Model Indicators :

To test the study's hypotheses, the following ratios were calculated in order to determine the rating/classification of each indicator:

a) Capital Adequacy :

Capital adequacy was expressed by measuring the ratio of Tier 1 capital to total assets, and the results are shown in the following table:

Table 3 : Capital Adequacy Ratio of Al-salam Bank During the Period 2020–2024

Year	Tier Capital	Total Assets	Capital Adequacy Ratio (CAR)	Annual Rating
2020	20 737 284	162 625 776	12,75 %	2
2021	29 694 858	237 804 350	12,49 %	2
2022	29 963 948	261 693 338	11,45 %	3
2023	35 901 614	333 886 204	10,75 %	3
2024	42 935 498	389 396 006	11,03 %	3
Arithmetic Mean			11,69 %	3.2
Final Rating			**3**	

Source: Prepared by the researcher based on the annual reports of Al-Salam Bank Algeria for the period (2020–2024).

The Capital Adequacy Ratio (CAR) shows an overall downward trend over the study period, declining from (12.75%) in 2020 to (11.03%) in 2024, with a noticeable decrease in 2022 and 2023 (11.45% and 10.75% respectively). This decline can be explained by the fact that asset growth has been faster than capital growth, which reduced the capital safety buffer, although the ratio remained at acceptable levels above 10%.

Regarding the annual rating, it remained at level (2) during the initial years before shifting to level (3) starting in 2022.

This reflects a relative deterioration in performance or financial soundness indicators. This is further confirmed by the arithmetic mean rating of (3.2) and the final rating of (3), indicating a medium level of risk or a stable but not strong performance.

In conclusion, the institution is experiencing significant expansion in its assets and activities, accompanied by a gradual decline in capital adequacy. This situation calls for strengthening the capital base or controlling asset growth in order to maintain higher levels of financial stability.

- Based on the aforementioned result, **we confirm the first hypothesis (H_1),** which states that: *"Al Salam Bank maintained a satisfactory capital adequacy ratio during the period (2020–2024)"*

b) Profitability :

Profitability was expressed by measuring the ratio of net income to total assets, and the results are shown in the following table:

Table 4 : Profitability Ratio of Al-salam Bank During the Period 2020–2024

Year	Net Income	Total Assets	Profitability Ratio (ROA)	Annual Rating
2020	3 069 188	162 625 776	1,89 %	1
2021	3 389 221	237 804 350	1,43 %	1
2022	4 392 508	261 693 338	1,68 %	1
2023	5 834 197	333 886 204	1,75 %	1
2024	6 672 363	389 396 006	1,71 %	1
Arithmetic Mean			1,69 %	1
Final Rating			**1**	

Source: Prepared by the researcher based on the annual reports of Al-Salam Bank Algeria for the period (2020–2024).

The Table illustrates the temporal trajectory of the Return on Assets (ROA) as a core proxy for evaluating Al Salam Bank's profitability

(Ability to Earn) during (2020–2024). Overall, the empirical findings demonstrate sustained earning capacity, with (ROA) fluctuating between (1.43%) and (1.89%) to achieve a multi-year mean of 1.69%. Following a brief dip in 2021 (1.43%), the indicator stabilized around (1.70–1.75%), driven by a 117% surge in Net Income (from DZD 3.07 billion in 2020 to DZD 6.67 billion in 2024).

Crucially, the bank sustained high returns even as Total Assets expanded rapidly from DZD 162.6 billion to DZD 389.4 billion. In banking supervision benchmarks, maintaining an (ROA) well above the (1.0–1.5%) threshold amidst balance-sheet growth reflects high asset-use efficiency and prudent income management.

Consequently, the supervisory assessment model consistently awarded Al-Salam Bank the top benchmark score (1), across all five evaluated years, resulting in a final composite component score of Grade 1.

- Based on the aforementioned finding, **we confirm the second hypothesis (H_2)**, which states that: *"Al Salam Bank maintained a satisfactory level of profitability during the period (2020–2024) "*.

c) Liquidity

To analyze the liquidity indicator, the ratio of total current assets to total assets was measured, and the results are shown in the following table:

Table 5: Liquidity Ratio of Al-salam Bank During the Period 2020–2024

Year	Current Assets	Total Assets	Liquidity Ratio	Annual Rating
2020	156 493 018	162 625 776	96,23 %	5
2021	230 794 549	237 804 350	97,05 %	5
2022	254 546 974	261 693 338	97,27 %	5
2023	325 553 660	333 886 204	97,50 %	5
2024	380 309 777	389 396 006	97,67 %	5
Arithmetic Mean			97,14 %	5
Final Rating			**5**	

Source: Prepared by the researcher based on the annual reports of Al-Salam Bank Algeria for the period (2020–2024).

Table 5 presents the evolution of current assets, total assets, liquidity ratios, and annual ratings for Al Salam Bank during (2020–2024). The liquidity ratio steadily increased from (96.23%) in 2020 to (97.67%) in 2024, yielding a period mean of (97.14%).

While this continuous rise indicates an extreme capacity to cover short-term obligations, it reflects an overly conservative asset allocation strategy where nearly all assets are held in liquid or near-liquid forms. In supervisory frameworks like PATROL, holding excessive idle liquidity incurs substantial opportunity costs, severely dampening core financing transformation and profitability potential.

Consequently, the supervisory model consistently assigned the bank the lowest regulatory score, Grade (5), signaling a critical structural imbalance in liquidity management.

Furthermore, this excessive liquidity reflects limited deployment capabilities and underscores an operational rigidity that exposes the institution to earnings dilution. Consequently, regulatory authorities categorize this hyper-liquidity state as a structural vulnerability requiring immediate policy recalibration.

- Based on the aforementioned finding, **we reject the third hypothesis (H_3)**, which states that: *"Al Salam Bank maintained a satisfactory liquidity position during the period (2020–2024)".*

d) Credit Risk

The credit risk ratio was expressed by calculating the ratio of the allowance for doubtful accounts to total loans, and the results are presented in the following table:

Table 6 : Credit Risk Ratio of Al-salam Bank During the Period 2020–2024

Year	Allowance for Doubtful Accounts	Total Loans	Credit Risk Ratio	Annual Rating
2020	920 956	102 031 464	0,90	1

2021	1 070 205	154 248 718	0,69	1
2022	1 405 289	178 446 150	0,79	1
2023	1 268 840	222 420 635	0,57	1
2024	3 209 097	275 624 321	1,16	1
	Arithmetic Mean		0,82	1
	Final Rating		**1**	

Source: Prepared by the researcher based on the annual reports of Al-Salam Bank Algeria for the period (2020–2024).

The table illustrates the evolution of the Credit Risk indicator (R) for Al Salam Bank Algeria during the period (2020–2024). It is observed that the bank maintained excellent and optimal credit risk levels, fluctuating between a minimum of (0.57%) in 2023 and a maximum of (1.16%) recorded in 2024. This stability reflects high efficiency and quality within the Islamic financing portfolio, as the bank successfully expanded its total granted financing by more than two and a half times (from DZD 102 billion to DZD 275 billion) without falling into non-performing debts, despite the protective surge in provisions noted in 2024, which stems from a proactive hedging policy.

Based on the regulatory criteria of the Patrol Model, the bank achieved the highest annual rating (Grade 1) throughout the years of the study, yielding an arithmetic mean of (0.82%), which culminated in a final consolidated rating anchored at the first grade for the credit risk axis. Academically, this result signifies that the Bank possesses exceptional asset quality and a robust protective framework against default risks.

Consequently, this axis served as the primary pillar of safety that enhanced the bank's financial solvency and mitigated the impact of deficits recorded in other indicators, such as short-term liquidity shocks.

- Based on the aforementioned finding, **we confirm the fourth hypothesis (H_4)**, which states that: "*Al Salam Bank maintained a satisfactory credit risk profile during the period (2020–2024)*".

e) Organization

The organization indicator was expressed by measuring the ratio of

operating expenses to operating revenues, and the obtained results are shown in the following table:

Table 7 : Organization Ratio of Al-salam Bank During (2020–2024)

Year	Operating Expenses	Operating Revenues	Organization Ratio	Annual Rating
2020	2767887	7701109	35,94 %	3
2021	3345019	9267164	36,10 %	3
2022	3811197	11134236	34,23 %	3
2023	4631168	13685796	33,84 %	3
2024	5166569	16866884	30,63 %	3
Arithmetic Mean			**34,15 %**	3
Final Rating				**3**

Source: Prepared by the researcher based on the annual reports of Al-Salam Bank Algeria for the period (2020–2024).

The table above illustrates the evolution of the organization ratio at Al-Salam Bank during the period (2020–2024), serving as a benchmark for measuring operational efficiency through a structural comparison between operating expenses and operating revenues. The empirical data indicates a gradual increase in operating expenses, rising from 2,767,887 DZD in 2020 to 5,166,569 DZD in 2024.

This increase progressed in tandem with a robust upward growth in operating revenues, which surged from 7,701,109 DZD to 16,866,884 DZD during the same period, reflecting the dynamism and expansion of the bank's commercial activities, credit placements, and financial services.

Analyzing the organization ratio reveals a steady decline from (35.94%) in 2020 to (30.63%) in 2024. This downward trend is a positive indicator, demonstrating the bank’s enhanced capability to restrain overhead costs while optimizing revenue generation, ultimately yielding an optimal arithmetic mean of (34.15%), which sits well below international risk thresholds.

This positive downward trend reflects effective overhead cost

containment amidst business expansion. However, under supervisory frameworks, the bank consistently received an annual and overall score of Grade (3). This indicates that while cost efficiency is strong, there remains a structural need to modernize corporate governance frameworks and diversify operations beyond traditional credit and cash holdings.

- Based on the aforementioned finding**, we confirm the fifth hypothesis (H_5),** which states that**:** "*Al Salam Bank maintained a satisfactory organizational structure during the period (2020–2024)"*

4.4. Final classification of Al Salam Bank according to the model:

After classifying the model's indicators, the average rating was calculated to obtain the final classification of Al Salam Bank. The following table illustrates this :

Table 8 : Final classification of Al Salam Bank Algeria during the period 2020-2024

	Components of the Patrol model				
	Capital Adequacy	**Profitability**	**Liquidity**	**Credit Risk**	**Organization**
Final classification	3	1	5	1	3
Average rating			**2,6**		
Final classification result			**2**		

Source: Prepared by the researcher based on the previous presentation of the classification of the model's indicators.

The table above summarizes the comprehensive supervisory assessment under the PATROL framework for Al Salam Bank during (2020–2024), revealing a distinct structural dichotomy between operational excellence and liquidity deployment. On one hand, the bank demonstrates robust strength by achieving the top benchmark score, Grade

(1), in both Profitability and Credit Risk. This highlights exceptional financing portfolio quality, strictly controlled non-performing assets, and strong net-income generation capacity.

Concurrently, Capital Adequacy and Organizational Quality stabilized at a satisfactory, average level, Grade (3), reflecting compliance with Basel solvency standards along with an ongoing institutional need to advance corporate governance frameworks.

Conversely, the primary structural vulnerability lies in the Liquidity component, which received the lowest score, Grade (5). As established in the prudential analysis, this rating stems not from a liquidity shortage, but from an excessive retention of idle liquid assets (>97%), incurring significant opportunity costs and operational rigidity. Nevertheless, the bank's strong credit quality and profitability metrics effectively balanced the multi-component arithmetic mean to **(2.6)**, securing a final composite rating of **Grade (2)**. In supervisory literature, Grade 2 categorizes the bank as fundamentally sound and resilient, indicating that its operational deficiencies, specifically idle liquidity management are isolated, well-diagnosed, and fully manageable through prompt asset-reallocation strategies without posing a threat to its solvency or operational continuity.

5. Conclusion and Recommendations

5. 1. Conclusion:

This study constituted a rigorous endeavor to evaluate the financial and operational performance of Al Salam Islamic Bank in Algeria during the period (2020–2024), utilizing the modern Patrol regulatory framework as a comprehensive analytical and early warning tool. By projecting the model's five indicators onto the bank's financial statements and annual reports, the structural strengths and vulnerabilities of Islamic banking performance were diagnosed within a dynamic operational environment.

The empirical findings yielded pivotal insights; Al Salam Bank demonstrated outstanding resilience and sustainability in both Credit Risk and Profitability**,** driven by prudent financing policies and efficient asset utilization, followed by a stable, acceptable performance in Capital

Adequacy and Organization.

Conversely, the model highlighted a critical structural imbalance in the Liquidity indicator, marked by an excessive retention of idle liquid assets (>97%). Despite this hyper-liquidity exposure, the robust safety margins in profitability and credit risk successfully balanced the bank's overall numerical average to (**2.6)**. Consequently, the final composite rating stabilized at **Grade (2)**, representing a favorable regulatory classification that categorizes Al Salam Bank as fundamentally sound and resilient, with isolated, manageable deficiencies that pose no threat to its financial solvency or operational continuity.

5. 2. Recommendations:

Based on the empirical outcomes, the study proposes the following targeted recommendations for Al Salam Bank’s executive management and supervisory authorities:

- Executive management must urgently recalibrate its asset-liability management (ALM) strategy by shifting away from hyper-conservative cash retention (>97%). This entails deploying idle liquidity into lucrative, medium- to long-term Islamic financing modes (such as *Mudarabah*, *Musharakah*, and sovereign *Sukuk*) to eliminate opportunity costs without compromising immediate cash requirements.
- To sustain credit safety margins, the bank should preserve its rigorous credit governance and risk-screening frameworks to maintain the high quality of its financing portfolio (Grade 1) and protect its low non-performing exposure rates amidst portfolio expansionReinforcing Core Regulatory Capital, to counter the gradual decline in the Capital Adequacy Ratio (CAR), financial efforts should focus on strengthening core capital through retained earnings and capital reserve capitalization, ensuring compliance with Basel III guidelines and Bank of Algeria regulations.
- Adopting modern multi-dimensional supervisory models, with monetary authorities particularly the Bank of Algeria, encouraged to integrate comprehensive early warning frameworks like the PATROL model into official supervisory routines, leverages unique capabilities to detect structural operational rigidities alongside traditional financial risks.

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