

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF COMMERCE**  
**MASTER OF BANKING AND FINANCE PROGRAMME**

**ANALYSIS ON THE FINANCIAL PERFORMANCE OF**  
**MIZUHO BANK**

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**MIZUHO BANK**

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**This thesis is submitted to the Board of Examiners as partial fulfillment of the requirements for the degree of “Master of Banking and Finance”.**

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## ACCEPTANCE

Accepted by the Board of Examiners of MBF program, Yangon University of Economics, in partial fulfillment of the requirements for the degree of Master of Banking and Finance.

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## **ABSTRACT**

This study emphasizes on Mizuho Bank's Capital adequacy, Asset quality, Management Bank's earning, liquidity and financial performance. The objectives are to identify the financial situation of Mizuho Bank and to analyze the financial performance of Mizuho Bank. To complete this study, descriptive method is used. The secondary data are used to analyze the objectives from 2014 to 2018 of Mizuho Bank financial report. based on the previous study, financial information were attained from audited financial statements, annual reports, articles and published statement of disclosure of Mizuho Bank. Financial reports of Mizuho Bank have been gathered and analyzed to assess the quality of management and performance quality by using CAMEL model in order to meet with the purpose of this study. The finding of the study showed that Mizuho faced the hard situation in the term of Management efficiently, earning quality and liquisity especially in 2018. This is the temporary condition as this study is only refer to five years result until 2018. Additionally, the good result is still required to be pointed out that the capital adequacy and assets quality of Mizuho is maintaining in the good conditions. Therefore, the banks should efficiently made use of the information and technology for giving the better service to the customers and to face the threats, pressures and competation of the foreign banks. The grivances of the customers should be solved as early as possible.

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# CHAPTER I

## INTRODUCTION

The economic development of a country depends more on real issues such as the industrial development and growth, transformation of the agriculture, enlargement of internal trade and foreign trade. The role and important of banking sector and the monetary mechanism cannot be under-estimated in the development of a nation. Hereafter, banks and financial institution show significant and crucial role by contributing in economic planning such as lying down of specific goals and assigning particular amount of money that establish the economic policy of the government.

The banking sector inhabits a very significant place in the country's economy, acting as an intermediary to all industries, ranging from agriculture, construction, textile, manufacturing, and so on. The banking sector contributes directly to national income and its overall growth. As the banking sector has a main impact on the economy as a whole, evaluation, analysis, and monitoring of its performance is very vital. Many methods are employed to examine banking performance.

Bank is very ancient institution that is contributing toward the expansion of any economy and it's treated as a significant service industry in recent world. Now, the role of bank is not limited to within the same geographical limit of any country. It is an vital source of financing for most businesses (Nimalathan, 2008). Also, bank is a financial institution that need fund to carry out business. Fund may come from deposit and non-deposit such as capital (Al Mamun, 2013). Bank need to discover best way to manage resources and assess its activities and decisions of consumption of resources. Simply stated much of the current bank performance literature designates the objective of financial organizations as that of earning acceptable returns and lessening the risks taken to earn this return (Hempel et al., 1996).

The commercial banks denote the largest group of depository institution measured by asset size. Banks make functions similar to those of savings institutions and credit union they receive deposits and make loans. Commercial banks are unique from savings institutions and credit unions, however, in the size and composition of their loans and deposits. Specifically, while deposits are the main source of funding commercial bank liabilities usually include several types of non-deposit sources of funds. Furthermore, there are loans and broader in range including consumer,

commercial, international and real estate loans. The banking industry, the structure and composition of assets and liabilities also vary significant for banks do different assets sizes.

Commonly, financial performance of banks and other financial institution measured by using combination of financial ratio analysis., benchmarking, measuring performance against budget or mix of these methodologies (Avkiran, 1995). In simple accounting terms, performance to banks states to the capacity in generating sustainable profitability (Rozanni & A. Rahman, 2013). Banks need a way to evaluate performance and consider some important financial ratios and find the strengths and weaknesses.

### **1.1 Rationale of the Study**

Banking sector perform a significant role in the development of a country, that's why the financial advisors of the country place a high importance on the growth of the banking sector. Efficient banking system gives track to the basic policies regarding micro and macro level stability and instability.

As the economy converts wealthier and more complex, the need for new and different kinds of banking services increased. The banking system covers the instruments, institutions, market and rules governing the conduct of trade that expedite the routing of funds from buyers to sellers and savers to lenders.

The banking system is fascinating and important in its own right. But equally important is the unique relationship of the financial sector to the rest of the economy. Smooth operation of the banking system will progress the performance of the real sector, and smooth operation of the real sector will improve the performance of financial sector. Contrarywise, difficulties in either sector will be transmitted to the other and impede its performance.

Assessment of financial performance of the banking sector is an effective measure and indicator to check the soundness of economics activities of an economy. The banking sector's performance is supposed as the replica of economic activities of the economy. The stage of development of the banking industrial is a good echo of the development of the economy.

Banking services are bounded with condition of uncertainly, risks and henceforth, customers trust and confidence are of great importance for banks to survive and be successful in banking sector. Therefore, it is essential for commercial

banks to create a trusted long-term relationship with customers for successful businesses and becoming well recognized name in the industry.

## **1.2 Objectives of the Study**

The main objectives of this study are

1. To identify the financial situation of Mizuho Bank
2. To analyze the financial performance of Mizuho Bank

## **1.3 Scope and Method of the Study**

For data collection secondary data was used. The relevant data has been collected from the annual report of Mizuho Bank. The additional information was retrieved from previous research paper, publication sources, reports, internal source, textbook, lecture notes and various journal. The study covers a period of three financial years i.e. from 2014 to 2018. To look at the financial soundness of Mizuho Bank, internationally accepted CAMEL Model have been applied. CAMEL is an acronym for five parameters (Capital adequacy, asserts quality, management soundness, earnings and liquidity). CAMEL rating is a subjective model which assesses financial strength of a bank. Ratios and average have been used for analysis. Average are calculated using Microsoft Excel.

## **1.4 Organization of the Study**

This study is composed of five chapters, Chapter I starts with the introduction about the concept of the CAMEL model along with the rationale of the study, the objectives of the study, the scope and method of the study and organization of the study. Chapter II include theoretical background of the study. Chapter III study the profile of Mizuho Financial group especially on Mizuho Bank. Chapter IV dedicate to the analysis on the performance of Mizuho Bank via CAMEL model and Chapter V conclude the study with findings, suggestions and recommendations.

## **CHAPTER II**

### **THEORETICAL BACKGROUND OF THE STUDY**

This chapter describes the theory of CAMEL Modal, fundamental of CAMEL rating system, previous research study and CAMEL Framework.

#### **2.1 Theory of CAMEL Model**

In 1988, the Basel Committee on Banking Supervision of the Bank of International Settlements (BIS) proposed the CAMELS framework for assessing financial institutions (Dash & Das, 2009). CAMELS rating system is an international bank rating system where bank supervisory authorities rate institutions according to six factors (Datta, 2012) for financial institution's operations: Capital adequacy, Asset quality, Management soundness, Earnings and profitability, and Liquidity and Sensitivity.

In 1997, it included the sixth component, Sensitivity to market risk, to form the CAMELS framework (Dash & Das, 2009, Gungel, 2005). Actually, CAMELS rating is a common phenomenon for all banking system all over the world. It is used in all over the country in the world. It is frequently used to quantify a ranking position of a bank on the basis of few criteria (Datta,2012). Bank's performance or rather solvency or insolvency has been given much attention both at the local and global level. Financial ratios are often used to measure the general financial trustworthiness of a bank and the quality of its management (Wirnkar & Tanko, 2008).

Traditional method of applying financial ratios to estimate bank's state of performance has been long practiced, with practitioners using CAMELS rating to measure their banks' performance. CAMELS bank rating is widely used by bank's management to evaluate financial health and performance (Rozanni & A. Rahman, 2013).

Supervisory regulations increase transparency and responsibility in the operations of the banks thereby compelling to pay greater consideration to the quality of lending. In addition, these regulations obey to the international accounting standards. Henceforth, adherence to these guidelines would improve the sustainability of banks and make them competitive (Soni, 2012). In order to be proportional and try a good model for benchmarking, choosing a suitable system to compute some ratios

and analysis for supervisory and auditor unit can be beneficial and effective. The comparative financial performance of banking sector conducted by using CAMELS rating system (Nimalathan, 2008)

The Uniform Financial Institutions Rating System (UFIRS) was formed in 1979 by the bank regulatory agencies (Datta, 2012). In 1988, the Basel Committee on Banking Supervision of the Bank of International Settlements (BIS) projected the CAMELS framework for assessing financial institutions (Dash & Das, 2009). CAMELS rating system is an international bank rating system where bank supervisory authorities rate institutions according to six factors (Datta, 2012) for financial institution's operations: Capital adequacy, Asset quality, Management soundness, Earnings and profitability, and Liquidity and Sensitivity. In 1997, it included the sixth component, Sensitivity to market risk, to form the CAMELS framework (Dash & Das, 2009, Gungel, 2005)

By concentrating on the top line and bottom line, banks across the board have enhanced profit while dropping operational costs and a greater number of banks has improved financial performance by using the concept of mergers and acquisitions. CAMEL rating is used by most banks across the world as a performance evaluation technique (Raiyani, 2010). To appraise banks' overall financial condition, CAMELS supervisory rating system is created and introduced first in USA for on-site monitoring. Now, it is used both on-site and off-site monitoring purposes (Kaya, 2001). Normally, the financial performance of banks and other financial institutions has been measured using a grouping of financial ratios analysis, benchmarking, measuring performance in contradiction of budget or a mix of these methodologies (Avkiran, 1995).

The financial performance of banks, both public and private, has been scrutinized by academicians, scholars and administrators using CAMEL approach in the last decade. A summary of some of the studies designated that Kwan and Eisenbeis (1997) observed that Asset Quality is commonly used as a risk indicator for financial institutions, which also regulates the reliability of capital ratios. Authors study indicated that financial capitalization affects the operation of financial institution. More the capital, higher is the efficiency. Prasuna (2003) analyzed the performance of 65 Indian banks for the year 2003-04 using CAMEL approach and found that better service quality, innovative products and better bargains were advantageous because of the prevailing tough competition.

Sarker (2005) inspected the CAMEL model for regulation and supervision of Islamic banks by the central bank in Bangladesh. The study permitted the regulators to get a Shariah benchmark to oversee and inspect Islamic banks and financial institutions from an Islamic perspective. Chaudhury and Singh (2012) analyzed the impact of the financial reforms on the soundness of Indian Banking through its impact on the asset quality. The study recognized the key players as risk management, NPA levels, effective cost management and financial inclusion. Gupta (2013) evaluated the performance of all 26 public sector banks in India using CAMEL approach for a five year period from 2009 to 2013 and concluded that there is a significant variance in performance of all the public sector banks assessed by CAMEL model.

Analysis of CAMELS (Capital, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) is great for the measurement of the comparative financial statements for the past, present, and future of business activity. CAMELS analysis is habitually made by ALCO (Asset Liability Committee) in the reporting ALM (Asset Liability Management) to control the position of the bank ALM. There are several researches select the financial distress analysis between the CAMELS or CAMEL because it is the addition of variable S, namely sensitivity to market risk measuring the sensitivity interest rate. Hays et al (2009) said that the indicator S stands for sensitivity to market to evaluate interest rate risk or other factors in the market.

According to Betz et al (2013), CAMEL rating firstly announced in 1979 by US regulators that the assessment system of Capital adequacy, Asset quality, Management quality, Earnings, Liquidity. Then in 1996, the addition of measurement rating system, the sensitivity to market risk into CAMEL become CAMELS analysis. Betz et al (2013) said CAMELS analysis is an internal measurement tool to assess and detect the health of financial institutions in bad performance. Hays et al (2009) said CAMELS analysis is the utmost common and easily friendly in the analysis risk of commercial banking. Jan and Marimuthu (2015) said there is less information about sustainability Islamic Bank to bankruptcy. But Jan and Marimuthu (2015) said the Altman Z-score model is the most appropriate model to appraise the decreasing economic in the Islamic banking industry. But in this research did not measure the sensitivity to market risk because this research needs to emphasis more on CAMEL rating which is connected to an internal valuation with banking management strategy

decisions on profitability. Jarmila et al., (2011) said the simple measurements between profitability and investment using return on investment measurement.

Jarmila et al., (2011) said the return on investment is very important especially in maintaining firm growth by the calculation of short- term budgets and medium-term plans firm. Kabajeh et al., (2012) measured the profitability by using return on assets (ROA), return on equity (ROE) and return on investment (ROI) to measure the company's efficiency using the capital company that presented the strong and positive impact on the share price. Jarmila et al., (2011) said about some advantage of ROI measurement that as a part of planning, making the decision, evaluating the investment prospects, managing the performance by operation and concerning the changing market based on profitability and cost. The supposition of this research is the CAMEL analysis has effect instantaneously and partly on the profitability banking performance.

## **2.2 Fundamentals of CAMEL Rating System**

In this study, five categories of ratios according to CAMEL system are applied and are summarized in relative model of that category to define CAMELS system in any group of ratios. Those categories as Gunsel, N., (2005) & Nimalathan, B., (2008) & Peterson, (2006) and Sarker (2005) pointed, are:

### **a) Capital Adequacy**

The first variable group is the indicators of capital and relevant indicators those present capital, the ratio of capital to assets and display organization strengths. Capital Adequacy designates whether the bank has sufficient capital to engage unanticipated losses. It is mandatory to maintain depositors' confidence and preventing the bank from going bankrupt (Reddy, 2012). "Meeting statutory minimum capital requirement is the crucial factor in deciding the capital adequacy and maintaining an adequate level of capital is a critical element" (The United States Uniform Financial Institutions Rating System 1997) it shows the ability of the firm that liability could be advantaged.

If there is any loss of loans it will be a great jeopardy for banks to encounter the demand of their depositors. Subsequently, to avert the bank from failure, it is obligatory to continue a significant level of capital adequacy (Chen, 2003). It gives the indication of overall financial position of the banks and also the ability of the

management to encounter the need for additional capital and also to maintain depositor's confidence and averting the bank from going bankrupt. According to Kiran 2018, Capital adequacy can be calculated with four kinds of ratio.

Capital adequacy ratio is the calculation of Tier 1 Capital plus Tier 2 Capital is divided by risk weighted assets of a bank can be measured of the amount of a bank's core capital expressed as a percentage of risk weighted assets.

Advance to asset ratio is calculated total Advances is divided by total assets. Aggressiveness of a bank in lending, thus resulting in better profitability. The higher the ratio, the better.

Debt equity ratio is calculated outside liabilities is divided by net worth. Higher ratio indicates less protection for the creditors and depositors in the banking system.

Government securities to total investment is calculated government securities is divided by total investment. The higher the Government securities to investment ratio, the lower the risk involved in bank's investments.

#### **b) Asset Quality Ratios**

Asset quality ratios are one of the main risks that banks encounter. As loans have the maximum default risk, an growing number of non-performing loans shows a deterioration of asset quality. The quality of assets is an significant parameter to check the degree of financial strength. The primary objective to measure the assets quality is to control the composition of non-performing assets (NPAs) as a percentage of the total assets. Asset quality measures the soundness of financial institutions against loss of value in the assets. Assets impairment critically affects the solvency of the financial institutions. The level and severity of non-performing assets, adequacy of provisions, distribution of assets effect the asset quality.

According to Kiran (2018), three kinds of ratios can be measured the asset quality of a bank. Net non performing assets to net advances is the measure of lower ratio as a sign of credit efficiency of bank. Total Investment to total assets is the measurement of the profitability of banks. The higher ratio adversely affects the profitability of banks. Net non performing assets to total assets is the measurement of the position of net non performing assets to the total assets. The lower result indicates the less risk performance of a bank.

**c) Management Efficiency Ratios**

As management is a qualitative matter, such as the ability for risk taking, it is usually difficult to measure the quality of management. The management quality of a bank can be accessed by some important ratios those are used in CAMEL model. Management efficiency is another dynamic component of the CAMEL model that guarantees the survival and growth of a bank. While the other factors of CAMEL model can be quantified easily from current financial statements, management quality is a somewhat indescribable and subjective measure, yet one that is crucial for institutional success.

The banking sector reforms strengthen the need to advance productivity of the banks through appropriate measures which aim at dropping the operating cost and improving the profitability of the banks. The management efficiency suggests the ability of banks top management to take right decisions. It authorizes the evaluation of better management quality and discounting poorly managed ones and helps a bank to achieve sustainable growth. It sets vision and goals for the business and checks out that it achieves them. The ratios in this element encompass subjective analysis to govern the efficiency and effectiveness of management.

According to Kiren 2018, management quality can be measured with four types of calculations. Total advances to total deposits indicates the ability of the bank to convert deposits into high earning advances. The higher ratio shows the better profitability generate through total advance to deposits. Business per employee is the Efficiency of the employees to generate business (total advances and total deposits). Profit per Employee is the Efficiency of the employees to generate profit for the bank.

**d) Earning Quality Ratios**

The quality of earnings is crucial criterion that regulates the ability of a bank to earn consistently. Basically, it governs the profitability of bank and explains its sustainability and growth in earnings in future context. Banks depend on strong earning capability to achieve the activities such as funding dividends, maintaining adequate capital levels, providing for investment chances to for bank for growth strategies for engaging in new activities and maintaining the competitive outlook.

The sustainability in income and growth of future earnings specifies the quality of earnings. Interest rate policies and sufficiency of provisioning help to assess the earnings and profitability. Four type of ratios can be calculated in order to

comprehend earning quality of a bank. Higher ratio is better for earning quality. Interest income to total income ratio represents the share of interest income in total income. Operating profits to total assets indicates operating income of the bank invested in total assets. Net interest margin to total assets describes excess of interest earned over interest expended relative to total assets. Return on assets denotes the efficiency with which bank uses its assets to generate net income.

**e) Liquidity Ratios**

Liquidity risk measures an institution's ability to meet unexpected funds that are demanded by depositors. Liquidity ratios are projected to be both positively and negatively related to the likelihood of failure those are set in model. Liquidity has a noteworthy impact on financial soundness, and it evaluates the operational performance of a bank. It signposts the capacity of a bank to pay its short-term debts and face unexpected withdrawals of depositors.

Liquidity displays the ability of an organization to convert its assets into cash without any loss. Liquidity of the banks assures the depositors that they can access to their funds whenever need arise and shows the stability and longevity of banks. While too much liquidity has a negative impact on profitability, too little liquidity increases the risk of insolvency. Liquidity is the capability of banks to meet its financial obligations. Too low liquidity hampers the capacity of banks to meet its current financial liabilities.

On other hand, too high liquidity directs that banks are not making the proper use of their cash and hence blocking the way of profitability. Thus a proper equilibrium is necessary in liquidity to balance high profit as well as liquidity. There are four kinds of ratios which can evaluate the liquidity of a bank. Liquid assets to total assets, Liquid assets to demand deposits, Liquid assets to total deposits and Approved securities to total assets can be calculated to evaluate the liquidity ratio of a bank. Higher ratio is better for liquidity.

**2.3 Previous Research Study**

There are many research papers of CAMEL Analysis on financial soundness of bank's performance and management quality. Among them, there are three research paper are extracted for this study.

Kumar and Malhotra (2013) studied the performance evaluation of the banking sector in Indian. In that Study, CAMEL model has been applied to examine the financial strength of the selected banks in terms of Capital Adequacy, Assets Quality, Managerial Efficiency, Earning Capabilities and liquidity. The finding is that Axis bank is at the top position as assessed by the CAMEL Model compared to other banks under the study. Axis bank has strong performance in case of Assets Quality, Management efficiency and Earnings ability while it is lag behind in case of capital adequacy. On the other side, IndusInd bank at the lowest position compared to other banks under the study due to its poor performance in the context of Capital Adequacy, Earnings Ability and Liquidity whereas it perform better in case of capital adequacy.

Chaudhuri (2018) studied a comparative analysis of SBI and ICICI: CAMEL Approach in India. In that study, in order to examine the financial soundness of two selected private and public banks in India in case of Capital Adequacy, Assets Quality, Management Quality, Earning and Liquidity. The finding is that State bank of India and ICICI Bank are the two largest banks in India in public and private sectors respectively. To compare the financial performance of the banks, various ratios have been used to measure the bank's profitable, solvency position and management efficiency. According to the analysis, both banks are maintaining the required standards and running profitably.

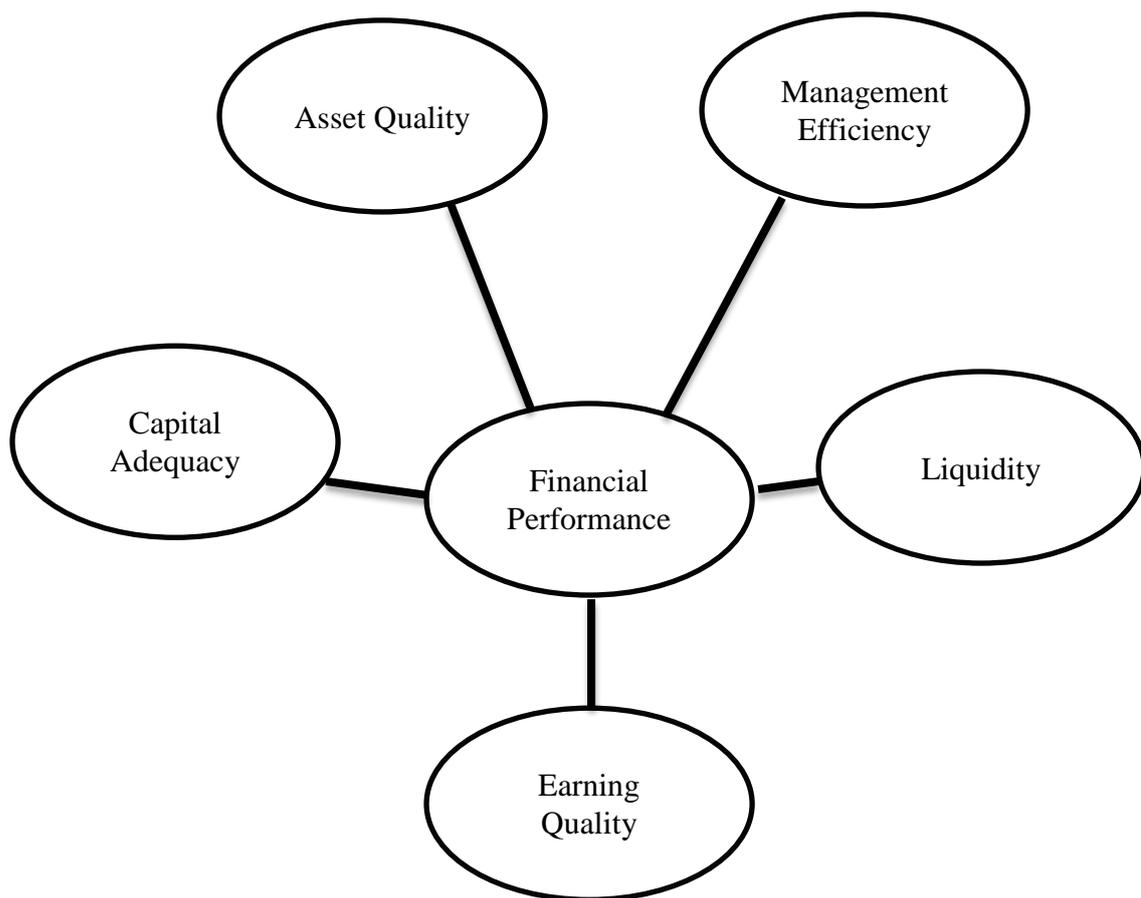
Kiran (2018) studied a CAMEL Model analysis of selected public and private sector banks in India. In that study, internationally accepted CAMEL rating parameters have been used. The finding is that on the basis of liquidity, public sector banks have described better performance as compared to private sector banks. Amongst public sector banks, only SBI has shown consistent performance on all the parameters and has fitted itself among top five banks on the yardstick of CAMEL Model. All the other public sector banks have to work to improve five parameters.

#### **2.4 CAMEL Framework**

In the 1980s, CAMEL rating system was first introduced by U.S. supervisory authorities as a system of rating for on-site examination of banking institutions. This rating ensures a bank's healthy conditions by reviewing different aspects of a bank based on variety of information sources such as financial statement, funding sources,

macro-economic data, budget and cash flow. In fact, CAMEL is an acronym for five components of bank safety and soundness:

- C - Capital Adequacy,
- A - Asset Quality,
- M - Management Efficiency,
- E – Earnings Ability,
- L – Liquidity position.



Source: Adapted from Mr. Melaku Alemu and Mr. Melaku Aweke (2017)

## **CHAPTER III**

### **PROFILE OF MIZUHO BANK**

This Chapter consists of discussion the general situation of and profile Mizuho financial group. It also includes the background of Mizuho financial group, the role of the bank, the financial services provided by Mizuho financial group and corporate vision, value and the organization structure of Mizuho Bank.

#### **3.1 Background of Mizuho Bank**

As a full service financial institution, Mizuho delivers five core services—banking, securities, trust, asset management, and research & consulting in an integrated manner to make superior value for customers. In Japanese, Mizuho means “a fresh harvest of rice”, and the name expresses Mizuho’s ongoing commitment to offer extremely treasured financial products and services to all of our customers, all over the world.

Mizuho Bank Ltd is the combined retail and corporate banking unit of Mizuho Financial Group one of the largest financial services companies in Japan, with total assets of approximately \$1.8 trillion in 2017. Mizuho is one of the three so-called Japanese "megabanks" (along with Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group). Mizuho Bank provides financial products and services to a wide range of clients, including individuals, small and medium-sized enterprises, large corporations, financial institutions and public sector entities. Its headquarters office building is situated in the Otemachi district of Chiyoda, Tokyo. Mizuho Bank has over 505 branches and offices in Japan and in 38 other countries, and is the only bank to have branches in every territory in Japan.

Mizuho traces its roots to three of Japan’s oldest banks—Dai-Ichi Bank (Dai-Ichi Kangyo Bank), Yasuda Bank (Fuji Bank), and the Industrial Bank of Japan. Beginning as far back as 1873, these financial institutions facilitated build and rebuild Japan during the early modern and post-WW2 eras, and laid the fundamentals for Japan’s financial leadership in the 21st century. Mizuho also inherit the spirit of the leaders of these banks—three key Japanese bankers who played a essential role in the development of the Japanese financial industry: Eiichi Shibusawa, Zenjiro Yasuda, and Sohei Nakayama. These men encouraged a pioneering and socially accountable

approach to financial services that endures to make Mizuho one of the world's top financial institutions today.

In 2002, Dai-Ichi Kangyo Bank, Fuji Bank, and the Industrial Bank of Japan merged to form the Mizuho Financial Group. Since then, Mizuho has advanced an extensive network in Asia and the rest of the world through a consistent commitment to our values: customer-first, innovative spirit, team spirit, speed, and passion.

### **3.2 Visions, Values and the Brand Strategy of Mizuho Bank**

As a global well-regulated financial group, Mizuho has clearly set corporate visions, values and brand strategy.

#### **1) Vision of Mizuho**

The core vision of Mizuho says "The most trusted financial services group with a global presence and a broad customer base, contributing to the prosperity of the world, Asia, and Japan". Mizuho also clarify the vision in three phrases as below:

##### **1. The most trusted financial services group**

To be customer's most trusted partner with innovative thinking and the extensive financial experience and expertise accumulated from relationships with wide-ranging customers.

##### **2. The best financial services provider**

To continuously provide the best leading-edge financial services to each of customers, the related economies and societies Mizuho serve, by anticipating changes on both the global and local stages.

##### **3. The most cohesive financial services group**

To maximize our extensive expertise and collective capabilities as experienced financial services professionals in order to meet the diversified and changing needs of our customers, economies and societies.

#### **2) Values of Mizuho**

The shared values and principles of Mizuho's people, uniting all executives and employees together to pursue "Vision".

##### **1. Customer First: The most trusted partner lighting the future**

We are proud to be our customers' most trusted partner lighting the future. We put our customers first and place their interests at the core of our business. We bring

together our group-wide expertise and provide the best financial products and services to them with honesty and integrity. We thereby earn our customers' trust, which is fundamental to Mizuho, and contribute with our customers to the prosperity of economies and societies.

#### 2. Innovative Spirit: Progressive and flexible thinking

We consistently adopt a progressive and forward thinking approach, identifying new trends in the movements on the world stage with wider vision. We value, encourage, and implement innovative ideas in a flexible way of thinking to respond effectively to customer needs and changes in both local and global economies and societies.

#### 3. Team Spirit: Diversity and collective strength

We always keep an open mind, embrace diversity in all its forms, and foster a strong team spirit to maximize our collective strength as experienced financial service professionals.

#### 4. Speed: Acuity and promptness

We strive to provide our customers with the best products and services with a focus on promptness and accuracy. We are acutely sensitive to our customers' needs and respond quickly.

#### 5. Passion: Communication and challenge for the future

We are passionate about overcoming any challenges to open the way to a bright future of our customers, society and ourselves. We bring fruitfulness to them by acting as our customers' most trusted partner and fulfilling our social responsibilities. Mizuho provides them with lasting value. It is what makes us invaluable.

### 3) **Mizuho's Brand Strategy**

Mizuho has adopted a new brand slogan, "One Mizuho: Building the future with you," to indicate our commitment to become "The most trusted financial services group with a global presence and a broad customer base, contributing to the prosperity of the world, Asia, and Japan."

All Mizuho employees are committed to realizing the ideas embodied in our brand slogan, and together we pledge to all of our stakeholders to help Mizuho achieve its vision for the future.

### **3.3 Business Products of Mizuho Bank**

Mizuho provides variety of services to the customer such as deposit, lending, buying and selling of securities, securities investment, Domestic exchange settlement, Foreign exchange transaction services, Corporate bond trustee and register services, Corporate bond trustee and register services and Auxiliary businesses.

#### **1) Deposits**

It contains current deposits, ordinary deposits, deposits at notice, time deposits, specified deposits, deposits for tax, nonresident deposits in yen, foreign currency deposits, negotiable deposits and negotiable time deposits.

#### **2) Lending**

It contains loans, loans by bill, loans on deed, and overdrafts, discounts for bills, discounts for bank acceptances, commercial papers and documentary bills.

#### **3) Buying and selling of securities**

It contains buying and selling of public bonds, such as government bonds.

#### **4) Securities investment**

It contains investment in government bonds, local government bonds, corporate bonds, stocks and other securities for deposit payout reserve and fund management purposes.

#### **5) Domestic exchange settlement**

It contains exchange for remittance, credit to current accounts, money collection services.

#### **6) Foreign exchange transaction services**

It contains various foreign exchange services relating to international transactions, such as imports, exports and foreign remittance.

**7) Corporate bond trustee and register services**

It contains corporate bond trustee services, corporate bond management trustee services, agency services for public bond subscriptions, register of public bonds, etc., in accordance with the Secured Debenture Trust Law

**8) Auxiliary businesses**

It contains agency services, agent for the Bank of Japan, a national revenue and bond agent, a designated financial institution for local governments, receiving agent for payment for shares, and a paying agent for stock dividends and public bond principals and interests, agency loan provision on behalf of public sector financial institutions, agent for the Organization worker's Retirement Allowance Mutual Aid, etc., safekeeping and safe deposit services, securities lending, dept guarantee (acceptances and guarantees) Buying and selling of gold, public bond underwriting, sale of public bonds, such as government bonds, and securities investment trusts, handling of commercial papers, interest rate derivatives, currency derivatives and other derivatives, sale of insurance policies, lottery services, trust agent services, consulting services, financial Instruments, introducing Brokerage Business, defined Contribution Pension Administrative Service.

**3.4 Services Provided by Mizuho Bank**

Mizuho provide financial solutions to the customer by providing the services as below:

1) Financing

Financing includes corporate finance, syndicated finance and structured finance such as leverage finance, project finance, export credit agency finance, structured trade finance, real estate finance, securitization, ship finance.

2) Transaction Banking

In transaction banking, the wide range of products are offered such as trade finance for import and export, cash management, Mizuho global e-sett, treasury services, yen clearing services and custody services.

Trade finance includes export L/C confirmation, export L/C forfeiting, export invoice discount finance, Export D/A forfeiting, Silent payment guarantee for

export, import supply chain finance, export credit agency for finance, import structured trade finance, trade portal service.

Cash Management includes Mizuho global e-banking, Mizuho European open banking, Mizuho SWIFT connectivity services for corporate, global host to host service, Mizuho global finance manager web, actual pooling, multi-cash concentration service.

Treasury services includes foreign exchange and derivatives & risk advisory.

a. Institutional service

Institutional service also includes treasury service, yen clearing service and custody service.

b. Advisory service

Advisory service is mainly focused on advising the solution of the financial and business strategies, and advise on region- and sector-specific solutions.

## **CHAPTER IV**

### **PERFORMANCE EVALUATION OF MIZUHO BANK**

This chapter includes research design and source of data, selected financial ratio analysis and data presentation. Computing quality of Capital in Mizuho Bank, computing quality of asset in Mizuho Bank, computing quality of management in Mizuho Bank, computing quality of earnings in Mizuho Bank and computing quality of liquidity in Mizuho Bank.

#### **4.1 Research Design**

The purpose of the study is to explore the performance of Mizuho Bank by applying CAMEL Model. And this paper attempts to detect the financial soundness so as to fulfill the objectives of the study. Descriptive method will be applied. Fundamentally, this study is based on secondary data. To gather data which is used in the previous study, financial Information were composed from annual reports of Mizuho Bank, audited financial statements and articles.

#### **4.2 CAMEL Analysis**

Based on the secondary data of financial statement and the PL of Mizuho bank, the five years data is analysed to measured the financial performance of Mizuho bank by using CAMEL ratio model.

##### **a) Capital Adequacy Ratios Analysis**

Capital adequacy ratios analysis of Mizuho bank from fiscal year 2014 to 2018 is shown in table (4.1).

**Table (4.1) Capital Adequacy Ratios Analysis**

<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Capital adequacy ratio	0.1548	0.1530	0.1546	0.1620	0.1852
Advance to assets ratio	0.4970	0.4856	0.4851	0.4766	0.4626
Debt equity ratio	23.7381	24.7585	23.7422	24.0978	23.3571
Government securities to total investment	0.3266	0.2978	0.2783	0.2567	0.2708

Source : Survey Data, 2019

As a result of table (4.1) displays the measurement of capital adequacy of Mizuho by using four kinds of ratio. Capital adequacy ratio is premeditated by Tier 1 Capital plus Tier 2 Capital is divided by Risk weighted Assets. A measure of the amount of a bank's core capital articulated as a percentage of its risk weighted Assets. As higher the ratio better it is, Mizuho bank's CAR is cumulative year over year. Advance to assets ratio is calculated total advances is divided by total assets. Aggressiveness of a bank in lending, thus resulting in better profitability. Higher the ratio better it is, however, the result displays the decreasing ratio year over year. Debt equity ratio is calculated outside liabilities divided by net worth. Because the higher ratio designates less protection for the creditors and depositors in the banking system, the result for five years have been maintained below. Government securities to total investment is calculated government securities is divided by total investment. The higher the Government securities to investment ratio, the lower the risk involved in bank's investments. However, it is gradually declined from 2014 to 2017 and it is slightly increased in 2018 again.

**b) Asset Quality Ratios Analysis**

Asset quality ratios analysis of Mizuho bank from fiscal year 2014 to 2018 is shown in table (4.2).

**Table (4.2) Asset Quality Ratios Analysis**

<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Net NPAs to Net advances	(0.0069)	(0.0056)	(0.0049)	(0.0057)	(0.0034)
Total Investment to total assets	0.8702	0.8595	0.8454	0.7514	0.7466
Net NPAs to total assets	0.0034	0.0027	0.0024	0.0027	0.0016

Source : Survey Data, 2019

As a result of table (4.2), the asset quality is measured by three main indicators with net NPAs to net advances, total Investment to total assets, net NPAs to total assets. Net NPAs to Net advances ratio is a measure of the efficiency of credit risk management system of the bank. the ratio of Net NPAs to Net Advances is a measure of quality of assets of the bank. As the lower the Net NPA level, the better the quality of the asset of the bank is, the result in 2018 is not sound data for the better quality compared to the result in 2014 to 2017. Total Investments to total assets ratio is to measure the total amount of investment made over in the total assets. As the higher ratio adversely affects the profitability of banks, the result shows the investment to total asset decreased in the period of five years. Net NPAs to total assets is the indicators to point out that the lower the ratio, the better the performance of the bank is. The finding displays that the Net NPAs to total assets is lessened in the five years.

**c) Management Efficiency Ratios Analysis**

Management efficiency ratios analysis of Mizuho Bank from fiscal year 2014 to 2018 is shown in table (4.3).

**Table (4.3) Management Efficiency Ratios Analysis**

<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total advances to total deposits	0.8572	0.8365	0.7801	0.7168	0.6876
Business per Employee	2,434.1369	2,582.0368	2,579.5645	2,549.6963	2,505.4347
Profit per Employee	13.9661	16.1781	11.3054	14.8145	(4.7670)
Return on Equity	0.0765	0.0864	0.0578	0.0750	(0.0232)

Source : Survey Data, 2019

As a result of table (4.3), total advances to total deposits is the calculation of loan to deposit ratio. This indicates the ability of the bank to convert deposits into high earning advances. The higher ratio shows the better condition to maintain the higher earning condition. The average business could be an indicator of employees' productivity. A higher value of this ratio indicates better productivity per employee of a bank. Profit per employee measures the average profit generated by each employee of the bank. Although higher value of this ratio indicates better productivity per employee of a bank, the minus result in 2018 shows the less efficiency of the employee. Return on equity is the amount earned by the shareholders equity for their investments in banks. It is a measure of the profitability of the bank. In 2018, the return on equity shows the negative result shows the loss on the year 2018.

**d) Earning Quality Ratios Analysis**

Earning quality ratios analysis of Mizuho bank form fiscal year 2014 to 2018 is shown in table (4.4).

**Table (4.4) Earning Quality Ratios Analysis**

<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Interest income to total income	2.2092	1.6932	2.1011	1.5096	(4.4983)
Operating profits to total assets	0.0101	0.0091	0.0082	0.0073	0.0066
Net interest margin to total assets	0.0045	0.0044	0.0028	0.0036	(0.0013)
Return on assets	0.0029	0.0030	0.0021	0.0028	(0.0009)

Source : Survey Data, 2019

As a result of table (4.4), interest income to total income is calculated interested income is divided by the total income. It represent the share of interest income in total income and the higher ratio is better. However, the result of 2018 is significantly shows that the bank incurred lost in the interest income. Operating profits to total assets is calculated gross profit is divided by total asset. Indicates operating income of the bank invested in total assets. Although the higher ratio indicate the better result, the figures shows the decreased value year over year. Net interest margin to total assets shows the excess of interest earned over interest expended relative to total assets. The interest margin shows losses in 2018. Return on asset is the measurement of the efficiency of the use of assets to generate net income. The negative return on asset in 2018 shows the loss on the return on asset.

**e) Liquidity Ratios Analysis**

Liquidity ratios analysis of Mizuho bank from fiscal year 2014 to 2018 is shown in table (4.5).

**Table (4.5) Liquidity Ratios Analysis**

<b>Ratio</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Liquid assets to total assets	0.9458	0.9428	0.9469	0.9404	0.9316
Liquid assets to demand deposits	3.1719	7.4383	26.7455	50.2200	33.1495
Liquid assets to total deposits	0.1849	0.2307	0.2681	0.3282	0.3160
Approved securities to total assets	0.0268	0.0289	0.0272	0.0230	0.0148

Source : Survey Data, 2019

As a result of table (4.5), shows the similar level of liquidity position for the liquid assets to total assets. Liquid assets to demand deposits is calculated liquid asset is divided to the demand deposit. The increased ratio year on year shows the better liquidity position of the bank. Liquid asset to total deposits indicates the percent of total deposits which are held as liquid assets. This liquidity can be considered adequate enough to meet the immediate liabilities of the bank. Approved securities to total assets is calculated by the total invested securities is divided by the total asset. The higher result is the better liquidity of a bank, however, there was dramatic decreased result in 2018. the high ratio shows the good liquidity condition of the bank

### **4.3 Comparison on CAMEL Ratio Analysis of Mizuho Bank**

In this part, overall CAMEL ration analysis has been conducted in order to evaluate the financial performance of Mizuho Bank from fiscal year 2014 to 2018. Comparison on CAMEL ratio analysis of Mizuho bank is shown in table (4.6).

**Table (4.6) Comparison of CAMEL analysis**

	<b>Ratio</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>CAPITAL ADEQUACY</b>	Capital adequacy ratio	-1.16%	1.05%	4.79%	14.32%
	Advance to assets ratio	-2.29%	-0.10%	-1.75%	-2.95%
	Debt equity ratio	4.30%	-4.10%	1.50%	-3.07%
	Government securities to total investment	-8.81%	-6.56%	-7.75%	5.51%
<b>ASSET QUALITY</b>	Net NPAs to Net advances	-19.73%	-12.71%	16.78%	-39.58%
	Total Investment to total assets	-1.23%	-1.64%	-11.12%	-0.63%
	Net NPAs to total assets	-21.56%	-12.80%	14.74%	-41.37%
<b>MANAGEMENT EFFICIENCY</b>	Total advances to total deposits	-2.41%	-6.74%	-8.12%	-4.07%
	Business per Employee	6.08%	-0.10%	-1.16%	-1.74%
	Profit per Employee	15.84%	-30.12%	31.04%	-132.18%
	Return on Equity	12.95%	-33.06%	29.58%	-130.91%
<b>EARNING QUALITY</b>	Interest income to total income	-23.35%	24.09%	-28.15%	-397.98%
	Operating profits to total assets	-9.83%	-9.81%	-11.25%	-9.94%
	Net interest margin to total assets	-3.07%	-35.28%	27.36%	-135.15%
<b>LIQUIDITY</b>	Liquid assets to total assets	-0.31%	0.44%	-0.69%	-0.94%
	Liquid assets to demand deposits	134.50%	259.57%	87.77%	-33.99%
	Liquid assets to total deposits	24.82%	16.17%	22.44%	-3.72%
	Approved securities to total assets	7.52%	-5.87%	-15.37%	-35.83%

Source : Survey Data, 2019

As a result of table (4.6), there was four different kinds of calculation to measured Capital Adequacy, three different kinds of calculation for Asset Quality, four kinds of calculations measured Management Quality, three different formula measured Earning Quality and four calculation are for liquidity.

Capital Adequacy ratio increased dramatically up to 14.32% in 2018. Advance to assets ratio still in the decreased up to around minus 0.1% to minus 2.95% during five years period. Debt equity ratio seems to maintain less as the higher ratio indicates less protection for the creditors and depositors in the banking system. Government security to investment was decreased from 2014 to 2017. The data show the higher investment in the government security in 2018 as to secure the risk involved in bank investment.

Asset quality was resulted a huge drop in NPAs to Net advances calculation and Net NPA to total assets. The data for total investment to total assets decreased by 11.12% in 2017 rather than that there was no significant changes in other years.

Management efficiency shows that the result of profit per employee and return on equity was extremely decreased more than 130% each.

Accrodning to the result of earning quality, interest income to total income sharply decreased almost 400% in 2018 and net interest margin to total assests decreased more than 135% in 2018. The result for earning quality in 2018 was the opposite result of bank wants.

Liquidity ration of bank denotes that liquid assets to demand deposit keep sound liquidity position from 2014 to 2017. However, the bank was not able to retain the same level in 2018.

## **CHAPTER V**

### **CONCLUSION**

In this chapter of research, findings are made based on the survey data and concluded to make the answers. This chapter describes three main parts: findings, suggestions and needs for further study. First session covers the findings of the study and research analysis of CAMEL Model on selected private banks. Second session encloses of the suggestion and fact to maintain and develop the financial soundness and management quality of the selected private banks.

#### **5.1 Findings**

In this study, some significant data is found as a result. While measuring the Capital Adiquacy Ratio, the dramatic improved of CAR ratio from 2014 to 2018. The CAR is increased from the 2017 to 2018 where it signpost the good performance of maintaining the level of risk weighted assets balanced to the capital. In the measurement of Assets quality, Net NPAs to Net advances reduced from 2017 result to 2018, as the lower is a sign of good credit efficiency of the bank. Net NPAs to total assets also melodramatically decreased from 2017 to 2018 showing that the better performance of maintaining asset against the loss of value in assets. Though, profit per employees and return on equity was meaningfully decreased in the year 2018 comparied to the previous year.

It is threatening the management quality of the bank as it signpost the effiecnecy of the employees for generating the profit and the profitability to the shareholders. Moreover, the worst case was found in the measurement of earning quality as the Interest income to total income was sharply decreased around 398% compared to the previous year in 2018. The result shows the share of interest income in total income has decreased so that the bank profitability on the interest income was badly negative.

The net interest margin to total assets was also deeply decareased in 2018 compared to previous year. As it is the measurement of excess of interest earned over interest expence related to total assets, there seems the interest expenses had been incurred more than the interest income for some reasons. For liquid assets to demand deposits was in the good conditions in the year 2014 to 2017. However, there was

negative result in the 2018 by the comparison of the previous year showing that the proper liquidity position could not be controlled as it seems the harming of the bank obligation to meet the financial liabilities. Approved securities to total assets also gradually decreased from the year 2014 to 2017 and it was getting worse in 2018 by compared to the previous year. Overall, Mizuho faced the hard situation in term of Management efficiency, earning quality and liquidity especially in 2018. It might be the temporary condition as this study is only referring to five years result until 2018. Additionally, the good result is still needed to point that the capital adequacy and assets quality of Mizuho is maintaining in the good conditions.

## **5.2 Suggestions**

Economic growth of any country is mostly influenced by the development of the banking industry of that country. Today, modern banks are very beneficial for the deployment of the resources of the country. Banks play very essential role in the economic life of the nation. The wellbeing of the economy is watchfully related to the soundness of its banking system. Although banks generate no new wealth but their borrowing, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth. In this way they become very effective partners in the process of economic development.

The banks are mobilizing the savings of the people for the investment purposes. When the savings are stimulated and saving rate increases. If there would be no banks then a great portion of a capital of the country would endure slothful. The current study has been piloted to inspect the economic sustainability of Mizuho bank using CAMEL model during the period 2014-18.

The main purposes of this research study is to comprehend the concept of performance management, appraisal, productivity, employees behaviour, strategy for improving the productivity and performance, impacts on banking performance and profitability. Further to find out the practices adopted, difficulties challenged in implementation of performance management functions, productivity measurement and recommend ways for further development in performance and efficiency of bank employees.

Management should ensure that important matters having important bearing on the proper functioning and working of the banks such as mobilization of deposits targets, advance specially priority sector advance, liquid assets, investment, over dues

and recoveries etc. It should be appraised occasionally so as to gain better functioning. The banks should effectively made use the information and computer technology for giving a better service to the customers and to face the threats, pressures and competition of the foreign banks. The complaints of the customers should be answered as prompt as possible.

### **5.3 Needs for further study**

The scope of this paper was to discuss and provide the CAMEL Model in assessing the bank's performance. Nevertheless, the framework's process and objectives may vary among countries, companies or banks. Furthermore, the other researcher may want to go further on whether CAMEL model is capable to be used as a banking supervisory tool or not. Therefore, in the further research might want to consider as a reference to expend the scope and additional chances to further assess financial performance of any industry.

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## Appendix I

### Non-Consolidated Balance Sheets of Mizho bank

( Millions of yen)

	2013 As of March 31, 2014	2014 As of March 31, 2015	2015 As of March 31, 2016	2016 As of March 31, 2017	2017 As of March 31, 2018	2018 As of March 31, 2019	2019 As of September 30, 2019
Cash and Due from Banks	19,218,757	25,803,781	30,156,145	38,943,082	38,625,732	42,044,263	40,983,746
Call Loans	434,458	396,839	266,249	433,198	366,290	516,085	726,950
Receivables under Resale Agreements	642,344	525,653	368,351	596,194	639,352	4,226,040	4,324,081
Guarantee Deposits Paid under Securities Borrowing Transactions	388,060	133,336	-	-	-	100,501	52,192
Other Debt Purchased	480,372	543,683	729,842	728,080	443,136	491,276	466,694
Trading Assets	4,972,189	5,761,693	6,421,352	4,234,901	3,467,593	3,708,952	4,765,132
Money Held in Trust	2,807	3,249	3,197	3,137	3,076	503	503
Securities	42,174,781	41,235,710	37,903,140	31,264,703	33,189,959	29,475,876	30,130,185
Loans and Bills Discounted	66,836,553	70,873,844	70,374,392	71,262,838	70,997,730	76,047,363	77,487,596
Foreign Exchange Assets	1,507,927	1,559,516	1,343,546	1,769,212	1,994,728	2,043,874	1,749,991
Derivatives other than for Trading	3,703,349	5,062,613	5,008,314	3,201,963	3,166,839	3,192,132	4,781,280
Other Assets	1,285,649	1,735,907	1,688,087	2,268,678	3,240,121	2,705,113	2,691,391
Tangible Fixed Assets	834,166	828,583	836,484	828,363	805,831	729,129	716,969
Intangible Fixed Assets	344,173	469,546	636,583	754,547	799,723	354,116	351,957
Prepaid Pension Cost	378,416	415,694	469,034	481,968	457,453	481,875	516,371
Deferred Tax Assets	47,591	-	-	-	-	-	-
Customers' Liabilities for Acceptances and Guarantees	5,668,241	6,193,731	5,297,202	5,757,150	6,186,894	6,492,905	6,295,463
Reserves for Possible Losses on Loans	(510,675)	(434,828)	(379,190)	(437,689)	(259,853)	(242,076)	(237,869)
Reserve for Possible Losses on Investments	(15)	(1)	-	-	(319)	(370)	(926)
<b>Total Assets</b>	<b>148,409,149</b>	<b>161,108,555</b>	<b>161,122,736</b>	<b>162,090,330</b>	<b>164,124,289</b>	<b>172,367,564</b>	<b>175,801,713</b>
Deposits	86,048,678	93,528,342	100,197,037	107,789,803	110,415,961	119,411,223	120,786,061
Negotiable Certificates of Deposit	11,854,716	14,830,058	11,177,095	10,091,832	10,652,957	12,912,548	13,166,694
Call Money	6,058,995	3,469,055	1,127,524	775,450	1,165,198	1,308,045	1,114,214
Payables under Repurchase Agreements	7,656,634	10,131,327	7,588,922	7,604,970	7,200,312	5,162,334	6,186,269
Guarantee Deposits Received under Securities Lending Transactions	3,159,574	513,983	786,431	335,575	610,357	305,032	769,492
Commercial Paper	-	-	777,601	765,146	710,391	941,181	654,854
Trading Liabilities	3,144,085	4,397,160	5,198,295	3,362,426	2,797,942	2,577,856	3,355,069
Borrowed Money	8,968,740	8,315,873	8,697,522	9,136,351	8,958,612	7,998,715	7,559,762
Foreign Exchange Liabilities	436,106	625,566	682,188	729,532	689,958	925,879	775,044

	2013 As of March 31, 2014	2014 As of March 31, 2015	2015 As of March 31, 2016	2016 As of March 31, 2017	2017 As of March 31, 2018	2018 As of March 31, 2019	2019 As of September 30, 2019
Short-term Bonds	25,000	25,000	-	-	-	-	-
Bonds and Notes	3,958,105	4,624,117	4,376,773	3,726,331	2,421,033	1,968,205	1,393,662
Derivatives other than for Trading	3,886,304	5,006,591	4,423,937	2,836,858	2,882,287	3,031,284	4,486,971
Other Liabilities	1,103,309	1,640,679	2,998,753	1,616,928	1,648,314	2,138,527	1,893,126
Reserve for Bonus Payments	19,389	19,933	20,437	20,902	22,741	22,362	14,249
Reserve for Variable Compensation	-	-	1,300	1,269	1,293	1,100	382
Reserve for Possible Losses on Sales of Loans	1,259	13	267	298	1,075	630	541
Reserve for Contingencies	215	1,544	800	52	56	100	299
Reserve for Reimbursement of Deposits	15,307	14,772	15,041	17,575	18,097	16,987	14,100
Reserve for Reimbursement of Debentures	54,956	48,878	39,245	32,720	30,760	25,566	20,731
Deferred Tax Liabilities	-	337,508	302,072	186,153	181,914	28,338	36,146
Deferred Tax Liabilities for Revaluation Reserve for Land	81,060	72,392	67,991	66,585	66,186	63,315	63,290
Acceptances and Guarantees	5,668,241	6,193,731	5,297,202	5,757,150	6,186,894	6,492,905	6,295,463
Total Liabilities	142,140,682	153,796,531	153,776,443	154,853,914	156,662,350	165,332,144	168,586,430
Common Stock and Preferred Stock	1,404,065	1,404,065	1,404,065	1,404,065	1,404,065	1,404,065	1,404,065
Capital Surplus	2,286,795	2,286,795	2,286,795	2,286,328	2,286,328	2,286,328	2,286,328
Capital Reserve	655,324	655,324	655,324	655,418	655,418	655,418	655,418
Other Capital Surplus	1,631,471	1,631,471	1,631,471	1,630,910	1,630,910	1,630,910	1,630,910
Retained Earnings	1,840,787	1,982,352	2,231,469	2,298,416	2,544,238	2,163,735	2,382,926
Appropriated Reserve	63,545	121,296	169,829	225,810	266,664	315,177	315,177
Other Retained Earnings	1,777,242	1,861,055	2,061,640	2,072,606	2,277,574	1,848,557	2,067,749
Retained Earnings Brought Forward	1,777,242	1,861,055	2,061,640	2,072,606	2,277,574	1,848,557	2,067,749
Total Shareholders' Equity	5,531,648	5,673,213	5,922,330	5,988,810	6,234,632	5,854,129	6,073,320
Net Unrealized Gains (Losses) on Other Securities, net of Taxes	597,410	1,497,419	1,106,333	1,099,468	1,159,210	1,071,157	955,215
Net Deferred Hedge Gains (Losses), net of Taxes	(1,337)	(5,028)	169,143	2,527	(76,180)	(27,639)	49,029
Revaluation Reserve for Land, net of Taxes	140,745	146,419	148,483	145,609	144,277	137,772	137,716
Total Valuation and Translation Adjustments	736,818	1,638,811	1,423,961	1,247,605	1,227,306	1,181,291	1,141,962
Total Net Assets	6,268,466	7,312,024	7,346,292	7,236,415	7,461,939	7,035,420	7,215,282
Total Liabilities and Net Assets	148,409,149	161,108,555	161,122,736	162,090,330	164,124,289	172,367,564	175,801,713

## Appendix II

### Non-Consolidated Statements of Income of Mizuho Bank

(Millions of yen)

	2013 Fiscal 2013	2014 Fiscal 2014	2015 Fiscal 2015	2016 Fiscal 2016	2017 Fiscal 2017	2018 Fiscal 2018	2019 First Half of Fiscal 2019
Gross Profits	1,384,115	1,495,471	1,463,820	1,320,376	1,178,840	1,075,028	669,168
Domestic Gross Profits	897,971	944,334	804,710	848,421	770,499	669,461	351,229
Net Interest Income	636,122	595,624	567,986	517,259	472,597	456,403	213,612
Net Fee and Commission Income	232,572	240,751	237,172	236,012	249,080	245,857	111,768
Net Trading Income	2,370	51,372	(54,916)	33,754	26,558	(50,555)	(1,890)
Net Other Operating Income	26,906	56,585	54,467	61,393	22,262	17,755	27,738
International Gross Profits	486,143	551,136	659,109	471,955	408,340	405,566	317,939
Net Interest Income	287,630	339,272	262,064	202,499	205,052	193,352	112,411
Net Fee and Commission Income	117,992	142,778	149,140	140,245	121,608	134,404	66,502
Net Trading Income	29,069	(2,837)	149,368	46,654	29,503	112,033	69,135
Net Other Operating Income	51,451	71,923	98,536	82,555	52,176	(34,224)	69,889
General and Administrative Expenses (excluding Non-Recurring Losses)	(791,116)	(833,737)	(833,310)	(866,546)	(882,428)	(867,184)	(408,569)
Expense Ratio	57.1%	55.7%	56.9%	65.6%	74.8%	80.6%	61.0%
Personnel Expenses	(288,927)	(289,934)	(301,596)	(320,341)	(337,331)	(337,230)	(161,718)
Non-Personnel Expenses	(460,371)	(491,820)	(479,964)	(490,220)	(489,659)	(481,413)	(221,607)
Premium for Deposit Insurance	(45,739)	(48,840)	(30,571)	(32,159)	(31,533)	(30,615)	(15,569)
Miscellaneous Taxes	(41,817)	(51,982)	(51,749)	(55,984)	(55,437)	(48,540)	(25,243)
Net Business Profits (before Reversal of (Provision for) General Reserve for Losses on Loans)	592,998	661,733	630,509	453,830	296,411	207,844	260,598
Net Business Profits (before Reversal of (Provision for) General Reserve for Losses on Loans) from core business areas	564,907	596,783	505,121	366,365	310,286	315,486	175,200

	2013 Fiscal 2013	2014 Fiscal 2014	2015 Fiscal 2015	2016 Fiscal 2016	2017 Fiscal 2017	2018 Fiscal 2018	2019 First Half of Fiscal 2019
Reversal of (Provision for) General Reserve for Losses on Loans	-	-	815	(45,148)	-	45,084	(13,247)
Net Business Profits	592,998	661,733	631,325	408,681	296,411	252,929	247,351
Net Gains (Losses) related to Bonds	28,091	64,950	125,388	87,465	(13,875)	(107,641)	85,398
Net Non-Recurring Gains (Losses)	138,040	24,586	72,751	51,117	262,726	31,644	48,055
Net Gains (Losses) related to Stocks	49,075	88,963	178,302	180,263	237,047	155,777	43,626
Expenses related to Portfolio Problems	(17,832)	(82,395)	(44,646)	(36,079)	(14,596)	(74,146)	(8,709)
Gains on Reversal of Reserves for Possible Losses on Loans, and others	117,882	68,702	15,896	31,052	164,921	6,792	6,941
Other	(11,085)	(50,683)	(76,801)	(124,119)	(124,646)	(56,779)	6,196
Ordinary Profits	731,038	686,320	704,076	459,799	559,137	284,573	295,407
Net Extraordinary Gains (Losses)	(7,737)	(18,275)	(1,162)	(4,845)	23,771	(492,037)	(5,301)
Net Gains (Losses) on Disposition of Fixed Assets	(4,198)	(7,888)	2,405	(1,625)	(2,025)	(179)	(1,632)
Losses on Impairment of Fixed Assets	(3,538)	(10,387)	(3,568)	(3,219)	(3,199)	(499,700)	(3,669)
Income (Loss) before Income Taxes	723,301	668,044	702,913	454,954	582,908	(207,463)	290,105
Income Taxes - Current	(98,183)	(209,116)	(161,424)	(129,486)	(135,348)	(94,923)	(65,965)
- Deferred	(94,912)	(35,740)	(51,276)	17,098	1,332	157,943	(5,004)
Net Income (Loss)	530,205	423,188	490,212	342,566	448,893	(144,444)	219,135
Credit-related Costs	100,050	(13,693)	(27,934)	(50,175)	150,325	(22,268)	(15,014)