

Evaluating Islamic banks financial performance before and during COVID-19 using Camels Standards

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Abstract

The study's objectives are to evaluate and analyze financial performance of Islamic Banking pre & post COVID-19. To achieve this objective, we applied the CAMELS standards over the period 2018-2023 on Al Rajihi Bank as a sample. The study concluded that CAMELS Standards has a great capacity to determine the financial performance of Al Rajihi Bank within all of its parameters; the results showed that Al Rajihi Bank have strong and efficient financial performance during COVID-19 pandemic. Moreover, the result of its performance evaluation using CAMELS standards indicates that it is in a strong position. Moreover, it has achieved satisfactory results. This is due to his capital, quality, and volume of assets, which are good income.

Keywords:

Islamic banks
financial performance
CAMELS Rating system
COVID-19.

JEL Classification Codes : G21, G32, D25, L25

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1. Introduction

The globe was shocked and the global economy was severely damaged by a terrible pandemic that surfaced in the last three months of 2019. It is referred to as the coronavirus and is a major pathogen that affect the human respiratory system. The global Covid-19 pandemic affected most businesses' operations, and it had a detrimental impact on the world economy. The economy's banking industry was also impacted by the negative impact of the drop in corporate performance on bank performance, especially for Islamic banks. This is because there is a decline in funding as a result of the numerous impacted customer companies.

Despite this, the adverse effects of COVID-19 have been devastating for global economies, with the pandemic causing unprecedented disruptions to the financial system (Asif, 2020). Restrictions on movement due to the virus have posed numerous challenges for financial service providers in delivering steady and reliable services to their associated stakeholders. This factor has raised several questions about the financial performance of Islamic banks, which can be measured using various indicators. One of the most widely used global standards is the CAMELS framework.

This study aims to examine and assess Islamic banking's financial performance by applying CAMELS standards both before and after the recession caused by the COVID-19 pandemic. Consequently, they ascertain the indications and financial ratios needed to implement CAMELS criteria. Examine AL Rajihi Islamic Bank's financial ratios, taking into account the CAMELS components as a sample of Islamic banking, and analyze them utilizing the Islamic bank example supplied by AL Rajihi Bank.

The significance of the study stems from the relationship that existed between the CAMELS standards components and the financial performance of Islamic banks before and after the COVID-19 outbreak. The practical importance of the CAMELS model is highlighted as one of the recent and effective techniques for evaluating bank performance and identifying crises.

The question of the study:

How is the financial performance of Islamic banking before and during the Covid-19 pandemic (2018-2023) using the CAMELS standard?

Hypothesis:

To answer our question, we put the following hypothesis as a guide, as follows:

- Islamic banking's financial performance was efficient before and after the COVID-19 epidemic.

The Objectif of the study:

This research aims to accomplish a number of goals, such as the following:

- An examination and assessment of Islamic banks' financial performance using CAMELS standards, both before and during the Covid-19 pandemic-induced economic decline.
- As an illustration of an Islamic bank, examine AL Rajihi Islamic Bank's financial ratios in light of the CAMELS components.
- Using the CAMELS components as an illustration of Islamic banking, analyze AL Rajihi Islamic Bank's financial ratios.

The importance of the study

The study's significance lies in the relationship between Islamic banks' financial performance prior to and following the COVID-19 pandemic and the parameters of the CAMELS

standards. The practical significance of the CAMELS model is emphasized as one of the modern and effective techniques for evaluating banks' performance. It's used to evaluate banks' soundness and identify crises.

Methodology

The theoretical component of this study addressed the idea of financial performance analysis and the CAMELS standard by using the deductive technique. The application component of the CAMELS standard was evaluated, and its parameters were computed by contrasting it with Al Rajhi Bank.

2. Background of the study

2.1 Literature review:

More in-depth research on CAMEL's financial performance in Islamic banking is required; the majority of studies focused mostly on the conventional banks and either examined only conventional banks or mixed Islamic and conventional banks. For this reason, this study is among several that employ the CAMELS model to evaluate Islamic banking's financial performance both prior to and after the COVID-19 pandemic.

A study (Rozzani & Abdul Rahman, 2013) compared the performance of 16 Islamic banks and 19 conventional Malaysian active bank from 2008 to 2011 using the descriptive CAMELS grading methodology. According to the survey, conventional Malaysian and Islamic banks performed similarly. In the same vein, (Ghazi & Tayachi, 2021) used the CAMELS rating model, which includes six elements that impact a bank's performance, to conduct a quantitative analysis of the Saudi banking sector's performance and profitability over a five-year period, from 2013 to 2017, using National Commercial Bank and Riyadh Bank as examples. These elements include adequate capital, high-quality

assets, effective management, profits, liquidity, and risk sensitivity. The results indicate that both banks possess sufficient capital to support their activities. Additionally, both banks had good quality of asset, efficient supervision, high earnings quality, and adequate liquidity management.

A similar study (GAOUAL & GERYVILLE, 2021) used the Camels criteria to estimate Algerian banks performance between 2017 and 2019. It discovered that Algerian banks are prohibited from using CAMELS as a tool of assessing their performance since the study was unable to evaluate two CAMELS component management and sensitivity to market risk factors. Accordingly, the study used the CAEL criteria to assess the performance of Algerian banks, and the results showed that Algerian banks may be categorized as having reasonable performance and receive a third-class ranking.

Further, (Masood & Ghauri, 2016) utilized CAMELS to evaluate Pakistan Islamic banks performance based on their financial data from 2015. According to the authors, two Islamic banks are exhibiting satisfactory performance, while the remaining ones are in a reasonable situation. They suggested creating financial markets for these institutions' treasury operations.

Concerning the studies that evaluate and examines the financial performance of Islamic banks both prior to and during COVID-19, (Sutrisno & Panuntun, 2020) used CAMELS parameters to assess how the COVID-19 pandemic affected Indonesia's Islamic banks' performance on 13 Islamic commercial banks operating in Indonesia. Three quarters during the outbreak and four quarters prior to the pandemic. The results demonstrated that profitability

and liquidity had a significant effect. Meanwhile, capital and asset quality were not affected by the pandemic.

Moreover, in the study of (Widiastuty, 2022) CAMELS and EAGLES models were used to assess the variations in both conventional banks and Islamic financial performance before and after the COVID-19 pandemic. Thirteen Indonesians traditional and Islamic banks consist the study sample. The study's conclusions imply that traditional and Islamic banks' financial performance varied in a number of ways both before and after the COVID-19 outbreak in measurement categories. Examining the two approaches for determining bank performance, we also concluded that Islamic banks are more stable than regular banks during a pandemic. Amidst challenging economic circumstances, funding for Islamic banks is rising in tandem with the development of savings. This suggests that people continue to trust Islamic banks with their money. Because of this, Islamic banks have more capital and liquidity than mainstream banks did throughout the epidemic.

Another study by (Asykarulloh & Sultoni, 2023) used the CAMELS standards to evaluate the financial performance of conventional and Islamic banks under COVID-19 (2020–2021) had a major impact on the banking sector. The Independent Sample T-test in conjunction with the difference test is one method employed. According to the study's findings, Islamic and conventional banks' capital and management ratios differ significantly. Profitability, liquidity, and asset quality, however, did not exhibit any significant differences.

Another equivalent study (Firdausia & Samsiyah, 2022) The performance of conventional and Islamic banks before and after the Covid-19 pandemic was compared using CAMELS. In

particular, this study assessed the 2017–2020 performance of both conventional and Islamic banks. The following are the CAMELS findings: A P value of $0.000 < (0.05)$ is indicated by the capital ratio between Islamic and conventional banks. The asset quality ratio, which stands at 0.042, is lower. The earnings ratio's significance threshold (0.05) is higher at 0.900. The management ratio is less than 0.05, with a value of 0.044. The liquidity ratio is less than 0.05, with a value of 0.000. In conclusion, Using CAMELS standards, there have been notable differences between Islamic and conventional banks' financial performance from 2017 to 2020.

Based on the literature, this study opted for the best suitable empirical methodology and commonly used variables related to financial performance of Islamic banks. Furthermore, this study differs from others in that it employed the CAMELS model only at Islamic banking's to examine financial performance prior to and during the COVID-19 pandemic.

3. The empirical methodology

3.1 Conceptual Framework

3.1.1 Financial Performance in Islamic banks

The term "performance" generally refers to an individual's actual accomplishment in completing their assigned tasks. Furthermore, financial performance is fundamentally an evaluation of the financial statements that includes a financial statement analysis. Thus, an index used to evaluate a company's effectiveness and success is its financial performance. So, financial performance is an index to assess a company's efficiency and success. According to (Rahayu, 2022, p. 2338), financial

performance can be defined as "a summary of bank financing activities sharia within a specific time frame, such as a month, quarter, or year, linked to different opportunities to acquire and allocate capital from banks sharia alone. Assessment of success in banking and sharia The Can Hold employs report finance bank sharia analysis. "

3.2 CAMELS STANDARDS

3.3 CAMELS

CAMELS is one of the instruments for assessing performance of banking (Kumar & Alam, 2018, p. 146). It is an expanded of the CAMEL framework, which US bank regulators have been employed since 1979 to assess a bank's soundness for use by supervisory authorities worldwide. The International Monetary Fund (IMF) used the financial system soundness's five primary fundamental characteristics (capital adequacy, quality of asset and management, earnings size, and liquidity) with a shortening of CAMEL to measure financial weakness and soundness (Soumia & Boubendira, 2021, p. 135). In 1996, The sixth parameter, "S," that represents bank's market fluctuations sensitivity, was added to CAMEL. Which indicate the organization's exposure to market risks such as interest rates, currency rates, and inflation risk, the letter "S" represents the dangers to the company (Roman & Sargu, 2013, p. 704). According to the IMF and World Bank report from 2005, CAMELS is being used as an assessment tool for bank performance. It was recommended that CAMELS be used as a valuable tool for ensuring the stability of the financial system (Ledhem & Mekidiche, 2020, p. 49). The CAMELS model's composite rating is ranked from 1 to 5, as shown in Table1.

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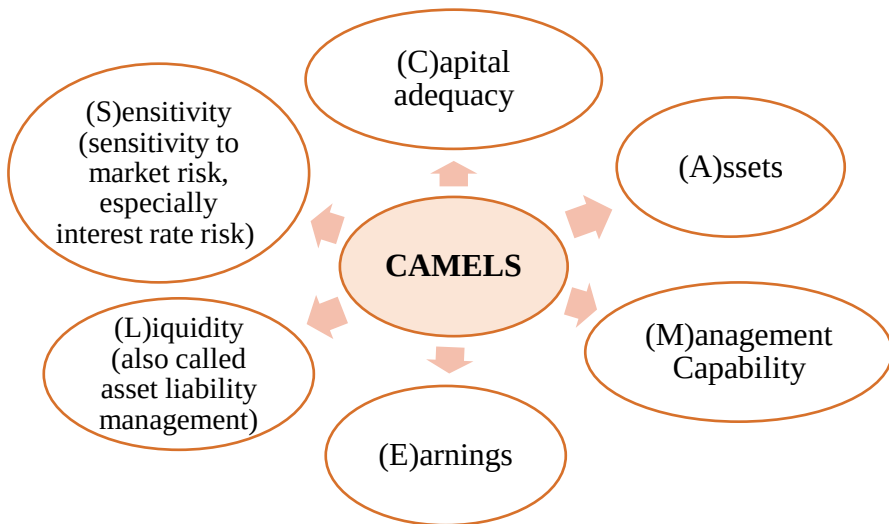
Table 1: CAMELS model's composite rating

Rate	Composite range	Category	Explanation
1	1.00-1.49	Strong	- Strong performance and risk management procedures signify safe and sound operations.
2	1.5-2.49	Satisfactory	- It demonstrates cautious and safe operations throughout effective risk management techniques and performance.
3	2.50-3.49	Fair	It indicates a "Medium Performance," which denotes dissatisfying practices and some flaws that make the performance seem weak but without big concern for failure.
4	3.50-4.49	Marginal	This is noticeably poor performance, and it necessitates quick attention from supervisors.
5	4.50-5.00	Unsatisfactory	It reflects a significant risk of failure, and it is not very easy for management to dominate. It is necessary to take quick action, such as mergers, acquisitions, payouts to shareholders, liquidations, etc.

Source: National Credit Union Administration. (2003). NCUA letter to credit unions. 1775 Duke Street, Alexandria, NCUA, USA.

CAMELS Parameters:

The CAMELS standards include six indicators, which are mainly represented in the subsequent components:



Source: Mohammad Kamrul Ihsan. Measuring Financial Performance Based on Camels: A study on selected ISLAMIC in Bangladesh•Asian Business Review • Vol.6 • 2016 • P.47

The CAMELS parameters standards are rated on a 1–5 scale.

3.4 Capital Adequacy:

It is a criterion of the bank's stability financially. This ratio assesses banks' capacity to fulfill their obligations over time and aggregate different risks, including credit, market, and operational risk. It thus represents the amount of capital utilized to sustain the riskier assets held by the banks. Although there is a positive correlation between this ratio and the bank's financial soundness, there is a negative correlation with a potential failure (Dincer & Gencer, 2011, p. 1532). Moreover, it is evaluated and rated as shown in Table 2.

Table 2:Capital Adequacy assessment under CAMELS

Component	ratio	weight	1	2	3	4	5
Capital Adequacy Ratio CAR	Total regulatory capital	20%	> 11%	8% - 11%	4% - 8%	1% - 4%	< 1%
(Basel ratio)	----- Risk-weighted assets						

Source: Tesfatsion Sahlu Desta. (2016). FINANCIAL PERFORMANCE OF “THE BEST AFRICAN BANKS”. Journal of Accounting and Management, vol: 6; no: 1, p.6.

3.5 Asset Quality:

The measurement of asset quality is an important parameter since it demonstrates the bank's profitability and covers the financial soundness of a bank. It involves the rating of potential investment risk factors for the bank, and a comparison of those factors to capital earnings is part of the process of assessing asset quality (Baidoo, Amankwah, & Tobazza, 2014, p. 4). The efficiency of bank's lending determinations and financial policies are reflected in its asset quality. The ratio of total loans to loan impairment charges will be used to gauge the quality of the assets (Boateng, 2019, p. 44). Moreover, it is evaluated and rated as shown in Table 3.

Table 3:Asset Quality assessment under CAMELS.

Component	ratio	weight	1	2	3	4	5
Asset Quality = Gross nonperforming financing ratio	Gross nonperforming financing Total financing	20%	< 1.5%	1.5% - 3.5%	3.5% - 7%	7% - 9.5%	> 9.5%

Source : Majithiya, R., & Pattani, A. (2010). Rating the performance of the bank through CAMELS model (Post Diploma thesis), Tolani Institute of Management Studies, India.

3.6 Management Quality

A bank's performance and effective management are reflected in the quality of its management (Ahsan, 2016, p. 47); it evaluates the effectiveness of companies in reducing and minimizing their charges and rising their profits to avoid the potential of bank failure (Karim & Alhabshi, 2018, p. 172). Moreover, it is evaluated and rated as shown in Table 4.

Table 4 :Management Quality assessment under CAMELS

Component	ratio	weight	1	2	3	4	5
Management Quality	Administrative expenses/total earnings *100	25%	≤ 25%	26% - 30 %	31% - 38%	39% - 45%	≥46%

Source : Sarwar, A., & Asif, S. (2011). Safety & soundness of financial sector of Pakistan: CAMEL rating application. Interdisciplinary Journal of Contemporary Research in Business, vol 3, p.626.

3.7 Earning

A crucial metric for assessing a bank's profitability is its earnings. The earning level assessment relationship with peers is used to investigate the impact of internally generated funds on the bank's capital (Ledhem & Mekidiche, 2020, p. 49). It is evaluated and rated as shown in Table 5.

Table 5:Earning assessment under CAMELS

Component	ratio	weight	1	2	3	4	5
Earning(ROA)	Net income /Total assets	15%	> 1.5%	1.25% -	1.01% -	0.75% -	
			1.25% -	1.5%	1.24%	1%	<0.75%
Earning(ROA)	Net income /Equity		≥22%	17% - 21.99 %	10% - 16.99%	7% - 9.99%	≤6.99%

Source : Nabilah Rozzani, Rashidah Abdul Rahman. Camels and Performance Evaluation of Banks in Malaysia: Conventional Versus Islamic, Journal of Islamic Finance and Business Research Vol. 2. No. 1. September 2013 Issue.p.40.

3.8 Liquidity

This parameter measures the banks' ability and efficiency to turn their assets into cash and settle their current obligations (Hazzi & AL Kilani, 2013, p. 136). It is evaluated and rated as shown in Table 6.

Table 6 : Liquidity assessment under CAMELS

Component	ratio	weight	1	2	3	4	5
Liquidity (1)	Advances / Deposits	10%	< 60%	60% - 65%	65% - 70%	70% - 80%	> 80%
Liquidity (2)	Circulating Assets / Total Assets		< 60%	60% - 65%	65% - 70%	70% - 80%	> 80%

Source: Babar, H.Z., & Zeb, G. (2011). CAMELS rating system for banking industry in Pakistan: Does CAMELS system provide similar rating as PACRA system in assessing the performance of banks in Pakistan? . Umea School of Business, Umea Universitet, Pakistan.p.53.

3.9 Sensitivity to market risk

Market changes and conditions exposed Banks are exposed to many risks, which affect their earnings and capital, such as interest rate, currency risk. This risk is measured using the Sensitivity to Market Risk Ratio, that indicates how resistant banks' assets, liabilities, and net worth are to variations in these conditions (Ledhem & Mekidiche, 2020, p. 49). The ratio is evaluated and rated as shown in Table 7.

Table 7 :Sensitivity market risk assessment under CAMELS

Component	ratio	weight	1	2	3	4	5
Sensitivity to market risk	Total securities / Total assets	10%	> 80%	71% - 80%	65% - 70%	60% - 64%	< 60%

Source: Omar Masood, Shahid Mohammad Khan Ghauri, Bora Aktan. (2016). Predicting Islamic bank's performance through CAMELS rating model. Banks and Bank systems, Vol 11, Issue 3, p .40.

4. Evaluating Al Rajhi Bank's performance in accordance with CAMELS standards

The largest bank in Saudi Arabia and the Middle East is Al Rajhi Bank, an Islamic bank that was founded in 1957 and has a capital market of SAR 801 billion. It has around 20,000 employees and SAR 40 billion (US\$ 10.66 billion) in paid-up capital. Along with Combining more than 60 years of cumulative experience in banking and trading, the different stand-alone companies operating under the Alrajhi brand were merged into the 1978-established "Al Rajhi Trading and Exchange Corporation." Al Rajhi Investment and Banking Corporation was the original name of the bank when it was established in 1988 as a Saudi joint stock company. In 2006, the firm changed its name to Al Rajhi Bank. Al Rajhi Bank has a strong presence in the Kingdom of Saudi Arabia thanks to its extensive network, which includes 159 remittance centers located throughout the country, more than 5,11 branches, 4,603 ATMs, and more than 585K points of sale with retailers. It also has the largest customer base of any bank in the Kingdom (bank, 2024).

We require the bank's most recent six years' worth of financial statements in order to evaluate and closely examine Al Rajhi Bank's performance using CAMELS.

4.1 Capital Adequacy

According to Al Rajhi Bank's financial statements, capital adequacy ratios during the period of our study were calculated according to Basel III.

Table 8:The ratio of capital adequacy for the years 2018/2023

Year parameter	2018	2019	2020	2021	2022	2023
Capital Adequacy (CAR)	18,98%	18,80%	17,99%	16,49%	21.41%	21.51%
Rating	1	1	1	1	1	1
Average percentage of capital adequacy	18.98% +18,80%+17,99%+16,49% +21.41%+21.51%/6=19.19%					
Total Rating	1					

Source: Written by the researchers using the Bank's yearly reports as a reference.

The preceding table displays the capital adequacy ratio. in Al Rajhi Bank is between 18, 98%, and 21.51% during the period of the study. Additionally, we observed that it dropped by an average of 2.31% from 18.80 in 2019 to 17.99% in 2020 and from 17.99% to 16,49% in 2021. During this period, the COVID-19 epidemic peaked. The bank faced coercion to increase the loan loss provisions by decreasing his capital, which affected his capital adequacy ratio. It kept decreasing until 2022 when the ratio had increased by 4.92%. We also observe that the capital adequacy ratio has been able to fulfill the requirements of the Basel III agreement must endure significant economic shocks and absorb possible losses, particularly during the COVID-19 pandemic outbreak. After assessing the capital sufficiency of Al Rajhi Bank, we conclude that its capital is sound based on the

CAMELS system's overall classification of the company for the 2019–2023 period within Class 1, which denotes strong profit performance and steady asset growth in addition to competent management expertise in pursuing business paths, such as banking, which results in the preservation and development of capital.

4.2 Asset quality

Table 9:The ratio of asset quality for the years 2018/2023

Source: Written by the researchers using the Bank's yearly

Year parameter	2018	2019	2020	2021	2022	2023
Asset quality (Gross nonperforming financing ratio)	0.95 %	0.90%	0.76%	0.65%	0.54%	1.23%
Rating	1	1	1	1	1	1
Average percentage of Asset Quality	$(0.95\%+0.90\%+0.76\%+0.65\%+0.54\%+1.23\%)/6 = 0,83\%$					
Total Rating	1					

reports as a reference.

A bank's management is primarily concerned with asset quality because it plays a crucial role in profitability. Banks that have a high percentage of non-performing assets typically have to have more considerable reserves. The table shows that Al Rajihi Bank maintained its 1 rating during the COVID-19 epidemic, even though the percentage of gross nonperforming loans fell by

0.25%. This grade reflects the goals and strengths of Al Rajihi Bank's credit risk department.

4.3 Management Quality

Table 10: The ratio of management quality for the years 2018/2023

Year parameter	2018	2019	2020	2021	2022	2023
Management Quality	18.70%	25.2%	26%	17.98%	15.85%	14.40%
Rate	1	2	2	1	1	1
Average Rate of Management Quality	$18.70\% + 25.2\% + 26\% + 17.98\% + 15.85\% + 14.40\% / 6 = 19.73\%$					
Total Rating	1					

Source: Written by the researchers using the Bank's yearly reports as a reference.

The table below shows that administrative expenses to profit witnessed a steady decline during the study period between 2019 and 2020, and this is due to the COVID-19 pandemic; even though its classification stayed accept table that the earnings of Al Rajihi Bank could face this charge even in the pandemic. We note also that this ratio decreased in 2021 by 8.02% compared to 2020, and in that period, the picks of COVID-19 still existed, and the precautionary measures were still in place. Still, the Al Rajihi Bank succeeded and decreased its operating expenses. In general, the overall classification of AL Rajihi in terms of quality of management was categorized as having first-rate, given that the ratio of administrative expenses to earnings is in a noticeable

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decline. This indicates that the bank management is capable of adapting to changes. The bank's financial standing is solid in every way, and even with the COVID-19 epidemic, it has very few defects.

4.4 Earning

Table 11: The ratio of return on asset and return on equity for the years 2018/2023

Year parameter	2018	2019	2020	2021	2022	2023
ROA	1.04 %	2.8%	2,60%	2,70%	2.46 %	2.12%
Rate	3	1	1	1	1	1
The average rate of ROA	$1.04\%+2.8\%+2,6\%+2,7\%+2.46\%+2.12\%/6=2.28\%$					
Rating	1					
ROE	7.01%	20.49%	19.94%	23.87%	22.68%	19.35%
Rate	4	2	2	1	1	2
Average rate of ROE	$7.01\%+20.49\%+19.94\%+23.87\%+22.68\%+19.35\%/6=18.89\%$					
Rating	2					

Source: Written by the researchers using the Bank's yearly reports as a reference.

From the table below, we observe:

➤ The Return on Average Assets (ROA) ratio Because the ratios recorded during the research years were more significant than 1.5%, even in 2020 and 2021, the bank was given a rating of

1, which emphasizes the fact that Al Rajihi Bank is able to use depositor funds to make profits.

➤ Al Rajihi's grade of 2 was based on rates that varied between 7.01% and 23.87% during the course of the study period. This suggests that the bank's fund investment efficiency may be lacking.

4.5 Liquidity

Table 12:The ratio of liquidity for the years 2018/2023

Year parameter	2018	2019	2020	2021	2022	2023
Liquidity (Advances / Deposits)	80.8 %	75%	79%	82.3%	85.9%	83%
Rate	5	4	4	5	5	5
The average liquidity ratio	$80.8\%+75\%+79\%+82.3\%+85.9\%+83\%/6 = 81\%$					
Rating	5					
Liquidity (Circulating Assets / Total Assets)	5,52%	6,47%	10,10%	10,23%	11,88%	5.17%
Rate	1	1	1	1	1	1
The average liquidity ratio	$5.52\%+6.47\%+10.10\%+10.23\%+11.88\%+5.17\%/6=8.22\%$					
Rating	1					

Source: Written by the researchers using the Bank's yearly reports as a reference.

As can be seen from the table below,

➤ The bank received a grade of 5 for advances to deposits, indicating that it is disbursing more advances than it is receiving. This can result in a liquidity shortfall or deficit.

➤ The bank receives a rate of 1 for the circulation assets to total assets ratio, indicating that Al Rajihi Bank has more liquid assets than deposits, as reported by the fund, central bank, and treasury.

4.5 Sensitivity to Market

Table 13:The ratio of Sensitivity to Market for the years 2018/2023

Source: Written by the researchers using the Bank's yearly reports as a reference.

Year	2018	2019	2020	2021	2022	2023
parameter						
Sensitivity to Market	11.83%	12.20%	12.86 %	13.54%	13.40%	16,62%
Rate	1	1	1	1	1	1
The average of Sensitivity to Market	= (11.83%+12.20%+12.86%+13.54%+13.40%+16,62%)/6					
	=13.41%					
Rating	1					

Sensitivity to market risk indicates how vulnerable bank assets are to the dangers of their marketable securities investments. Al Rajihi Islamic Bank reflected good results due to the volume and the caliber of its assets. Even during the COVID-19 pandemic.

Total Classification of Al Rajihi Bank

Table 14: Total Classification of Al Rajihi Islamic Bank

Element	Capital adequacy	Asset Quality	Management Quality	Earning	Liquidity	Sensitivity to Market
Average Rate	1	1	1	1.5	3	1
Total average rating	=1.41					

Source: The researcher's preparation was based on tables 08–12.

Total bank rating = 1.41

From the table above, we notice that The CAMELS evaluation system research gave al Rajihi Bank a rating of 1.41, indicating that the bank is in a strong position. This bank is also considered administratively efficient and steadfast in the face of competition and challenges; it maintains a high degree of performance even in times of crisis, as demonstrated by the COVID-19 pandemic's consequences on the economy. We also conclude that it has efficient risk management tools and practices that involve its financial soundness.

5 Results and discussion:

According to CAMELS standards Evaluating financial performance is a crucial means of ensuring the expansion and stability of banks, especially Islamic banks.

Because it tests their efficiency and effectiveness in developing strategies and achieving goals. Therefore, the administrative status of financial performance has emerged and attracted wide attention in banks as it uses many financial indicators to measure and reach the intended objectives. This study's objective was to evaluate AL Rajihi utilizing the CAMELS valuation system, where the following results were reached:

- CAMELS Standards is efficient in assessing banks in all aspects as well as detecting their strengths and weaknesses, where it stands out The Bank's strengths across several aspects;

- Al Rajihi Bank is financially efficient. This is because of the result of its performance evaluation using CAMELS standards, which indicates that it is in a strong position. It has achieved satisfactory results even during COVID-19. This is due to its capital, Quality, and the volume of its assets; it is earning well.

- Al Rajihi bank assets Rate 1, This means that the bank has a satisfactory classification according to the CAMELS banking valuation system, which ensures its soundness and continuity;

- Al Rajihi Bank's liquidity ranks four according to the ratio of Liquidity (Advances / Deposits) even before the covid -19, Additionally, it receives a rating of 1 based on the liquidity ratio (circulating assets divided by total assets), which enables it to strike a balance between recruitment and retaining liquidity.

6 Conclusion

The development of the financial sector is necessary for a nation's economy to rise. To achieve stability in the financial sector, it must prioritize the banking sector. Therefore, the sector that oversees banking operations is more effective and flexible, which lowers the chance of an economy's failure.

Thus, researchers have long been interested in evaluating a nation's economic status based on the performance of its banking sector. In order to maintain an adequate financial system based on CAMELS standards, regulators of the banking industry constantly keep an eye on the activities of the bank.

Our study uses Al Rajihi Bank as a sample to examine and evaluate the financial performance of Islamic banks before to and during COVID-19 using CAMELS standards for the years 2018–2023. We concluded that the CAMELS Rating system has a great capacity to assess the financial performance of Al Rajihi Bank in all its parameters. The findings also revealed that, even amidst the challenges of the COVID-19 pandemic, Al Rajihi Bank exhibited an efficient financial performance. This performance was attributed to the results of the CAMELS standards-based evaluation, which highlighted the bank's strong financial position and confirmed the validity of our hypothesis. Furthermore, the bank achieved satisfactory outcomes due to its solid capital base, high-quality asset portfolio, and consistent earnings.

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