Financial Performance Analysis of The City Bank Limited

Internship Report

On

Financial Performance Analysis of The City Bank Limited

Submitted To:

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Program: BBA

Major in Finance

United International University (UIU)

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Letter of Transmittal

September 28, 2024

Muhammad Enamul Haque

Assistant Professor,

School of Business and Economics

United International University

Subject: Letter of Transmittal

Dear Sir,

With all due respect, I am a BBA student at United International University. I've finished my internship at City Bank Limited in the customer service division. I've prepared a report on the Financial Performance Analysis of The City Bank Limited based on my internship experience. This report reflects the knowledge that acquired during the internship.
I have tried to prepare this report as correctly and meaningfully as possible. The data of this report came from the bank's annual reports, external websites, and internal records.

I earnestly hope you will find the report fascinating to read. I'm hoping you'll see through the little errors and appreciate the effort. I express my gratitude for your assistance.

Regards,

Rizuana Hasan Rizu

BBA,

United International University

ID: 111201012

Acknowledgment

First and foremost, I sincerely thank Mr. Muhammad Enamul Haque, my mentor throughout this internship period, for providing me with invaluable guidance, support, and encouragement. Your expertise and insights have been instrumental in shaping this report and enhancing my learning experience.

I am also thankful to my Colleague Tanzida Yasmin for her assistance, which enriched the content of this report and facilitated a conducive working environment.

Furthermore, I am grateful to the City Bank Limited team for allowing me to be part of this enriching internship program. Their commitment to nurturing talent and fostering professional growth is commendable.

Thank you all for your invaluable support.

Sincerely,

Rizuana Hasan Rizu

BBA, United International University (UIU)

ID-111201012

Executive Summary

The purpose of preparing this report is to present the financial standing of City Bank Limited. The financial performance has been analyzed using five years of data over 2017-2021. Ratio analysis, which is a widely used technique, was applied to figure out how the City Bank performs. A ratio metric has been conducted in evaluating its financial performance on five dimensions such as profitability, liquidity, solvency, efficiency, and market performance. By conducting the liquidity ratio, I found out that CBL has maintained a satisfactory level of liquidity throughout the years. In the profitability analysis, it was uncovered that they could have improved their profitability level by maintaining strong customer relationships. Then in the efficiency analysis, it became clear to me that they have been using their resources well enough to produce income and profit. And then the solvency analysis showed that they have not maintained enough assets against their long-term obligations. Lastly, the market ratio revealed consistent growth over the years. These analyses help the stakeholders, including investors, creditors, and management in decision-making regarding investment, lending, and strategic planning. In the fourth chapter of the report, I’ve concluded that to keep the #1 position, City Bank needs to put a high priority on providing excellent customer service that meets the needs of current customers who want efficiency and dependability. This proactive strategy increases City Bank's competitive advantage in the fast-paced market while also fostering loyalty and trust.

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Chapter 1: Introduction

1.1 Origin of the Report

The BBA program at United International University required the writing of this internship report. Each student in the BBA program must complete an internship at an enterprise to gain real-world experience in business operations. I have been offered a three-month internship program in the Customer Service division of City Bank Ltd from February 1, 2024, to May 1, 2024. The report I wrote for my internship is called "Financial Performance Analysis of The City Bank Limited." I have been permitted to write the report on this topic by Muhammad Enamul Haque, Assistant Professor at the School of Business and Economics at United International University.

1.2 Background of the Report

A BBA student is required to submit a report on the experience that he/she gained during their internship period in order to complete their program. Undergraduates can completely immerse themselves in the special circumstances of the company while receiving training for executive positions. It provides undergraduates a special chance to experience corporate, which helps with career establishment and confidence building. Any business school that wants to meet this requirement organizes an internship program. This is our chance to use and compare the theoretical information from our textbooks and the lessons we have learned in class to actual situations.

1.3 Objective of the Report

The objective of this report is to evaluate City Bank Limited's financial performance. The Customer Service Department team members' interviews, annual reports, articles, and the City Bank website were all used to compile the financial data.
This involves the following particular objectives:

- To be informed about every activity and division of City Bank Limited.
- To make the connection between practical experience and theoretical knowledge in a range of roles at City Bank Limited.
- To assess its status or state of finances.
- To pinpoint issues and offer suggestions for improvements.

1.4 Scope of the Report

I've finished my internship at the City Bank Limited in Gulshan at the Customer Service sector. The employees of the Gulshan branch helped me put together the report. I also learned from people in other areas, which was another part of my job. I talked to the interns who worked in the other divisions to find out more about what they did and how they did it. All these things supported me get the report ready. My job in the AD branch, which is right next to the main office, gave me the most opportunities. I learned a lot of new things during this placement that I wouldn't have been able to do if I had been sent to another office.

1.5 Methodology of the Report

Type of The Report:

A variety of research methods were used in preparing the report. Both primary and secondary research are included in it. Information that has already been established as well as new information is gathered for the study. However, secondary data has been the basis for most of the research.

Types of Data:

Both primary and secondary data were used to prepare this report. The combination of recent and updated acquired data results in important and fruitful research and findings.

Data Collection Method:

Data were collected from primary sources and secondary sources. Most of the data were secondary data. The sources of secondary data are the annual report of City Bank Limited, news articles, and some internal data provided by my line manager. All of these data were then used to produce insightful analysis and interpret the data.

Method of Data Analysis:

There were both quantitative and qualitative approaches used to look at the statistics. The participants' answers to the conversations were collected, looked over, and finally finished. The information from secondary sources and the bank's own sources was also looked at in Excel using several methods and techniques before it was put together in a way that made sense.

Data Presentation Method:

Tables, column graphs, pie charts, and other visual tools are being used in organizing and presenting the data.

Chapter 2:
Overview of Company

2.1 History of the Company

Twelve businessmen established The City Bank Limited in 1983 during a period of extreme instability. These BODs started the business with the amount of BDT 34 million in capital, but as of right now, it has reached BDT 3.4 billion. It set up its operations on Bangabandhu Avenue in Dhaka. In 1986, City Bank Limited made its debut on the DSE, and in 1995, it expanded to the CSE. In 2013, City Bank established one representative office in Malaysia and 10 branches in Bangladesh. In 2019, it also established one subsidiary office which is located in Hong Kong.

2.2 Overview of the Company

The City Bank Limited provides both individuals and businesses with a comprehensive range of financial services. It is one of the biggest commercial banks in Bangladesh's private sector. By the end of 2021, its total assets amounted to BDT 416902 million. They provide respectively 2.1%, 2.3%, and 2.4% of the loans, advances, and deposits in the economy of the country. Their banking operations and employment generation have helped the nation progress over time. In addition to serving over 17,00,000 clients, the bank has over 4,539 personnel, 419 ATMs and CDMs, 7 Priority centers, 2 airport lounges, over 29,000 POS machines nationwide, more than 13,90,000 cards issued so far, and more than 17,500 businesses on board. The services that are provided by City Bank are: retail banking, wholesale, corporate, SME, City Alo (Women Banking), Treasury, Employee, and Agent Banking, etc. The Islamic division of City Bank, known as City Islamic, has been flourishing recently. Between 2021 and 2022, City Islamic's total deposits increased by more than 1010%. Despite its strong financial foundation, City Bank managed to boost its yearly growth profit to 4.7% even with the substantial combined impact of the COVID-19 pandemic and the 9% regulatory ceiling on industrial lending. The total asset of City Bank at the end of 2021 was BDT 416,902 million which is 9.1% higher than the last year.

2.3 Vision, Mission and Core Value

Vision: The City Bank Limited is driven by the goal of being a winning financial Institution and the ambition to deliver the best experiences to all of its stakeholders.

Mission: City Bank aims to establish itself as Bangladesh's go-to source for financial services. Because of this, their goals are the following:

- Providing a broad selection of unique and captivating goods and services to appeal to all customers.
- Promoting computerization and innovation to ensure and improve service quality.
- Making sure that everything they undertake is done with adherence to regulations, sound governance, and consideration for the community.

Core Values: The values of City Bank direct their actions, thoughts, and workflow. They contend that it can reach its goal by making it clear to its employees what actions it wants them to take.

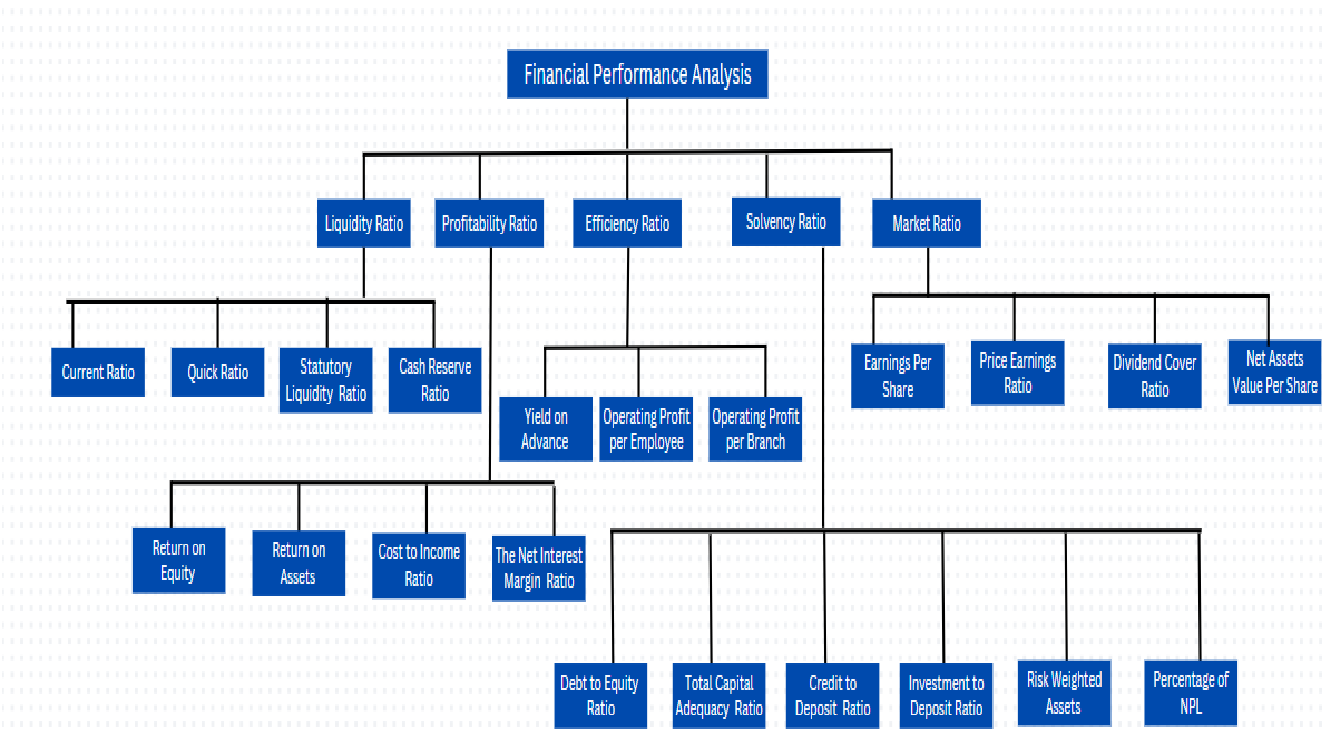
Their guiding principles include the following:

- Having an emphasis on results
- Being Inspiring and Engaging
- Emphasizing Transparency and Accountability
- Maintaining respect and courage
- Keeping Customer Satisfaction first.

Chapter 3:
Findings and Analysis

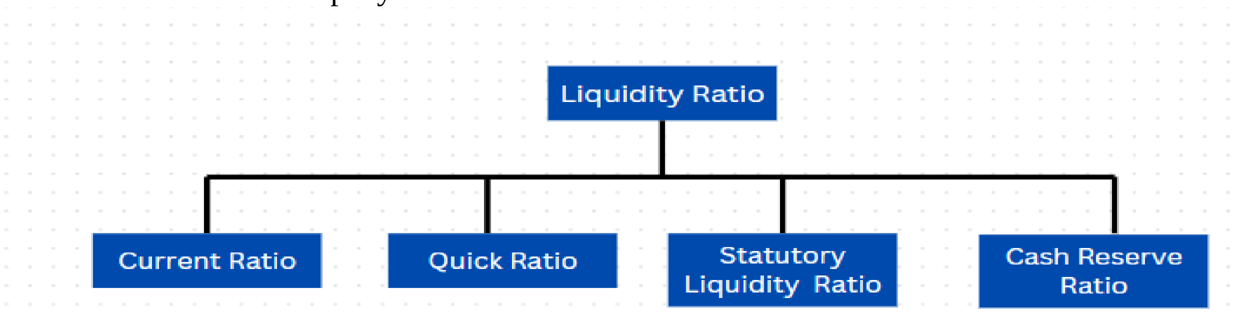
Financial Performance Analysis

Financial performance analysis depicts a firm's financial efficiency by analyzing its financial statements and key performance indicators. There are some metrics in evaluating a company's financial performance which include revenue, profitability, liquidity, solvency, efficiency, and market performance. This analysis provides stakeholders, including investors, creditors, and management with relevant information about the company's standing in the market. It enables them in decision-making regarding investment, lending, and strategic planning. Now I'm going to analyze CBL's performance under each component.



3.1 Liquidity Ratio

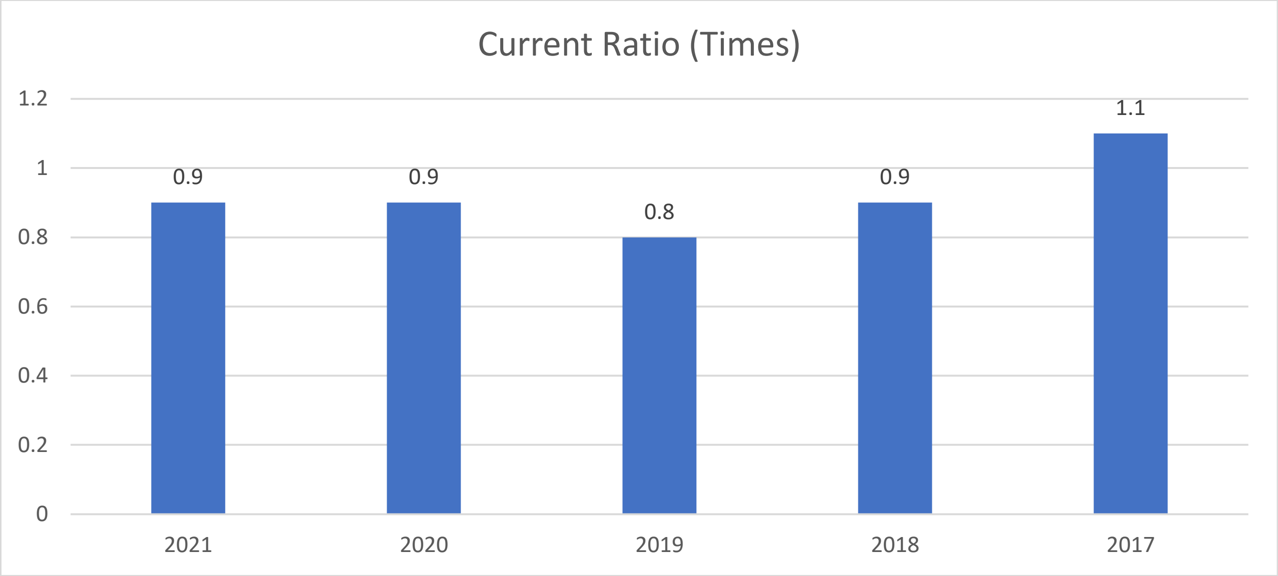
A liquidity analysis checks how well a business can pay its short-term debts. Its main goal is to find out how fast the company can turn its assets into cash



3.1.1 Current Ratio

The current ratio shows the capacity of the business to settle its short-term debts with its short-term assets. The greater current ratio shows that the business has enough cash on hand to mitigate its current liabilities.

Year	2021	2020	2019	2018	2017
Current Ratio (Times)	0.9	0.9	0.8	0.9	1.1



The current ratio's variations throughout the years show a dynamic pattern in the liquidity situation of the business. Although the ratio is constantly below the optimal benchmark of 1, it fluctuates within a tight range, suggesting some stability in the company's short-term liquidity management. The ratio reached its lowest point of 0.8 in 2019 after a modest decline from 2017 to 2019, indicating possible difficulties in managing short-term obligations relative to available assets during this time. The rise that came after in 2018 and stabilizing at 0.9 in 2020 and 2021, however, points to attempts to resolve liquidity issues and strengthen the company's financial condition.

3.1.2 Quick Ratio

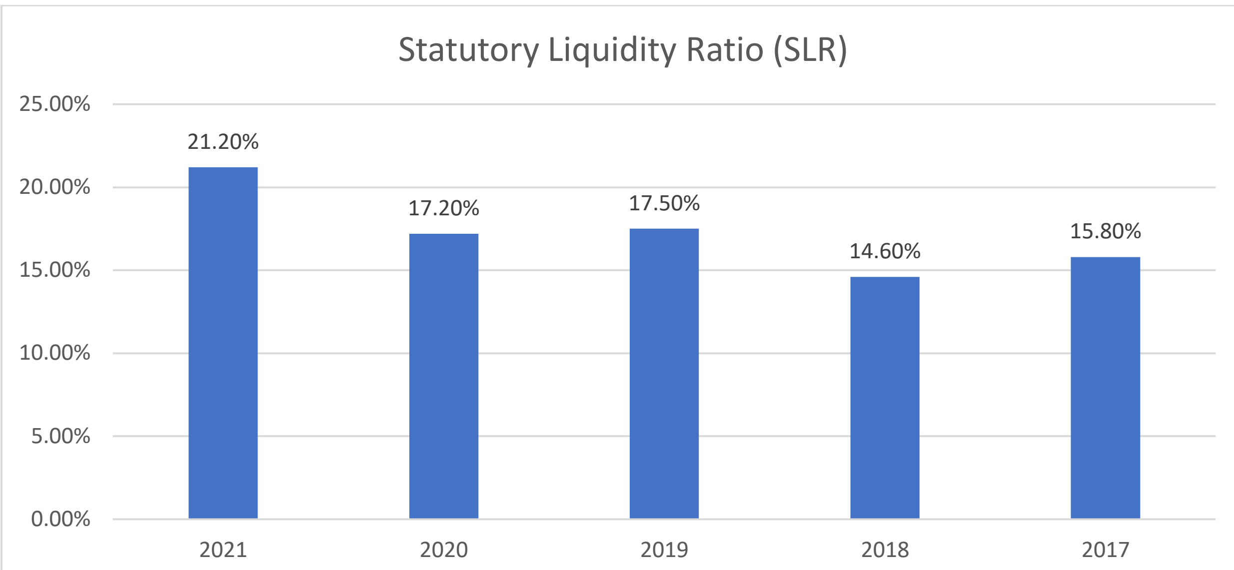
The Quick Ratio is a stricter version of the current ratio because it does not count inventory into current assets. It offers a more critical assessment of an organization's ability to mitigate its immediate obligation. The formula of the quick ratio is: (Current Assets - Inventory) / Current Liabilities.

Bank only works with money or monetary assets. Hence, they don't have any inventory. So, both the current and quick ratio will remain the same for The City Bank PLC.

3.1.3 Statutory Liquidity Ratio (SLR)

A statutory liquidity ratio is a regulatory requirement that the Central Bank places on financial institutions, mainly banks, requiring them to retain a specific portion of their deposits and investments in assets that are considered to be liquid, like cash, gold, or government securities. By maintaining that financial institutions have a sufficient amount of highly liquid assets to cover their immediate liabilities, such as depositor withdrawals, SLR seeks to protect the stability and solvency of financial institutions.

Year	2021	2020	2019	2018	2017
Statutory Liquidity Ratio (SLR)	21.20%	17.20%	17.50%	14.60%	15.80%



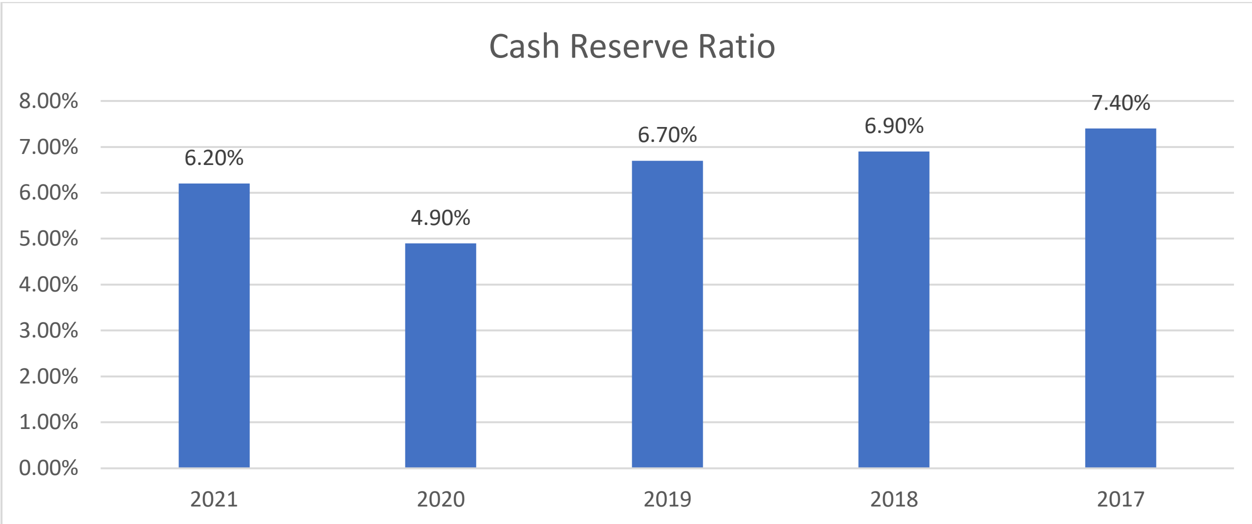
The provided data illustrates the Statutory Liquidity Ratio (SLR) for a financial institution over five years, from 2017 to 2021. SLR has been trending upward during this time, going from 15.80% in 2017 to 21.20% in 2021. This implies that City Bank Limited is making a conscious effort to improve its liquidity position, most likely in response to regulatory regulations and to guarantee its capacity to meet short-term debt. The bank's strategy to comply with regulations and uphold financial stability in the face of changing economic conditions is reflected in these modifications.

3.1.4 Cash Reserve Ratio (CRR)

As per the cash reserve ratio, banks must reserve a little portion of deposits, in the form of cash or as deposits with the Central Bank. The mandatory rate for CRR is 4% for both conventional and Islamic banks.

Year	2021	2020	2019	2018	2017

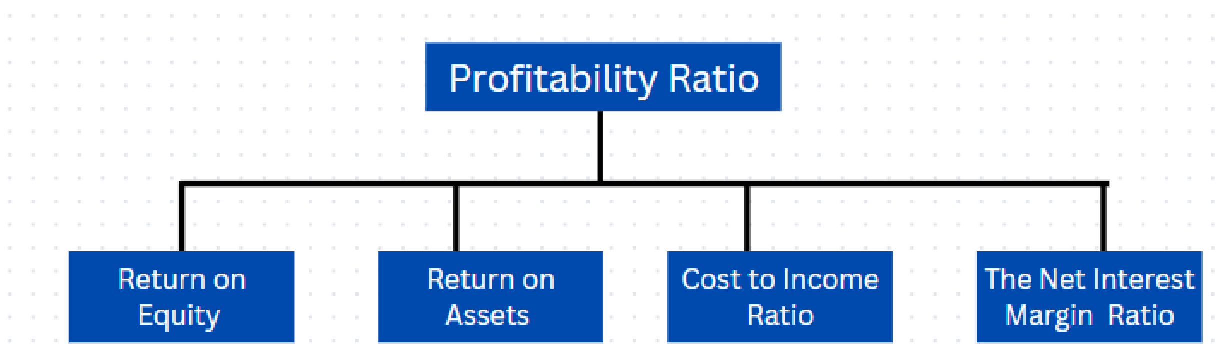
Cash Reserve Ratio	6.20%	4.90%	6.70%	6.90%	7.40%



The graph demonstrates a declining trend in the CRR from 2017 to 2020, starting at 7.40% and gradually decreasing. In 2020, the CRR reached its lowest point of 4.90% but rose to 6.20% in 2021. Despite the overall decline, the CRR consistently remained above Bangladesh Bank's requirement each year.

3.2 Profitability Ratio

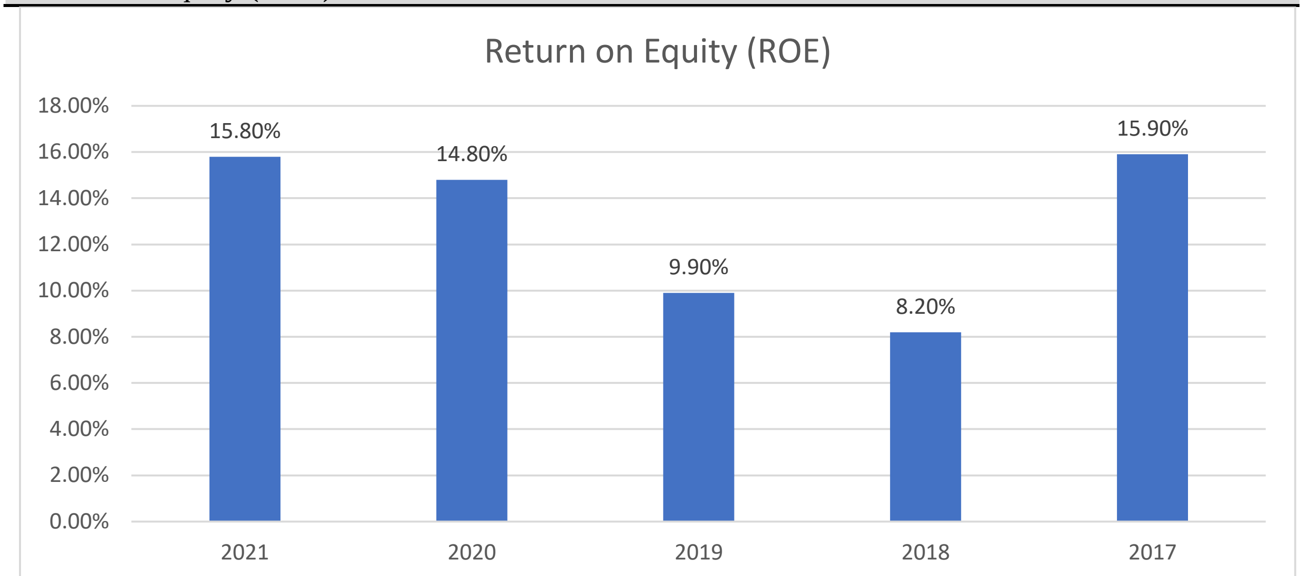
Profitability ratios are used to assess a company's capacity to make a profit about its revenue, assets, equity, and other financial criteria. These ratios provide insight into how successfully a business uses its resources to generate profits as well as its operational effectiveness. Return on equity (ROE), return on assets (ROA), net profit margin, and return on investment (ROI) are all included in the profitability ratio.



3.2.1 Return on Equity (ROE)

Return on equity (ROE) measures a company's profitability. Essentially, it shows how well a business uses its equity to produce revenue. ROE depicts the efficiency of a firm's operations from the shareholder's point of view. A low ROE often indicates inefficiencies in making returns on equity investments, whereas a high ROE usually shows efficiencies.

Year	2021	2020	2019	2018	2017
Return on Equity (ROE)	15.80%	14.80%	9.90%	8.20%	15.90%

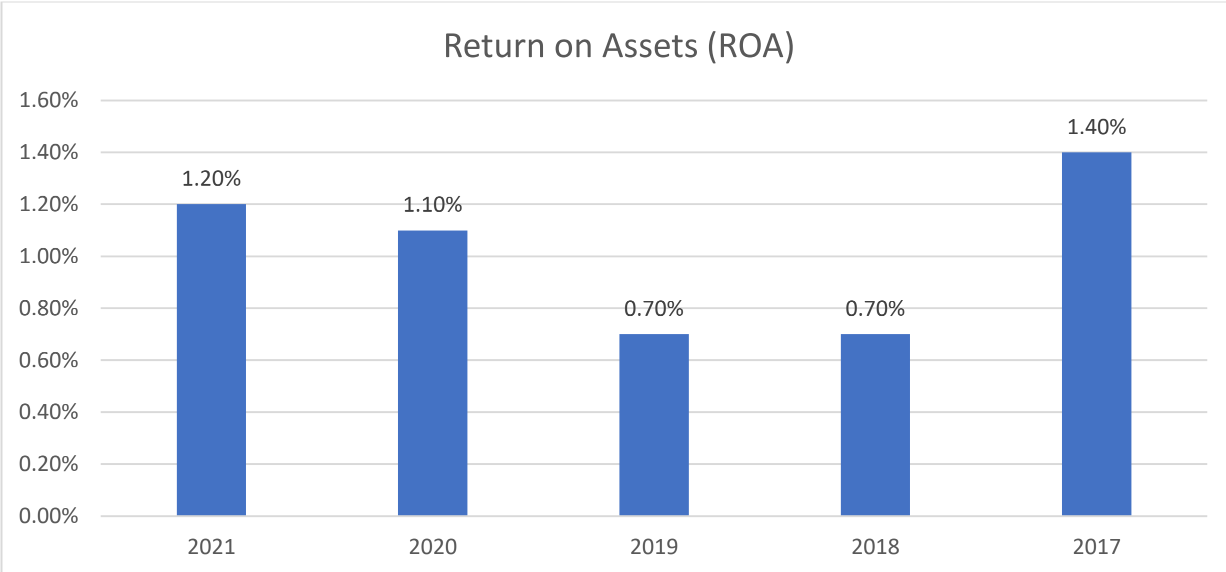


The given data represents the Return on Equity (ROE) for City Bank Limited from 2017 to 2021. ROE showed a pattern of volatility from 2017 to 2019, with values ranging from 8.20% to 15.90%. ROE increased significantly to 9.90% in 2019 compared to the previous year, and then to 14.80% in 2020. This suggests that during those years, the bank's profitability and use of shareholder equity improved. Nonetheless, ROE climbed to 15.80% in 2021, which is similar to 2017, indicating continued or enhanced profitability and efficient use of shareholder equity.

3.2.2 Return on Assets (ROA)

Return on Assets (ROA) is a financial term that measures how effectively a company earns revenue from its assets. It defines how successfully a corporation uses its resources to generate money.

Year	2021	2020	2019	2018	2017
Return on Assets (ROA)	1.20%	1.10%	0.70%	0.70%	1.40%

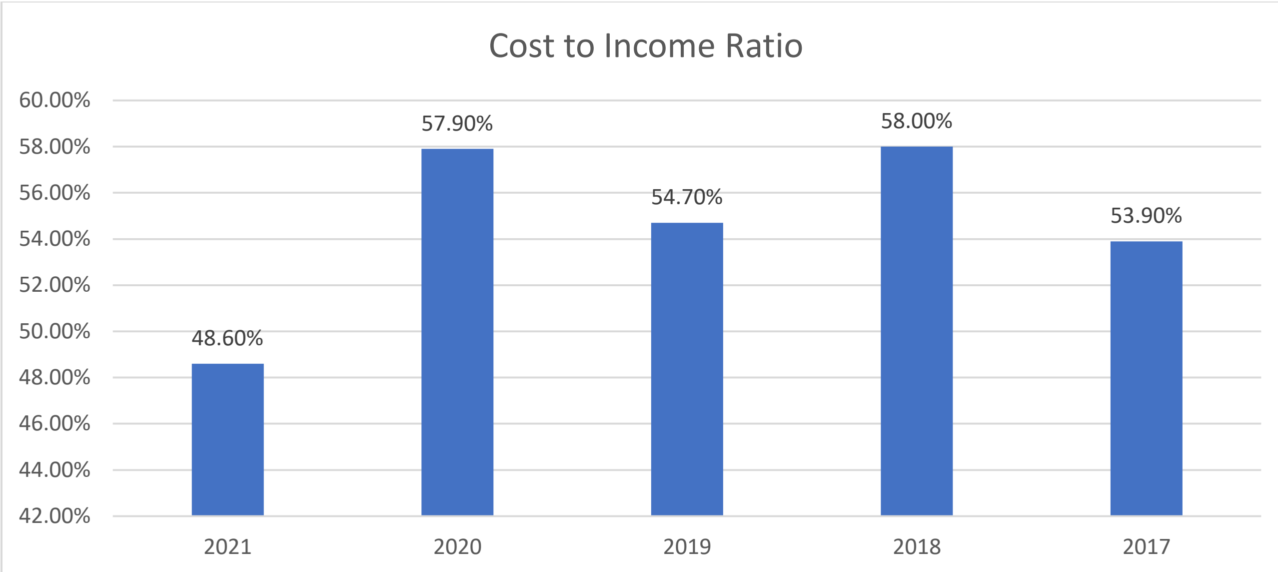


The graph shows a company's Return on Assets (ROA) from 2017 to 2021, a span of five years. The ability of the business to turn a profit with its total assets is measured by the ROA. With a comparatively high ROA of 1.40% in 2017, effective utilization of assets was demonstrated. Nevertheless, the ROA dropped to 0.70% in 2018 and 2019, indicating a drop in profitability relative to the asset base. With a modest increase to 1.10% in 2020, the trend reversed, and in 2021 there was yet another rise to 1.20%. Although the return on assets (ROA) varied over time, it usually stayed in a small range, suggesting steady but modest profitability with the company's asset holdings.

3.2.3 Cost-to-Income Ratio

Cost to Income Ratio (CIR) shows how efficiently a business manages its operating costs compared to its operating income. Greater profitability and improved cost control are implied by a lower ratio, while inefficiencies may be indicated by a greater ratio. Examining the CIR in comparison to industry norms or past data might reveal important information about how efficiently a business is operated.

Year	2021	2020	2019	2018	2017
Cost to Income Ratio	48.60%	57.90%	54.70%	58.00%	53.90%

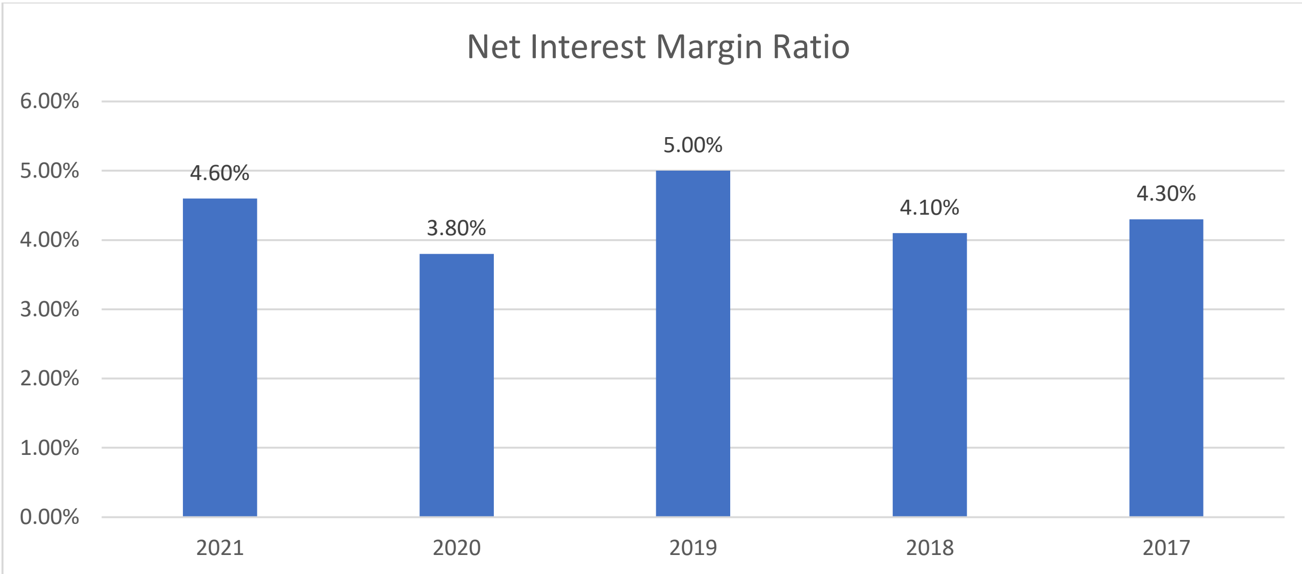


The company's Cost to Income Ratio (CIR) over the five years from 2017 to 2021 demonstrates variations in operational effectiveness. With a CIR of 53.90% in 2017, the business spent almost 54% of its operating profits on operating expenses. The ratio continued to rise in subsequent years, hitting 58.00% in 2018, indicating increased operational costs in comparison to revenue. The ratio experienced a more notable decline to 57.90% in 2020 after declining slightly to 54.70% in 2019. The most recent data for 2021 demonstrates a significant improvement over prior years, with the CIR dropping to 48.60%, suggesting improved cost control as well as increased profitability.

3.2.4 The Net Interest Margin Ratio

The Net Interest Margin (NIM) Ratio measures the interest income from investments and loans to the interest paid on deposits and borrowings, compared to the interest-earning assets of the bank, to determine how profitable its lending operations are. While a lower NIM indicates difficulties in turning a profit from these activities, a higher NIM indicates more profitable lending activities.

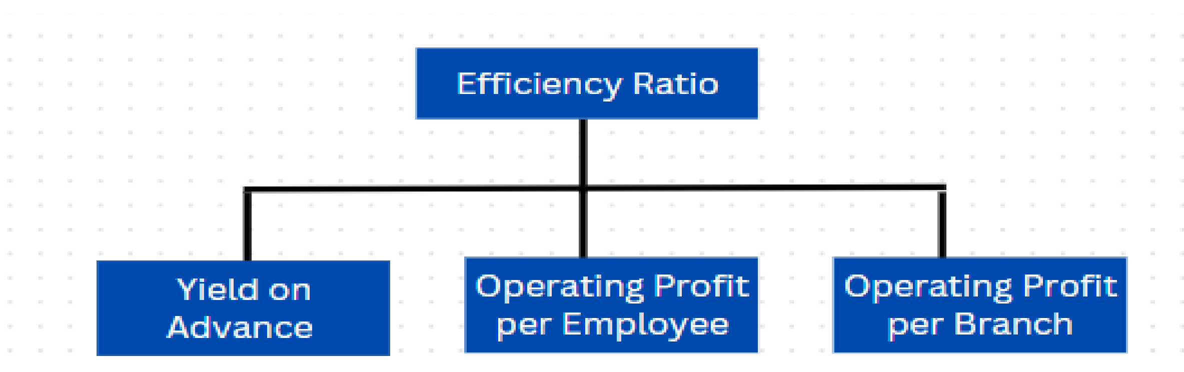
Year	2021	2020	2019	2018	2017
Net Interest Margin Ratio	4.60%	3.80%	5.00%	4.10%	4.30%



The Net Interest Margin Ratio shows how the profitability of CBL's lending activity varies from 2017 to 2021. The NIM began at 4.30% in 2017 and improved marginally to 4.10% in 2018, but then experienced a significant decline to 3.80% in 2019. But in 2020, there was a notable uptick, with the NIM increasing to 5.00%, indicating better lending profitability. Although the NIM dropped to 4.60% in 2021, it was still reasonably high compared to previous years, indicating that the CBL's core lending operations were still profitable despite occasional volatility.

3.3 Efficiency Ratio

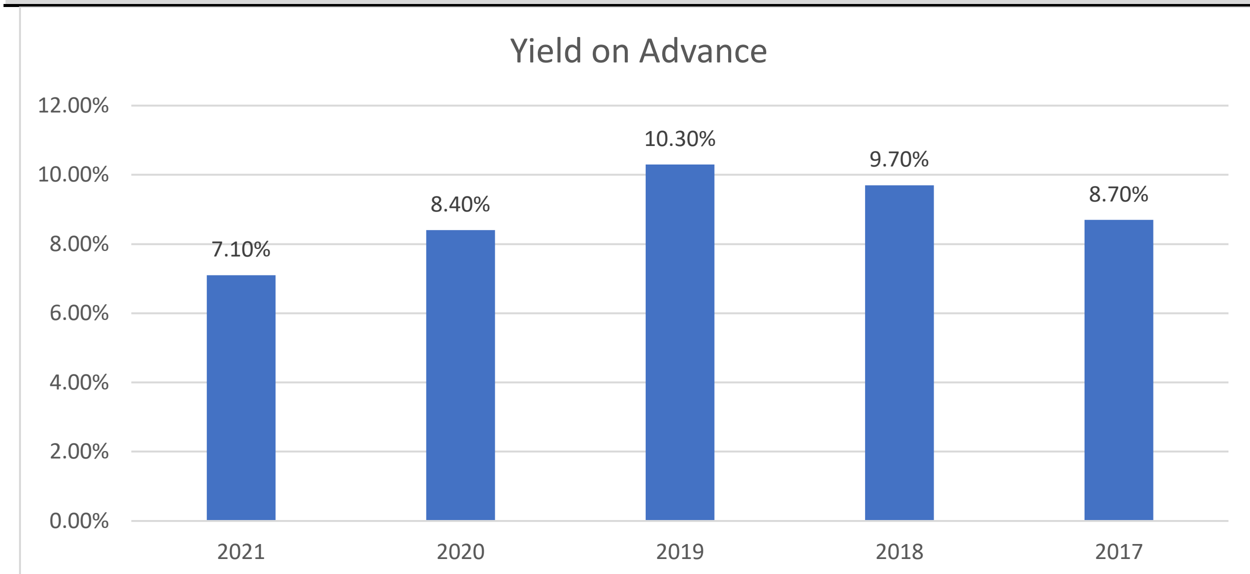
Efficiency Analysis assesses how efficiently a business uses its assets to produce income. It focuses on evaluating the business's cost control, asset utilization, and operational efficiency to optimize profitability. Efficiency analysis helps in identifying areas that can be improved to raise the general efficacy of corporate operations.



3.3.1 Yield on Advance Ratio

Yield on Advance is the term used to describe the interest or return that a financial institution receives from its clients' loans or advances. It shows the revenue from loans about the total amount disbursed. For financial organizations, yield on advance is an essential metric since it helps evaluate the profitability of their lending operations. Higher yields indicate better profitability from lending activities, while lower yields may signal lower profitability or higher risk associated with the loan portfolio.

Year	2021	2020	2019	2018	2017
Yield on Advance	7.10%	8.40%	10.30%	9.70%	8.70%

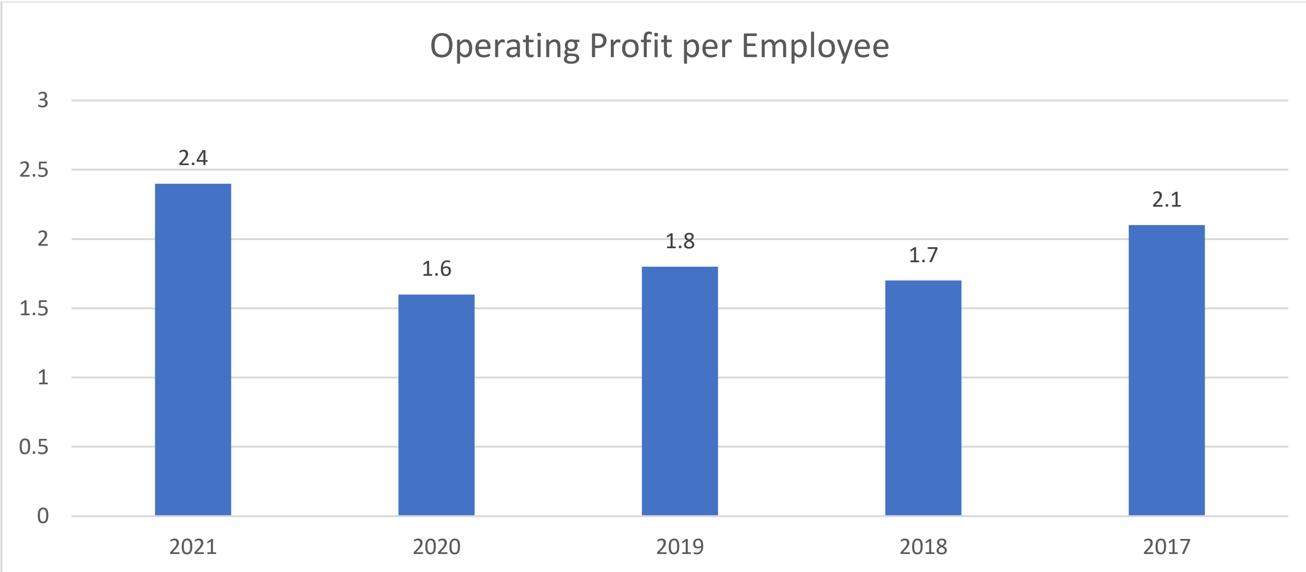


The Yield on Advance has fluctuated over the last five years, peaking at 10.30% in 2019 after beginning the year at 8.70% and progressively decreasing to 7.10% in 2021. Based on this pattern, the return on advances received over the period appears to have generally declined. The yield decreased substantially between 2019 and 2020 but stabilized significantly between 2020 and 2021. The precise causes and effects of these modifications on lending strategy and financial performance would require more investigation.

3.3.2 Operating Profit per Employee

Operating Profit per Employee measures how productive and efficient a company's employees are in turning a profit. It is measured by dividing operating profit by total number of employees in the company. A higher result indicates that the company generates more profit per employee. On the other hand, a lower result indicates inefficiencies.

Year	2021	2020	2019	2018	2017
Operating Profit per Employee	2.4	1.6	1.8	1.7	2.1

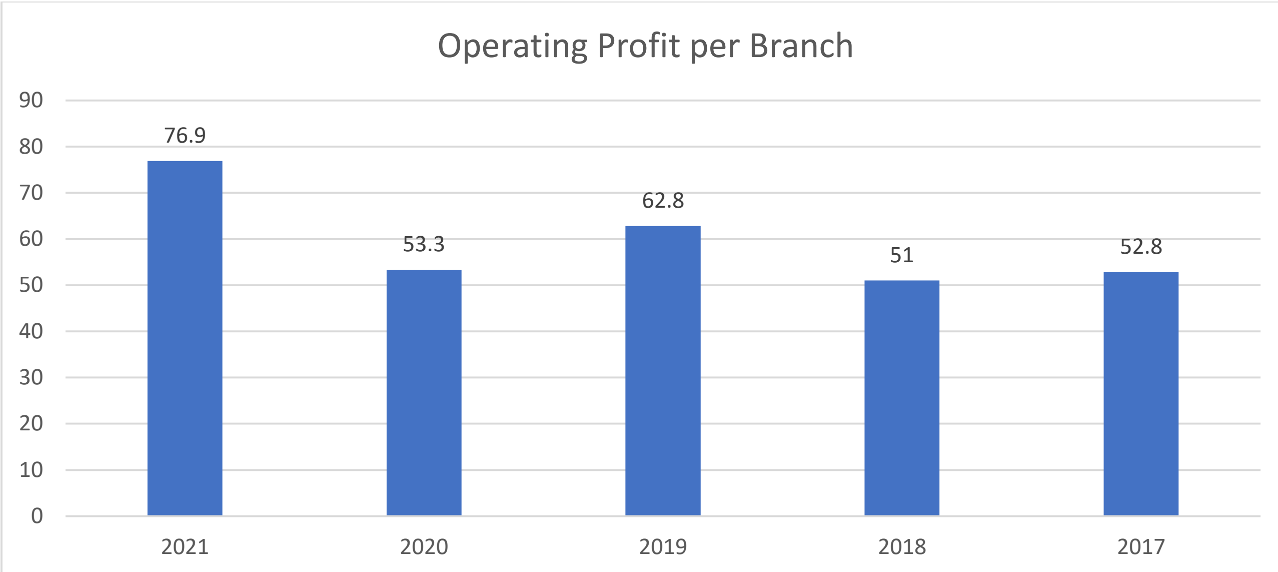


The graph shows the Operating Profit per Employee from 2017 to 2021. Operating Profit per Employee was 2.1 units in 2017, which was a quite satisfactory result. Nonetheless, a decrease to 1.7 units in 2018 indicates possible difficulties or inadequacies in that year. Following that, there was a minor improvement in 2019, with the metric increasing to 1.8 units, and then a more notable increase to 2.1 units in 2020, indicating improved productivity and performance. Nevertheless, the Operating Profit per Employee decreased to 2.4 units in 2021, which can point to several variables influencing profitability.

3.3.3 Operating Profit per Branch

Companies with multiple locations commonly use Operating Profit per Branch to evaluate the profitability and performance of individual branches and make informed decisions regarding resource allocation, expansion strategies, and operational improvements. This indicator shows how well each branch contributes to the overall profitability of the business. In comparison to its operational costs and expenses, a branch that has a higher operating profit per branch is making more money whereas, a lower result indicates operational inefficiencies.

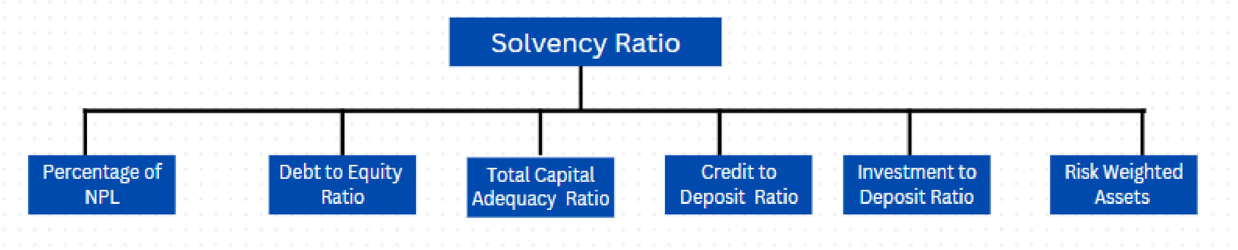
Year	2021	2020	2019	2018	2017
Operating Profit per Branch	76.9	53.3	62.8	51	52.8



The Operating Profit per Branch is depicted in the graph from 2017 to 2021. The Operating Profit per Branch for 2017 was 52.8 units, which reflects a minimum level of profitability. 2018 saw a significant decrease to 51 units, indicating possible inefficiencies in that year. 2019 saw a notable gain as the metric increased to 62.8 units, suggesting increased profitability per branch. 2020 saw a modest decline in Operating Profit per Branch from the previous year, but a further growth to 53.3 units, following this trend. Notably, there was a significant rise in 2021 as there was a large increase to 76.9 units.

3.4 Solvency Ratio

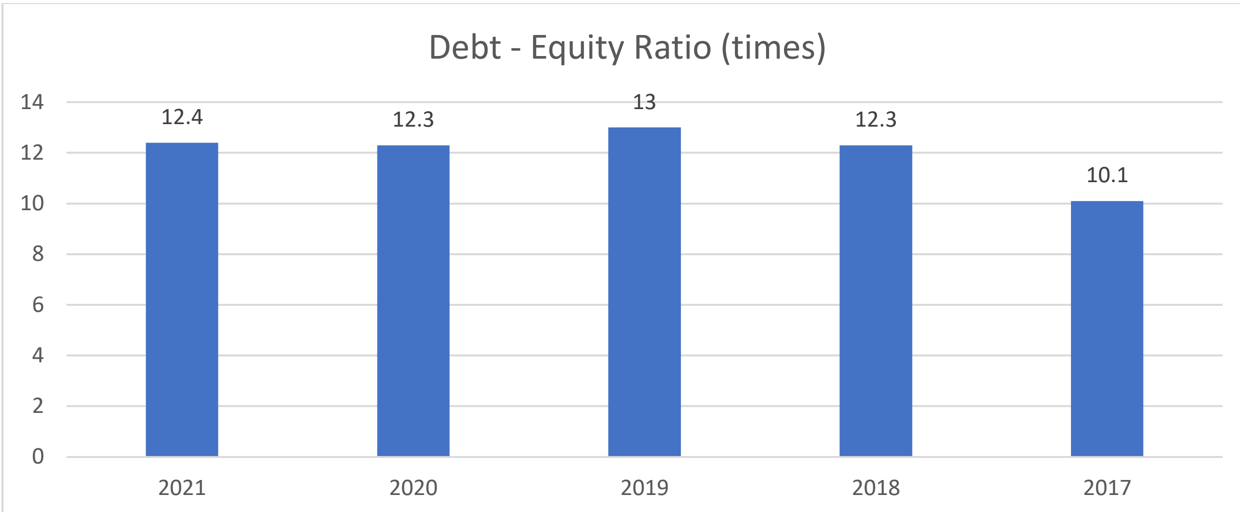
The solvency ratio depicts a company's ability to meet its long-term financial obligations. It entails determining if a business has enough cash flow and assets to pay down its long-term debt and other obligations.



3.4.1 Debt to Equity Ratio

The debt-to-equity (D/E) ratio serves as a leverage indicator, revealing the portion of a firm's funding that comes from debt compared to equity. A greater D/E ratio suggests that a firm depends more on borrowing funds than on equity issuance.

Year	2021	2020	2019	2018	2017
Debt - Equity Ratio (times)	12.4	12.3	13	12.3	10.1

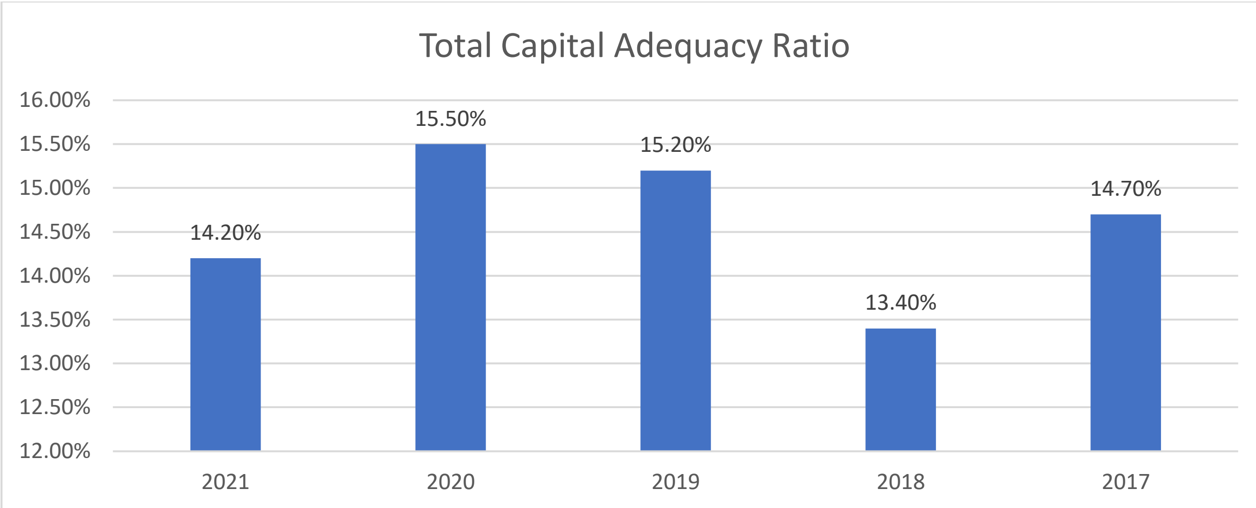


The Debt-to-Equity Ratio from 2017 to 2021 is shown in the graph. The Debt-to-Equity Ratio in 2017 was 10.1 times, indicating a moderate amount of debt relative to equity. On the other hand, 2019 saw a significant increase to 13 times, suggesting a greater reliance on debt funding in that year. In 2020, the ratio remained high at 12.3 times, continuing this trend. The ratio still shows a sizable amount of debt compared to equity in 2021, albeit a minor decline to 12.4 times. Overall, the graph shows variations in it over the five years. In particular, the ratio increased in 2019 and 2020, indicating possible adjustments to the company's financing or capital structure during those years.

3.4.2 Total Capital Adequacy Ratio

The Total Capital Adequacy Ratio (CAR) is used to assess a bank's capacity to cope with possible losses and fulfill its financial obligations is the total capital adequacy ratio or CAR. A higher CAR shows a safer financial situation and resistance to economic downturns or unexpected losses.

Year	2021	2020	2019	2018	2017
Capital Adequacy Ratio	14.20%	15.50%	15.20%	13.40%	14.70%

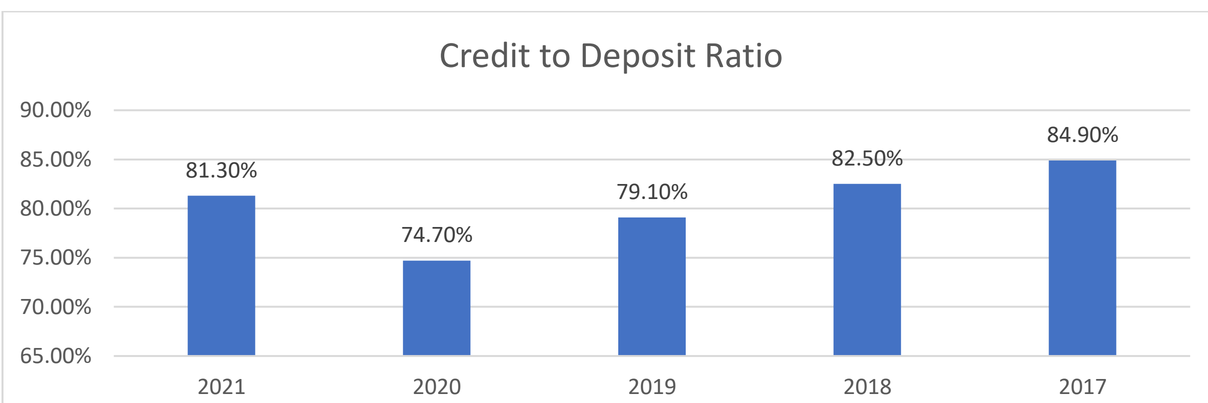


The Total Capital Adequacy Ratio (CAR) from 2017 to 2021 is shown in the graph. In 2017, City Bank's CAR stood at 14.70%. It dropped slightly to 13.40% in 2018 before rebounding to 15.20% in 2019. The trend continued upward, reaching 15.50% in 2020. However, there was a significant drop in CAR in 2021. A lower CAR is generally unfavorable for banks, indicating potential vulnerability to financial risks. Therefore, City Bank should focus on improving its CAR in the future to ensure its financial stability and resilience.

3.4.3 Credit to Deposit Ratio

Credit to Deposit Ratio shows how effectively a bank uses its deposits to extend credit to borrowers. A greater credit-to-deposit ratio suggests that the bank is lending out a significant portion of its deposits, indicating aggressive lending practices. A lower ratio, on the other hand, suggests that the bank keeps a higher share of its deposits in reserve or invests them in low-risk assets rather than lending them out.

Year	2021	2020	2019	2018	2017
Credit to Deposit Ratio	81.30%	74.70%	79.10%	82.50%	84.90%

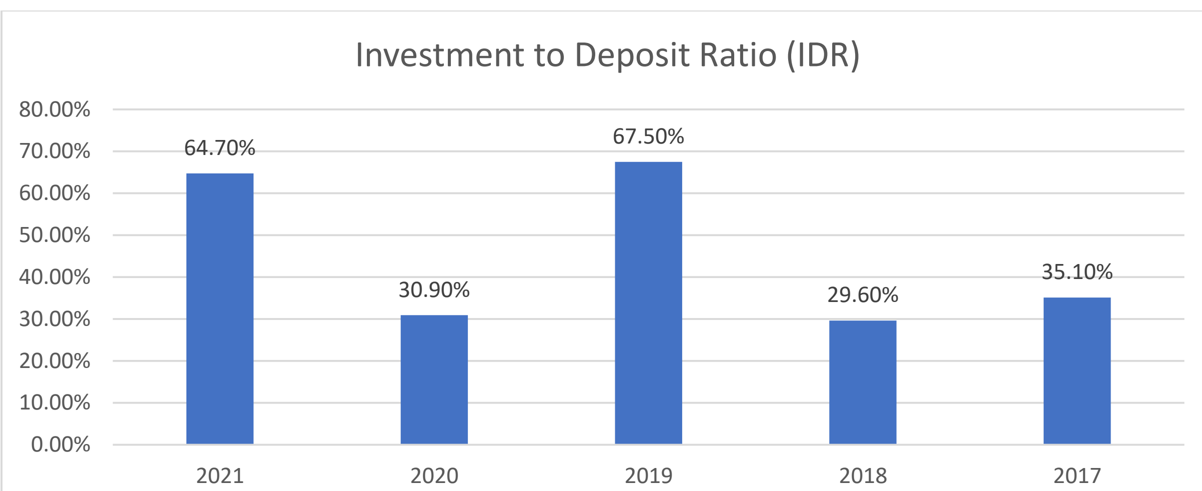


The graph shows that in 2017 the ratio hit its peak at 84.90%, indicating that a large chunk of the deposit's banks received were turned into loans for individuals. This shows that banks were actively lending and managing their liquidity well. In 2018, the ratio dipped slightly to 82.25%, showing a small decrease in the proportion of deposits being used for loans. Though still high, this drop might indicate a slight shift in how banks were lending or managing their funds. In 2019, the ratio continued its decline to 79.10%, signaling an ongoing decrease in the number of deposits being put towards loans. This downward trend could suggest banks were being more cautious in their lending or responding to changes in the market. In 2020 the ratio hit its lowest point at 74.70%, indicating a significant drop in the number of deposits being allocated for loans. This decrease was likely influenced by the uncertainty of the coronavirus pandemic, causing banks to be more conservative with their lending practices. In 2021, there was a noticeable rebound in the ratio, climbing by 6.6% to reach 81.3%. This increase suggests a revival in lending activity, with banks showing more willingness to use deposits for loans compared to the previous year. It may also reflect improving economic conditions and growing confidence in the lending market.

3.4.4 Investment to Deposit Ratio (IDR)

The Investment to Deposit Ratio (IDR) highlights the portion of deposits utilized for investments across various sectors, such as Islamic investment bonds, prize bonds, govt treasury bills and bonds etc. A higher IDR suggests more efficient utilization of deposits for investments.

Year	2021	2020	2019	2018	2017
Investment to Deposit Ratio (IDR)	64.70%	30.90%	67.50%	29.60%	35.10%

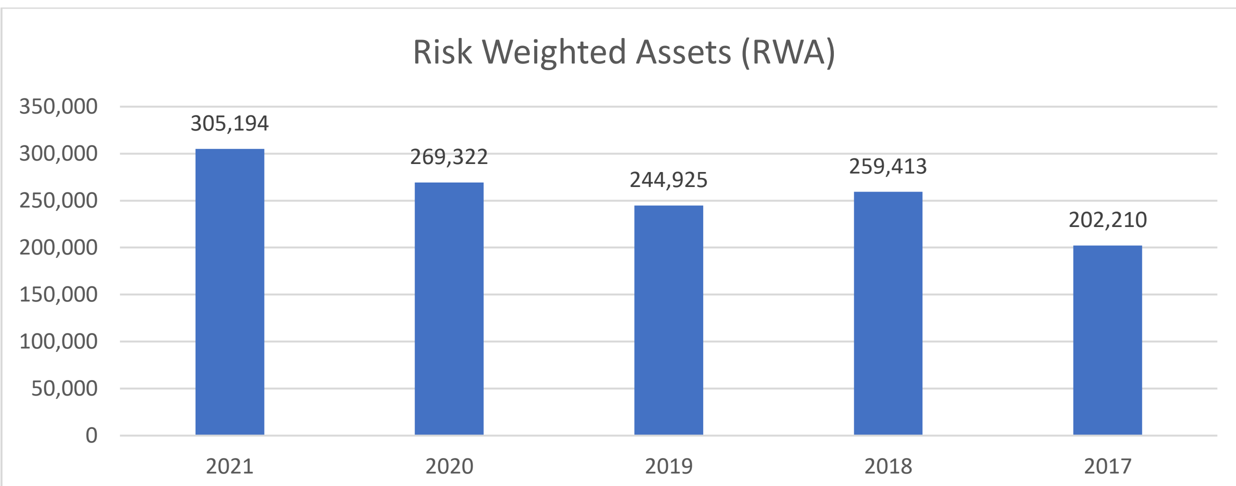


In the provided graph, we observe fluctuations in the IDR over the years. In 2017, the IDR stood at 35.10%, indicating a significant portion of deposits being utilized for investments. In 2018, There was a decrease to 29.60%, suggesting a slight reduction in the proportion of deposits allocated for investments during this period. In 2019, the IDR surged to 67.50%, indicating a substantial increase in the utilization of deposits for investments. This suggests that City Bank effectively utilized its deposits for investment opportunities during this year. In 2020, the IDR experienced a decline to 30.90%. Economic uncertainties during this period might have led to a more conservative approach to investments. In 2021, City Bank rebounded from the previous year's challenges, with the IDR increasing to 64.70%. This indicates a recovery in the bank's investment activities and effective deployment of deposits in various lucrative markets.

3.4.5 Risk Weighted Assets (RWA)

Banks determine their minimum required capital based on the risk associated with their lending and other assets, using a metric called risk-weighted assets (RWA). RWAs assist the bank in determining the amount of cash it should keep on hand to pay any losses from these high-risk investments. RWAs are therefore used by banks as a kind of safety net to ensure that they can manage unexpected situations and maintain their financial stability.

Year	2021	2020	2019	2018	2017
Risk Weighted Assets (RWA)	305,194	269,322	244,925	259,413	202,210



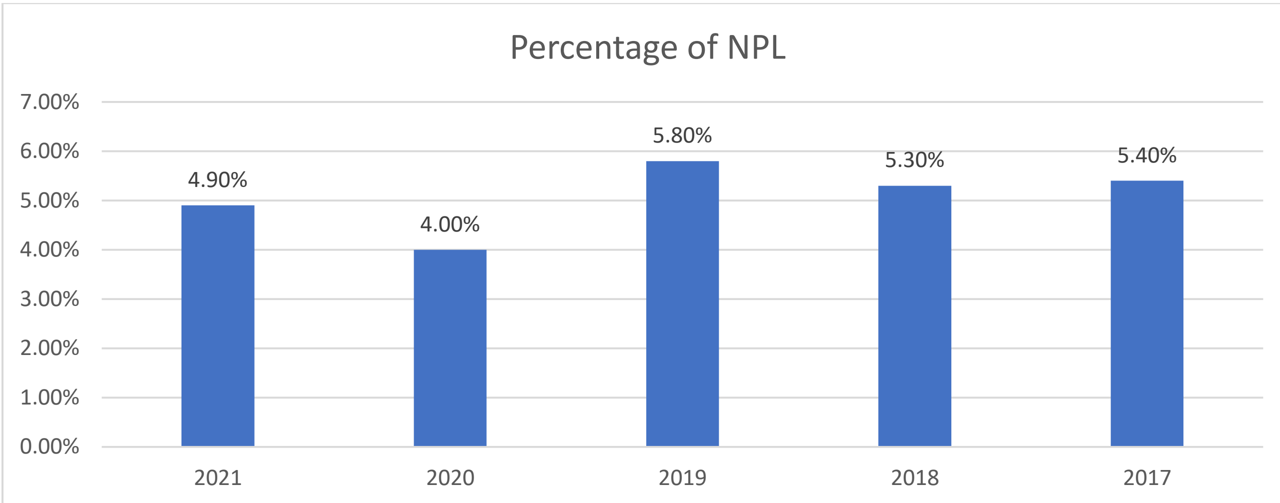
In the provided graph, we observe an overall increasing trend in City Bank's RWA, although there was a slight decrease in 2019. Starting from BDT 202,210 million in 2017, in 2018 the RWA rose to BDT 259,413. However, in 2019 we can see a little decrease in the result which is BDT 244,925 million. Subsequently, in 2020 it rose to BDT 269,322 million and BDT 305,194 million in 2021. This pattern suggests that bank should keep a higher amount of capital safeguard to depositor’s interest as they are taking more risk.

3.4.6 Percentage of NPL

The percentage of Non-Performing Loans (NPLs) reflects the portion of loans that have fallen behind. For banks, the smaller the ratio, the better the financial health.

Year	2021	2020	2019	2018	2017

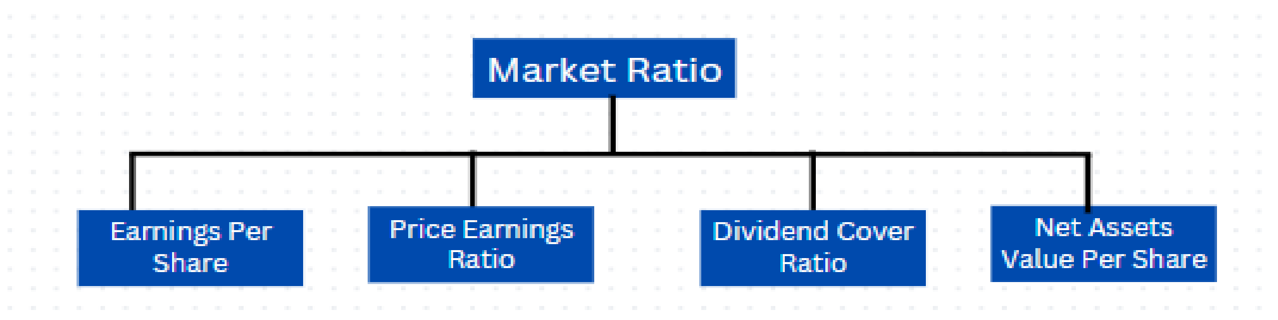
Percentage of NPL	4.90%	4.00%	5.80%	5.30%	5.40%



The graphical representation illustrates fluctuations in the percentage of NPLs for CBL in the last five years, without a clear trend. In 2017, the ratio was 5.40%, decreasing slightly to 5.30% in 2018. However, it worsened in 2019, rising to 5.80%, possibly influenced by the economic challenges during the COVID-19 pandemic. In 2020, there was a significant improvement as the % of NPLs dropped to 4.00%, indicating successful loan recoveries. In 2021 the ratio again increased to 4.90%. Bank should maintain a lower ratio to ensure profitability. Keeping it low would be advantageous, as it indicates better loan management and lower financial risks.

3.5 Market Ratio

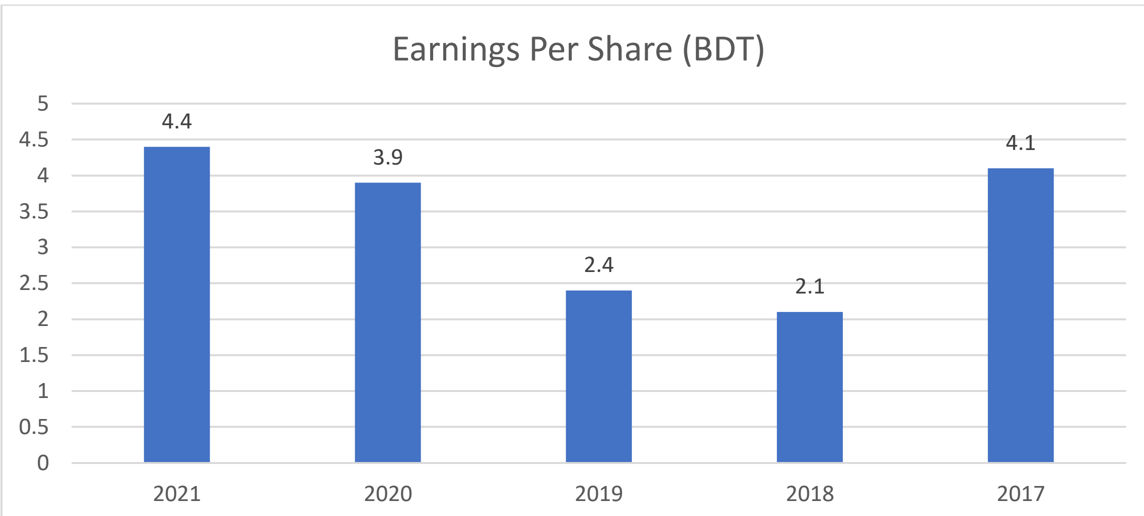
Market analysis involves assessing many facets to understand its dynamics, trends, possibilities, and obstacles. Market analysis is a useful tool for examining how external market forces affect a company's financial performance when analyzing its financial performance.



3.5.1 Earnings Per Share

Earnings Per Share (EPS) is a method to show how much of a firm's profit goes to each current share of its common stock. This metric works as a signal of a bank's profitability. The greater ratios signal better performance for both the bank and its investors.

Year	2021	2020	2019	2018	2017
No of Shares Outstanding (in millions)	1,067.20	1,016.40	1,016.40	968	921.9

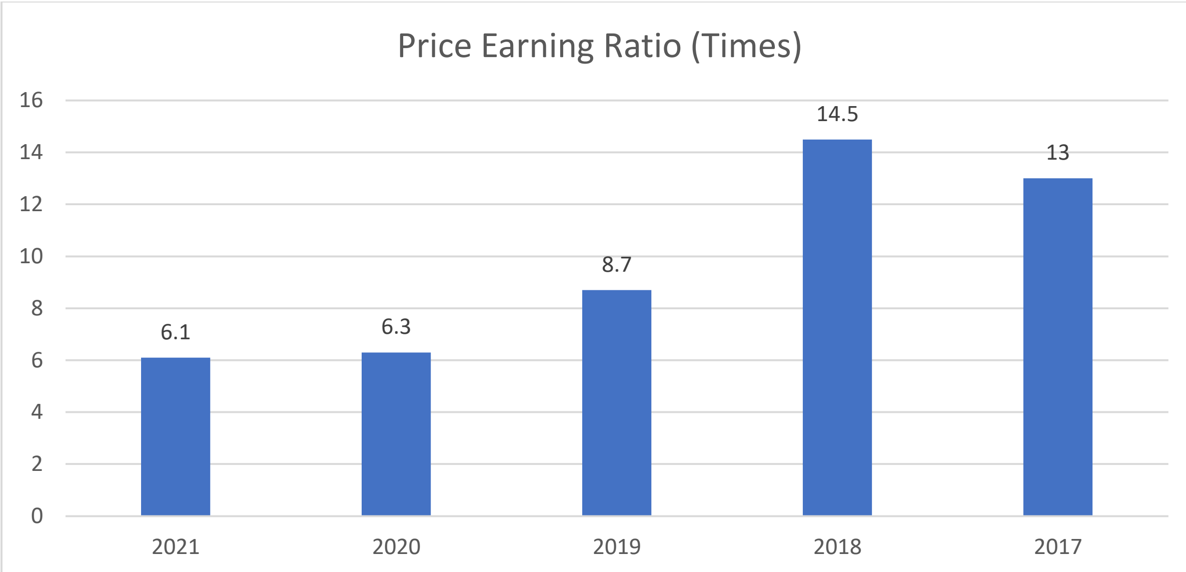


The graph provided illustrates fluctuations in the EPS of CBL over the past five years. In 2017, City Bank Limited (CBL) boasted an EPS of 4.10. However, this promising figure saw a significant decline to 2.10 in 2018. The following year, 2019, witnessed a slight improvement with an EPS of 2.40. The decreased EPS in 2018 and 2019 was primarily attributed to a drop in the market price of shares. Nevertheless, CBL began to recover its EPS figures in 2020, achieving a ratio of 3.90. Finally, in 2021, CBL outperformed previous years with an EPS of 4.40, indicating improved profitability. This suggests that CBL is currently excelling in terms of profitability, much to the satisfaction of its investors and shareholders. Forecasts indicate that EPS will continue to improve in 2022, further strengthening CBL's financial standing.

3.5.2 Price Earnings Ratio

The Price-Earnings Ratio (P/E Ratio) shows how much a firm's stock price is worth about its EPS. The calculation involves the division of the present market value of each share by the profits per share (EPS). A higher P/E ratio generally shows that investors are ready to pay a premium for each unit of earnings. Whereas, a lower P/E ratio shows lower growth.

Year	2021	2020	2019	2018	2017
Price Earnings Ratio (Times)	6.1	6.3	8.7	14.5	13

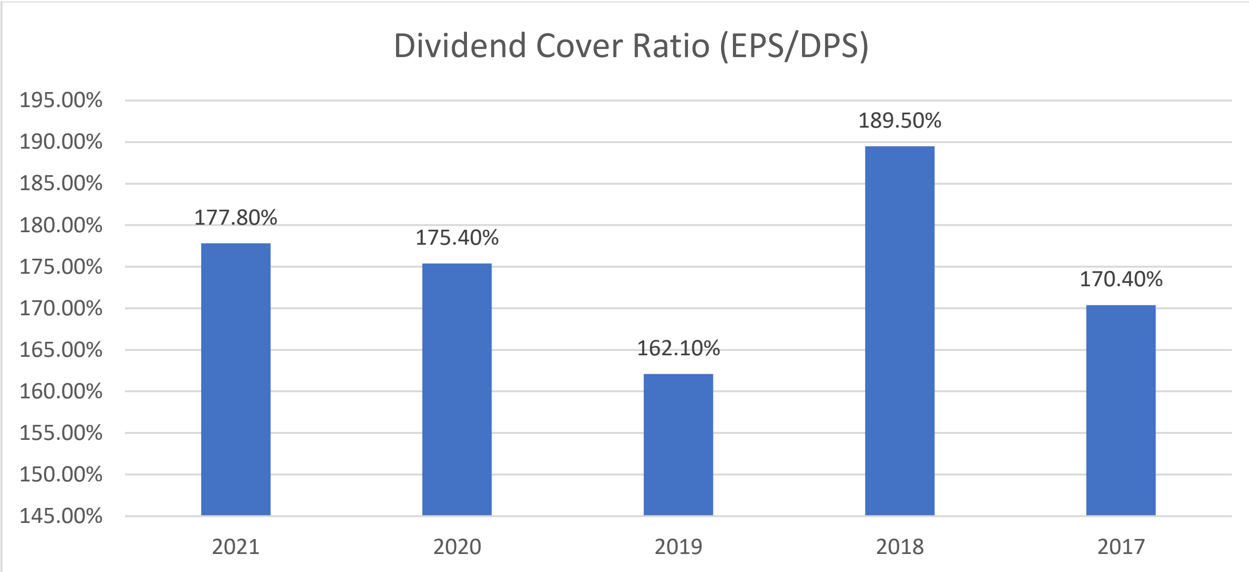


The given table shows The City Bank Limited's P/E Ratio for five years between 2017 and 2021. While the P/E ratio was 13 times in 2017, it meant that stockholders were willing to pay almost 13 times the company's earnings for it. In 2018, this ratio marginally dropped to 14.5 times, indicating a possible decline in investor confidence or a change in market sentiment. The P/E ratio then significantly decreased to 8.7 times in 2019, which may signal a decrease in the stock price or an increase in earnings, making the stock comparatively more appealing to investors. However, it continues to fall in 2020 and 2021, reaching 6.3 times and 6.1 times, respectively. This could suggest that investor confidence is still declining or that the company's stock is being valued more conservatively.

3.5.3 Dividend Cover Ratio

Dividend Cover Ratio is used to assess how a firm's dividend payments and earnings relate to one another. It is calculated by dividing the DPS by the EPS. When a ratio is greater than 100%, it means that the firm's earnings are higher than its debt or reserves, indicating that it has enough earnings to pay dividends. On the other hand, a ratio of less than 100% indicates that the firm's dividend payments are not entirely covered by its earnings. In these situations, the business could have to borrow money, use reserves, or possibly even reduce dividend payments to stay solvent.

Year	2021	2020	2019	2018	2017
Dividend Cover Ratio (EPS/DPS)	177.80%	175.40%	162.10%	189.50%	170.40%

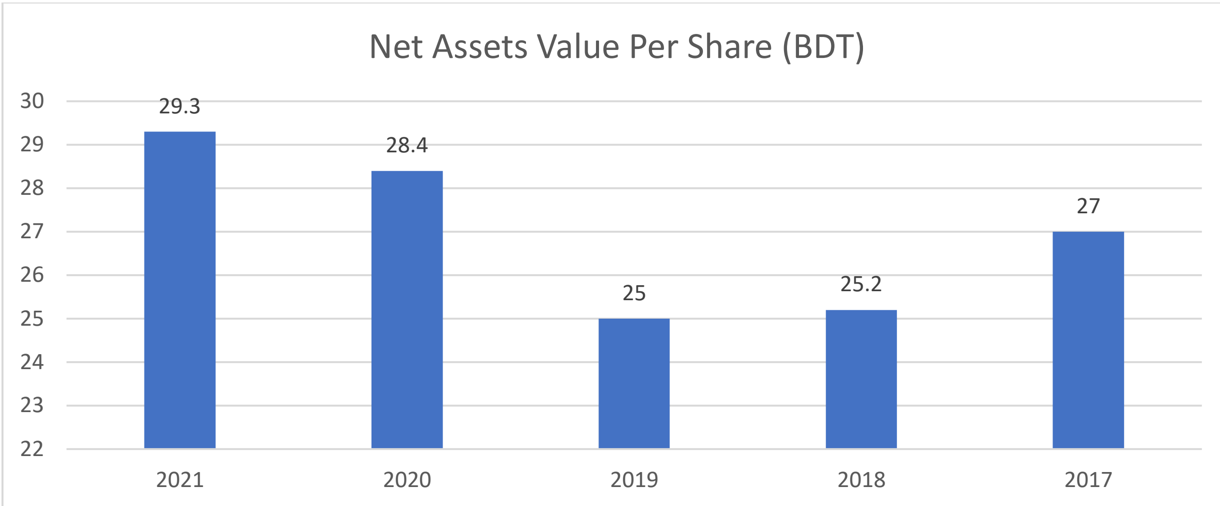


The table illustrates the Dividend Cover Ratio of a company over five years, from 2017 to 2021. As of 2017, the ratio was 170.40%, indicating that the company's earnings exceeded its dividend payments by 1.70 times. In 2018, this ratio marginally climbed to 189.50%, indicating better coverage of dividends. The ratio did, however, drop to 162.10% in 2019, which would suggest a closer correlation between dividends and earnings or a decline in earnings in comparison to payouts. With ratios of 175.40% and 177.80%, respectively, in 2020 and 2021, the ratio then stayed comparatively steady, suggesting that the company's earnings were still sufficient to pay its dividends. All things considered; the Dividend Cover Ratio trend indicates fluctuations in the company's earnings-to-dividend relationship during the five years.

3.5.4 Net Assets Value Per Share

A bank's Net Asset Value Per Share (NAVPS), typically indicates the net asset value represented by each share. The formula is (Total Shareholder's Equity by/Number of Shares Outstanding for that particular year).

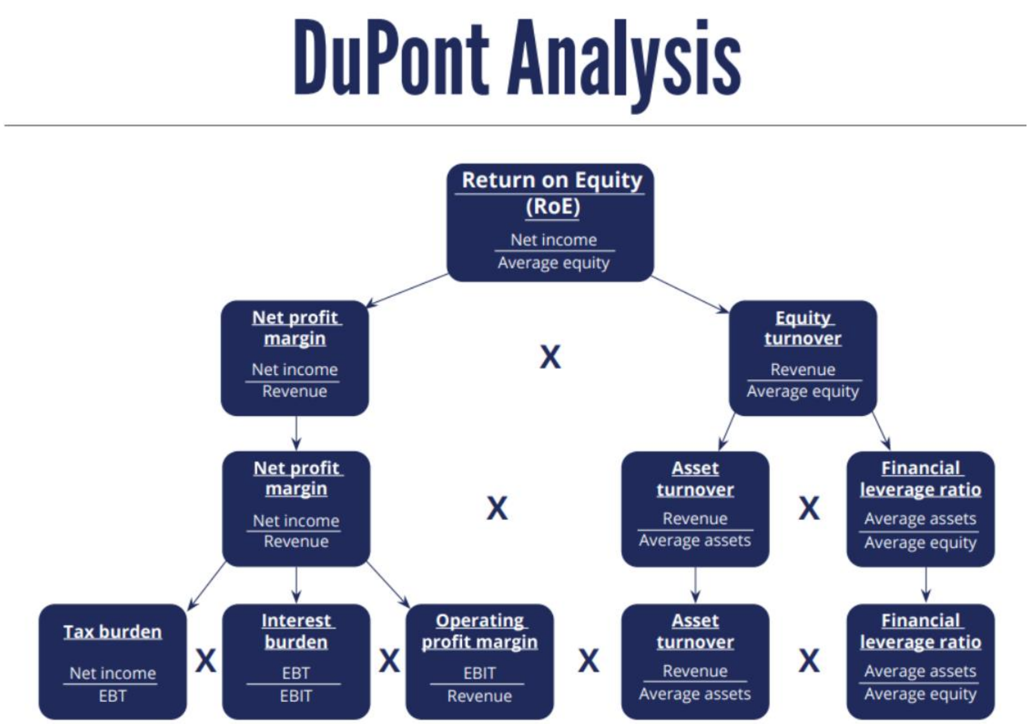
Year	2021	2020	2019	2018	2017
Net Assets Value Per Share (BDT)	29.3	28.4	25	25.2	27



In the data provided, we observe fluctuations in NAVPS over the years. In 2017, the NAVPS stood at BDT 27, which declined to 25.20 and 25.00 in 2018 and 2019, respectively. Subsequently, there was a significant increase to 28.40 in 2020, followed by further growth to 29.30 in 2021. The trend displays notable fluctuations. Despite facing challenges with NAVPS in 2019 and 2018 due to lower shareholder equity, City Bank managed to recover in 2020 and 2021.

3.6 DuPont Analysis

DuPont analysis is a method for measuring financial standing that dissects return on equity (ROE) into its constituent elements is called du Pont analysis. It was created in the 1920s by the DuPont Corporation and has subsequently spread throughout the financial analysis community.



3.6.1 Three Component Decomposition

The three-component DuPont analysis can be used to examine a firm's ROE into each of its parts: profit margin, asset turnover, and financial leverage. Profit margin displays the portion of income left over as profit after expenses, asset turnover demonstrates how well assets are employed to generate sales, and financial leverage assesses the amount of debt required to finance operations. This analysis gives a more comprehensive picture of a firm's financial performance by focusing on both potential flaws and areas of strength.

Return on Equity = Net Income/Sales* Sales/Total Assets*Total Assets/Total Equity

Particulars	2021	2020	2019	2018	2017
Profit Margin	0.110802	0.119854215	0.067596	0.063451138	0.121614
Asset T/O	0.205353	0.174832735	0.206209	0.195849498	0.216542
Financial Leverage	13.35197	13.28773683	13.95534	13.29431027	11.0793
ROE	30%	28%	19%	17%	29%

Return on Equity (ROE) can be broken down into three parts using the DuPont analysis: profit margin, asset turnover (or asset T/O), and financial leverage. The analysis shows how each of these factors affects ROE. According to the statistics, 2021 has the highest ROE at 30%, mostly due to a robust profit margin of 11.08% and a comparatively high asset turnover of 0.21. This suggests that the business turns sales into profit and makes good use of its resources to produce income. Even if financial leverage hasn't changed much over time, profit margin and asset turnover have a greater impact on ROE. Remarkably, despite reduced financial leverage, a strong profit margin and asset turnover were the main contributors to the high return on equity in 2017. In contrast, 2019 saw a respectable Profit Margin, although ROE decreased as a result of reduced asset turnover. Overall, the DuPont approach emphasizes that asset efficiency (asset turnover) and profitability (profit margin) are the primary drivers of return on equity (ROE), with financial leverage serving as a supporting factor.

3.6.2 Five Component Decomposition

The Five Component ROE Decomposition analyses Profit Margin, Asset Turnover, Financial Leverage, Tax Burden, and Interest Burden over a certain period to provide a thorough analysis of Return on Equity (ROE). By breaking down ROE into its component pieces, this approach can provide valuable perspectives into a firm's financial risk profile, tax management, operational efficiency, and interest expense impact.

$$ROE = \frac{\text{Net Income}}{\text{EBT}} \times \frac{\text{EBT}}{\text{EBIT}} \times \frac{\text{EBIT}}{\text{Net Revenues}} \times \frac{\text{Net Revenues}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Liabilities}}$$

Particulars	2021	2020	2019	2018	2017
Profit Margin	0.110802	0.119854215	0.067596	0.063451138	0.121614
Asset T/O	0.205353	0.174832735	0.206209	0.195849498	0.216542
Financial Leverage	13.35197	13.28773683	13.95534	13.29431027	11.0793
Tax Burden	1.782627	1.593968096	2.318366	2.158077304	1.420066
Interest Burden	2.531402	2.617200938	3.190543	3.651435132	2.895186
ROE	137%	116%	144%	130%	120%

Through its components, the DuPont analysis shows the many influences on Return on Equity (ROE) throughout the five years. Interestingly, the shifting profit margin, which peaks in 2017 and 2019 and correlates with higher ROE numbers, shows differing efficiency in turning sales into profit. Comparably, demonstrates how effectively a company generates revenue from its resources; as evidenced by 2019 data, more asset turnover typically translates into higher return on equity (ROE). Financial leverage increases return through debt financing, which increases return on equity even if it is generally steady. ROE is indirectly impacted by tax burden and interest burden, which have an impact on net income and interest expenses, respectively. Increased tax and interest burdens can lower shareholders' net income, which affects return on equity (ROE). Profit margin, asset turnover, financial leverage, tax burden, and interest burden all work together to build the company's return on equity (ROE), which is a reflection of the intricate relationships between the financial variables that affect shareholder returns.

Chapter 4: Conclusion

Conclusion

The City Bank Limited enjoys a dominant position in the industry, they must always go above and beyond to meet the needs of their clients if they hope to keep it. In today's fiercely competitive market, banks find that satisfying their consumers is the most challenging task. In this report, we have analyzed five years of financial performance. All the dimensions of financial performance analysis have provided us with information on how City Bank Limited is performing throughout the subsequent years from 2017 to 2021. By conducting the liquidity ratio, I found out that CBL has maintained a satisfactory level of liquidity throughout the years. In the profitability analysis, it was uncovered that they could have improved their profitability level by maintaining strong customer relationships. Then in the efficiency analysis, it became clear to me that they have been using their resources well enough to produce income and profit. And then the solvency analysis showed that they have not maintained enough assets against their long-term obligations. Lastly, the market ratio revealed consistent growth over the years. Due to the exclusive and distinctive nature of the banking business, there are prospects for expansion that the CBL needs to be aware of to thrive in this competitive market. The bank must pay more attention to its consumers because they now have more options available to them. Excellent customer service is provided by a great number of significant companies. When it comes to providing the appropriate services, it is essential to ask for feedback from clients. It has the potential to promote the encouragement of consumer satisfaction, loyalty, and trust while simultaneously fostering close relationships with customers. To provide continuous assistance for customers, the CBL must develop a course of action.

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