Financial Performance Analysis of The City Bank Limited

AN INTERNSHIP REPORT

ON

Financial Performance Analysis of The City Bank Limited

Submitted to:

Muhammad Enamul Haque

Assistant Professor

School of Business and Economics

United International University

Submitted by:

Rohan Bin Sarwar

ID- 111 182 052

Program: BBA

School of Business and Economics

Date of Submission: July 26, 2023

Authorization Letter

July 26, 2023

Subject: Approval for the Preparation of an Internship Report.

To all concerned parties,

Please take note that Rohan Bin Sarwar has been granted permission to conduct research and to work on a report for his internship that will be based on a study of "Analysis of the Financial Performance of The City Bank Limited". Under no circumstances will the data collected be used for official functions or made publicly available in any way.

I wish your research the very greatest luck.

Regards,

Muhammad Enamul Haque

Assistant Professor, School of Business and Economics

United International University (UIU)

Letter of Transmittal

July 26, 2023

Muhammad Enamul Haque

Assistant Professor, School of Business and Economics

United International University (UIU)

Madani Avenue, Dhaka.

Subject: Submission of the Internship Report

Greetings, Sir

I attend United International University where I am a BBA student, with all due respect. As an intern at The City Bank Limited's Credit & Collection Division, I'm currently formalizing a report on the "Analysis of the Financial Performance of The City Bank Limited." I'm quite pleased to present you with this report, which is the outcome of my work. This report was made possible by the priceless information and experience gained during the internship program.

I've made every effort to complete this report as completely and honestly as I can. The information used in this study was compiled from internal and external databases, annual reports, and other websites. I'm hoping that my strenuous efforts may encourage you to keep up this line of work. It will benefit me in this circumstance.

I sincerely hope you will find this report to be entertaining to read and educational. If you have any inquiries or need clarification, don't be afraid to contact me. You can contact me by email at rohansarwar698@gmail.com or by calling me directly at +8801797093593. I'm hoping you'll be grateful for my effort and overlook the minor mistakes. I really appreciate your help.

Sincerely,

Rohan Bin Sarwar

BBA, United International University

ID: 111 182 052

Acknowledgements

In my attempts to conclude this internship report, I did everything in my power to work diligently and honestly. However, it wouldn't have been possible without the ample amounts of support and assistance that I received from a number of people. I desire to forward my sincere gratitude to each and every individual that has contributed to the completion of this report.

My supervisor, Mr. A.H.M. Masudul Huq, Senior Vice President and Head of Card Underwriting Team, The City Bank Limited, deserves a ton of credit for his consistent guidance, supervision, and the information he provided which I was in dire need of to complete this project. I have acquired an enormous amount of knowledge working under his wing.

It would also be impossible to not thank Mr. Zeaul Haque Topu, Vice President and Unit Head, Card Underwriting Team, The City Bank Limited, for the relentless support that he has displayed throughout the entirety of my internship period. Another person that I also owe my gratefulness to would be Mr. Gazi Alauddin, Assistant Vice President and Unit Head, Card Underwriting Team, The City Bank Limited, for consistently assigning me with various challenging tasks that would help me gain expertise, enhanced insight into the organization and aid to my personal and career development which ultimately contributed to this report.

Furthermore, I have inherited hands-on expertise under the persistent mentorship of Mohammad Arifur Rahman, Unit Head of Card Underwriting Team, The City Bank Limited. Thus, I will forever be indebted to him, not only for this internship program, but for providing me with guidance that has helped me develop knowledge and expertise which will aid me throughout a lifetime.

I also wish to express my appreciation and gratitude towards the honorable faculty member and my internship supervisor, Mr. Muhammad Enamul Hauqe, for his generous guidance, mentorship, suggestions, and inspiration in aiding me wrap up the paper.

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Executive Summary

The objective of this report is to analyze, summarize and conclude, while making it as apparent as feasibly possible with the use of the available data, using ratio analyses across all five dimensions as well as a detailed DuPont Analysis, how The City Bank Limited is performing as one of the leading private commercial banks of Bangladesh. The data and their evaluations have been presented in both written explanations as well as graphical and tabular formats including flow charts.

From 2017 to 2021, City Bank's financial performance over these five years have been examined. The primary ratios that exist under each of the 5 dimension of financial ratio analysis, namely the liquidity, solvency, activity, profitability and market value ratios have all been analyzed and compared over the course of the aforementioned 5 years in order to get insightful knowledge of the current financial condition of the bank. The City Bank Limited's liquidity position is adequate, with quick ratios, cash ratios, and statutory liquidity ratios consistently exceeding the benchmark of 1.00. The only drawback to this evaluation was the current ratio. The City Bank Limited's solvency status has also been determined to be satisfactory due to the company performing well in all three ratios pertaining to the dimension, with values exceeding the established benchmark. Only the elements related to the interest coverage ratio could receive more attention among the three ratios. The City Bank Limited has scored well in all three of the ratios that were used to evaluate its efficiency and activity. On the other hand, all five of the ratios used to calculate The City Bank Limited's profitability have had values that are essentially constant. Graphs for some of the ratios also showed upward moving trends for by the end of the latest years in comparison to the earlier years. And finally, out of the three ratios used to assess the Market Value of The City Bank Limited, the organization has shown positive performance for two of them. This trend is applicable to all of the market value ratios, only with the exception of the price-earnings ratio, which was demonstrated a disappointing decline over the years for The City Bank Limited.

The two types of DuPont Analyses have demonstrated that although the ROE of the bank may have fluctuated over the years, the bank has been able to diagnose and determine the factors that were key and pivotal to it and thus, in the last years, the ROE saw an upward moving curve. City Bank has done an outstanding task in improving its EBIT Margin, lowering its Tax and Interest

Burden as well as maximizing the full utilization of its assets to convert them into revenue generation ability. City Bank performed exceptionally as it was able to hold up its net profit margin even during the challenging times brought upon the economy by the emergence of the pandemic COVID-19. And the bank has managed to do so while lowering its financial leverage from 65% to 51% in the last two years.

It can therefore, be conclusively claimed, that although the bank has had its ups and downs throughout these 5 years, the organization has made good progress from a holistic perspective towards the later years and thus, promises a better and brighter future to it shareholders

1.0 Introduction

1.1 Origin of the Report

The report in question was produced in order to fulfill the criteria of the internship program at United International University's BBA department. Each undergraduate student must successfully complete a three-month internship program at a relevant firm that will enable them to gain practical experience in the area of business operations in order to graduate from the BBA degree. I have provided the intern with a three-month internship opportunity in the Card Underwriting Department, Credit & Collection Division of The City Bank Limited's Palmal Tower Office in order to help me achieve the aforementioned criterion. January 2023 and April 2023 were the months during which the internship took place. The study is titled “Financial Performance Analysis of The City Bank Limited". I have been given permission to write the paper on this topic by Mr. Muhammad Enamul Haque, Assistant Professor, BBA Department, SOBE of UIU.

1.2 Background of the Report

After completing 120 credits in their Bachelor of Business Administration program at United International University, each student is required to present a report on their practical experience. This forces these students to participate in an internship program that places them in a difficult position within a crucial division of an organization. While receiving training for entry-level roles, graduate students take use of this opportunity to immerse themselves in the distinctive conditions of the organization. It offers students a rare opportunity to experience business reality, launching their careers and giving them the desperately needed confidence. The business branch of each educational institution in Bangladesh creates an internship program that meets this requirement. The students' careers as business professionals are launched here by providing the interns with the crucial training that they need to use the theoretical knowledge they have learned in the classroom and from their textbooks in real-world settings, to compare them in practical scenarios, and to do so.

1.3 Objective of the Report

The primary goal or purpose of this study is evaluating the financial performance analysis of The City Bank Limited. The bank's official website, as well as different articles, yearly reports, interviews with team members of the Card Underwriting Department, and other sources, were used to compile the data and information for the report.

The following specific goals are among these objectives:

1. To be familiar with every facet of the organization's operations.

2. To combine academic knowledge with real-world experience in a variety of The City Bank Limited's duties.

3. To assess the state or health of the bank's finances.

4. To point out issues and make recommendations for improvement.

1.4 Scope & Limitations

1.4.1 Scope of the Report

The internship program took place at City Bank Limited's Palmal Tower Office, in the Card Underwriting Department. The ability to directly gather the raw data from the members of the Card Underwriting team was one of the study's most important focuses. The team's valued members, all of the coworkers, contributed ideas in unison to the creation of this report. They offered helpful advice on how to structure the report and how to evaluate the data properly. The concerned intern had the pleasure of talking with the Head of Credit and Collection Division, from whom he was able to gather information crucial to the report. Additionally, throughout this quarter of the year, the supervisor, who is the Head of Card Underwriting Department, has continuously provided the intern a lot of advice and helpful information on the report.

Yet another scope of this research was the learning opportunity from the members of the other departments such as Information Technology Department as well as Collection Department. The intern's seat was located close to the Collection Department, therefore, getting the chance to constantly learned from them. One of the intern's mates who was also Information Technology Department (located right upstairs from my office), often provided information about their activities and policies. All of these factors accumulated, contributed to preparing this report. The biggest scope of all was the placement in the Trade Division Office. Due to this placement, the intern was able to gain a lot of knowledge and knowhow about numerous issues and factors concerning the organization, which otherwise would never have been possible if he had to undergo this internship at one of the branches of CBL.

1.4.2 Limitations of the Report

1. A scarcity of the access to secondary sources of data, as privacy is key in banking, played a huge role in the insufficiency of data required for the appropriate preparation of the report.

2. Provision of each and every type of data & information weren't permissible according to the banking policy of CBL.

3. A lack of sufficient duration was observed during the three-month internship program to fully comprehend the operations of each department within the bank.

4. More often than not, the bank is not too willing of providing internal information.

1.5 Methodology

1.5.1 Research Type

Both methods of research have been used in tandem to construct the report. Studies from both the main and secondary sources have been included. The preparation of this work involves both recently acquired information and material that has already been established. The research, however, has been conducted in significant part using secondary data that isn't specifically pertinent to the card division of The City Bank Limited.

1.5.2 Types of Data

The study provides findings that were arrived at using both primary and secondary sources of data. The combined result of the new and altered information creates significant and useful conclusions and analysis.

1.5.3 Data Collection Method

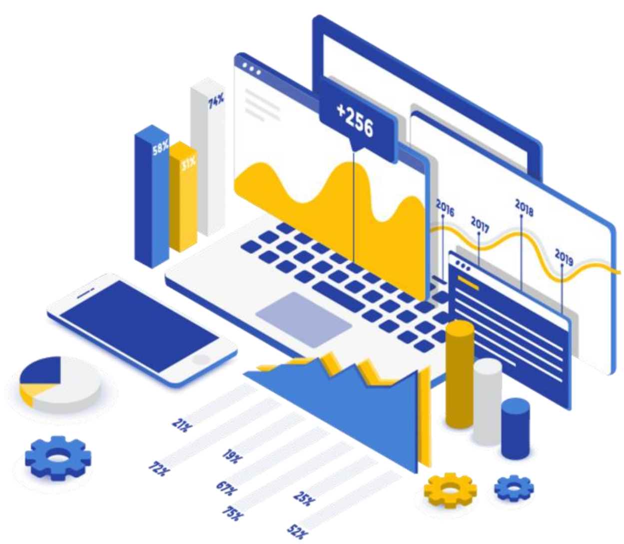
The report's data was gathered and compiled from a number of primary and secondary sources utilizing a variety of collection techniques. Primary data was gathered mostly through numerous excel sheets and documents from CBL's MIS division, as well as through interviews with a few staff employees from the Cards Underwriting Department, including the boss/supervisor. The remaining information was incidental. These facts have been gathered from The City Bank Limited's annual reports, which are posted at the bank's official website. In addition, information was gathered from a number of other articles and supplied by the line manager and Ms. Tasneem from the IT department. The entirety of these data have ultimately been used to create valuable information and reach logical conclusions.

1.5.4 Data Analysis Method

The analysis of the data has primarily been done using a quantitative technique. The data acquired from the bank's internal sources as well as from secondary sources including the bank's financial statements and yearly reports were examined using Microsoft Excel, various formulae, pivot tables, and other technical approaches before being comprehended logically.

1.5.5 Data Presentation Method

With the use of written and other graphic formats, such as column graphs, pie charts, tables, etc., the data has been sorted out, structured, and presented for illustration.



1.6 List of Abbreviations

- RWA: Risk Weighted Asset
- SME: Small & Medium Enterprise
- CASA: Current Accounts and Savings Accounts
- ROE: Return-on-Equity
- CRR- Cash Reserve Requirement
- HFT: Held for Trading
- ROA: Return-on-Assets
- TD: Term Deposit
- BDT: Bangladesh Taka
- SWOT: Strengths, Weaknesses, Opportunities and Threats
- BDT: Bangladesh Taka
- NPL: Non-Performing Loan HR: Human Resources
- HR: Human Resources
- NII: Net Interest Income
- CRAR: Capital to Risk-Weighted Asset Ratio
- EPS: Earning Per Share
- EBIT: Earnings Before Interest and Taxes
- EBT: Earning Before Taxes
- Mn: Million
- PR: Public Relations
- SLR: Statutory Liquidity Ratio
- BB: Bangladesh Bank
- CBL: City Bank Limited
- AGM: Annual General Meeting
- BBA: Bachelors of Business Administration
- NOCFPS: Net-Operating-Cash-Flow-Per-Share

2.0 Company Overview

2.1 The History of CBL

In the face of much uncertainty, 12 ambitious young entrepreneurs created The City Bank Limited in 1983, the first private commercial bank in the nation. The board of directors began operations with just BDT 34 million in cash. But the amount has dramatically increased since then and is now a staggering BDT 3.4 billion. The City Bank Limited presently has its initial site on Bangabandhu Avenue in Dhaka. The City Bank Limited debuted as a public limited company on the Chittagong Stock Exchange and the Dhaka Stock Exchange in 1986, respectively. In Malaysia, City Bank established a subsidiary office in 2019 after opening eleven branches and one representative office there in 2013.

2.2 An Overview of CBL

CBL offers a variety of banking services to people and businesses through its offices, internet transactions, and mobile applications. One of the biggest commercial banks in the nation that operates in the private sector, City Bank will have total assets worth BDT 416,902 million by the end of 2021. Banks account for between 2.1% and 2.3% of all loans, advances, and savings in the economy of the nation. CBL has helped the country advance over time through its banking operations and job creation. The bank's more than 7,500 employees have assisted more than 17,00,000 clients. Along with having more than 17,500 merchants on board, it also has 2 airport lounges, 7 Priority centers, in excess of 29,000 POS machines and 419 ATMs and CDMs, throughout Bangladesh, and more than 13,90,000 cards that have already been issued.

The City Bank Limited offers a variety of services, including retail banking (cards, digital, priority, employee), corporate, wholesale, SME, employee, agent, City Alo - Women Banking, Treasury, etc. Additionally, City Bank has a prosperous Islamic subsidiary that adheres to Islam called City Islamic. The total deposits at City Islamic rose by about 1010% between FY21 and FY22.

The coronavirus epidemic and the 9% regulation ceiling on industrial lending had significant dual effects, but CBL was nonetheless able to boost its year-over-year growth profit to 4.7% because of its strong financial base. At the end of 2021, the bank's total assets were BDT 416,902 million, an increase of 9.1% from the previous year. Customer deposits account for 67% of total assets, which illustrates the bank's primary role as a financial facilitator. The average ratio of loans to deposits over the past five years was above 81%, which demonstrated that loan growth was climbing in step with deposit growth.

2.3 Mission, Visions and Values of CBL

2.3.1 Vision

City Bank's ambition of being a financial superstore with a winning culture and a commitment to give stakeholders positive experiences is what motivates the company.

2.3.2 Mission

The City Bank Limited's missions include establishing itself as the favored provider of financial services in the country. They exert a lot of effort in order to:

- Offer a huge variety of distinctive goods and services that appeal to a wide range of clients.
- Encourage innovation and computerization to guarantee and enhance service excellence.
- Ensure that all activities are performed in compliance with the law, with good governance, and with concern for the community;
- Become the "Employer of Choice" by providing a workplace that supports leadership development and high performance.

2.3.3 Core Values

The City Bank Limited's values influence its actions, thinking, and work. They think the company can achieve its goal and objective by making it clear what activities they anticipate from its personnel.

Following are represented in the bucket-list of their core values:

- Striving to be Engaging and Inspiring
- Staying Goal-oriented
- Balancing a mix of Respectful and Brave
- Put a priority on Consumer Satisfaction
- Placing an emphasis on Reliability and Trustworthiness

2.4 Subsidiaries of The City Bank Limited

2.4.1 City Brokerage Limited

The primary objective of City Brokerage Limited, a fully owned subsidiary of The City Bank Limited, is to support customers' financial independence. City Brokerage Limited, one of the best brokerages in the country, offers both domestic and foreign clients a wide range of first-rate brokerage services. This has been accomplished by building a solid franchise that relies on giving customers outstanding service and earning their trust. It assists consumers in reaching their financial objectives by offering top-notch trading services at a low cost and continual study support. The business saw the need for a reliable financial intermediary to open up capital markets to the general people. City Brokerage was created to fill this gap and highlight the additional advantages of the bigger banking platform. As a result, the business can now give clients access to Bangladesh's capital markets through a reliable, reputable, and cutting-edge channel, giving them the opportunity to possibly profit from wealth creation and so achieve financial emancipation.

2.4.2 City Bank Capital Resources

In accordance with the Corporations Act of 1994, City Bank Capital Resources Limited (CBCRL), a subsidiary of City Bank and a public company limited by shares, was established on August 17, 2009. On December 6, 2010, the Bangladesh Securities and Exchange Commission granted the business a commercial banking license. The business was founded with the intention to provide specialized merchant banking services to institutional clients wishing to raise money, hence expanding City Bank's entire product offering.

While the institution's portion of DSE trading volumes climbed by 349%, its net profit increased by 46% to 345 million BDT. Additionally, it has net expansions of 365 million on margin loans totaling 1,377 million BDT. Clients who use portfolio management services have no negative equity in their assets, and the company also offers a number of different bonds, such as Green Shukuk Bonds, Perpetual Tier-I Bonds, and Zero-Coupon Bonds.

2.4.3 CBL Money Transfer SDN. BHD

A business that facilitates the sending of money is called CBL Money Transfer Sdn. Bhd. (CBLMT). On April 4, 2013, CBL bought 75% of the common shares of CBLMT in order to eventually acquire 100% of the business.

According to the 2011 Money Service Business Act published by Malaysia's central bank, Bank Negara, it is a privately held corporation limited by shares that was formed in line with Malaysian law and registered with the Malaysian Companies Commission in order to provide money services. As a result, CBLMT, which had been a subsidiary of City Bank since September 10, 2013, became a subsidiary of City Bank with full ownership on June 8, 2016, following City Bank's acquisition of all of CBLMT's shares.

2.4.4 City Hong Kong Limited

In 2019, City Bank opened its first offshore banking Trade Unit in Hong Kong under the name City Hong Kong Limited. City HK was created in order to increase City Bank's global footprint in one of the world's major financial hubs, Hong Kong. Hong Kong, a significant importer, is an important trading partner for Bangladesh.

The company made a small initial investment, progressively raised its capital by buying other companies, and, in a noteworthy accomplishment, produced its first-ever net profit in the fiscal year 2021. The fact that City Hongkong is now a successful separate business of City Bank serves as proof of the evolution of the company's corporate strategy and product offering. Important clients of Bangladeshi RMG producers include a few global retail chains with regional headquarters in Hong Kong. The scale of business and trade between China and Bangladesh is substantial, expanding consistently, and looking up in the future. In this environment, City HK sees itself as a link between Bangladesh and the expanding economies of Hong Kong and Mainland China.

2.5 Porter's 5 Forces Model on CBL

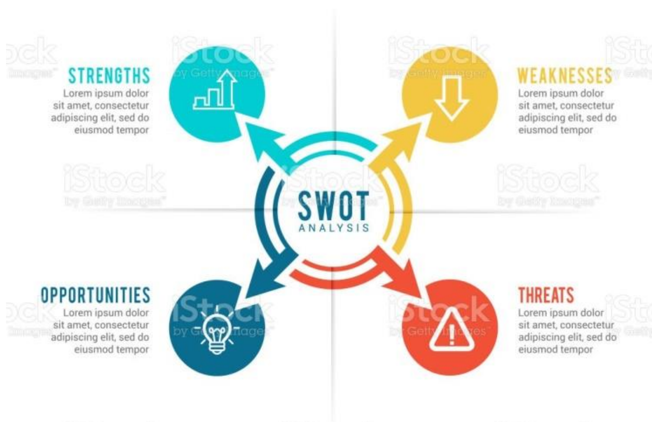
The Porter's Five Forces model can be used by City Bank to create its strategy. The model guarantees that it will operate in accordance with the bank's expectations for profitability when put into practice.

- **Bargaining Power of Buyers:** In the banking sector, buyers' bargaining power is extremely strong. The power of buyers is strong due to low switching costs, simple information accessibility, and high price sensitivity.
- **Competitive Rivalry:** There is a lot of competition in the banking sector. The level of competition has increased as a result of the quantity of banks, Non-Banking FIs,

and other financial institutions, as well as the introduction of Fintech companies.

- **Bargaining Power of Suppliers:** In the banking sector, suppliers are well-positioned to negotiate. This is because there are many clientele-options vying for suppliers, making it difficult to mobilize low-cost deposits.
- **Threat of Substitutes:** The banking industry faces very little threat from substitutes. The banking sector offers a vital service, and the government is very concerned about it in order to maintain the health of the economy.
- **Threat of New Entrants:** Because the banking sector requires specialized knowledge, enormous money, and scale, the threat of new entrants is also low.

2.6 SWOT Analysis on CBL



2.6.1 Strengths

- In the context of the credit card sector, CBL is the industry pioneer.
- The trust that has been built with the clients over the course of their operations.
- Having powerful institutional investors.
- Governance and compliance.
- Specific abilities and aptitudes that their staff members have developed through time.
- Track record of noteworthy financial performance.

2.6.2 Weaknesses

- Retaining highly skilled human resources within the organization.
- Competing within a fiercely competitive industry puts pressure on returns.

2.6.3 Opportunities

- Scope to enhance accessibility within remote areas.
- Expansion of bank businesses through traditional strategy to promote financial inclusion.
- Taking care of customer satisfaction levels.

2.6.4 Threats

- Fintech, digital-first banks and other mobile financial services companies (NBFIs) are becoming more competitive, as well as frequent unanticipated alterations to regulations set by BB.
- Make efficient use of resources more difficult.

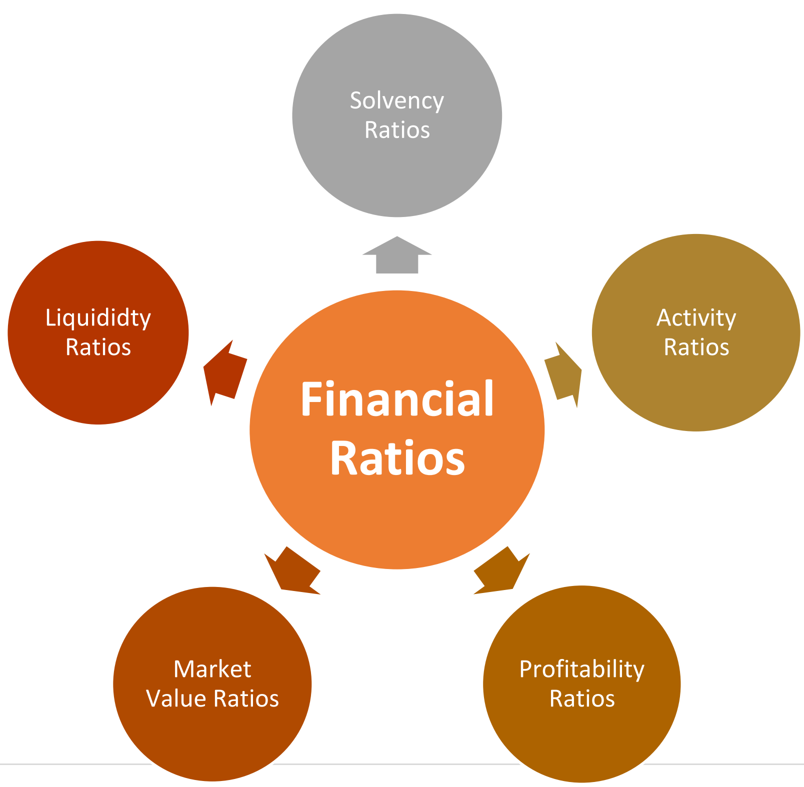
3.0 Financial Performance Over a Five-Year Period

3.1 Introduction

This section of the report consists of the actual body of work or analyses that embodies the financial situation of City Bank, which has been conducted on the bank's financial performances over the last five years, namely the years 2017, 2018, 2019, 2020 and 2021. Using the data for these years it will be observed and determined how the financial aspect of The City Bank Limited's operations contribute to the overall performance of the firm.

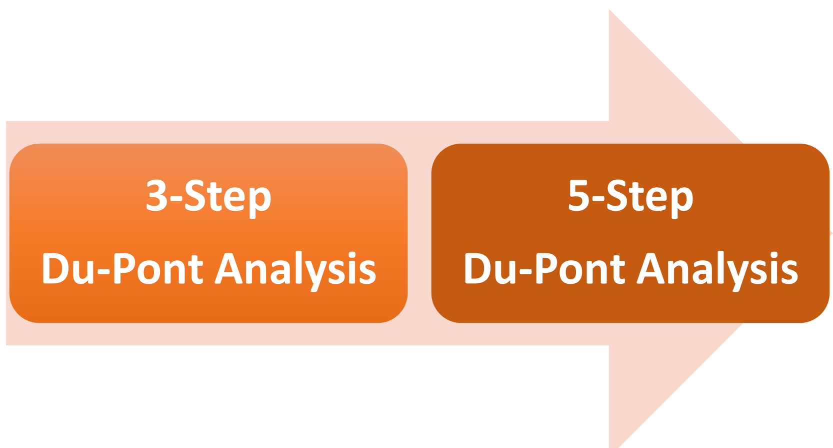
3.2 Methodology of the Analysis

The data of the bank's financial performances have been analyzed using primarily financial ratios, namely the five dimensions of financial ratios that are: Liquidity ratios, Solvency ratios, Activity/Efficiency Ratios, Profitability Ratios and Market Value Ratios. Each of these dimensions contain multiple ratios, on the context of which these five aspects will both be analyzed and/or measured.



Moreover, in light of the various ratio calculations, a conclusion is drawn for each dimension of the financial ratios in order to summarize how the bank is performing in each of the aspects. Furthermore, an overall conclusion is drawn for a combined insight into all 5 aspects of the bank's financial situation in order to determine its performances based on liquidity, solvency, profitability, efficiency and market value over the last 5 years. These, will be performed with the aid of different tables, graphs, flow diagrams and other visual representations.

Finally, a 3-Step and 5-Step Du Pont Analysis will be conducted on the current situation of The City Bank Limited in the past 5 years, gaining valuable insight and knowledge about the bank's overall financial health.



3.3 Objective of the Analysis

The objective of this analysis is to summarize and conclude, while making it as apparent as feasibly possible with the use of the use of the available data, and the aforementioned methodologies, how The City Bank Limited is performing as one of the leading private commercial banks of Bangladesh and provide suggestions and recommendations regarding how the organization can further improve the performance statistics that are being achieved under current circumstances and systems.

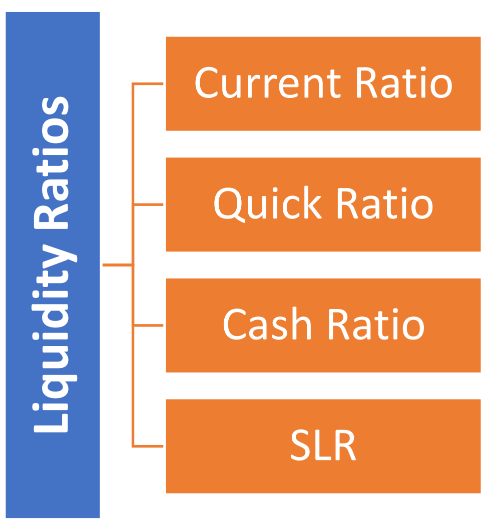
3.4 Ratio Analysis

As mentioned earlier, this section will organize and illustrate how City Bank has performed financially, in terms of the five primary ratio dimensions. Therefore, the analysis shall elaborate each of these aspects using various explanations and visual aids, in the upcoming sections provided below.

3.4.1 Liquidity Ratios

The ability of a business to repay its short-term loan obligations is measured using a financial metric known as a "liquidity ratio". The statistic assists in determining whether a company can pay its current liabilities out of its liquid, or current, assets.

The three liquidity ratios that are most frequently used are the current ratio, quick ratio, and cash ratio. In addition, the SLR, or Statutory Liquidity Ratio, is thought to be helpful. The amount of liquid assets is the numerator of the equation for each of the first three liquidity ratios, and the accumulated amounts of current obligations is the denominator.



Due to the ratio's structure, which places assets on top and liabilities at the bottom, ratios above 1.0 are preferred. A company can pay off all of its current liabilities with its cash on hand if the ratio is 1. A business would be unable to meet its current obligations if the ratio was less than 1 (for instance, 0.75).

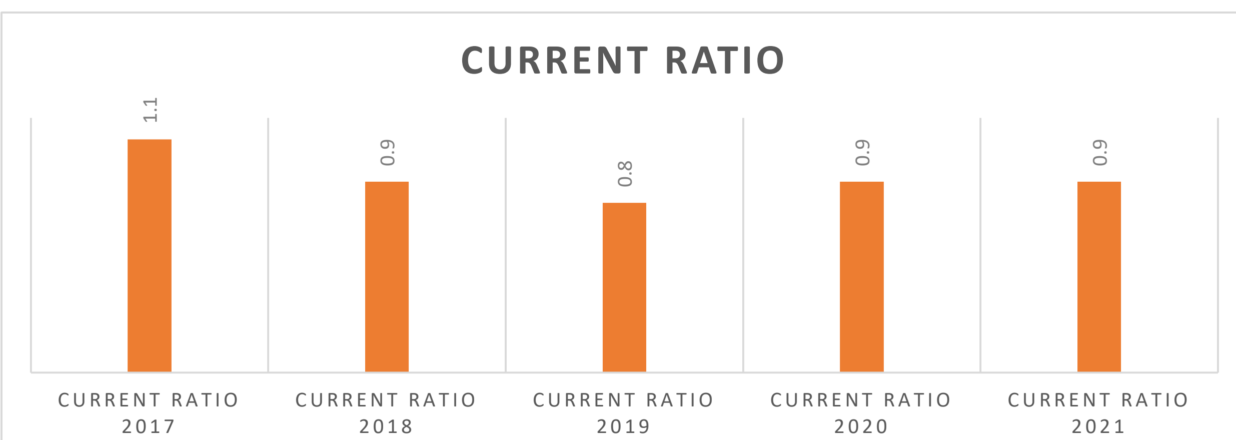
A ratio higher than 1 (for example, 2.0) would indicate that a business can pay its present obligations. A corporation may actually cover its present liabilities twice over with a ratio of 2.0. If they had a ratio of 3, they could pay their existing liabilities off three times, and so on.

The following sections illustrate four different types of liquidity ratios for City Bank over the last five years and explain how the bank is performing in terms of liquidity.

3.4.1.1 Current Ratio

A liquidity ratio called the "current ratio" assesses a company's capacity to settle short-term debts or those that are due within a year. It explains to investors and analysts how a business can use its present assets to the fullest extent possible to pay down its current liabilities and other payables. The current ratio contrasts the total current assets and liabilities of a business. When all of a company's short-term obligations are due at once, a firm with a current ratio of less than 1.00 frequently lacks the capital to fulfill those obligations, whereas a company with a current ratio of more than 1.00 typically has the financial resources to cover all of its short-term obligations. The following table and chart below illustrate City Bank's current ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Current Ratio	1.10	0.90	0.80	0.90	0.90

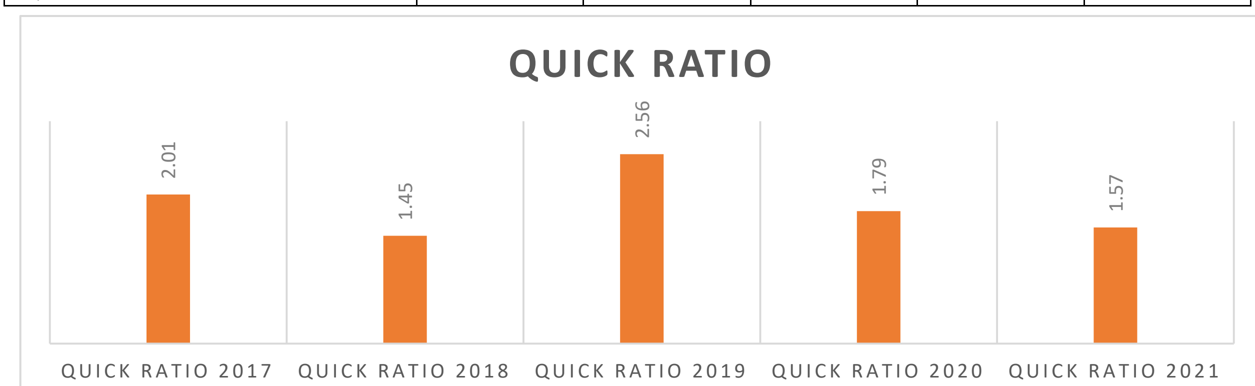


As can be assessed from the table and chart above, initially in 2017, City Bank's Current Ratio was 1.1, which was above the standard benchmark of 1. However, in the following years, City Bank's liquidity took a blow when the current ratio fell to 0.9 and 0.8 in 2018 and 2019 respectively. Since then, City Bank has tried to improve its situation by enhancing its liquidity to 0.9 in 2020 and retaining the same position in 2021 even in years that were affected by the emergence of the pandemic that is COVID-19. Even though the situation has improved since 2019, the current ratio is still below 1.00, which shows that the bank will face difficulties paying off its short-term obligations in the future. Therefore, City Bank needs to focus their attention upon this issue to try and increase the current ratio and overall liquidity in the years to come.

3.4.1.2 Quick Ratio

A company's ability to meet its short-term obligations using its most liquid assets is evaluated using the quick ratio, which also acts as a measure of the company's short-term liquidity position. A company's capacity to meet its short-term obligations without having to sell products or look for more money is measured by the quick ratio. The quick ratio is viewed as a more cautious indicator than the current ratio, which counts all current assets as coverage for current liabilities. The standard quick ratio is recognized as a score of 1. It indicates that the company has just the proper quantity of assets available to meet all of its immediate obligations. While a company with a fast ratio above 1 can pay off all of its current liabilities at once, one with a quick ratio below 1 might not be able to pay off all of its current liabilities anytime soon. The following table and chart below illustrate City Bank's quick ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Quick Ratio	2.01	1.45	2.56	1.79	1.57

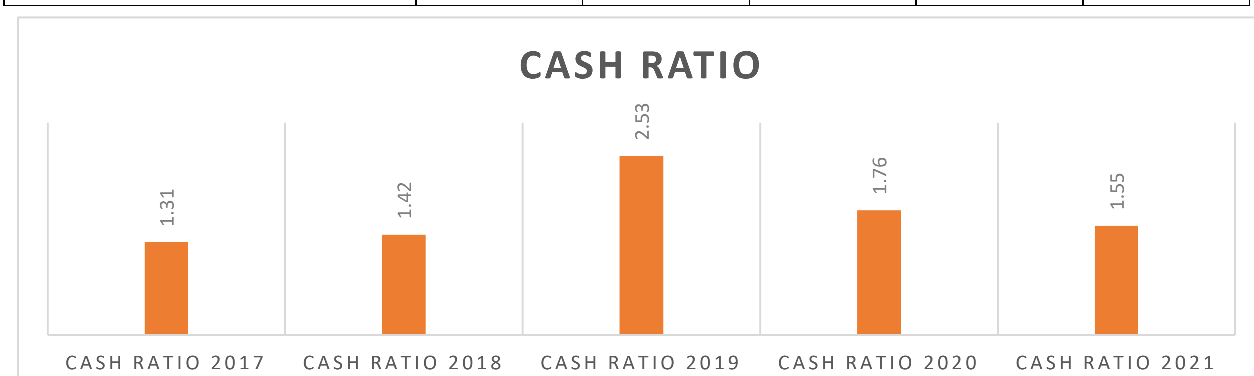


As can be noticed from the table and chart above, initially in 2017, City Bank's Quick Ratio was 2.01, which is more than double the standard benchmark of 1. However, in the following year, City Bank's liquidity took a blow when the quick ratio fell to 1.45 in 2018. Although the quick ratio increased to 2.56 in 2019, the ratio took a major downfall in 2020 to 1.79. This can be accountable to the impact that COVID-19 had on the banking sector as well as the overall economy. This trend followed, since in 2021, the quick ratio fell further to 1.57. However, even though the quick ratio for City Bank has been varying in the past 5 years, it has always remained above 1.00, which demonstrates that the bank shall not face much difficulties in paying off its short-term debts.

3.4.1.3 Cash Ratio

Another measure of a company's liquidity is the cash ratio. It particularly determines the proportion of current liabilities to total cash and cash equivalents held by a corporation. The indicator assesses a company's capacity to pay off its short-term debt with cash or resources that can be converted into cash quickly, including readily tradable securities. Because it only considers holdings of cash or cash equivalents—leaving other assets, such as accounts receivable—out of the equation—the cash ratio is typically a more conservative assessment of a company's capacity to pay its debts and obligations than other liquidity ratios. A number, greater or less than 1, is used to represent a cash ratio. The corporation has exactly the same amount of current liabilities as it does in cash and cash equivalents to pay off those debts if the ratio is calculated and the result is equal to 1. The following table and chart below illustrate City Bank's cash ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Cash Ratio	1.31	1.42	2.53	1.76	1.55

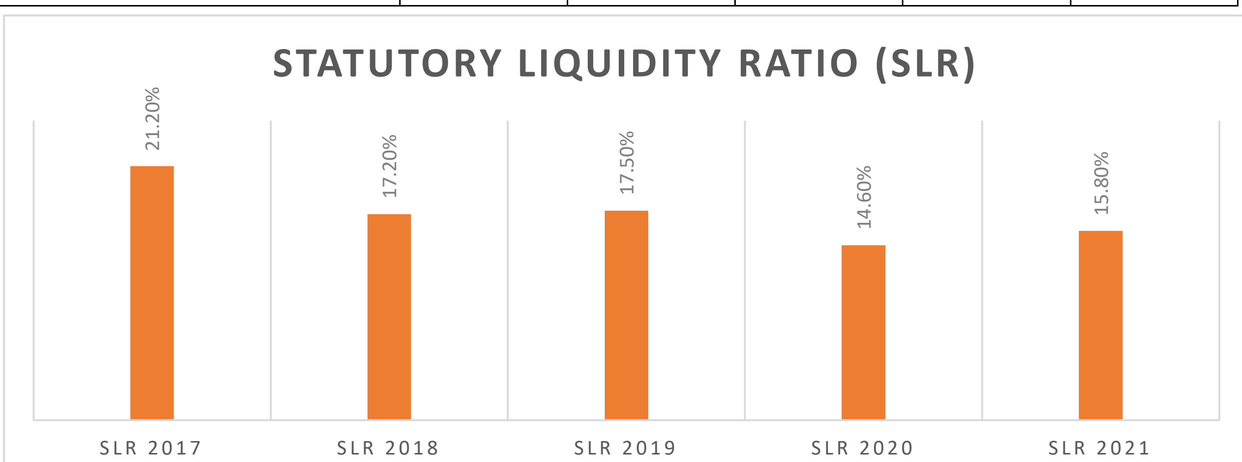


As can be observed from the table and chart above, initially in 2017, City Bank's Cash Ratio was 1.31, which is more than double the standard benchmark of 1. However, in the following year, City Bank's liquidity improved when the cash ratio rose to 1.42 in 2018. Although the cash ratio skyrocketed to 2.53 in 2019, the ratio took a major downfall in 2020 to 1.76. This can be accountable to the impact that COVID-19 had on the banking sector as well as the overall economy. This trend followed, since in 2021, the cash ratio fell further to 1.55. However, even though the cash ratio for City Bank has been varying in the past 5 years, it has always remained above 1.00, which demonstrates that the bank has done a good job in terms of managing its liquidity.

3.4.1.4 Statutory Liquidity Ratio (SLR)

Every commercial bank must maintain a minimum level of liquid assets, known as the statutory liquidity ratio (SLR). It consists of money, securities, and gold and serves as a reserve. It is calculated by dividing the total of the bank's net demand and time obligations by the percentage value of the bank's liquid assets. The SLR is required because it guarantees the commercial bank's solvency. The SLR is the lowest permissible percentage of deposits that a commercial bank must hold in cash, gold, or other liquid assets. The Bangladesh Bank (BB) determines the SLR, which is used to regulate the growth of credit in Bangladesh. The banks are penalized if they don't comply with the SLR requirements. The following table and chart below illustrate City Bank's SLR over the last 5 years.

Particulars	2017	2018	2019	2020	2021
SLR	21.20%	17.20%	17.50%	14.60%	15.80%



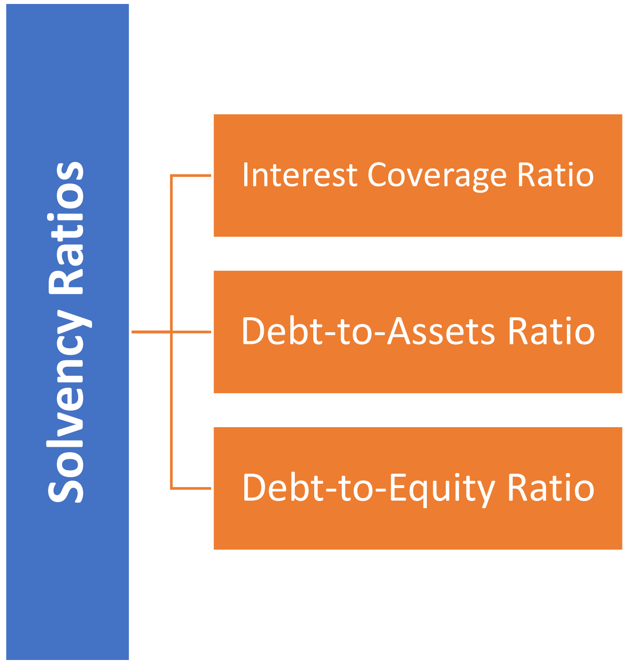
The SLR in Bangladesh has been set by BB at 13% for conventional banks and 5.5% for Islamic banks. It can be observed from the graph above that the SLR was 15.80% in 2017 and then significantly fell to 14.60% in 2018. The SLR then continued to rise annually. The rate increased to 17.50% in 2019, 17.20% in 2020, and 21.20% in 2021, the highest level during the previous five years. Over the years, City Bank has continuously maintained its SLR above the threshold set by the Bangladesh Bank. Therefore, it can be claimed with confidence that City Bank complies with all BB rules and regulations.

3.4.1.5 Conclusion for Liquidity Ratios

As was analyzed in the aforementioned sections, out of the four ratios used to assess the liquidity situation of City Bank, the organization has performed well in three of them, with values above the standard benchmark of 1.00 for quick ratios, cash ratios and statutory liquidity ratios in all the years. Only current ratio was the downside to this assessment, where the ratios have been below the standard for the years 2018, 2019, 2020 and 2021. However, overall, it can be claimed that City Bank is performing satisfactorily in terms of maintaining balance between its long-term investments and liquidity.

3.4.2 Solvency Ratios

Prospective business lenders frequently utilize a solvency ratio as a significant indicator of a company's capacity to repay its long-term debt. A company's financial health can be assessed by looking at its solvency ratio, which determines if its cash flow is sufficient to cover its long-term obligations. The debt-to-assets ratio, the interest coverage ratio, and the debt-to-equity (D/E) ratio are the three primary measures of solvency. An unfavorable ratio can suggest a chance that a corporation would fail to pay its debts. A solvency ratio looks at a company's capacity to pay off its long-term debts and commitments.



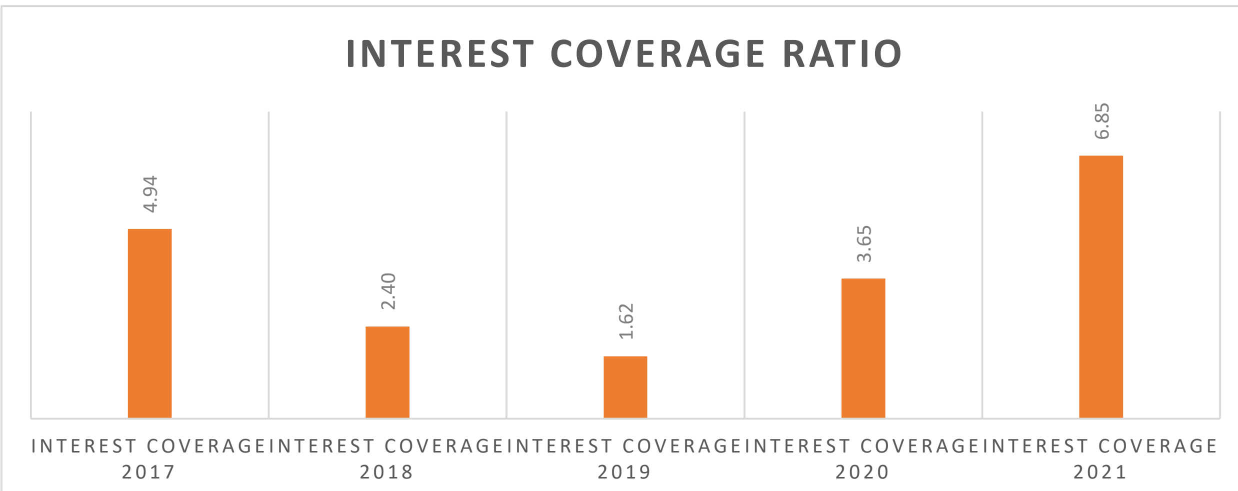
An unfavorable ratio can suggest a chance that a corporation would fail to pay its debts. A solvency ratio looks at a company's capacity to pay off its long-term debts and commitments. Solvency ratios differ between industries. Therefore, it is important to evaluate a company's solvency ratio in comparison to that of its peers in the same sector, rather than looking at them in isolation.

3.4.2.1 Interest Coverage Ratio

The interest coverage ratio calculates how many times a company's earnings are sufficient to satisfy its existing interest obligations. In other words, it calculates a company's margin of safety for making interest payments on its debt during a specific time frame. The ratio contrasts the interest owed on a company's debt at a certain point in time with the earnings it generated during that time period, before interest and taxes. The interest coverage ratio reveals a company's capacity to pay interest costs out of available earnings. Lenders and investors alike may use the interest coverage ratio to assess the financial stability of a company. If a company's interest coverage ratio is low, it can find it difficult to meet its interest obligations. On the other hand, if its interest coverage ratio is higher, it could be able to comfortably service its debt.

A company with a better interest coverage ratio can get loans more quickly since it shows lenders that it can pay higher interest costs. The ideal ratio is one that is higher. If the ratio drops to 1.5 or lower, it could mean that a business will struggle to pay the interest on its obligations. The following table and chart below illustrate City Bank's Interest Coverage Ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Interest Coverage Ratio	4.94	2.40	1.62	3.65	6.85



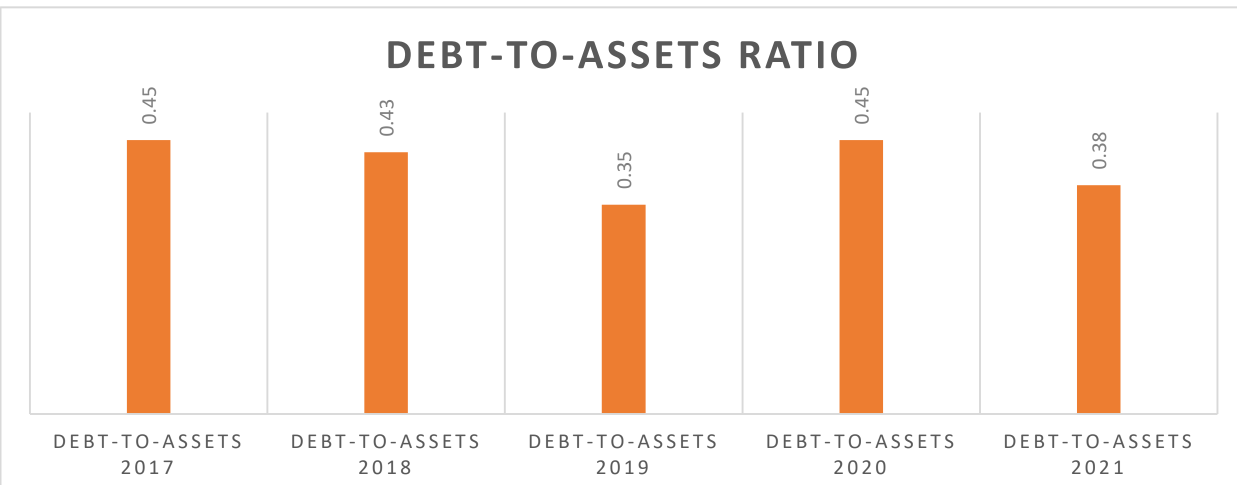
In light of the analysis from the aforementioned table and chart, initially in 2017, City Bank's Interest Coverage Ratio was 4.94, which is more than triple the standard benchmark of 1.5. However, in the following year, City Bank's solvency took at hit when the interest coverage ratio fell to 2.40 in 2018. Following this trend, City Bank's solvency went through an immense breakdown, as the ratio fell further to 1.62 in 2019. This trend reversed, however, in 2020, as the interest coverage ratio rose to a commendable score of 3.65. And finally, in 2021, City Bank's interest coverage ratio reached an all-time high as it reached a score of 6.85. Therefore, it can be said that City Bank is performing decently in terms of solvency over the past 5 years as the ratio never went below the standard of 1.5 and ended at an all-time high.

3.4.2.2 Debt-to-Assets Ratio

A financial indicator used to determine how much debt is utilized to fund a company's activities is the “debt-to-assets ratio”. The financed debt of a corporation, also referred to as interest-bearing liabilities, is used to determine this ratio. The percentage excludes total liabilities, such as accounts payable, and only refers to actual credit given by direct lenders for which there are interest obligations (such as bonds, term loans from a commercial bank, or subordinated debt). The ratio displays the percentage of the company's assets that are funded by interest-bearing liabilities, often known as "funded debt."

The share of debt financing is larger and the danger of potential solvency concerns for the business is higher the higher the ratio. There is no definite "good" or "ideal" ratio; instead, it depends on a variety of elements, such as the sector and management preferences with regard to debt financing. However, it is always preferred that this ratio stays under 1.00. The following table and chart below illustrate City Bank’s Debt-to-Assets Ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Debt-to-Assets Ratio	0.45	0.43	0.35	0.45	0.38

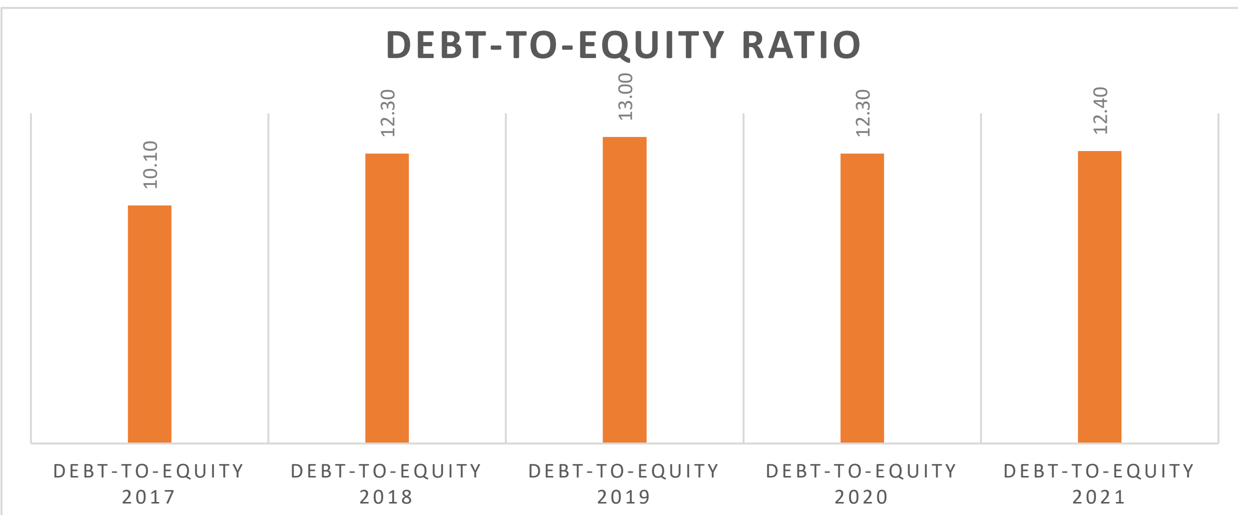


In light of the observation made from the aforementioned table and chart, at the beginning in 2017, City Bank’s Debt-to-assets Ratio stood at 0.45. However, in the following year, City Bank’s solvency saw a minor improvement as the debt-to-assets ratio fell to 0.43 in 2018. Following this trend, City Bank’s solvency went through an even steeper upgrade, as the ratio decreased further to 0.35 in 2019. This trend reversed, however, in 2020, as the debt-to-assets ratio rose back to 0.45, subject to the economic brought upon by the deadly pandemic of COVID-19. However, in a favorable ending, the ratio fell again to 0.38 in 2021. Therefore, it can be confidently claimed that City Bank has done a good job in keeping their debt-to-assets ratio well below the threshold of financial danger and solvency issues.

3.4.2.3 Debt-to-Equity Ratio

The debt-to-equity (D/E) ratio is a measure of leverage that shows how much of a company's capital is supported by debt or equity. When a corporation has a greater D/E ratio, it means that it borrows more money than it does in equity issuance. Banks generally have higher D/E ratios because they borrow money (i.e., accept deposits) to support the loans they provide to clients. The following table and chart below illustrate City Bank's Debt-to-Equity Ratios over the last 5 years.

Particulars	2017	2018	2019	2020	2021
Debt-to-Equity Ratio	10.10	12.30	13.00	12.30	12.40



Here in the graph above, it is seen that the ratio of debt to equity at CBL went up from where it stood at 10.10 in 2017 to an acceptable 12.30 in 2018. Following this trend, there is no discernible rise or fall in the D/E ratio, indicating a similar pattern. D/E ratio marginally rose to 13.00 in 2019, and then somewhat lowered to 12.30, and eventually ended at a score of 12.40 in the year 2021, showing the fact that during the past five years, City Bank's debt-to-equity ratio has been stable.

3.4.2.4 Conclusion for Solvency Ratios

As was observed in the preceding sections, out of the three ratios used to assess the solvency position of The City Bank Limited, the organization has performed well in all three of them, with values above the standard benchmark for each of three, i.e., interest coverage ratios, debt-to-assets ratios and debt-to-equity ratios in all these years.

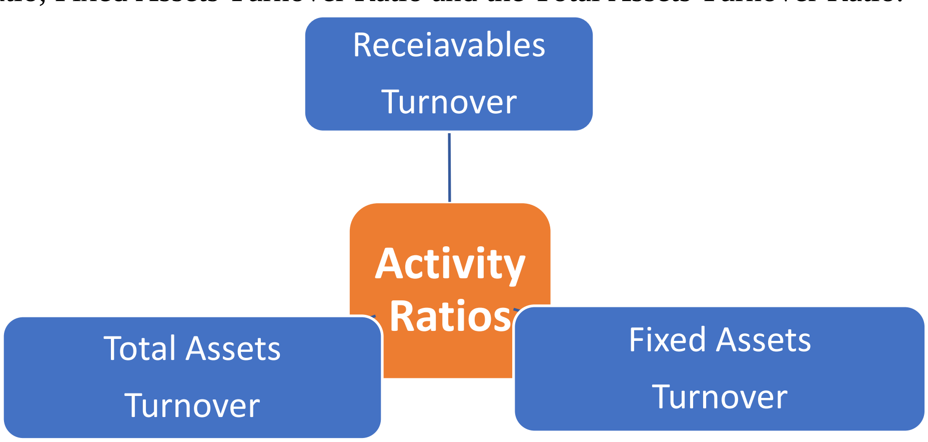
Out of all three ratios, only the factors concerned with interest coverage ratio could be paid increased attention. This is only because despite staying well above the standard of 1.5 for all five years, the values for the ratio deviated and fluctuated substantially throughout these years as is illustrated by the given data.

However, in conclusion, it can still be stated that City Bank has performed satisfactorily in terms of maintaining its solvency and financial capacity to pay off long-terms debts and other similar financial obligations in the future.

3.4.3 Activity Ratios

A financial indicator called an activity ratio shows how effectively a company is using the assets on its balance sheet to produce revenue and cash. Activity ratios, also known as efficiency ratios, are used by analysts to assess a company's inventory management practices, which are crucial to its operational flexibility and overall financial health. Activity ratios can be used to compare two companies operating in the same industry or to track the financial health of a single organization over time. Activity ratios are particularly helpful when used to compare two businesses that are competitors in the same industry to see how one company compares to its rivals.

The three primary activity ratios analyzed in this section of the report includes the Receivables Turnover Ratio, Fixed Assets Turnover Ratio and the Total Assets Turnover Ratio.

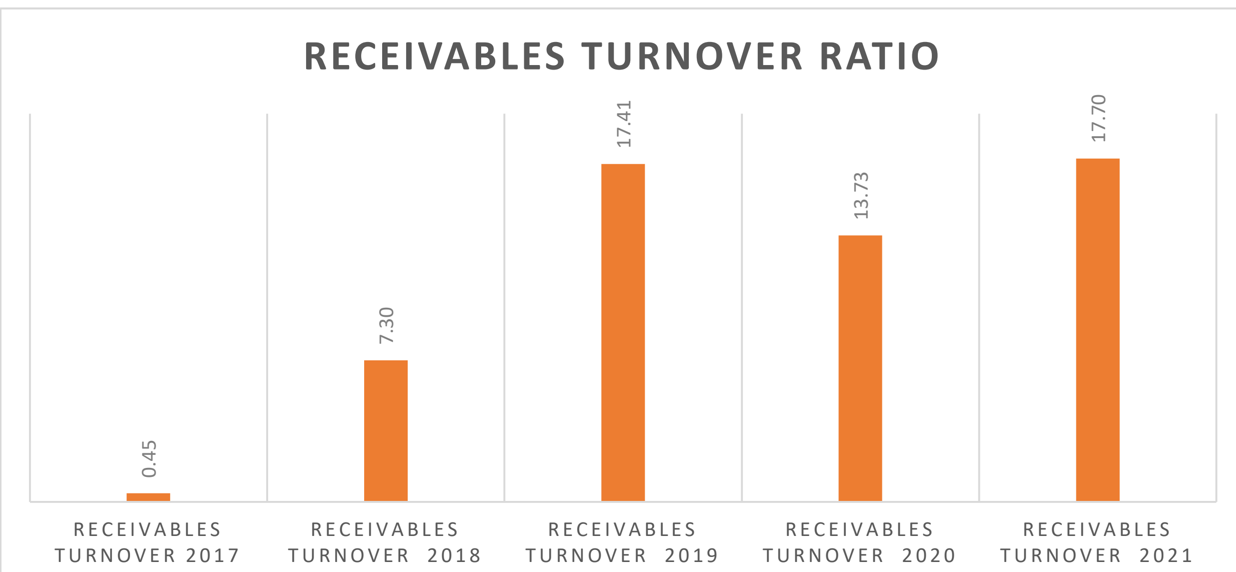


3.4.3.1 Receivables Turnover Ratio

The accounts receivables turnover ratio calculates the typical frequency with which a company collects its balance of accounts receivable. It's a gauge of how efficiently a company handles its line of credit procedure and collects delinquent invoices from clients. An efficient business has a greater accounts receivable turnover ratio, whereas an inefficient one has a lower one. This metric is widely used to assess whether companies operating in the same industry are competitive with their rivals. The ratio tracks how frequently receivables are turned into cash over a specified period of time.

A high ratio may indicate that a company's debt collection methods are successful and that its clients are reliable and timely payers. Ineffective credit policies, poor collection techniques, and unreliable or uncreditworthy customers could all contribute to a low ratio. The following table and chart illustrate the receivable turnover ratios for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Receivables Turnover Ratio	0.45	7.30	17.41	13.73	17.70

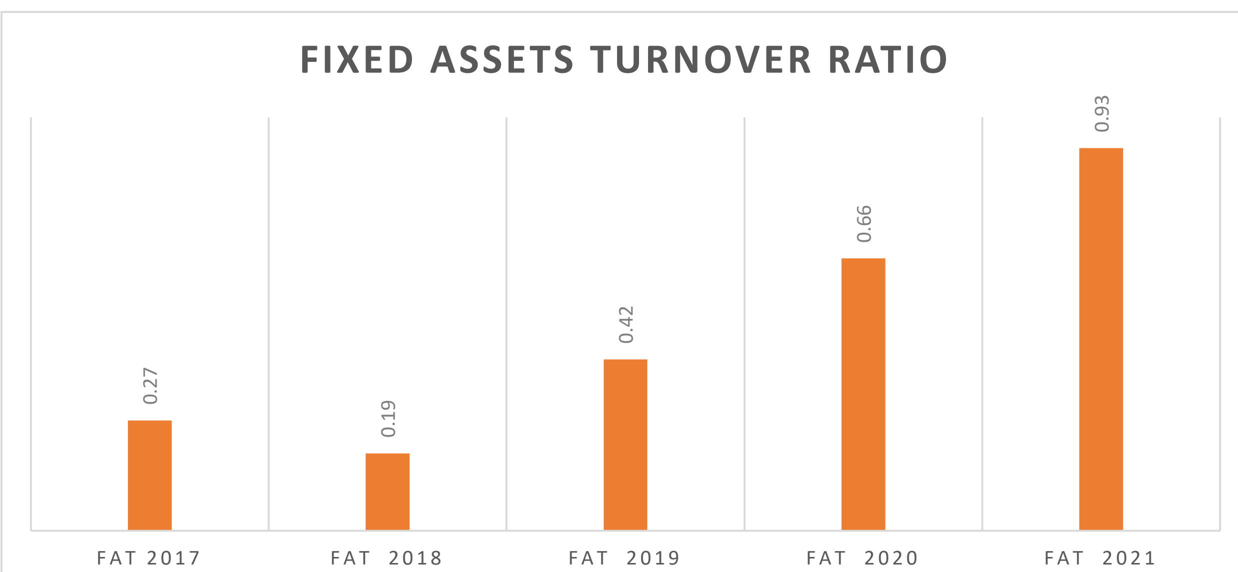


In light of what is observed from the aforementioned table and chart, initially in 2017, City Bank's Receivables Turnover Ratio stood at a surprisingly low 0.45. However, in the following year, City Bank seemed to have improved that issue by quite a bit as the ratio saw a gigantic leap to 7.3 in 2018. Following this trend, City Bank's efficiency went through an even steeper upgrade, as the ratio increased further to 17.41 in 2019. This trend reversed slightly, however, in 2020, as the receivables turnover ratio fell to 13.73, subject to the economic brought upon by the deadly pandemic of COVID-19. However, in a favorable ending, the ratio rose back again to its peak at 17.70 in 2021. Therefore, it can be confidently claimed that City Bank has done a good job in upgrading their receivables turnover and implementing an effective credit policy since 2017.

3.4.3.2 Fixed Assets Turnover Ratio

Analysts frequently utilize the fixed asset turnover ratio (FAT) to assess operating performance. By comparing net sales (found on the income statement) to fixed assets (found on the balance sheet), this efficiency ratio evaluates a company's ability to produce net sales from its fixed-asset investments, notably property, plant, and equipment (PP&E). The fixed asset balance is used as a net of cumulative depreciation. The fixed asset turnover ratio is calculated by dividing net sales by the average fixed asset balance. A higher fixed asset turnover ratio indicates that a company has efficiently used fixed asset investments to boost sales. A higher ratio indicates that management is using its fixed assets more effectively. A high FAT ratio does not reveal anything about a company's ability to generate steady earnings or cash flows. The following table and chart illustrate the fixed assets turnover ratios for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Fixed Assets Turnover Ratio	0.27	0.19	0.42	0.66	0.93

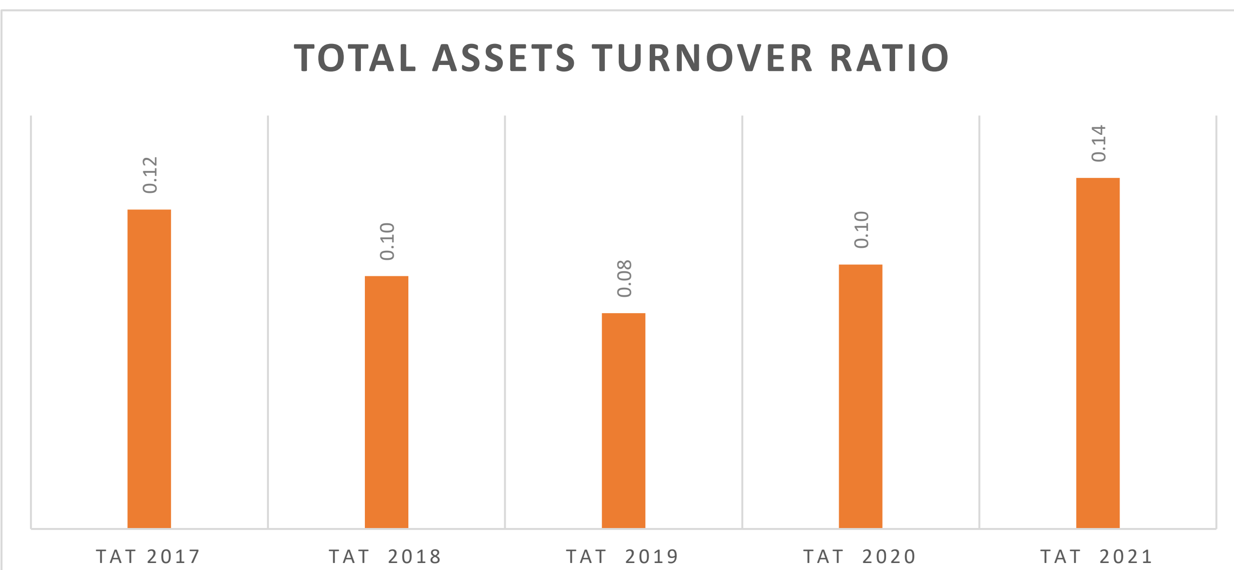


From what can be observed off the table and chart above, in 2017, City Bank's Fixed Assets Turnover Ratio stood at 0.27. However, in the following year, City that issue took a slight hit the ratio fell to 0.19 in 2018. However, in 2019, City Bank's activity went through an upgrade, as the ratio increased to 0.42, which is a significant upgrade over the preceding year. This trend continued as the fixed assets turnover ratio increased to 0.66 and 0.93 in 2020 and 2021 respectively. Therefore, it can be concluded that City Bank has done a good job in enhancing the balance of their investments in fixed assets as well as its capacity to generate revenue by utilizing them.

3.4.3.3 Total Assets Turnover Ratio

The Total Assets Turnover Ratio evaluates how effectively a company uses its assets to generate revenue or sales. A ratio is computed by comparing the dollar amount of sales or revenues to all of the company's assets in order to assess the efficacy of a company's operations. Generally speaking, a higher ratio is desired because it indicates that the company is more successful at creating sales or revenues. A lower ratio indicates that a company could not be using its resources as efficiently. The following data illustrate the total assets turnover ratios for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Total Assets Turnover Ratio	0.12	0.10	0.08	0.10	0.14



As is observed from the table and chart above, in 2017, City Bank's Total Assets Turnover Ratio stood at 0.12. However, in the following year, that issue took a slight hit as the ratio fell to 0.10 in 2018. The trend followed in 2019, City Bank's efficiency deteriorated even further, and the ratio decreased to 0.08. However, this trend reversed as the total assets turnover ratio increased to 0.10 and 0.14 in 2020 and 2021 respectively. Therefore, it can be concluded that City Bank has done a good job in enhancing its efficiency, and utilization of assets to generate greater income/revenue.

3.4.3.4 Conclusion for Activity Ratios

As has been analyzed in the preceding sections, out of the three ratios used to assess the efficiency of The City Bank Limited, the organization has performed well in all three of them, with upward moving trends for each of the interest coverage ratios, debt-to-assets ratios and debt-to-equity ratios, by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018).

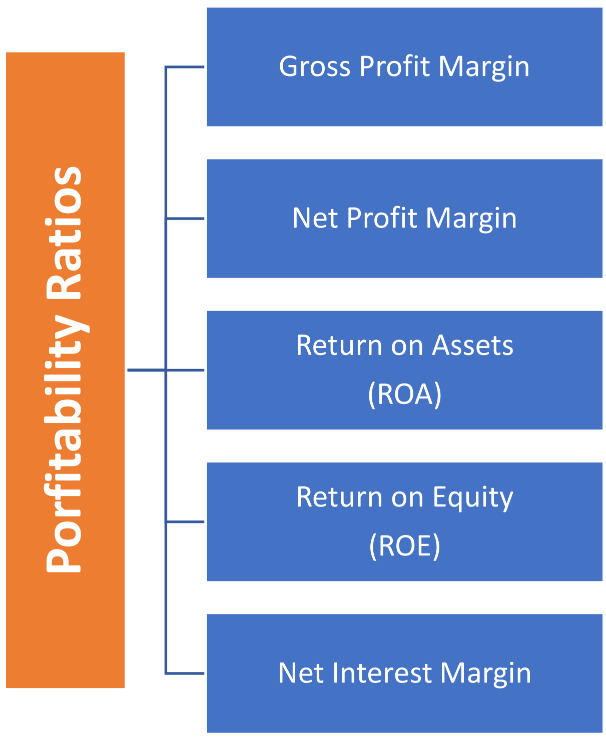
Thus, it can be concluded that The City Bank Limited has performed satisfactorily in terms of utilizing the assets and resources available to it in order to increase its ability to generate greater revenue. Therefore, City Bank has been an efficient organization in the last 5 years.

3.4.4 Profitability Ratios

Using information at a single point in time, profitability ratios are a class of financial measurements that are used to evaluate a company's capacity to generate profits in relation to its revenue, operating costs, balance sheet assets, or shareholders' equity over time. They rank high among the metrics most frequently employed in financial analysis. Profitability ratios can provide insight into a company's financial health and performance. The optimum use of ratios is as a comparison tool, not as a standalone metric.

Profitability ratios can reveal how successfully a company's management is running operations. They can be used by investors, in conjunction with other research, to decide whether a firm would be a suitable investment. In general, larger profitability ratios might indicate a company's strengths and advantages, such as the capacity to charge more (or less) for items and to keep the expenses down. Efficiency ratios, which take into account how effectively a company uses its assets internally to generate money (as opposed to after-cost earnings), can be used in conjunction with profitability ratios.

In this section, the profitability aspect of City Bank's financial performance will be evaluated based on five major ratios: Gross Profit Margin, Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE) and the Net Interest Margin.

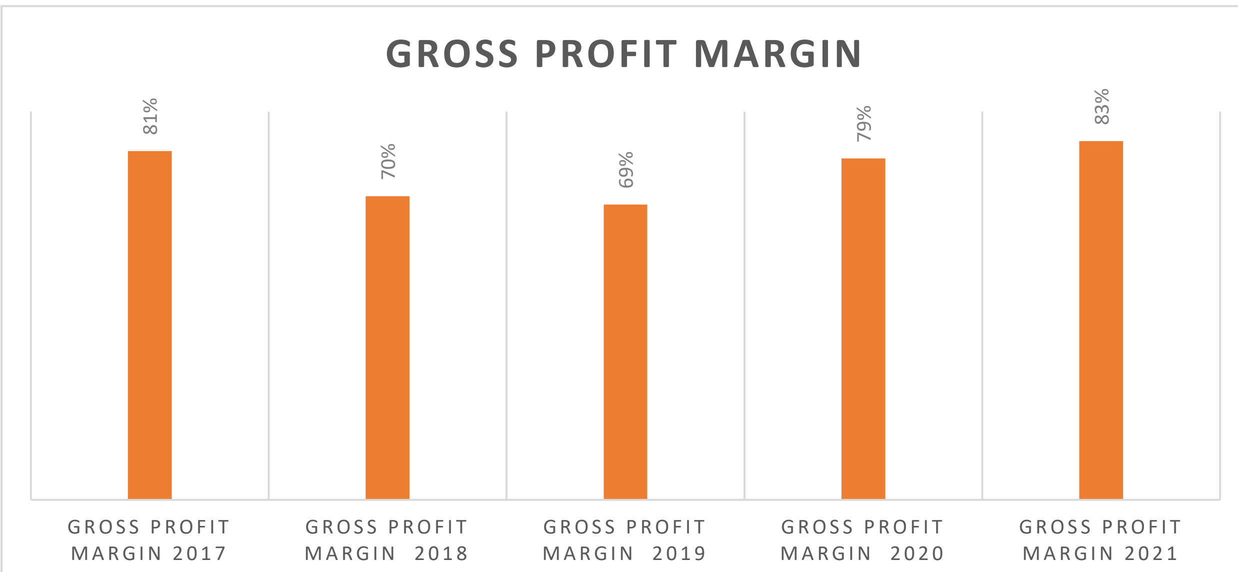


3.4.4.1 Gross Profit Margin

Analysts use a financial indicator known as gross profit margin to evaluate a company's financial health. After deducting the cost of goods sold (COGS), the profit is referred to as the gross profit margin. The amount of money a corporation makes after deducting its operating expenses is known as its gross profit margin. The gross margin ratio may also be used to refer to this indicator, which is often reported as a percentage of sales.

Analysts and investors carefully consider it as one of the essential factors when evaluating the financial health of a company. It can be used by businesses to identify areas for cost-cutting or sales growth. A business should aim for a high gross profit margin because this shows that it is operating successfully. Conversely, a low margin shows that there are still some things that could be done more effectively. The following table and chart illustrate the gross profit margins for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Gross Profit Margin	81%	70%	69%	79%	83%



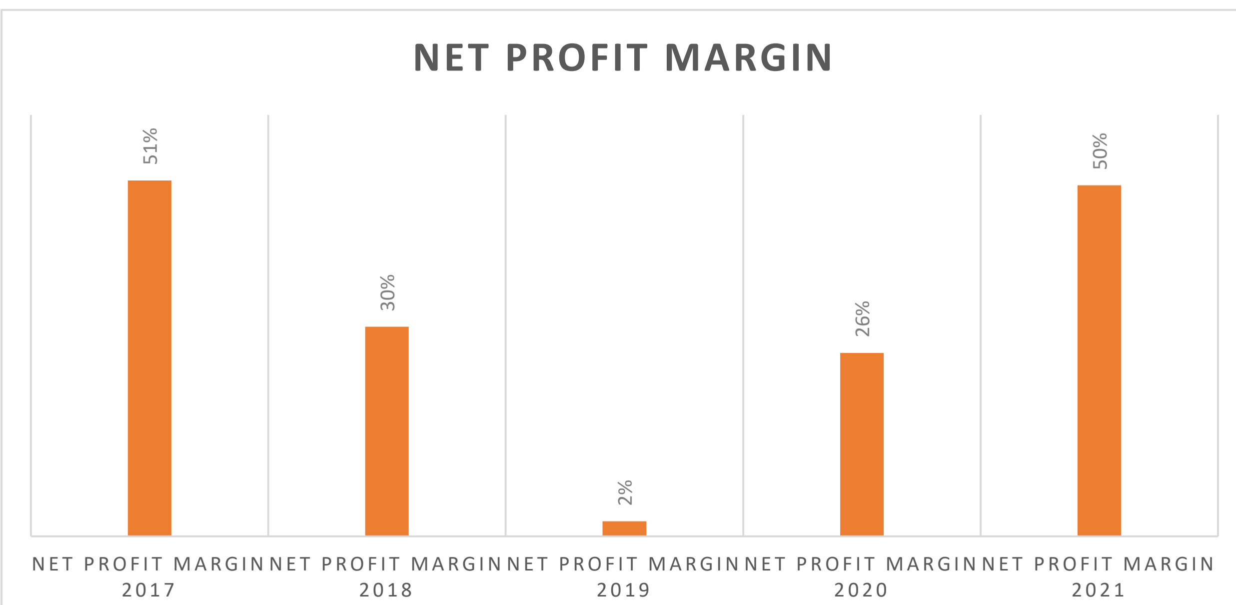
As is observed from the table and chart above, in 2017, City Bank's Gross profit margin stood at 81%, which is quite high. However, in the following year, City Bank's profitability took a slight hit as the margin fell to 70% in 2018, which is still considerably high. The trend followed in 2019, City Bank's profitability deteriorated a tad bit further, and the margin decreased to 69%. However, this trend reversed as the gross profit margin increased to a remarkable 79% and its highest 83% in 2020 and 2021 respectively. Therefore, it can be concluded that City Bank has done a good job in enhancing its profitability and cutting down its expenses before taxes and interest.

3.4.4.2 Net Profit Margin

The amount of net income or profit generated as a percentage of revenue is expressed as the Net Profit Margin, or simply Net Margin. It measures how much a company's or business segment's net profits are in relation to its revenues. Net profit margin is often shown as a percentage, while it is also possible to present it in decimal form. The amount of revenue that is turned into profit is shown by a company's net profit margin.

Net profit margin is one of the most important indicators of a company's financial health. Monitoring growth and declines in its net profit margin allows a company to assess the efficacy of its current operations and predict earnings based on revenues. Investors can assess a company's management's ability to turn a profit from sales that is both sufficient and consistent, as well as how well operating and overhead costs are managed. The following table and chart illustrate the net profit margins for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Net Profit Margin	51%	30%	2%	26%	50%

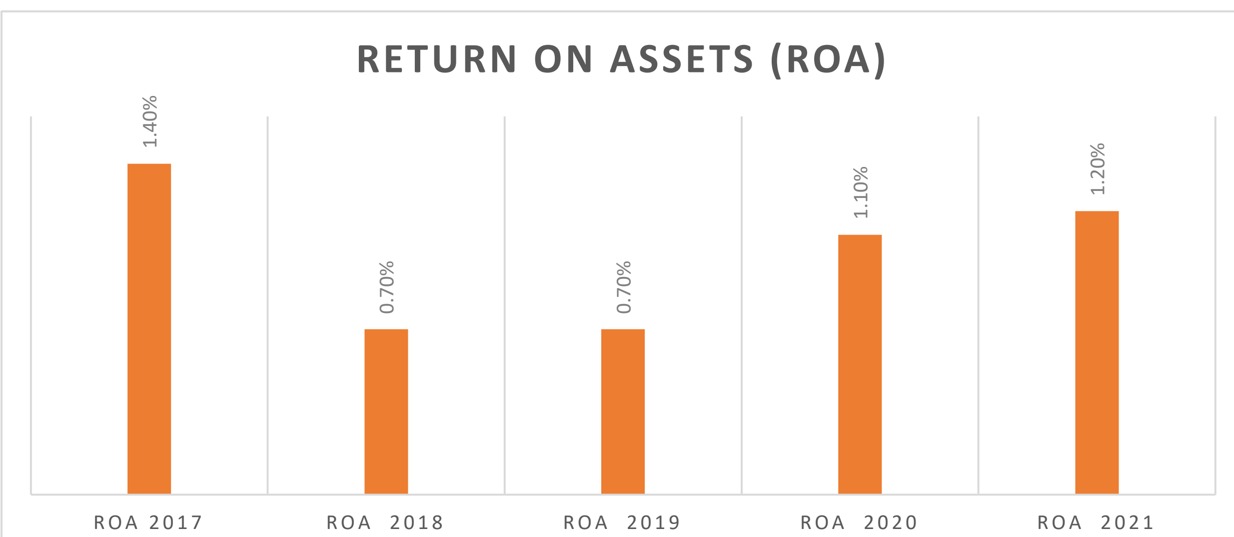


In light of the observations made from the table and chart above, in 2017, City Bank's Net Profit Margin stood at 51%, which is quite high. However, in the following year, City Bank's profitability took a strong hit as the margin fell to 30% in 2018, which is still considerably high. The trend followed in 2019, as City Bank's profitability deteriorated to its lowest at a mere 2%. However, this trend reversed as the net profit margin increased to a respectable 26% and 50% in 2020 and 2021, respectively. Therefore, it can be concluded that City Bank has done a good job in enhancing its profit margin and cutting down its expenses that aided in the profitability of the company.

3.4.4.3 Return on Assets (ROA)

The term ROA often refers to a business's Return on Assets. It reveals the rate of return the bank is receiving on all of its assets. ROA is calculated by dividing net profit by the bank's total assets. It gauges how profitable a business is in comparison to its overall assets. Corporate management, analysts, and investors can use ROA to judge how successfully a company uses its resources to turn a profit. The average assets and net income of a firm are sometimes used to calculate the metric as a percentage. When a company's ROA is higher, it is more effective and efficient at managing its balance sheet to generate profits; on the other side, a lower ROA indicates room for development. The following table and chart illustrate the ROAs for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Return on Assets	1.40%	0.70%	0.70%	1.10%	1.20%

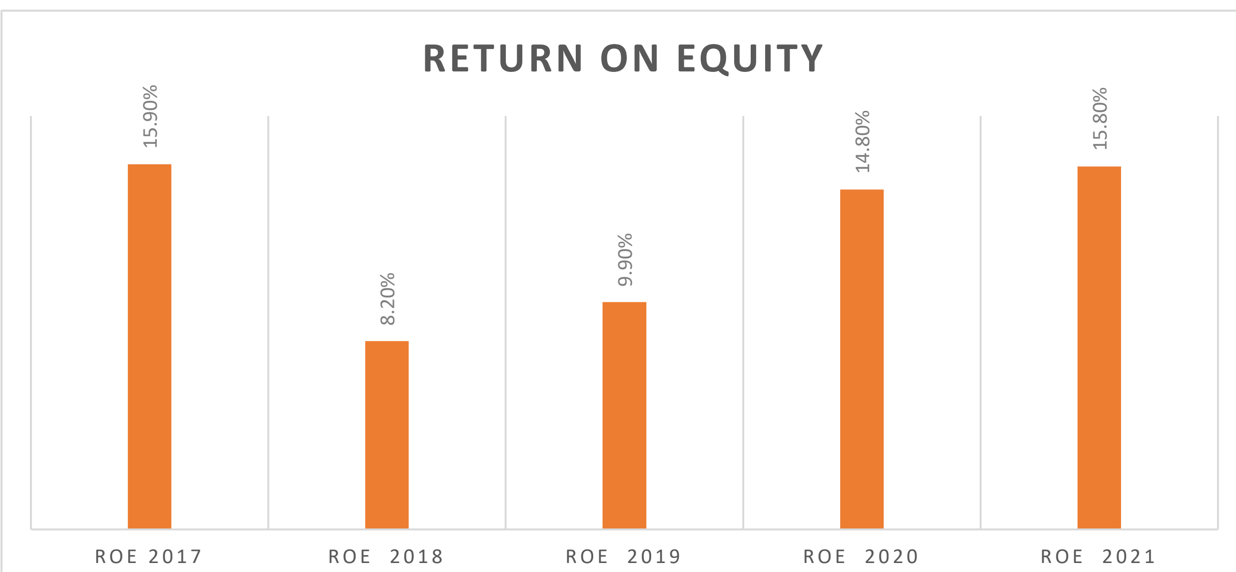


The graph up above shows that in 2017, CBL's ROA was 1.40%. Following that, the bank underperformed, resulting in a drop in ROA to 0.70% in 2018 and 2019. This subpar ROA result shows that CBL was unable to effectively convert its earnings using all of its assets. However, the ROA began to rise in 2020 and eventually reached 1.10%. ROA climbed further the following year, reaching 1.20% in 2021. Future improvements to this ROA should be made by CBL.

3.4.4.4 Return on Equity (ROE)

The performance and effectiveness of a company in generating revenues are determined by ROE. The higher the ROE, the better a company is at converting its equity investment into profits. Net income is divided by shareholders' equity to get return on equity (ROE). Since shareholders' equity is calculated by deducting a company's debt from its assets, ROE is also referred to as the return on net assets. ROE is viewed as a gauge of a company's profitability and the efficiency with which it generates profits. The higher the ROE, the better the management of a company is at creating revenue and growth from its equity capital. The following table and chart illustrate the ROEs for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Return on Equity	15.90%	8.20%	9.90%	14.80%	15.80%

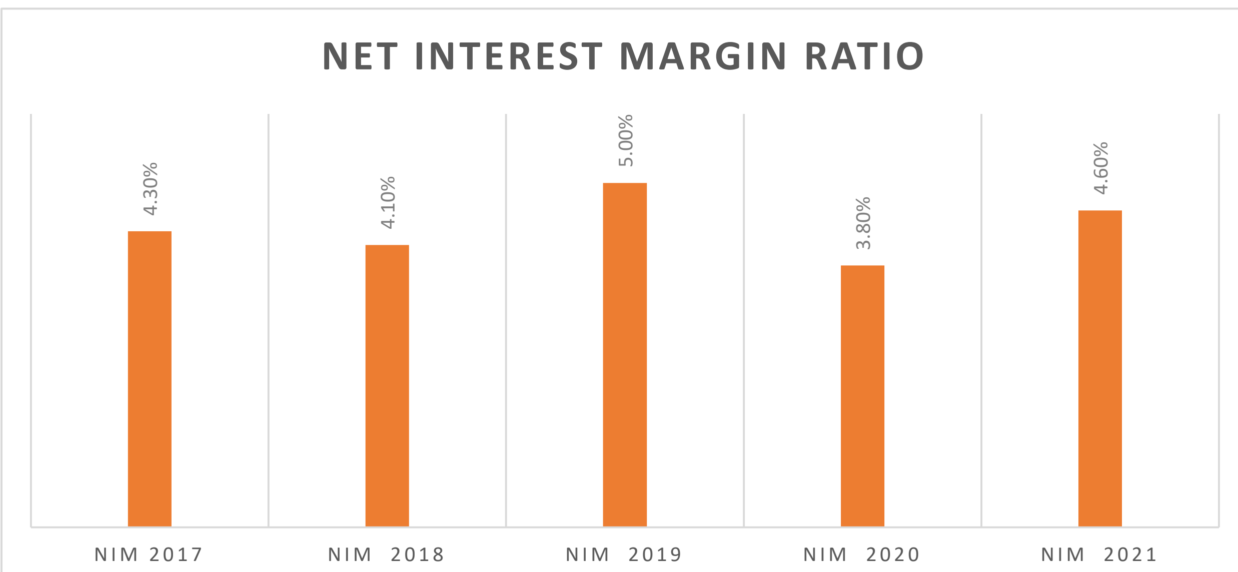


It is seen from the graph above that City Bank had a positive ROE of 15.90% in 2017, however that figure dropped to 8% and 10% in 2018 and 2019, respectively. The reason for the ROE reduction in these two successive years was lower revenue after taxes. However, City Bank was successful in replenishing its high Return on Equity of 14.80% in 2020, and with a ROE of 16% in 2021, it continued to perform strongly. This suggests that CBL is significantly more successful currently than it was in the past in converting equity capital into profits.

3.4.4.5 Net Interest Margin Ratio

In essence, this ratio is a measure of the profitability of a bank. The bank keeps the difference—or profit—between interest earned and interest paid. The bank makes a wider spread the greater the ratio. The following table and chart illustrate the Net Interest Margin Ratios for The City Bank Limited in the past 5 years.

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



According to the aforementioned graph, the City Bank’s net interest margin ratio for 2017 stood initially at 4.30%. After that, it marginally decreased to 4.10% in 2018. 2019 saw an uptick to 5% after the previous year's drop. The NIM experienced a sharp decline the next year, reaching 3.80%, its lowest point in the previous five years. The emergence COVID-19 significantly impacted the country's economy, leading to a lower NIM for CBL in 2020. But in 2021, the ratio increased and reached 4.60%, showing that CBL is doing ok at turning a profit on the interests.

3.4.4.6 Conclusion for Profitability Ratios

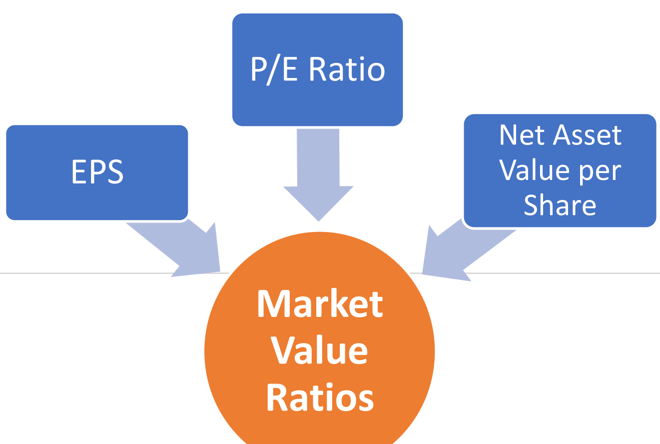
As has been analyzed in the preceding sections, out of the five ratios used to assess the profitability of The City Bank Limited, the organization has had almost stable values in all of them. Graphs for some of the ratios also showed upward moving trends for by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018), especially the gross profit margin, net profit margin, return on assets and the return on equity, which showed the highest values in the final year. This trend is applicable to all of the profitability ratios, only with the exception of the net interest margin ratio, which still demonstrated a fairly high value in the latest year, 2021.

Thus, it can be concluded that The City Bank Limited has performed satisfactorily in terms of generating greater proportions of profit relative the revenue it earns in an annual basis. Therefore, City Bank has been a profitable organization over the last 5 years.

3.4.5 Market Value Ratios

Market or Market value ratios can be analyzed and incorporated in a study to determine whether the stocks of a company are reasonably priced, overvalued, or undervalued as well as to assess the financial health of publicly listed corporations. Market value ratios are employed to assess the current share price of the stock of a publicly traded company.

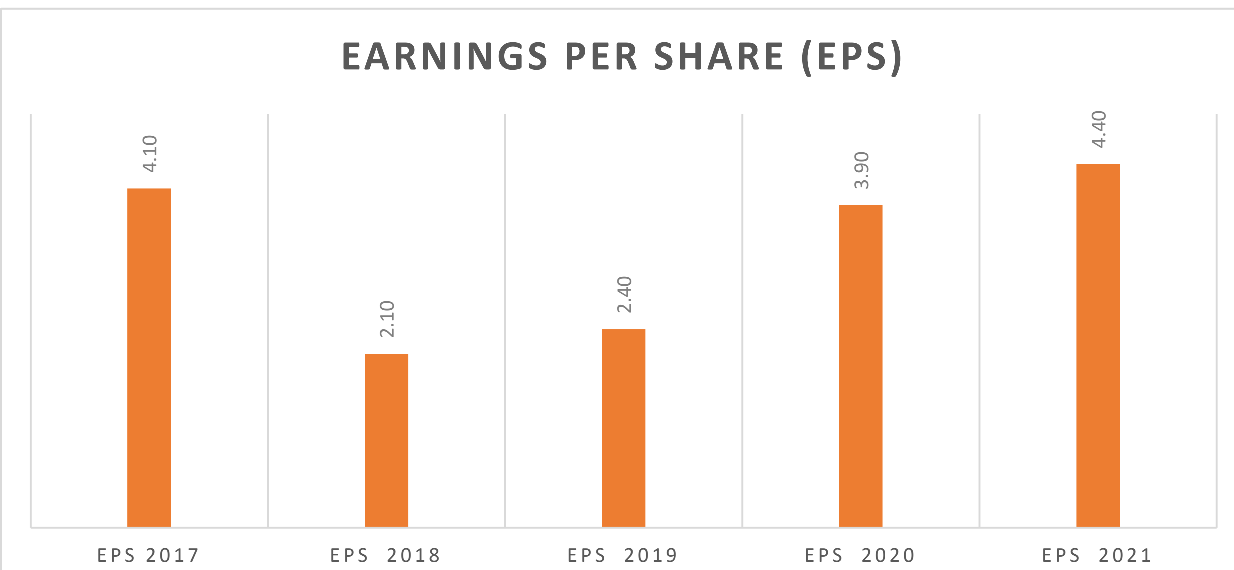
These ratios are used by both existing and future investors to assess the fair value of a company's shares. The following table lists the most typical market value ratios. Although there are many different market value ratios, the most common ones are the EPS, P/E Ratio, and the Net Assets Value per Share.



3.4.5.1 Earnings per Share (EPS)

EPS, a popular statistic for determining corporate value, shows how much money a firm produces for each share of its stock. The profit of a corporation is divided by the number of outstanding shares of its common stock to arrive at earnings per share (EPS). The resultant figure is used to gauge a company's profitability. It is typical for businesses to publish EPS that has been adjusted for unusual expenses and possible share dilution. Because investors would pay more for a firm's shares if they believe the company has larger earnings relative to its share price, a higher EPS denotes more value. The following table and chart illustrate the EPS for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Earnings per Share (EPS)	4.10	2.10	2.40	3.90	4.40



The table and graph above show that throughout the course of the preceding five years, CBL's earnings per share varied. City Bank's EPS was 4.10 in 2017, but regrettably CBL was unable to maintain this impressive EPS level, and it sharply dropped to 2.10 in 2018. The next year, in

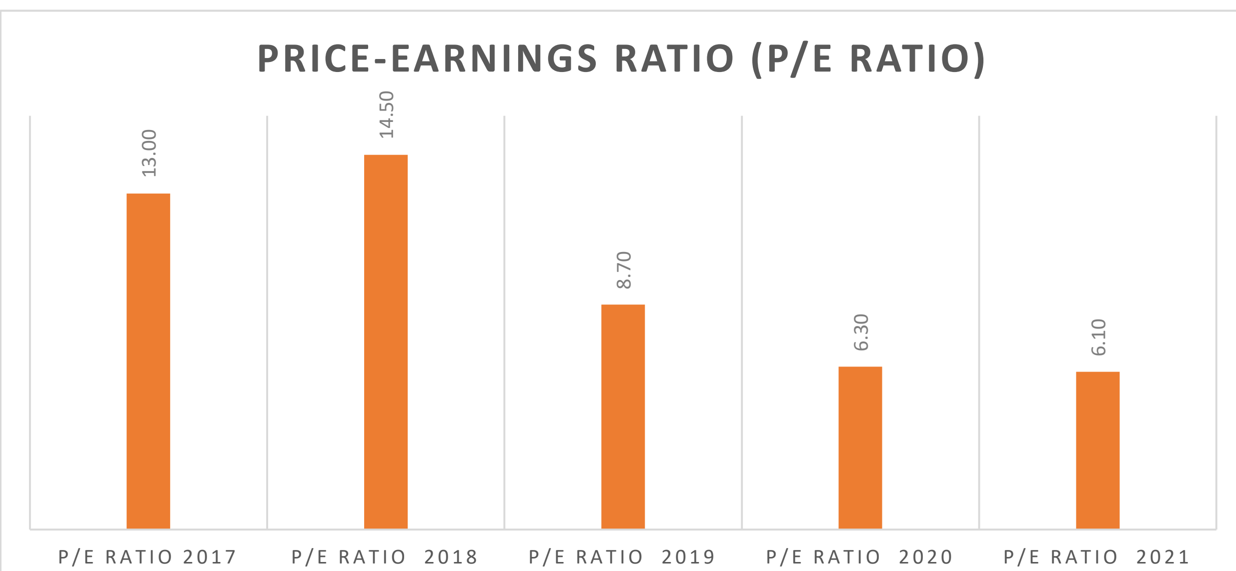
2019, EPS increased slightly to 2.40. The lower market price of the shares was the main cause of the lower EPS in 2018 and 2019.

However, in 2020, with an EPS of 3.90, CBL began to reclaim its favorable EPS figures. Finally, with an EPS of 4.40 in 2021, CBL outperformed itself even more than in prior years. This suggests that CBL is currently performing well in the market value sector and that its shareholders and investors are satisfied with the current results. The EPS is anticipated to continue to rise in 2022 as well.

3.4.5.2 Price-Earnings Ratio (P/E Ratio)

A metric used to evaluate a firm's value is the price-earnings ratio, which contrasts the current share price with the earnings per share (EPS) of the company. The price multiple or earnings multiple are other names for the price-earnings ratio. Analysts and investors use P/E ratios to evaluate and compare the shares of a company on an apples-to-apples basis. Additionally, it can be used to contrast or compare broad markets across time or to compare a company's performance to its previous results. A high P/E ratio may indicate that a company's stock is overpriced or that investors anticipate rapid future growth rates. Because there is nothing to put in the denominator, businesses with no earnings or losses do not have a P/E ratio. The following table and chart illustrate the P/E Ratio for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Price-Earnings Ratio (P/E Ratio)	13.00	14.50	8.70	6.30	6.10

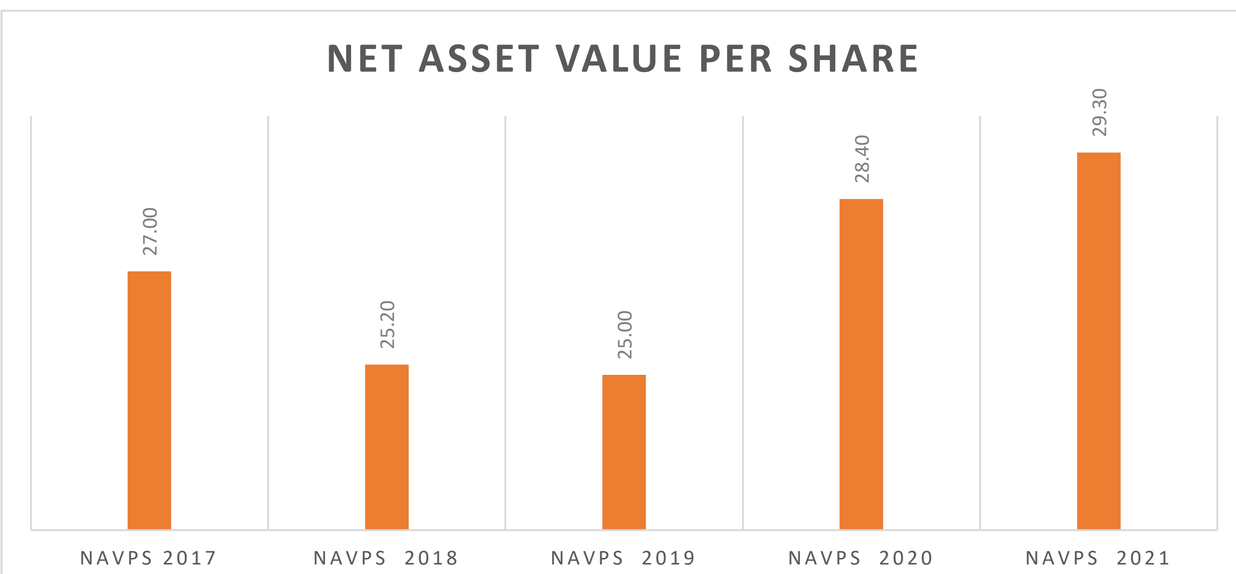


As is observed from the table and chart above, in 2017, City Bank's Price-Earnings Ratio stood at 13.00, which is quite high. In the following year, City Bank's market value took a commendable flight as the ratio rose 14.50 in 2018. However, the trend reversed in 2019, as City Bank's P/E ratio deteriorated to 8.70. This trend continued as the price-earnings ratio decreased to a dreadful 6.30 and 6.10 in 2020 and 2021 respectively. The incidence of this fall of P/E ratio can be accountable to the downturn of the economy caused by the emergence of the pandemic COVID-19. However still, City Bank's current declining P/E ratio is a negative indicator for the bank and it can be concluded that they need to focus their attention on increasing the P/E ratio in order to lift up their stocks' market value.

3.4.5.3 Net Asset Value per Share

The Net Asset Value per Share of a bank can be computed through the division of total shareholder equity by the accumulated number of outstanding shares for the relevant year. It shows how much of the bank's net asset value is contained in each share. The following table and chart illustrate the Net Asset Value per Share for The City Bank Limited in the past 5 years.

Particulars	2017	2018	2019	2020	2021
Net Asset Value per Share	27.00	25.20	25.00	28.40	29.30



As seen in the graph above, the NAVPS was BDT 27.00 in 2017 before dropping to BDT 25.20 and finally BDT 25.00 in 2018 and 2019, respectively. After then, the NAVPS began to increase steadily, reaching a value of 28.40 in 2020 and 29.30 in 2021. There are several variations in the trend. City Bank experienced NAVPS issues in 2019 and 2018 as a result of lower shareholder ownership, but things got better in 2020 and 2021.

3.4.5.4 Conclusion for Market Value Ratios

As has been analyzed in the preceding sections, out of the three ratios used to assess the market value of The City Bank Limited, the organization has shown positive performance for two of them. Graphs for these ratios also showed upward moving trends for by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018), namely the EPS as well as the NAVPS, who demonstrated the highest values in the final year, indicating growth and a more prospective future. This trend is applicable to all of the market value ratios, only with the exception of the price-earnings ratio, which was demonstrated a disappointing decline over the years for The City Bank Limited.

Thus, it can be concluded that although The City Bank Limited has performed satisfactorily in two aspects of market value, they need to deviate their attention towards the P/E Ratio in order to enhance their market value and become a more desirable investment prospect for their current and prospective shareholders.

3.4.6 Conclusion for Ratio Analyses

Post a thorough ratio analysis of the 5 dimensions of City Bank's financial performances, it can be concluded that the bank has performed in a fairly optimum manner through the course of the 5-year period and across all dimensions in most of the ratios that have been calculated and accounted for.

The liquidity position of The City Bank Limited is adequate, with values above the standard benchmark of 1.00 for quick ratios, cash ratios and statutory liquidity ratios in all the years. Only current ratio was the downside to this assessment, where the ratios have been below the standard for the years 2018, 2019, 2020 and 2021. However, overall, it can be claimed that City Bank is performing satisfactorily in terms of maintaining balance between its long-term investments and liquidity.

The solvency position of The City Bank Limited has also been evaluated to be satisfactory as the organization has performed well in all three ratios regarding the dimension, with values above the standard benchmark for each of three, i.e., interest coverage ratios, debt-to-assets ratios and debt-to-equity ratios in all these years. Out of all three ratios, only the factors concerned with interest coverage ratio could be paid increased attention. This is only because despite staying well above the standard of 1.5 for all five years, the values for the ratio deviated and fluctuated substantially throughout these years as is illustrated by the given data. However, in conclusion, it can still be stated that City Bank has performed satisfactorily in terms of maintaining its solvency and financial capacity to pay off long-terms debts.

Out of the three ratios used to assess the Efficiency/Activity of The City Bank Limited, the organization has performed well in all three of them, with upward moving trends for each of the interest coverage ratios, debt-to-assets ratios and debt-to-equity ratios, by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018). Thus, it can be concluded that The City Bank Limited has performed satisfactorily in terms of utilizing the assets and resources available to it in order to increase its ability to generate greater revenue, and has been an efficient organization in the last 5 years.

Out of the five ratios that have been utilized in order to determine The City Bank's profitability, the organization has had almost stable values in all of them. Graphs for some of the ratios also showed upward moving trends for by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018), especially the gross profit margin, net profit margin, return on assets and the return on equity, which showed the highest values in the final year. This trend is applicable to all of the profitability ratios, only with the exception of the net interest margin ratio, which still demonstrated a fairly high value in the latest year, 2021. Thus, it can be concluded that The City Bank Limited has performed satisfactorily in terms of generating greater proportions of profit over the last 5 years.

And finally, out of the three ratios used to assess the Market Value of The City Bank Limited, the organization has shown positive performance for two of them. Graphs for these ratios also showed upward moving trends for by the end of the latest years (2020/2021) in comparison to the earlier years (2017/2018), namely the EPS and the NAVPS, who demonstrated the highest values in the final year, indicating growth and a more prospective future. This trend is applicable to all of the market value ratios, only with the exception of the price-earnings ratio, which was demonstrated a disappointing decline over the years for The City Bank Limited. However still, it can be concluded that although The City Bank Limited has performed satisfactorily in two aspects of market value and still have the potential to improve and become a more desirable investment prospect for their current and prospective shareholders.

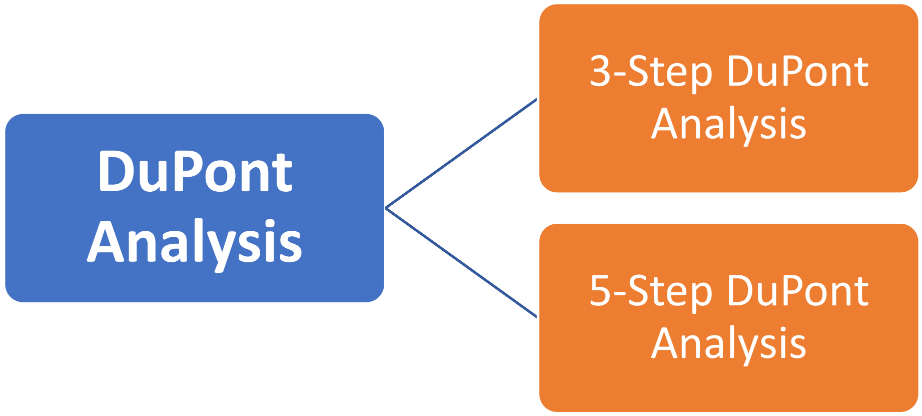
3.5 DuPont Analysis

As mentioned earlier, this section will breakdown and evaluate the financial performance of The City Bank through two types of DuPont Analysis: 3-Step DuPont Analysis and 5-Step DuPont Analysis. Therefore, the following sections will elaborate on this topic and help gain insight into the financial condition of one of the most prestigious banking organizations of the country, namely the City Bank Limited.

3.5.1 Introduction to DuPont Analysis

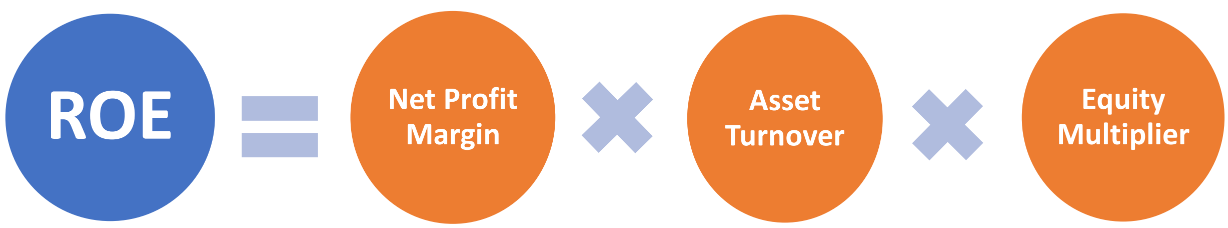
The DuPont analysis is a framework for analyzing fundamental performance popularized by the DuPont Corporation. DuPont analysis is a useful technique used to decompose the different drivers of return on equity (ROE). F. Donaldson Brown, a DuPont Corporation employee, created the recipe in 1914. The decomposition of ROE allows investors to focus on the key metrics of financial performance individually to identify strengths and weaknesses.

DuPont analysis is a practical method for breaking down the various factors that affect return on equity. An investor can analyze the operational effectiveness of two companies that are similar using analysis methods like these. DuPont analysis is a tool that managers can use to find strengths or problems that need to be fixed. There are two versions of the tool: one which accounts for decomposition in three steps while the other does so in five steps.



3.5.2 3-Step DuPont Analysis of CBL

The 3-Step DuPont Analysis breaks down ROE into three major components. These are the Net Profit Margin, Asset Turnover and the Equity Multiplier. The ROE is broken down in order to analyze which of the factors is contributing the most to the increase or decrease in ROE, and what impact do they have on the overall financial health of the organization. This gives analysts a clearer insight into what aspects of the business should the company focus on in order to increase the financial stability of the company and ensure enhanced performance. The following graphical representation illustrates the 3-Step DuPont Analysis.

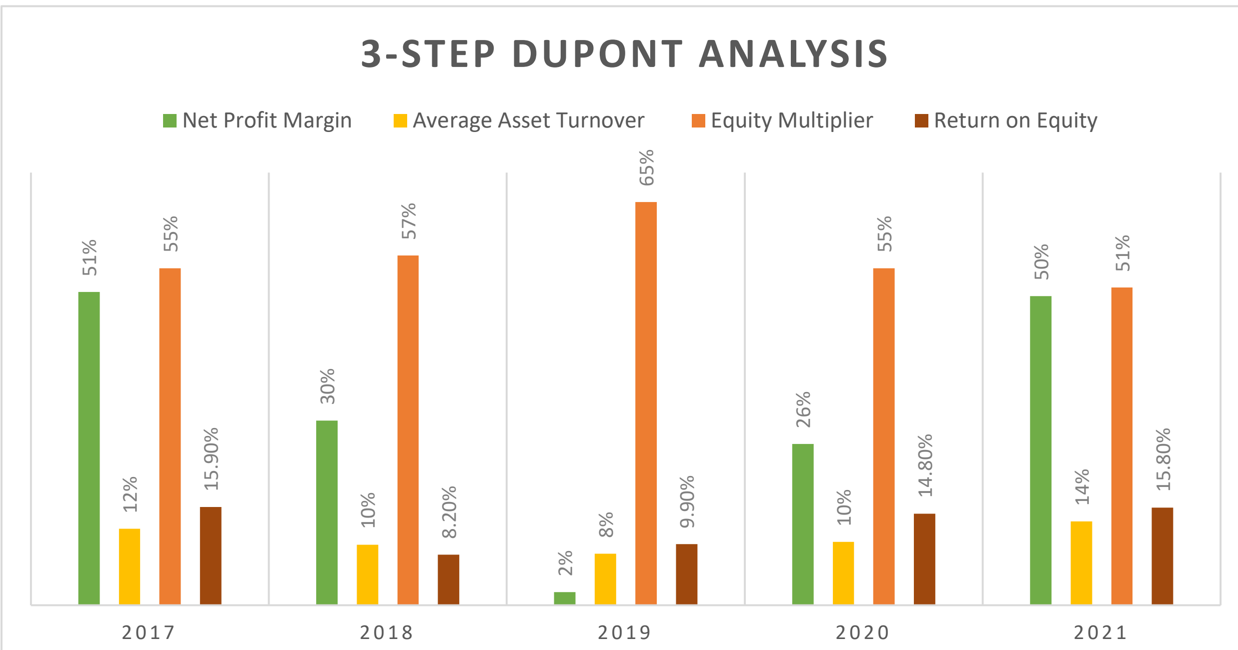


The Formula for the 3-Step DuPont Analysis is as follows:

$$ROE = \frac{Net\ Income}{Sales} * \frac{Sales}{Average\ Assets} * \frac{Average\ Assets}{Shareholders'\ Equity}$$

The following table and graph break down the components that make up City Bank's Return-on-Equity, and compare how they varied over the course of the last 5 years, followed by a 3-step DuPont Analysis which provides fruitful insight into how various factors have affected the organization's return on equity over this 5-year period.

Particulars	2017	2018	2019	2020	2021
Net Profit Margin	51%	30%	2%	26%	50%
Average Asset Turnover	12%	10%	8%	10%	14%
Equity Multiplier	55%	57%	65%	55%	51%
Return on Equity	**15.90%**	**8.20%**	**9.90%**	**14.80%**	**15.80%**



As is observed from the table and chart above, City Bank ends 2017 with a decent ROE of 15.90%, consisting of a Net Profit Margin of 51%, an Average Asset Turnover of 12% and an Equity Multiplier of 55%.

However, in the following year, the ROE fell to 8.20%. This may be accountable to the fact that the Net profit Margin fell from 51% to 30% and the Average Asset Turnover decreased from 12% to 10%. The only factor that increased was the Equity Multiplier, which only went up slightly from 55% to 57%, which did not have much impact on the overall decrease in ROE.

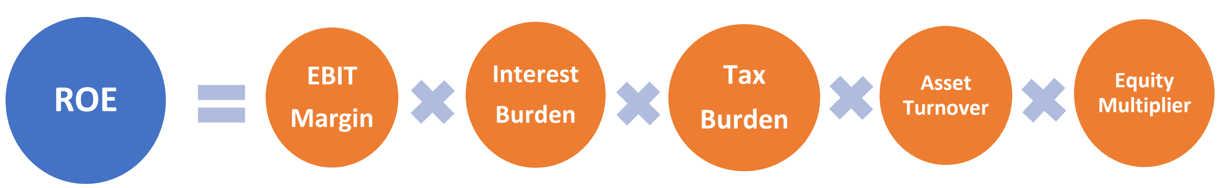
In 2019, the ROE went up a respectable 1.70%, as it rose from 8.20% to 9.90%. This can be attributed to the 7% rise in Equity Multiplier from 57% to 65%. Even though the Net Profit Margin had a drastic fall from 30% to 2% and the Average Asset Turnover fell from 10% to 8%, the overall ROE still improved.

The trend continued as in the following year the ROE rose from 9.90% to 14.80%, in 2020. This is due to the fact that two of the factors rose significantly, namely the Net Profit Margin which leaped from 2% to 26% and the Average Asset Turnover which moved up from 8% to 10%. While the Equity Multiplier fell by 10%, from 65% to 55%, the overall ROE still saw an uprise.

And finally, in 2021, the growth in ROE continued as it went from 14.80% to 15.80%. In this year, Net Profit Margin saw an upheaval as it skyrocketed from a respectable 26% to an outstanding 51%. Moreover, Average Asset Turnover went up from 10% to 14%. The only factor that declined was the Equity Multiplier, which went downhill from 55% to 51%, however, this was not enough to bring the ROE as the other two factors more than covered up for this loss.

3.5.3 5-Step DuPont Analysis of CBL

The 5-Step DuPont Analysis breaks down ROE into five major components. These are the EBIT Margin, Interest Burden, Tax Burden, Asset Turnover and the Equity Multiplier. The ROE is broken down in order to analyze which of the factors is contributing the most to the increase or decrease in ROE, and what impact do they have on the overall financial health of the organization. This gives analysts a much clearer insight in comparison to the previously shown 3-Step analysis regarding what aspects of the business should the company focus on in order to increase the financial stability of the company and ensure enhanced performance. The following graphical representation illustrates the 5-Step DuPont Analysis.

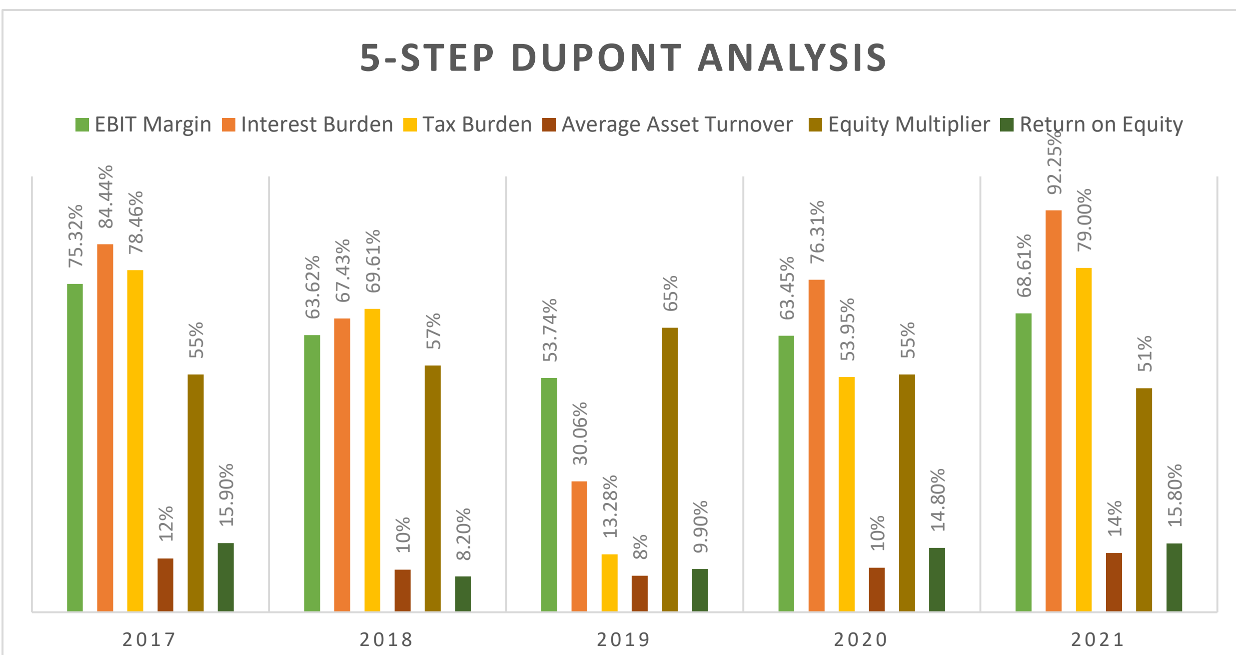


The Formula for the 5-Step DuPont Analysis is as follows:

$$ROE = \frac{EBIT}{Revenue} * \frac{EBT}{EBIT} * \frac{Net\ Income}{EBT} * \frac{Revenue}{Total\ Assets} * \frac{Total\ Assets}{Equity}$$

The following table and graph break down the components that make up City Bank's Return-on-Equity, and compare how they varied over the course of the last 5 years, followed by a 5-step DuPont Analysis which provides fruitful insight into how various factors have affected the organization's return on equity over this 5-year period.

Particulars	2017	2018	2019	2020	2021
EBIT Margin	75.32%	63.62%	53.74%	63.45%	68.61%
Interest Burden	84.44%	67.43%	30.06%	76.31%	92.25%
Tax Burden	78.46%	69.61%	13.28%	53.95%	79.00%
Average Asset Turnover	12%	10%	8%	10%	14%
Equity Multiplier	55%	57%	65%	55%	51%
Return on Equity	**15.90%**	**8.20%**	**9.90%**	**14.80%**	**15.80%**



As is observed from the table and chart above, City Bank ends 2017 with a decent ROE of 15.90%, consisting of a EBIT Margin of 75.32%, an Interest Burden of 84.44%, a Tax Burden of 78.46%, an Average Asset Turnover of 12% and an Equity Multiplier of 55%.

However, in the following year, the ROE fell to 8.20%. This may be accountable to the fact that the EBIT Margin fell from 75.32% to 63.62%, the Interest Burden increase as the ratio fell from 84.44% to 67.43%. The Tax Burden also rose as the ratio decreased from 78.46% to 69.61% and the Average Asset Turnover decreased from 12% to 10%. The only factor that increased was the Equity Multiplier, which only went up slightly from 55% to 57%, which did not have much impact on the overall decrease in ROE.

In 2019, the ROE went up a respectable 1.70%, as it rose from 8.20% to 9.90%. This can be attributed to a greater than 10% rise in EBIT Margin, from 63.62% to 53.74% and a 7% rise in Equity Multiplier from 57% to 65%. Even though the Interest Burden increased as the ratio fell from 67.43% to 30.06% as well as the Tax Burden increasing since the ratio went down to an alarming 13.28% from 69.61%, the ROE still saw an upward growth. It is noteworthy to mention that even the Average Asset Turnover fell from 10% to 8%, yet the overall ROE still improved.

The trend continued as in the following year the ROE rose from 9.90% to 14.80%, in 2020. This is due to the fact that four of the factors rose significantly, namely the EBIT Margin which leaped from 53.74% to 63.45%, the Interest Burden which fell as the ratio rose from 30.06% to a whopping 76.31%, the Tax Burden which also fell as the ratio went up from a mere 13.28% to an outstanding 53.95%, as well as the Average Asset Turnover which moved up from 8% to 10%. While the Equity Multiplier fell by 10%, from 65% to 55%, the overall ROE still saw an uprise due to the upheaval in all the other factors.

And finally, in 2021, the growth in ROE continued as it went from 14.80% to 15.80%. In this year, the EBIT Margin escalated upwards again from 63.45% to 68.61%. Moreover, the Interest Burden fell further as the ratio increased from 76.31% to an astonishing 92.25%. Furthermore, the Tax Burden decreased as well, since the ratio increased from 53.95% to 79.00%. On the other hand, the Average Asset Turnover went up from 10% to 14%, which contributed to the understandably well increase in ROE. On the contrary, the only factor that declined was the Equity Multiplier, which went downhill from 55% to 51%, however, this was not enough to bring the ROE as the other four factors more than covered up for this loss.

3.5.4 Conclusion of the DuPont Analysis

As the two types of DuPont Analyses have demonstrated earlier, although the Return on Equity of the City Bank Limited may have fluctuated over the years, the bank has been able to diagnose and determine the factors that were key and pivotal to it and thus, in the last years, the bank's ROE saw an upward moving curve as was analyzed in the previous sections of this report. City Bank has done an outstanding task in improving its EBIT Margin, lowering its Tax and Interest Burden as well as maximizing the full utilization of its assets to convert them into revenue generation ability. It was also observed that the net profit margin of the bank has also been enhanced over the years, although there was a dip during the year 2019. However, City Bank performed exceptionally as it was able to hold up its net profit margin even during the challenging times brought upon the economy by the emergence of the pandemic COVID-19.

While, these factors have been up and running as The City Bank has been able to substantially enhance them over the past few years, the bank has managed to do so while lowering its financial leverage, which is a feat of great accomplishment. As was seen in the analysis, City Bank's financial leverage has been lowered from 65% to 51% in the last two years, which puts the bank in a position of reduced financial risk in the future, making it a more attractive prospect for potential investors who may purchase shares of the firm.

4.0 Suggestions & Recommendations

4.1 Suggestions & Recommendations

In light of the performance analysis of City Bank that was previously presented, the following recommendations could be prove advantageous for the bank:

- Developing and implementing ways to lower the bank's operating expenses, which have been gradually rising over the previous five years.
- It is really commendable that the bank’s cost-to-income ratio was lowered significantly within a year. Therefore, it is advised that CBL maintain this pattern in order to boost profits in the years to come.
- It is strongly advised that The City Bank compare and contrast all of its data with that of other leading competitors in the market in order to establish plans and tactics to deal with those difficulties.
- Reducing or even just maintaining the volume of financial leverage in the coming years could prove to be challenging. As a result, City Bank must create ideas or programs to lower the amount of debt they may want to incur.
- In the future, City Bank should intend to disburse loans and advances more carefully after evaluating each applicant's file.
- City Bank should currently be at an urgency to do all within its power in order to lower its equity multiplier.

- It has been observed that the ratio analyses relatively poor performance in terms of liquidity for the years ended 2021, 2020, and 2019. City Bank's over investment in fixed asset side, including PPE, as well as government investments, pose a threat as all of them cause the bank to stay exposed to being illiquid and not be able to meet short-term financial obligations. Therefore, it is advised that City Bank monitor these factors to implement a revised approach and enhance the situation.
- On the contrary, the operating expenses and tax charges were the only components of the income statement that had been performing poorly as per the ratio analysis. Hence, it is recommended that City Bank keep an eye on the expenditures and strive to control them in the years to come.

4.2 Conclusion

Bangladesh has experienced a significant increase in the number of commercial banks during the past several years. Due to the intense competition in the banking sector, banks are now more committed to delivering their best performance. However, modern customers seek out institutions that feel more trusted, offer superior products, and provide prompt service. City Bank presently occupies a dominant position in the market, but in order to keep it, they must continually raise and improve their efforts to satisfy their clients.

While the solvency, market value and efficiency aspects of The City Bank's financial performance have been analyzed to show satisfactory results, the bank could still seek to improve its liquidity and profitability. It has been observed that the Quick ratio and Cash ratio of the liquidity dimension have shown poor and declining results towards the later years, which could act as an alarming indicator for the City Bank. This can prove to be very concerning for the bank, as the inability to meet short-term financial obligations may mean that the firm comes off as a bad choice to creditors. It may also lead to bad market reputation and prone to increased chances of exposure to high financial risk and an urgency to liquidate assets immediately and losing money on fire sell situations.

On the contrary, while profitability towards the later years for CBL has been on an uprise, some of the ratios have shown reasons for concern as they have been completely unstable throughout the years, namely the Net Profit Margin, Return on Assets (ROA) as well as the Return on Equity (ROE).

As was seen in all three cases, the ratios have shown a massive dip towards the years 2019 and 2020. Although this can be accountable to the emergence of COVID-19 taking the economy by storm, it is no excuse for such lagging in the profitability department as profit is crucial to a business's survival. Without prolonged streams of profits, no company would stay in business for long. Therefore, finding fresh concepts and implementing refined business operations to ensure the unquestioned flow of stable profits is a must.

However, despite the drawbacks, the pros of CBL seem to outshine its cons. The future of the bank seems to promise increased profits and success, as all other factors and indicators denote towards a mountain of commercial success for the organization to climb.

Both types of DuPont Analyses have demonstrated that although the ROE of the bank may have fluctuated over the years, the bank has been able to diagnose and determine the factors that were key and pivotal to it and thus, in the last years, the ROE saw an upward moving curve. City Bank has done an outstanding task in improving its EBIT Margin, lowering its Tax and Interest Burden as well as maximizing the full utilization of its assets. The organization was also able to hold up its net profit margin even during the challenging times brought upon the economy by the emergence of the pandemic COVID-19, even so while lowering its financial leverage.

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Glossary

- Undergraduate: A university student who is not yet registered in his/her initial degree
- Non-Performing Loans: A sum of money that has been loaned, for which the debtor already missed one or more scheduled payments and has been doing so for a long time (usually 90 or 180 days)
- Bankrupt: A person or organization whose inability to pay obligations has been recognized by the law
- Specialized: Demanding or involving specific training that is in-depth of the matter
- Component: A smaller chunk which is part of a bigger object or whole
- Insolvency: A state that refers to the incidence of going bankrupt
- Demonstrate: Demonstrate and make clear in action how something works.
- Utilization: The practice of effectively and efficiently using something
- Installment: A sum of money that must be paid over a certain length of time in a number of equal payments.
- Convincingly: In a manner that gives the impression that something is real or accurate.
- Solely: Excluding all references to other people or things
- Resilient: Capacity to withstand or bounce back swiftly from difficult situations
- Deterioration: The behavior of worsening with time.

Map of the Area