

INTERNSHIP REPORT ON FINANCIAL STATEMENT ANALYSIS OF IFIC BANK LTD.



Daffodil
International
University

Supervised By:

**Dr. Md. Abdur
Rouf**

**Associate Professor &
Director MBA Program**

**Department of Business
Administration**

Submitted By:

Surojit Kumar

ID – 221-14-398

Department of Business Administration

Daffodil international University



ACKNOWLEDGEMENT

This provides a valuable opportunity to explore the analysis of IFIC Bank Limited's financial performance. While compiling this report, I extensively reviewed a variety of research materials and literature, enhancing my understanding of the subject.

I would like to recount a personal experience from my professional life, particularly during my internship, which significantly contributed to the preparation of this report. Before expressing gratitude and recognizing the Most Holy Lord, it is important to acknowledge the pivotal role played by my parents and other family members in guiding me to this stage of my life. Additionally, I extend my thanks to numerous individuals who offered invaluable assistance in developing this report, providing their insights, suggestions, and support.

My sincere appreciation goes to my esteemed supervisor, Dr Abdur Rouf sir. , whose guidance not only facilitated the completion of this report but also deepened my understanding of the gaps and requirements in 'Financial Performance Analysis' within Bangladeshi firms. Without his extensive knowledge and advice, this report would not have reached its conclusion. I am indebted to him for his unwavering support throughout the internship.

I express profound gratitude to Dr. Abdur Rouf sir for his essential advice and guidance, without which the success of my internship program would not have been possible.



LETTER OF TRANSMITTAL

November 31st, 2023T

Dr. Md. Abdur Rouf

Associate Professor & Director

MBA Program

Department of Business Administration

Subject: Submission of internship report

Dear sir

Assalamualaikum. It is an esteemed privilege to submit my internship report on the "Financial Performance Analysis of National Bank Limited." The culmination of my internship program at the Dhaka Ring Road Branch of National Bank Limited, spanning three months, marks a significant milestone in my professional journey. The process of crafting this report proved to be a rewarding endeavor, affording me insights into the nuances between practical and theoretical work. Throughout this endeavor, my goal was to amalgamate pertinent information and present a proposal that is both succinct and comprehensive. The data and information featured in this report predominantly originate from annual reports and various secondary sources, including previously authored research reports. This undertaking has deepened my understanding of the present state of banks and underscored the pivotal role of Financial Performance within a company. I am confident that this report aligns with your expectations.

I wish to take this moment to express my sincere gratitude for your unwavering support and guidance throughout this process, and I hope for the continuation of such support in the future.

Sincerely yours,

Surojit Kumar

ID – 221-14-398

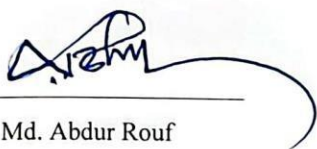
Department of Business Administration

Daffodil international University

Approval of Internship

Report This is to notify you that Surojit Kumar, ID No: 221-14-398, has prepared this internship report entitled "Financial Statement Analysis of IFIC Bank Ltd. Under my guidance, I hereby approve this internship report. This is for the partial fulfillment of a MBA degree in major Accounting under the Department of Business Administration of Daffodil International University.

I wish her every moral success in life.



Dr. Md. Abdur Rouf

Associate Professor & Associate Head of MBA

Department of Business Administration

Daffodil International University



Executive summary

The creation of this internship report is a mandatory component of the MBA program at Daffodil International University. The report centers on the "Financial Performance Analysis of National Bank Limited," aiming to furnish the reader with a comprehensive understanding of the financial landscape of banks in Bangladesh. The primary goal is to acquire insights into the 'Financial Performance of Banks in Bangladesh.'

This report focuses specifically on the financial performance of National Bank Limited during the period from 2018 to 2022. Established on March 23, 1983, IFIC Bank holds the distinction of being the first private bank entirely owned by local entrepreneurs, evolving into a prominent private bank over the years. The study relies on annual reports spanning the years 2018-2022, incorporating updated data available at the time of the study.

Chapter One serves as the introduction, addressing the research background, problem formulation, scope, objectives, research questions, hypothesis, and the significance of the study. The primary aim is to delve into the Financial Performance Analysis of IFIC Bank.

The second chapter provides an extensive overview of the company, presenting detailed information about IFIC Bank, encompassing its mission, vision, culture, core values, and business principles.

In the third chapter, the report explores the literature review and research methodology, elucidating the methods employed in data collection and distinguishing between primary and secondary data sources. This chapter also delves into the concept of Financial Performance Analysis.

Chapter four entails the analysis and interpretation of the amassed data. The report evaluates and discusses the Financial Performance Analysis based on the Annual Report of National Bank Limited, illustrating findings through specialized diagrams.

Finally, the concluding chapter puts forth research results, contributions, and recommendations, while also acknowledging research limitations. The report concludes with a reference section and an appendix containing examples, calculations, tables, and a comprehensive analysis and evaluation of data, complemented by

diagrams.



Chapter 01.....	01
1.1 Introduction.....	01
1.2 Objectives of the study.....	02
1.3 Scope of the study.....	03
1.4 Limitation of the study.....	04
Chapter 02.....	07
2.1 Literature Review.....	07
2.2 Horizontal study.....	08
2.3 Vertical study.....	09
2.4 Ratio analysis.....	10
2.5 Data analysis.....	11
2.6 Research Type.....	12
2.7 Sampling.....	12
Chapter 03.....	13
3.1 Bank profile.....	14
3.2 Vision.....	14
3.3 Mission.....	15
3.4 Core statement.....	15
3.5 MGT review.....	15
3.6 Global cooperate structure.....	16
3.7 SWOT Review Statement.....	17
Chapter 04.....	20
Ratio analysis.....	21
4.1 Profitability Ratios.....	22
4.2 Liquidity Rations.....	27
4.3 Solvency Rations.....	33
4.4 Market value Rations.....	38
CHAPTER 05.....	44
5.1 Findings.....	45
5.2 Recommendations.....	46



ABSTRACT

This report employs an in-depth ratio analysis, encompassing twenty-five different ratios, to evaluate the financial performance and status of the International Financial Investment and Commerce Bank Limited (IFIC Bank Ltd.) over a ten-year period. The compilation of this report involved navigating various opportunities and constraints.

The literature review within this report defines financial state management analysis and integrates insights from multiple researchers expressing their opinions on the subject. It explores the type of data used, the methodology employed for data gathering, and the sample size selected for the investigation. The organizational overview is thoroughly examined, encompassing aspects such as the management team, organizational structure, vision, goals, and milestones of IFIC Bank Limited.

In the Findings and Analysis section, the focal point of the study is discussed, presenting and analyzing the financial performances and results of the bank through graphical representations. This section offers a comprehensive understanding of the financial situation as reflected in the financial statements.

The study concludes by summarizing IFIC Bank Limited's financial circumstances over the past 10 years and provides recommendations for improving or maintaining the current levels of performance.

Keywords: Financial State Management Analysis, Ratio Analysis, Financial Performances, Financial Statements



CHAPTER 1:

1.1 Introduction

1.2 Objectives of the study

1.3 Scope of the study

1.4 Limitation of the study



Introduction

Internships play a pivotal role in the culmination of an MBA program at a distinguished university. Students are required to fulfill prescribed credit hours and immerse themselves in a practical work environment to observe specific scenarios. Subsequently, they are entrusted with the task of preparing an internship report, guided by a respected supervisor. I consider myself fortunate to be interning at IFIC Bank, a reputable firm, where my focus is on crafting a report centered on the Financial Performance Analysis of IFIC.

The banking sector has witnessed significant transformations, compelling financial institutions to vie for market competitiveness. Financial ratio analysis, entailing the evaluation of critical components in financial statements, functions as a tool for understanding a company's position and performance. Investors and lenders leverage financial performance analysis to assess historical and current performance, project future trends, and appraise the financial health of a company.

This study seeks to evaluate the financial strengths and weaknesses of IFIC by establishing correlations between items in the balance sheet and the profit and loss account. The primary impetus behind conducting this study is the necessity to submit an internship report as the conclusive element of the trimester, culminating in the attainment of my undergraduate degree.

Given the choice between an internship and a project, I chose the former to acquire practical experience within an organizational setting. As a student in the field of AIS (Accounting Information Systems), my supervisor has tasked me with conducting a thorough review of the financial statement analysis of IFIC Bank Ltd. Throughout my internship, my objective is to assess how IFIC Bank Ltd. makes decisions through the analysis of its financial statements. I aim to provide recommendations on whether there is a need for improvement in their financial performance and, if so, suggest a strategic path forward to enhance their financial situation.

1.2 Objectives of the study

This paper has been assembled based on in-depth conversations with the bank's personnel and system.

1. Gain insights into the financial performance analytical tools utilized by IFIC Bank.
2. Evaluate the financial performance to ensure both short-term and long-term sustainability of IFIC Bank.
3. Identify challenges and provide recommendations for enhancing the performance of IFIC Bank.

1.3 Scope of the study

The scope of this report is defined by several crucial reasons, as detailed below:

- Attained practical experience through active participation in a banking environment.
- Obtained insights into the culture and values embedded in corporate life.
- Developed skills to navigate through moderately challenging situations encountered in an organizational setting, effectively managing the workload on weekdays and dedicating time to generate this comprehensive report on both weekdays and weekends.
- As this extensive report is an individual endeavor, amassed a diverse and substantial knowledge base while gathering data and information. Additionally, acquired the ability to address various minor challenges independently during the preparation of the report.



1.4 Limitation of the study

Although this report effectively pinpointed its specific objectives and achieved its intended goals, it faced certain unavoidable limitations. These constraints are detailed below:

- Time constraints posed a challenge, as the report needed more time for comprehensive preparation to meet my satisfaction.
- Interviews with colleagues were infrequently conducted due to their busy schedules during office hours.
- Acquiring a sample of references, encompassing articles, journals, and various links, proved to be a rarity. Even when accessible, extracting comprehensive data and information posed challenges, as concerns about direct copying had to be carefully navigated.



CHAPTER 2: LITERATURE REVIEW

2.1 Horizontal Analysis

2.2 Vertical Analysis

2.3 Ratio Analysis

2.4 Data Type



LITERATURE REVIEW

Financial statement analysis is a critical process involving the examination of an organization's financial statements for decision-making purposes. External stakeholders employ this process to evaluate the financial performance and reputation of a company, gaining valuable insights into its overall reliability. Internal users, on the other hand, use financial statement analysis as a tool to ensure the effective management of resources.

As per Myers, financial statement analysis is primarily an exploration of the relationships among various financial factors within a business, as disclosed by a single set of statements. It also encompasses an analysis of the trend of these factors across a series of statements. Financial statement analysis serves as the starting point for the overall financial performance analysis of a company, delving into key areas such as efficiency, production capacity utilization, and resource management.

Financial analysis plays a crucial role in identifying the strengths and weaknesses of a company, functioning as a diagnostic tool for its overall "health" and offering essential information for business management and owners (Vlachynský, 2009, 369). The primary purpose of financial analysis is to communicate the assets and financial position of the company, laying the groundwork for internal management decision-making. The complexity and ongoing performance are essential requirements for effective financial analysis (Hrdý, 2009, 118).

Sedláček regards financial analysis as a method for evaluating the financial management of a company. Throughout this process, acquired data is reviewed, compiled, and compared. Relationships between data points are measured, causal connections are sought, and the development of these relationships is determined. This enhances the analytical power of data processing and its informative value. The focus is on identifying issues, strengths, weaknesses, and, most importantly, the company's value-creating strategies. Information obtained through financial analysis enables conclusions about overall management and the financial well-being of the company.



The circumstances surrounding an organization are crucial and form the foundation for management decision-making (Sedláček, 2009, 3).

Periasamy (2010) defines financial statement analysis as the process of establishing meaningful connections between items in two financial statements to discern the financial and operational strengths and weaknesses of a company. Essentially, financial statement analysis can be seen as a method for evaluating organizational performance based on the information found in the components of the balance sheet and income statement, facilitating well-informed decision-making for future business strategies.

Drake (2010) characterizes financial statement analysis as the determination, assessment, and understanding of financial data, along with other pertinent information, to support investment and financial decision-making. It involves identifying the financial strengths and weaknesses of a company by establishing meaningful relationships between items in the balance sheet and income statement.

Financial statements contain essential financial information about every aspect of a business's operations, enabling evaluation based on past, present, and anticipated or future performance.

Various methods are employed in financial statement analysis, with horizontal analysis, vertical analysis, and ratio analysis being three fundamental approaches. Horizontal analysis examines data over two or more years to identify patterns and variations. Vertical analysis assesses the impact of variations on different areas of the business and its structure. Ratio analysis highlights significant relationships using key ratio figures.



What is Horizontal Analysis?

Horizontal analysis, also referred to as time-series analysis or horizontal financial statement analysis, is a financial evaluation technique used to assess and compare a company's financial performance and statements over multiple periods, typically spanning several years. This approach enables experts to scrutinize relative changes in various details over time and project them into the future. By examining the income statement, balance sheet, and cash flow statement over an extended period, a comprehensive understanding of operational results can be developed, shedding light on the factors influencing the organization's performance and its operational efficiency.

Key performance indicators, such as overall revenues, stock turnover, and net profit at the end of the year, are analyzed to identify emerging issues and strengths. For instance, an increase in Earnings per Share (EPS) might be attributed to a decrease in the cost of goods sold or robust sales growth. Coverage ratios, including the cash flow-to-debt ratio and the interest coverage ratio, provide insights into a company's ability to meet its obligations through sufficient liquidity. Horizontal analysis also facilitates comparisons of growth rates and profitability among different companies.

As outlined by Weygandt, Kimmel, and Kieso (2013), horizontal analysis is a method aimed at evaluating a series of financial statement data over a specific time period, with the goal of determining the increase or decrease that has occurred.

Horizontal analysis involves scrutinizing the trend or changes in various elements of a financial unit over several years. This analysis, also known as basic size analysis or vertical analysis, is carried out by examining financial statements in an up-and-down format. When reviewing these statements, the observer's perspective moves from upwards to downwards (Sinha, 2010).



What is Vertical analysis?

Horizontal analysis, alternatively known as time-series analysis or horizontal financial statement analysis, serves as a financial analytical method used to assess and compare a company's financial performance and statements across multiple periods, typically spanning several years. This approach empowers specialists to scrutinize relative changes in various details over time, offering insights into future trends. A holistic view of operational results can be constructed by scrutinizing the income statement, balance sheet, and cash flow statement over time, thereby unveiling the factors influencing an organization's performance and efficiency.

The examination of key indicators of business success, such as overall revenues, inventory turnover, and net profit at year-end, proves instrumental in identifying emerging issues and trends. For example, an uptick in Earnings per Share (EPS) may be attributed to a decrease in the cost of goods sold or a substantial increase in sales. Furthermore, coverage ratios like the cash flow-to-debt ratio and interest coverage ratio can shed light on an organization's ability to manage its obligations through sufficient liquidity. Horizontal analysis facilitates the cross-company comparison of growth rates and profitability.

In accordance with Weygandt, Kimmel, and Kieso (2013), horizontal analysis entails evaluating a sequence of financial statement data over a defined period to ascertain the extent of increase or decrease. It represents a methodical examination of trends or changes in various elements of a financial unit over several years. This analysis, also known as basic size analysis or vertical analysis, arranges financial statements in an up-and-down format for vertical comparison. This format allows for the observation of statements from top to bottom, providing insights into the trends or changes in different financial elements over time (Sinha, 2010).



What Is Ratio Analysis?

Ratio analysis is a financial analysis technique used to evaluate a company's financial performance and condition by examining the relationships between different financial metrics and ratios. External analysts make use of various types of ratios to assess companies, while internal corporate stakeholders may depend on them to a lesser extent due to their access to more detailed operational information about the organization.

Key Takeaways:

1. Analyzing Financial Factors:

- Ratio analysis is a valuable tool for assessing financial factors such as profitability, liquidity, and efficiency within a company.

2. Understanding Company Trends:

- Financial professionals utilize ratio analysis to gain insights into trends within a company, helping them understand how various financial metrics evolve over time.

3. Performing Competitive Analysis:

- Ratio analysis facilitates competitive analysis by comparing a company's performance with industry benchmarks. This comparison helps in assessing how well a company is positioned relative to its peers.

4. Common Ratio Categories:

- Liquidity Ratios: Evaluate a company's ability to meet short-term obligations.
- Leverage Ratios: Assess the company's ability to fulfill long-term debt obligations.
- Market Value Ratios: Determine the current market valuation of a company's stock.
- Efficiency Ratios: Gauge how efficiently a company uses its internal resources.



2.4 Data Type

To prepare this report, three primary methods of data collection were employed:

Primary Data:

- **Description:** Primary data was gathered through interviews with senior colleagues. The objective was to identify the commonly used ratios in IFIC Bank's annual reports.
- **Purpose:** This information was crucial for the preparation of the report, providing insights into the specific financial metrics and ratios emphasized within the organization.

Secondary Data:

- **Description:** Secondary sources were utilized to gather additional data. These sources included annual reports, the official IFIC Bank website, magazines, papers, and other relevant online links.
- **Purpose:** Secondary data complemented the primary data and offered a broader perspective by incorporating information from diverse sources, contributing to the overall robustness of the report.

Mixed Method:

Description: The report adopted a mixed-method approach, integrating both qualitative and quantitative techniques. The focus of the report extended to both narrative descriptions (qualitative) and statistical data (quantitative).

Purpose: By employing a mixed method, the report aimed to provide a comprehensive analysis that combined the richness of qualitative insights with the precision of quantitative data. This approach enhanced the depth and completeness of the findings.



2.5 Research Type

While creating a report, diverse research methods can be utilized. Nevertheless, this specific work primarily underscores the descriptive method, one among the six types of research.

- **Descriptive Method:** This technique entails the collection of data without altering any variables. For example, in this investigation, information on ratio values extracted from annual reports was assembled without modifying or seeking to manipulate any numerical values or details pertaining to ratios.

2.6 Sampling

Sample Size:

- This study is grounded in an analysis of annual reports spanning a decade, from 2009 to 2018.
- To discern the key ratios employed in annual reports to depict the financial perspective of the bank, I conducted open discussions with five senior colleagues.

Sampling Technique and Procedure: Despite the availability of eight distinct sampling methods, this particular case exclusively employed the Non-Probability Sampling Method.

Non-Probability Sampling Method: This method involves the selection of individuals based on non-random patterns, permitting only a chosen few to be included. For instance, during my interactions with senior colleagues, I did not have the opportunity to engage with the entire group; instead, I interviewed a specific subset available at a particular time for an open discussion.

.



CHAPTER 3 : ORGANIZATIONAL OVERVIEW

- 3.1 IFIC Profile**
- 3.2 Vision**
- 3.3 Mission**
- 3.4 Core Values**
- 3.5 Strategic Priority**
- 3.6 Global Corporate Structure**
- 3.7 Joint Ventures Abroad**
- 3.8 SWOT Analysis**
- 3.9 Organizational Hierarchy**

3.1 IFIC PROFILE

IFIC Bank PLC operates as a banking institution with limited liability, established in the People's Republic of Bangladesh. Its founding in 1976 resulted from a government-backed joint venture involving both the government and private sector sponsors. Initially conceived to operate as a finance company within the country and establish joint venture banks or financial institutions abroad, IFIC Bank transitioned into a fully-fledged commercial bank in 1983 following government approval for private sector banks.

The Government of the People's Republic of Bangladesh holds a significant stake, specifically 32.75% of the bank's capital. Sponsors and directors, bringing substantial experience in trade and commerce, collectively own 4.11% of the share capital. The remaining shares are distributed among local and foreign institutions and general shareholders. The government's representation includes three nominated directors on the bank's board, resulting in a combined shareholding of sponsors and directors amounting to 36.86% of the total outstanding share capital of the bank.

3.2 Vision

At IFIC, our objective is to emerge as the favored financial service provider by promoting innovative, sustainable, and inclusive growth. We are dedicated to delivering unparalleled value to all our stakeholders.



3.3 Mission

Our mission is to assist our customers through a talented workforce distinguished by creative abilities, innovative initiatives, and genuine dedication, providing quality service to every individual and entity we serve.

Our emphasis lies in promoting the well-being and financial prosperity of both individuals and the community. We draw inspiration and drive for continuous progress and success from the people we serve.

In the midst of a highly competitive and complex financial and business environment, our particular focus is on fostering innovation and ensuring the profitability of all stakeholders involved.

3.4 Core value

Integrity: We are committed to maintaining trustworthiness in every facet of our actions, consistently and universally.

Fairness: Our goal is to deliver the best to our clients with a commitment to fairness and transparency.

Innovation: We actively encourage and nurture creativity to drive continuous improvement.

Commitment: Our focus is on achieving excellence in customer service and enhancing stakeholder value through collaborative efforts.

3.5 Management structure

The strategic planning and overall decision-making guidelines of the Bank are under the purview of the eight members comprising the Board of Directors. Additionally, there is an Executive Committee within the Board specifically designed to handle urgent strategic matters.

Furthermore, a dedicated Audit and Risk Management Committee is in place within the Board structure, ensuring oversight of compliance with fundamental regulatory and operational issues.

The responsibility for achieving business objectives and overseeing day-to-day operations is placed in the hands of key executives, including the Managing Director and CEO, Deputy Managing Directors, and Heads of Divisions.

3.6 Global corporate structure

IFIC Money Transfer (UK) Limited

IFIC Money Transfer (UK) Limited, a wholly-owned subsidiary transfer company of IFIC Bank Limited, was established in the UK. In accordance with the directives of Bangladesh Bank, IFIC Money Transfer (UK) Limited commenced its operations on 31 August 2011, with a focus on facilitating internal foreign remittance from the United Kingdom. The company was officially registered as a private limited company with Companies House of England and Wales on 16 September 2010 under Registration No. 07379137. Subsequently, the subsidiary company obtained registration from HM Customs and Excise on 17 January 2011 under Money Laundering Regulations. Furthermore, it secured registration from the Financial Services Authority on 16 June 2011 under Payment Services Regulations 2009.

Oman Exchange LLC

Oman Exchange LLC, established in 1985, stands as a collaborative effort between IFIC Bank Limited and Omani Nationals. Its core mission is to facilitate remittances from Bangladeshi workers in Oman. IFIC Bank maintains a 49% ownership stake, while the remaining 51% is held by Omani sponsors. The exchange company operates through a network of 12 branches strategically positioned in major cities and towns across Oman. Currently, the bank has instituted direct remittance services with nine countries: Bangladesh, India, Indonesia, Nepal, Pakistan, the Philippines, Qatar, Sri Lanka, and the U.A.E.

Nepal Bangladesh Bank Limited

Nepal Bangladesh Bank Limited, established as a collaborative commercial venture between IFIC Bank Limited and Nepali Nationals, initiated its operations on 06 June 1994 in Nepal, where IFIC Bank Limited holds a 50% stake. The bank has seen an expansion in its footprint, with 81 branches strategically located in various significant locations across Nepal. IFIC Bank directly holds slightly less than 41% of the shares in Nepal Bangladesh Bank Limited.

MCB Bank Ltd, Pakistan

IFIC Bank operated two branches in Pakistan, with one in Karachi established in April 1987 and the other in Lahore inaugurated in December 1993. In order to meet the Minimum Capital Requirement mandated by the State Bank of Pakistan, the operations of IFIC Bank in Pakistan merged with NDLC, a reputable leasing company. The resulting entity was renamed NDLC-IFIC Bank Limited, effective from 02 October 2003, and later underwent rebranding as NIB Bank Limited from 28 November 2005. Subsequently, in 2017, NIB Bank Limited merged with MCB Bank Limited, and as of now, IFIC Bank holds 175,508 shares in MCB Bank Limited.



3.7 SWOT Analysis

Strengths:

IFIC Bank Ltd. has established a strong reputation in the financial industry of the country and stands as one of the leading private sector commercial banks in Bangladesh. The bank has demonstrated significant growth in both assets and deposits.

- With a long-standing presence in the financial industry, IFIC Bank Ltd. is recognized as one of the oldest players, contributing to its enduring goodwill and serving as a key strength.
- The bank maintains an interactive corporate culture characterized by a friendly and communicative workplace, which serves as a significant motivating factor for potential customers.
- IFIC Bank Ltd. boasts a high level of customer commitment and a workforce comprised of qualified and experienced professionals.
- The bank has implemented a sophisticated digital banking system across a large portion of its branches, facilitating overall financial operations efficiently.

Weakness:

- There is a noticeable lack of motivation among employees within the organization.
- Heavy reliance on the Head Office occasionally hinders the efficiency of work processes.
- The absence of external and intrinsic rewards and incentives from management occasionally results in employee burnout.
- The organization shows a high dependence on informal processes rather than adopting formal marketing strategies.
- A lack of collaboration between branches is observed within the organization.

Opportunity:

- Identifying untapped regions for potential branch setups.
- Increasing awareness across all levels to promote depositing money in banks.
- Growing the demand for customer accounts.
- Exploring the investment potential of Bangladesh.
- Enhancing relationship management practices.

Threats:

- Expansion of operations by certain business/foreign banks and private banks.
- Introduction of similar retail banking products, including insurance, stock exchange, financial services, etc.
- Regular changes in rules and regulations from Bangladesh Bank.
- Increasing customer awareness of pricing and services.

CHAPTER 4: Ratio ANALYSIS

4.1 Profitability Ratios

4.2 Liquidity Ratios

4.3 Solvency Ratios

4.4 Market Prospect Ratios



My Percpeption

In this section, I will explore a critical aspect of this report—the financial situation of the International Finance Investment and Commerce Bank Limited (IFIC Bank Ltd.).

To evaluate the financial records, three primary types of analyses are typically utilized: ratio analysis, vertical analysis, and horizontal analysis. For this assessment, I will focus on ratio analysis, specifically utilizing twenty-five different ratios. The analysis will involve extracting financial information from the Profit and Loss statements, Balance Sheet, and Cash Flow Statements presented in the annual reports. The financial data will be sourced from the annual reports covering the last ten years, from December 31, 2009, to December 31, 2018. The following is the list of ratios that I will interpret to provide insights into the financial situation of IFIC Bank Ltd.: [list of ratios].

Return on Equity	Earnings per Share
Net Interest Margin on Average Earning Assets	Price Earnings Ratio
Cost to Income Ratio	Net Assets Value per Share
Return on Investment	Dividend Coverage Ratio
Cash Reserve Ratio	Operating Profit per Share
Statutory Liquidity Ratio	Net Operating Cash Flow per Share
NPL to Total Loans and Advances	Dividend Yield
Percentage of Classified Loans against Total Loans and Advances	Dividend Payout Ratio
Credit Deposit Ratio	Stock Dividend
Debt to Equity Ratio	These ratios will provide a comprehensive analysis of various aspects of IFIC Bank Ltd.'s financial performance and position.
Equity Ratio	
Debt Ratio	
Equity Multiplier	
Debt to Capital Ratio	
Capital Adequacy	
Market Price per Share	



In ratio analysis, there are typically five categories of ratios: Profitability, Liquidity, Efficiency, Solvency, and Market Prospect Ratios.

The ratios listed in the previous section are classified into four types. Due to insufficient material in the annual report, there won't be a discussion of the efficiency ratio in this report.

The objective of this report is to comprehensively analyze four different types of ratios to provide a clear interpretation of the financial performance of IFIC Bank Ltd. The aim is to offer readers a coherent understanding of the bank's operations, enabling them to make informed decisions regarding potential investments.

Beginning with Profitability Ratios, let's delve into the analysis.

4.1 Profitability Ratios

Profitability ratios serve as financial metrics to assess a business's capability in generating earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over a specific period. These ratios illuminate how efficiently an organization leverages its resources to create value and returns for investors.

A higher profitability ratio is generally preferred by most organizations, as it often signifies effective performance in terms of revenue and profit generation. These ratios provide the most insight when compared to similar organizations or scrutinized in comparison to historical periods. In the context of Profitability, the analysis will concentrate on Return on Equity, Net Interest Margin on Average Earning Assets, Cost to Income Ratio, and Return on Investment, commencing with the analysis of Return on Equity.

4.1.1 RETURN ON EQUITY

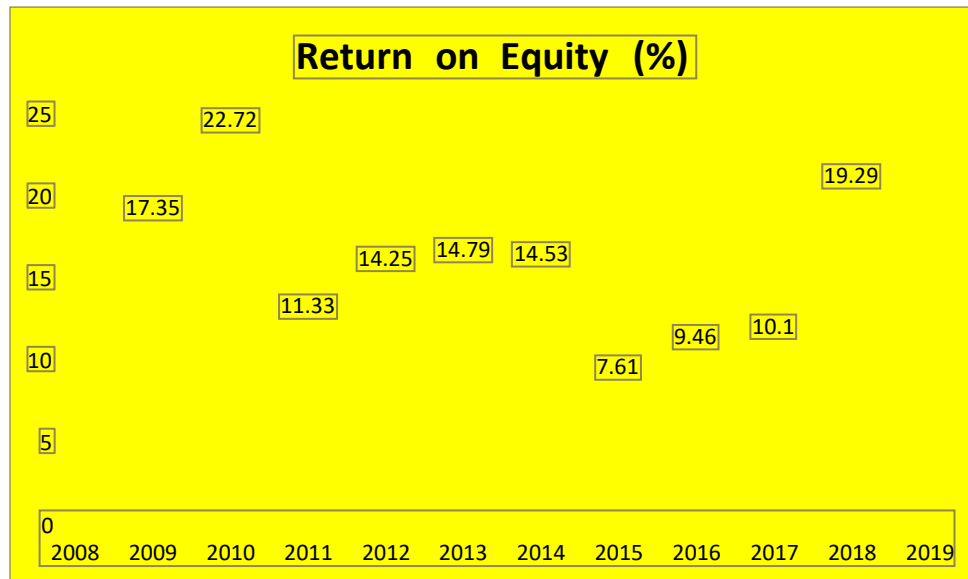


Figure 1: Return on Equity

The Return on Equity (ROE) is a measure of the company's capability to generate income from shareholder investments or shareholder equity. A higher percentage indicates the bank's proficiency in earning profits and revenue from the investments made by its shareholders. In 2010, the ROE reached an impressive 22.72%, signifying that investors received a 22.72 percent return on their invested capital. While it remained relatively stable from 2011 to 2014, the percentage experienced a slight decline from 22%. Starting in 2015, there was a significant decrease, suggesting that shareholders may not have received a favorable return on their investments during that period.

The positive turn in Return on Equity (ROE) for IFIC Bank in 2018, with a notable improvement from 10.1% to 19.29%, is indeed an encouraging sign. This surge suggests that IFIC Bank has made significant strides in recent years, providing reassurance for investors. It indicates the potential for continued investment in the bank. However, sustaining a consistently high percentage over multiple years is crucial for IFIC Bank to demonstrate continuous improvement.

Now, let's proceed to the next aspect of the analysis:

4.1.2 Net interest margin on average earning assets

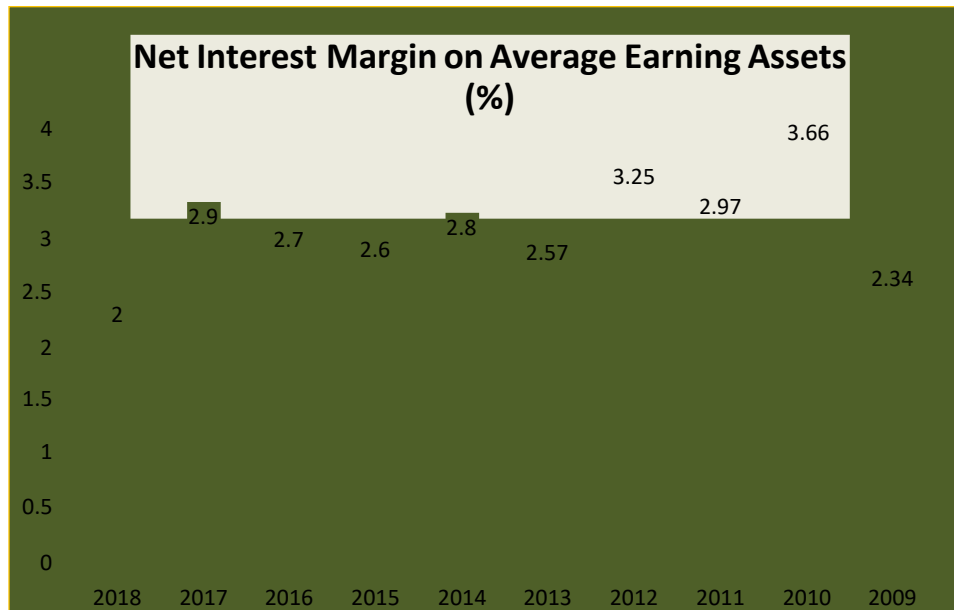


Figure 3: Net Interest Margin on Average Earning Assets

The net interest margin, representing the variance between interest charged to borrowers and interest paid to depositors, lenders, and investors, is a crucial financial metric for organizations. Corporations generate revenue from the interest on loans received from depositors and investors, but they also incur interest expenses for savings accounts held by customers.

Upon examination of the graph, it is apparent that IFIC Bank's net interest margin percentage has consistently remained positive, consistently at 2% or higher, reaching a peak of 3.66% in 2010. This trend is reassuring for investors, signifying that IFIC Bank effectively generates substantial revenue from interest on loans compared to the interest paid out. It serves as a positive signal for investors seeking to confidently invest their money. It's important to note that a negative percentage, although not shown in the graph, would convey an entirely different meaning, potentially indicating financial challenges for the bank.



4.1.3 Cost to income ratio

Figure 8: Cost to Income Ratio

The cost-to-income ratio, which reflects an organization's expenses as a percentage of revenue, is a crucial indicator of a bank's efficiency. A smaller ratio, indicating lower spending on revenue creation, is generally preferred. The graph illustrating the cost-to-income ratio for IFIC Bank from 2009 to 2018 highlights the bank's efficiency and attractiveness to investors. The ratio consistently falls within the range of 47% to 60%, with a notable drop to 39.8% in 2010. Lower ratios are preferred, as mentioned earlier, and this exceptional result suggests that only BDT 40 was needed to generate BDT 100, signifying highly positive operational efficiency for the bank.



4.1.4 Return on investment

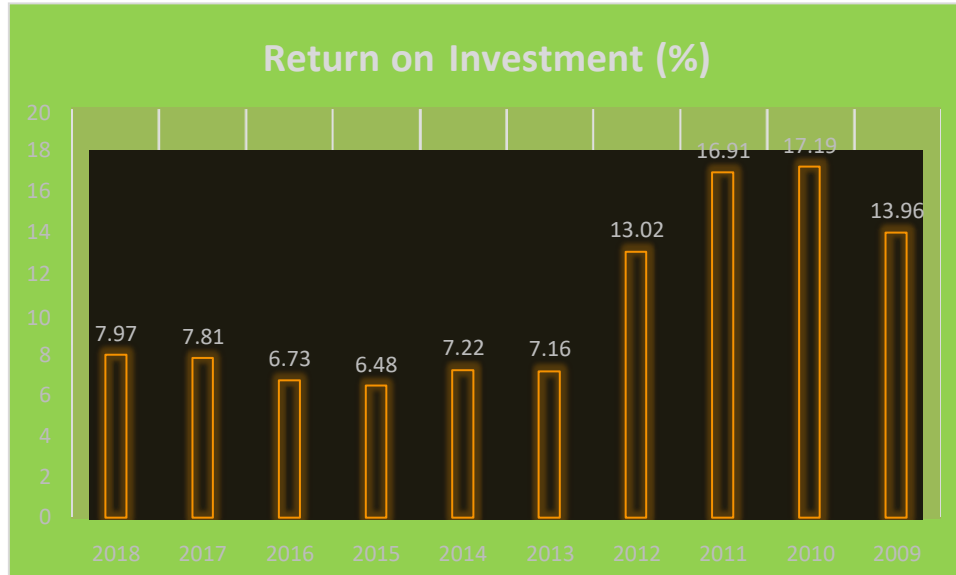


Figure 4: Return on Investment

The return on investment (ROI) quantifies the gain or loss resulting from shareholder investments. A higher proportion signifies a better return on investment. Analyzing the graph, it is evident that 2010 and 2011 were particularly lucrative years for IFIC Bank, with corresponding percentages of 17.19% and 16.91%, indicating noteworthy returns. Although the returns on investment were robust, exceeding 13% in the initial four years, there has been a decline in recent years, with percentages falling to less than 8% after 2013. IFIC Bank aims to replicate the profitable returns observed from 2009 to 2012. Even if ROI remains positive and above 7%, it still indicates a strong performance.

4.2 Liquidity ratio

Cash Reserve Ratio (CRR) is a significant liquidity ratio that measures the proportion of a bank's total deposits that it must hold in reserve with the central bank. The CRR serves as a buffer to ensure the stability of the banking system and control inflation. The graph demonstrates that IFIC Bank has maintained a consistent CRR percentage over the years, generally ranging from 4% to 6%. This indicates that the bank has adhered to regulatory requirements and has a sufficient reserve to cover a portion of its deposits.

Moving on to the next aspect of the liquidity analysis: Statutory Liquidity Ratio (SLR).



4.2.1 Cash reserve ratio

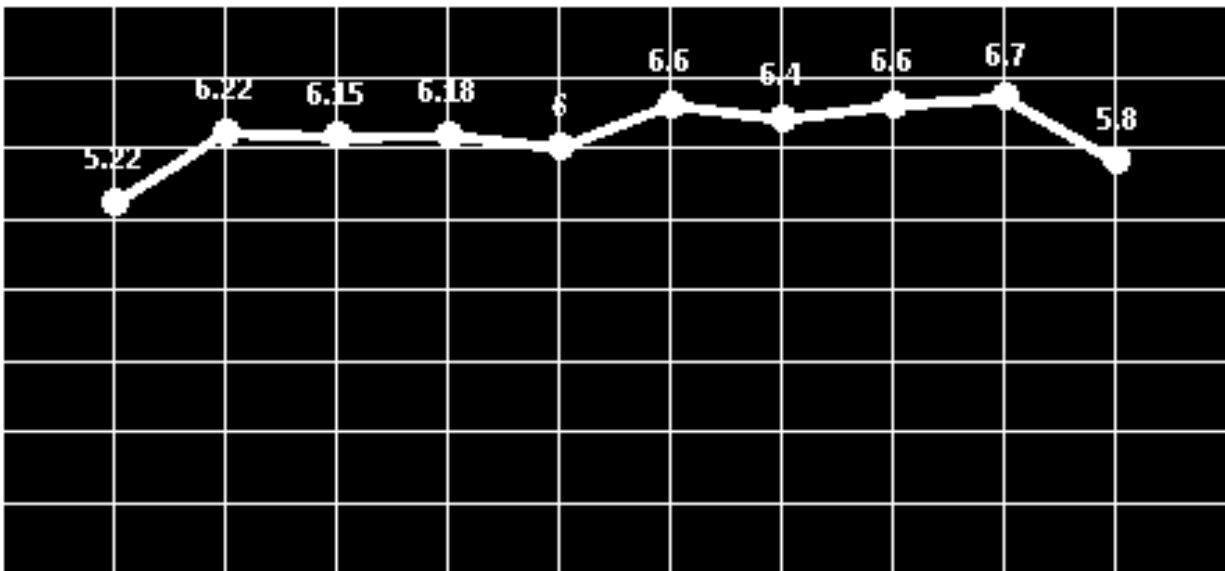


Figure 5: Cash Reserve Ratio

Cash Reserve Ratio (CRR) expresses a certain percentage of total deposits held by the central bank to meet the payment demands of clients in times of necessity, ensuring that the bank has sufficient liquid cash to fulfill depositor withdrawals. The graph shows that the CRR percentage for IFIC Bank has remained relatively steady, ranging from 5.2% to 6.7% over the last ten years. The purpose of CRR is to secure a portion of a bank's deposits with the central bank, helping to control excessive cash flow in the economy and preventing the bank from lending excessive loans to borrowers.



4.2.2 Statutory liquidity ratio

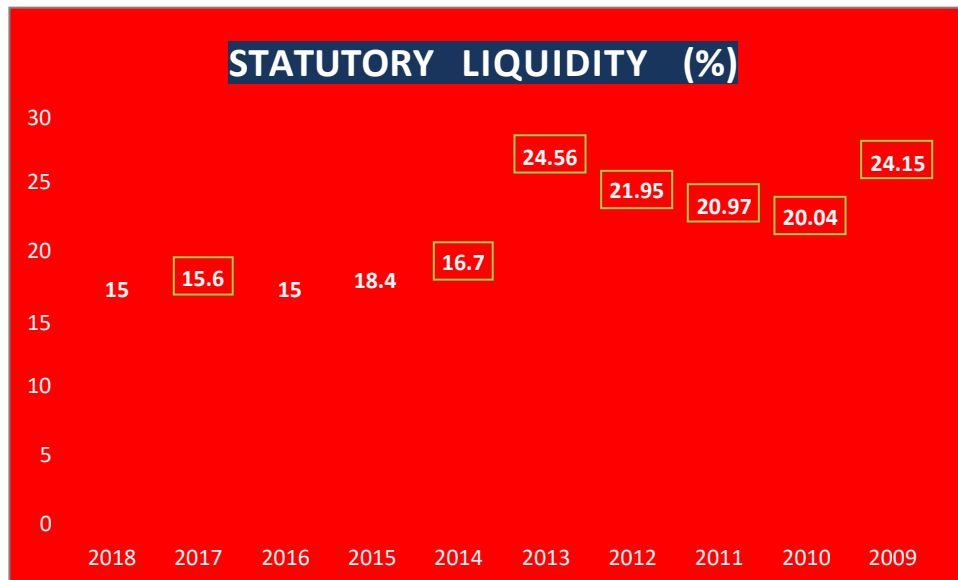


Figure 7: Statutory Liquidity Ratio

The Statutory Liquidity Ratio (SLR) is defined as the minimum level of deposits that a bank is required to retain, which can include cash, securities, gold, and other eligible assets. The central bank establishes the specific amount that banks must maintain. Analyzing the graph data, the SLR percentage for IFIC Bank has fluctuated between 15% and 24.6% over the past decade. The SLR was consistently over 20% from 2009 to 2013 but dropped to less than 18.5% in the last five years. The purpose of SLR is to ensure banks remain solvent and to encourage them to invest in government securities. The decrease in the SLR ratio since 2014 may be a strategic move to increase bank liquidity.



4.2.3 Non-performing loans to total loans and advances

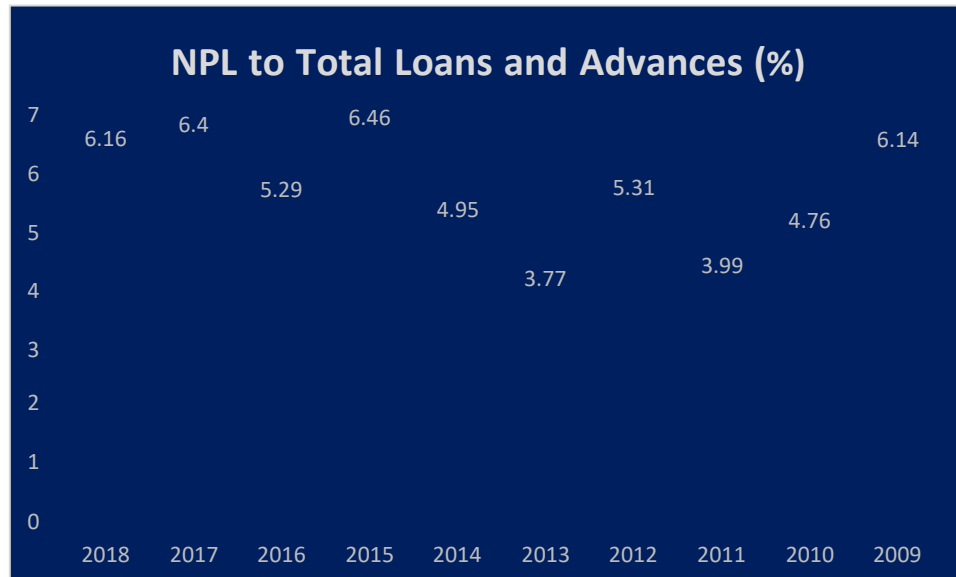


Figure 8: Non - Performing Loans to Total Loans and Advances

A Non-Performing Loan (NPL) refers to a loan where the borrower faces challenges in making timely payments or has stopped payments altogether due to financial constraints. The chart illustrates that IFIC Bank has maintained a consistent NPL percentage, fluctuating between 3.77% and slightly below 6.5% over the past decade. This stability implies that the proportion of borrowers facing difficulties in meeting payment obligations is relatively minimal, signifying a positive and reassuring trend for the bank.



4.2.4 Percentage of advances

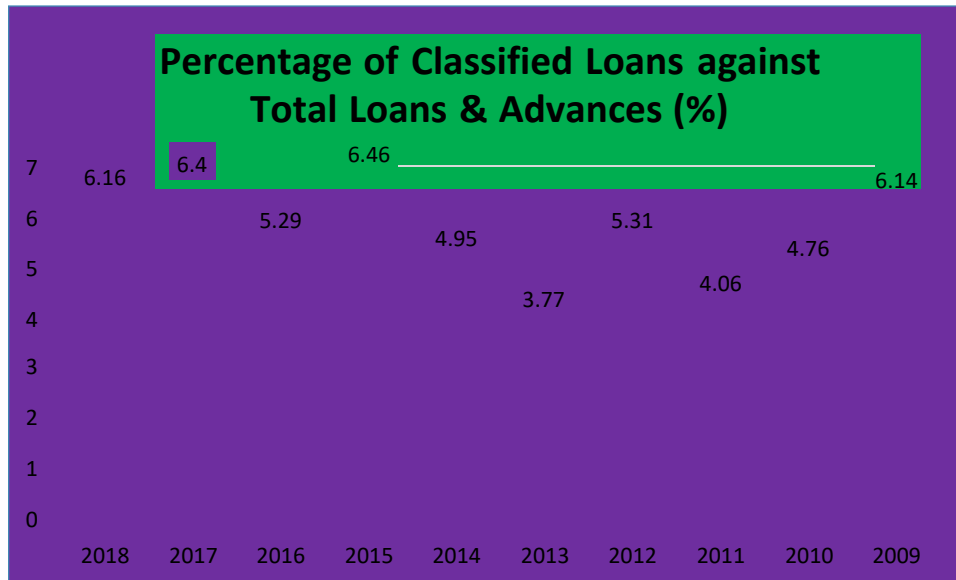


Figure 8: Percentage of Classified Loans against Total Loans and Advances

A Classified Loan is a category of bank loans that carries a risk of incomplete repayment, typically due to challenges faced by the borrower in making timely payments, potential payment cessation, or loan default. The graph illustrates minimal fluctuation in the percentage of classified loans from 2009 to 2018, remaining relatively constant. Throughout this period, the percentage hovered between 3.8% and 6.5%, reaching its peak at 6.46% in 2015 and dropping below 4% in 2013. In my perspective, the consistent and generally low percentage suggests satisfactory borrower performance in terms of meeting their loan repayment obligations.



4.2.5 Credit deposit ratio

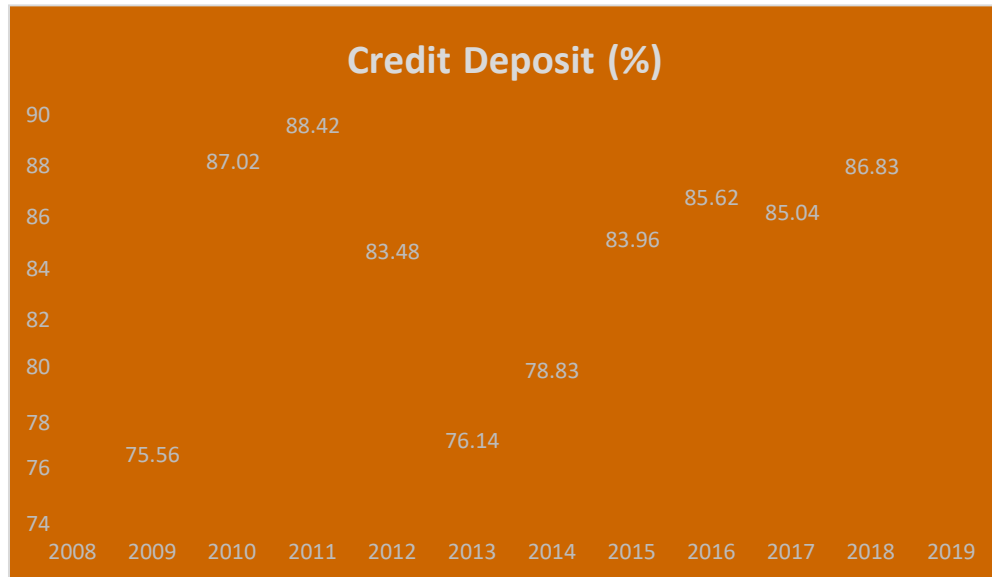


Figure 9: Credit Deposit Ratio

The Credit Deposit Ratio, or Loan-to-Deposit Ratio (LDR), assesses a bank's ability to lend using funds obtained from depositors. The graph illustrates some variability in the percentage during the initial years, dropping below 77% in 2009 and 2013 but exceeding 83% from 2010 to 2012. In recent years, the percentage has consistently increased, ranging from 84% to 87% since 2015. An optimal LDR is typically around 90%. If the ratio exceeds 100%, it implies that the bank is lending more than it receives in deposits, which could potentially discourage investors. However, with the percentage remaining below 90%, it indicates that the bank can extend a significant amount of loans without surpassing the deposits it receives, making it an attractive option for investors.



4.3.1 Solvency ratios

Solvency ratios play a critical role in evaluating a company's capability to fulfill its long-term debt obligations and associated interest, assisting entrepreneurs in assessing the long-term stability of a business. Despite both being relevant to a company's financial health, liquidity ratios and solvency ratios are occasionally confused.

In the solvency section, we will delve into various ratios, beginning with the debt-to-equity ratio. The ratios under consideration encompass the equity ratio, debt-to-debt ratio, debt-to-capital ratio, debt-to-multiplier ratio, and capital adequacy ratio. Together, these metrics offer valuable insights into different facets of a company's financial structure and its capacity to meet enduring financial commitments.

4.3.2 Debt to Equity Ratio

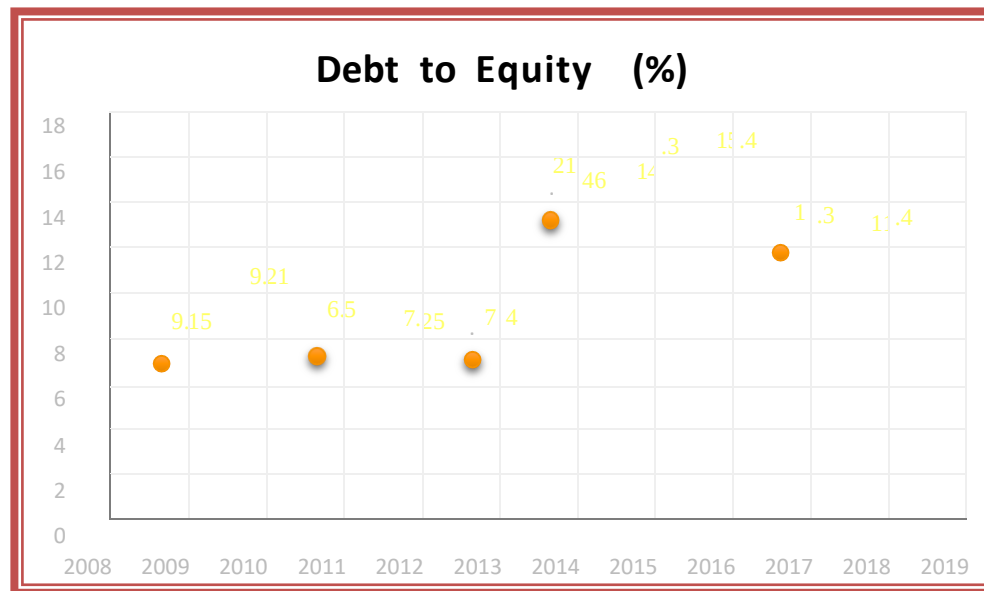


Figure 10: Debt to Equity Ratio

The Debt to Equity Ratio evaluates a bank's total debt or liabilities in relation to its total equity. According to the graph, IFIC Bank had a lower amount of debt compared to equity in the initial years, with the percentage ranging from 7.15% to 9%. However, starting from 2014, there was a shift, and the bank had more debt compared to total equity, ranging from 12% to 15%. This upward trend in the percentage in recent years suggests that the bank is increasingly relying on financing from creditors rather than shareholders in comparison to the earlier periods. In the early years, there was a noticeable disparity in IFIC Bank's financing structure. It's a well-established principle that the more a bank depends on financing from creditors, the less financially stable it becomes. However, it's noteworthy that despite not being significant, the recent decline in the percentage provides optimism for improvement. Investors, clients, and potential borrowers can look forward to a potential turnaround or enhancement in the bank's financial stability.



4.3.2 Equity Ratio

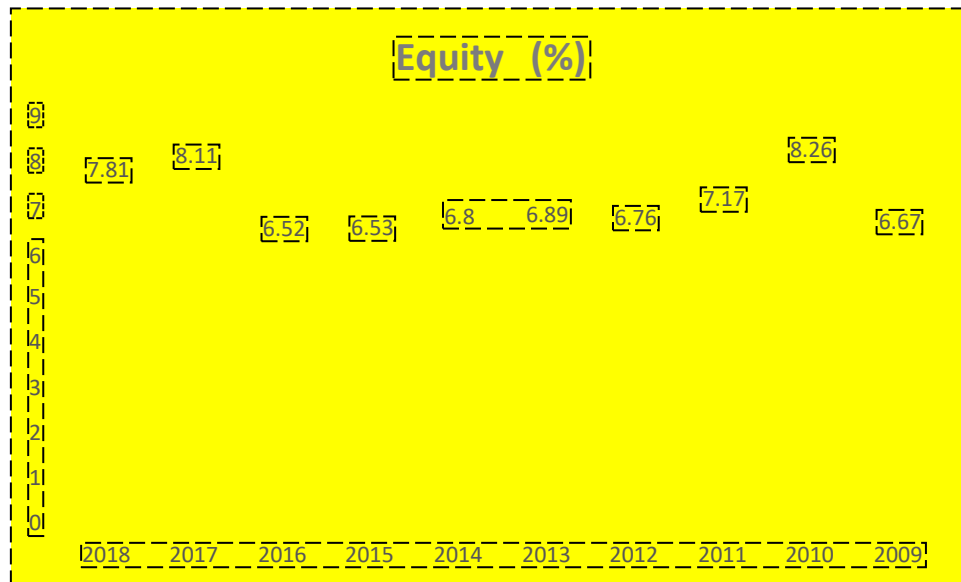


Figure 11: Equity Ratio

The Equity Ratio assesses the proportion of a bank's assets funded by shareholders' investments, calculated by examining the relationship between the bank's total assets and total equity. Illustrated in the graph, the percentage varies between slightly over 6.5% and slightly over 8%. The lowest recorded percentage was 6.52% in 2016, while the highest, 8.26%, occurred in 2010. From 2011 to 2016, the ratio fluctuated between 6.5% and 7.17%, maintaining a relatively stable trend. Over the past two years, the ratio has surpassed 7.8%, indicating effective financing of the bank's assets through shareholder investments. A higher ratio not only signals the bank's sustainability but also instills confidence in potential borrowers, as it implies a reliance on shareholders' investments for stability.



4.3.3 Debt Ratio

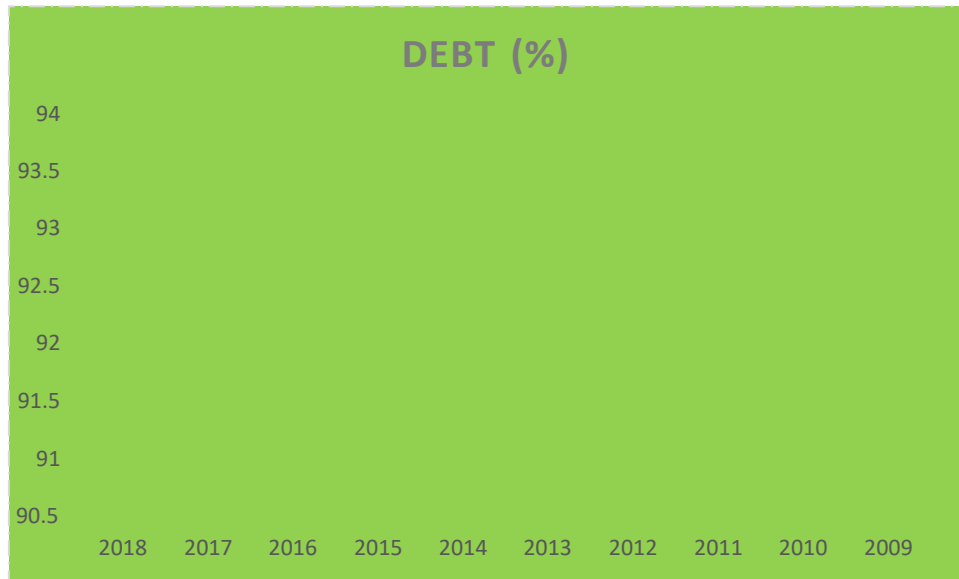


Figure 12: Debt Ratio

In simple terms, the debt ratio discloses the portion of assets an organization would need to sell to settle all its liabilities. As per the graph, the percentage varies between 91.74% and slightly below 93.5% from 2009 to 2018, indicating a stable pattern. The fact that the percentage is less than 100% means that the bank would need to sell more than 90% of its assets to cover its liabilities, not the entire amount. Although a lower percentage or ratio would be more desirable, the company maintains profitability. This financial success encourages shareholders to contemplate making investments.



4.3.4 Equity Multiplier

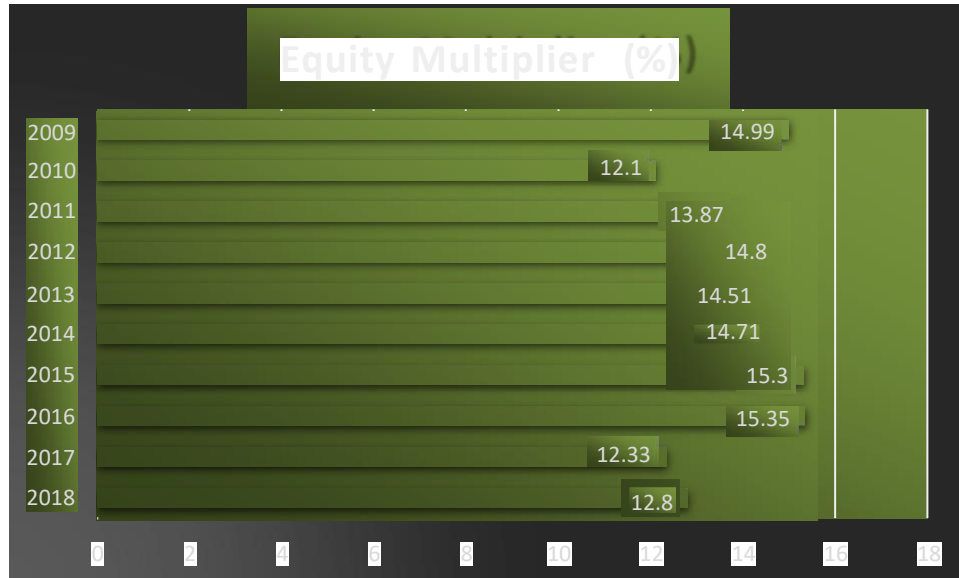


Figure 18: Equity Multiplier

The equity multiplier evaluates the percentage of debt or liabilities utilized to finance assets relative to shareholders' equity. Over the past decade, the Equity Multiplier percentage has consistently ranged between 12% and 15.4%, demonstrating a stable pattern. In the recent years, the percentage has decreased to less than 13%, despite being consistently above 14.5% from 2012 onward. This indicates that a smaller proportion of assets were funded by liabilities compared to equity in the recent past, marking a positive and noteworthy trend for IFIC Bank.



4.3.4 Debt to Capital Ratio

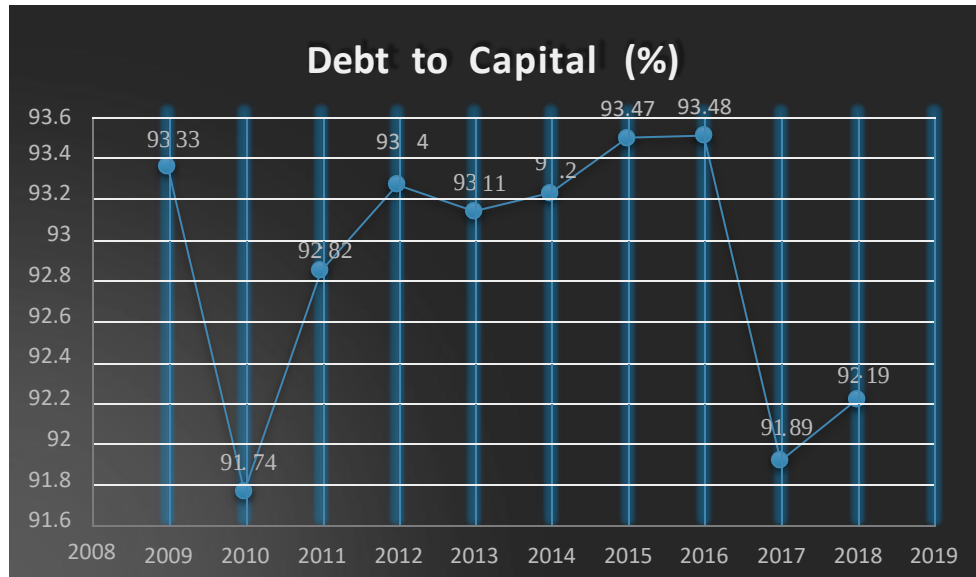


Figure 13: Debt to Capital Ratio

The Debt to Capital Ratio is derived by dividing a bank's total debt by its total capital, which encompasses the sum of all liabilities (debt) and shareholders' equity. This ratio serves as a tool for analysts to assess the bank's debt or liability burden relative to shareholder equity. It is considered less risky when all annual ratios are less than 1 (less than 100%), signifying that the level of debt is manageable or controllable.

A ratio greater than 1 (more than 100%) would suggest that there are more debt or liabilities than assets, increasing the risk for the bank. As per the graph, the percentage fluctuates within the range of 91.74% to less than 93.5%, indicating a very healthy and stable rate. This implies that the bank's debt load, concerning its overall capital, remains within a manageable and secure range.

4.4 Market prospect ratio

Market Prospect Ratios play a crucial role in comparing the stock prices of publicly traded companies with diverse financial metrics such as earnings and dividend yields. Investors employ these ratios to assess trends in stock prices and assist in evaluating both the present and future market value of a stock.

In a figurative sense, Market Prospect Ratios serve as indicators of investors' expected returns from their investments. These returns could involve receiving income, benefits, or simply witnessing an increased stock value in the future. I will explore different Market Prospect Ratios for IFIC Bank, encompassing metrics like Market Price per Share, Earnings per Share, Price Earnings Ratio, Net Assets Value per Share, Dividend Coverage Ratio, Operating Profit per Share, Net Operating Cash Flow per Share, Dividend Yield, Dividend Payout Ratio, and Stock Dividend. Collectively, these ratios offer valuable insights into the bank's market outlook and performance.

4.4.1 Market Price per Share

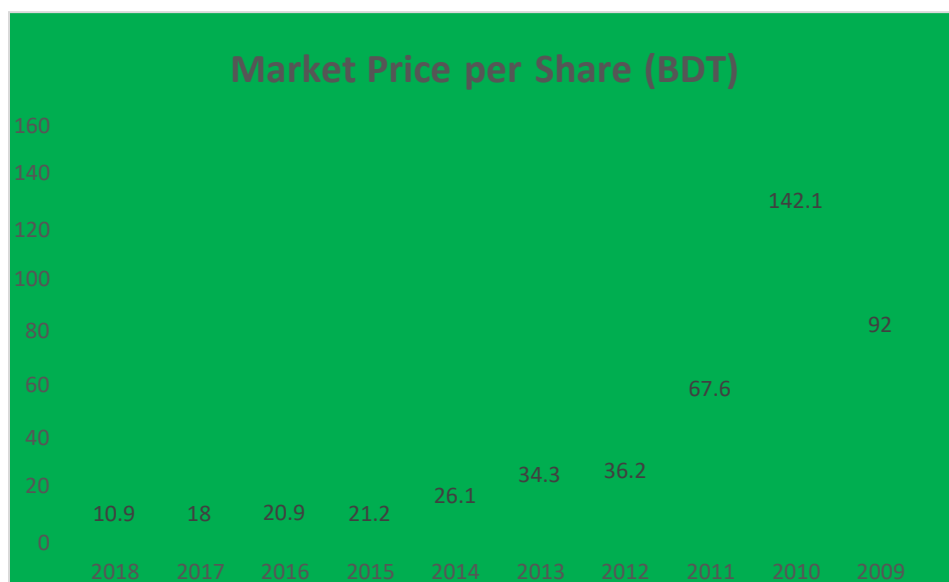


Figure 12: Market Price per Share

The Market Price per Share signifies the amount of money investors are willing to allocate to a single share of a company's stock. This value is computed by dividing the total market value of the bank by the number of outstanding shares. The graphical representation indicates that in previous years, the per-share market value experienced a significant increase, surpassing a specific threshold.

Between 2009 and 2011, the market share price stood at BDT 65, experiencing a significant surge to BDT 142.1 in 2010. However, starting in 2012, the share price initiated a downward trajectory, dropping to just below BDT 40. Subsequently, by 2018, it further decreased to a mere BDT 10.9. This pattern highlights a substantial change in investor sentiment, as reflected in a considerably reduced willingness to pay compared to the levels observed a decade earlier.

4.4.2 Earnings per Share

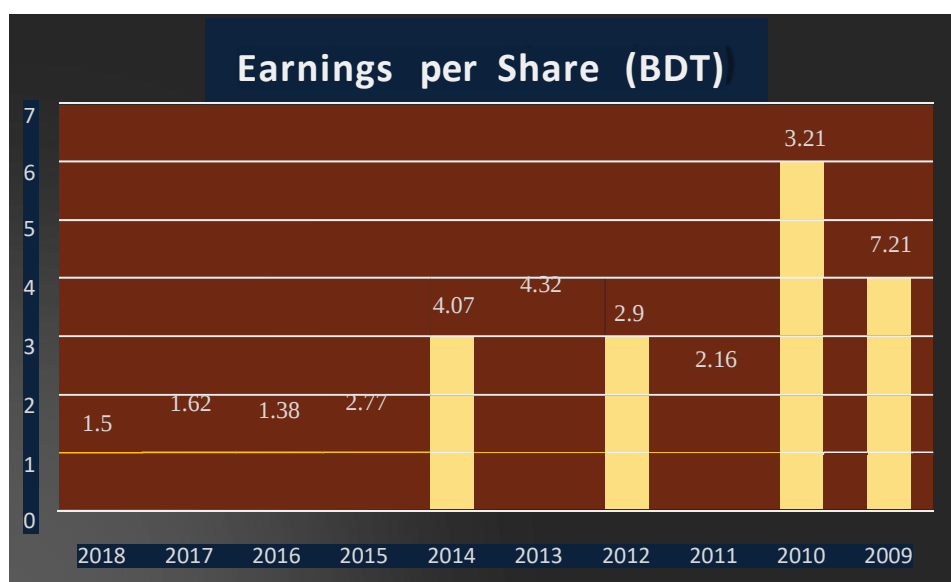


Figure 13: Earnings per Share

Earnings per Share (EPS) is a measure obtained by dividing a company's profit by the total number of common shares in circulation, indicating the net income per share. A higher EPS suggests a higher likelihood of the company being profitable, facilitating greater income distribution to shareholders. A closer examination of the graph reveals that in the initial years, EPS was notably elevated, reaching BDT 4.12 and BDT 5.95 per share in 2009 and 2010, respectively. However, there was a decline to less than BDT 2.20 per share in 2011, followed by a partial recovery to BDT 3.53 per share in 2013. Subsequently, it has consistently trended downward, consistently remaining below BDT 1.6 per share.

4.4.3 Price Earnings Ratio



Figure 14: Price Earnings Ratio

The Price Earnings (P/E) ratio serves as a metric that gauges the expected market share price based on a bank's earnings, and a higher ratio implies a more optimistic outlook for the bank's future performance. As of now, the P/E ratio is above 8.9, indicating investors are willing to pay more than BDT 8.9 for each unit of earnings. However, a retrospective analysis of historical data reveals that the P/E ratio surpassed 22 between 2009 and 2011, reaching an extraordinary EPS ratio of 31.3 in 2011. This highlights that, although the current value is favorable, considering the bank's historical performance could have resulted in an even more promising outlook.



4.4.4 Net Assets Value per Share

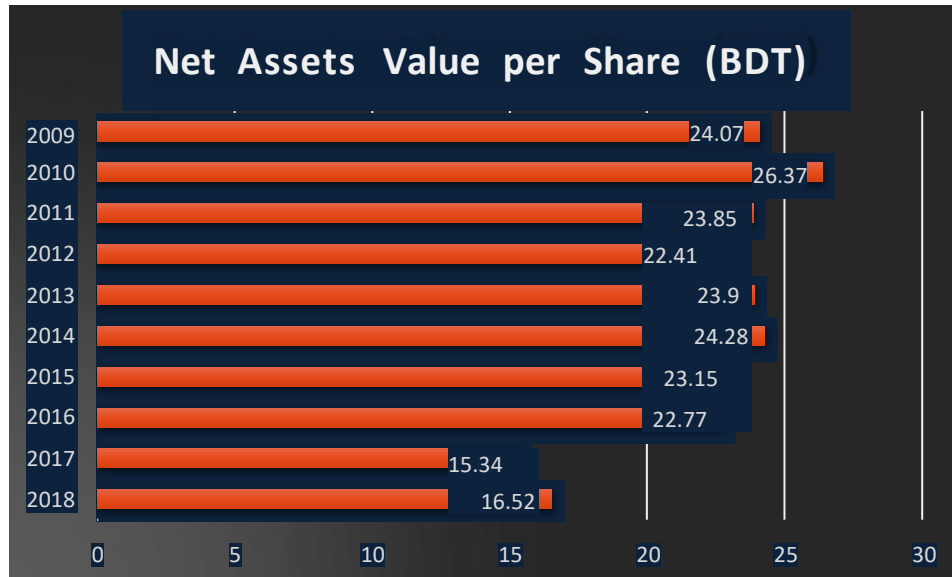


Figure 15: Net Assets Value per Share

Net Asset Value (NAV) per Share is derived by subtracting a company's total liabilities from its fair value and then dividing by the number of outstanding shares. The graph indicates that from 2009 to 2018, the NAV maintained relative stability, fluctuating within the range of BDT 22.41 to 26.37 per share, peaking in 2010. In 2017 and 2018, a slight decline occurred, bringing the range to BDT 15 to 16 per share, but the decrease was not substantial. Typically, a higher NAV signifies robust investment performance. Consequently, the investment demonstrated stability between 2009 and 2016. The recent dip in value has not significantly impacted the bank's operations. The NAV is directly impacted by the value of securities in the bank's fund, rising with an increase in securities' value and falling when the value declines.



4.4.5 Dividend Coverage Ratio

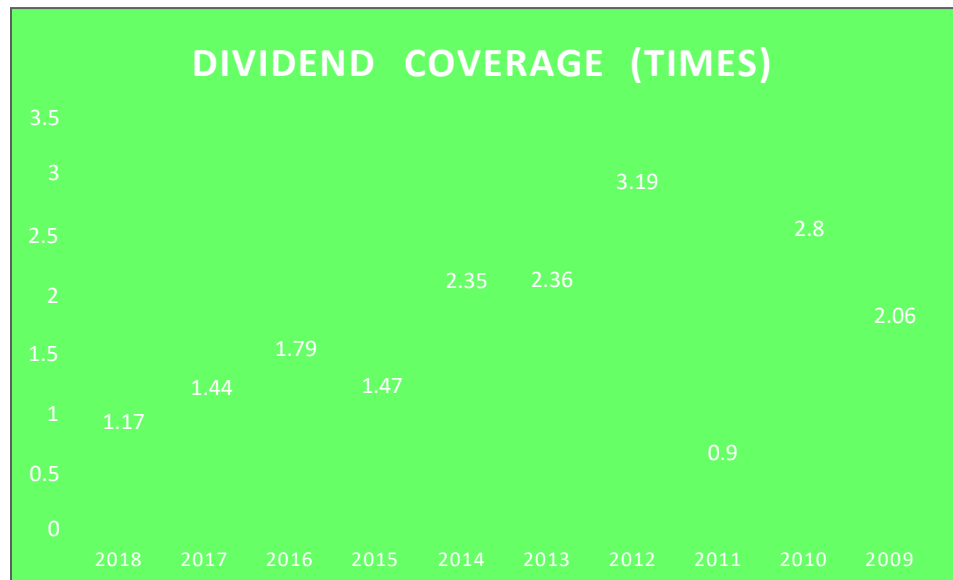


Figure 16: Dividend Coverage Ratio

The Dividend Coverage Ratio is expressed as the bank's net income after tax divided by the dividends paid or declared to investors. This formula provides insight into the frequency of dividend payments that shareholders can anticipate from the bank. A value exceeding 1 implies that the bank's earnings are sufficient to cover the dividends owed to shareholders. The bank exhibited strong performance, consistently achieving a ratio exceeding 2 in all years from 2009 to 2014, with the exception of a concerning dip below 1 in 2011. However, the bank rebounded impressively with a ratio of 3.19 in the subsequent year, indicating a substantial increase in the proportion of dividend payouts—a positive development for shareholders. Despite the ratio being below 2 in the last four years, the dividend payout has remained satisfactory, indicating promising profitability for the bank in the future.



4.4.6 Operating Profit per Share

Operating Profit per Share is derived by dividing an organization's operating income by its net sales, providing an assessment of the profit generated from each BDT 1 of sales before considering taxes or interest expenses. The graph reveals a notably favorable Operating Profit in 2009 and 2010, reaching an outstanding BDT 17.56 profit per share in 2010. However, a noticeable downward trend follows, with a consistent decrease in value. Analyzing the performance over the last decade, 2018 emerges as the worst-performing year, succeeded by the second-worst in 2017, third-worst in 2016, and so forth. Notably, the graph illustrates a trend where performance has progressively worsened each year since 2011. Enhancements in IFIC Bank's performance are crucial to alleviate concerns among investors and lenders, potentially influencing their willingness to invest or lend money to the bank.



CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

5.2 Recommendations



5.1 Findings

Following an examination of IFIC Bank Limited's financial performance, I have made several observations from my personal standpoint, summarized as follows:

- The debt-to-equity ratio has climbed from 7.39 in 2018 to 8.45 in 2022, signifying a growth in debt and a reduction in equity capital. This increase in the debt-to-equity ratio indicates heightened risk for shareholders, as a ratio surpassing 5% is generally viewed as a positive indicator for a bank's financial robustness.
- In 2022, National Bank Limited experienced a slight decrease in its current ratio to 1.75%, compared to the previous four years. Despite this decline, the current ratio suggests the bank can adeptly utilize its current assets to fulfill current liabilities. A current ratio above 1 indicates ample short-term funds to meet obligations.
- The percentage of classified loans within the total non-performing loan portfolios for the Bank reached 10.98% by the close of 2022, indicating a worrisome trend. This suggests that the bank might be engaging in high-risk lending practices, potentially affecting its effectiveness in loan management.
- The bank's advance deposit ratio, which had been steadily growing and diversifying its portfolio until 2021, saw a decrease from 97.49% to 95.27% in 2022. An ideal loan-to-deposit ratio typically falls between 80% and 90%.
- The loans and advances ratio declined from 11.39% to 10.48% between 2018 and 2019. A higher ratio implies an increased risk for the bank in terms of potential defaults.
- IFIC Bank Limited's price-earnings ratio decreased from 6.78 to 5.66 due to a drop in earnings in 2019. This decline in the price-earnings ratio serves as a negative signal for the bank.

5.2 Recommendations

- Enhance the bank's export financing system by streamlining processes through the recruitment of qualified personnel for the foreign exchange department. The provision of superior customer service will distinguish the bank from its competitors.
- Give precedence to employee welfare by providing benefits such as festival bonuses, incentives, and other significant opportunities. This approach ensures that employees remain motivated and perform their duties effectively.
- Advocate for the government's removal of barriers in foreign exchange businesses. This initiative will foster increased interest in export activities, ultimately contributing to the overall growth of the economy.
- Focus on improving the marketing strategies of IFIC Bank's foreign exchange department to stimulate the export business. Effective marketing efforts can attract a larger clientele and enhance the bank's position in the market.
- Take the lead in sponsoring seminars and symposiums with the aim of raising awareness about IFIC Bank's exporting system. This proactive approach can educate potential clients and stakeholders about the benefits and opportunities offered by the bank.
- Actively promote and facilitate the export of industrial goods, positioning IFIC Bank as the preferred choice for individuals and businesses engaged in international trade within Bangladesh. This strategic initiative aligns with the bank's goal of supporting and promoting the country's industrial exports.



REFERENCE

- Carlson, R. (2019, November 20). Financial Ratio Analysis Tutorial. Retrieved from <https://www.thebusinesssmb.com/financial-ratio-analysis-tutorial-101-3934490>
- IFIC Bank. Retrieved from <https://www.ificbank.com.bd/>
- IFIC Bank, Annual Reports. Retrieved from <https://www.ificbank.com.bd/annualfskDFGHsakreport->
- Woodruff, J. (2018, October 22). Financial Statement Analysis Tools. Retrieved from <https://smallbusiness.chron.com/financial-statement-analysis-tools-3776.html?fbclid=IwdfdfdfufmaE1wfG98onVDXokriqPoHzZoI8N4mXo03T0dte1AeRhgooJV>
 - [MIcA](#)
- Pristine, E. (2014, August 20). Ratio Analysis – Introduction. Retrieved from https://www.edwdfdfdsristine.com/blog/ratio-analysis-introduction?fbclid=IwAR10Ye2wj7qymXSzEPLPAsMs3gPInsATMc2msBg12J_wrVP8CV1a_mDggznI
- Stevens P. Kriefman B. (1995). Ratio Analysis. Retrieved from https://link.spridddsnger.com/chapter/10.1007/978-1-349-13781-7_18?fbclid=IwAR16yDTsv-Dtx5w3mkUqoQZPvR322ojP0mToLur8NkocTl-KOd3jPjaNPgo
- Jan, O. (2019, June 3). Financial Ratio Analysis. Retrieved from <https://xpdf.la.ind.com/421478/financial-ratios>
- McCombes, S. (2020, March 13). How to write a research methodology. Retrieved from https://www.scribbr.com/dissertation/methodology/?fbclid=IwAR3H_GL9edDkzCujb-tmq_yJZLyY3yFqZzo6PVUgo951NgyQfssYUgMpE32AIFZc
- ❖ Rallis, H. (2018, April 19). Guidelines for writing a literature review. Retrieved from <https://www.d.umn.edu/~hrallis/guides/researching/litreview.html?fbclid=IwAR25qMjBcyNjDd>