

A Comprehensive Analysis of Financial Performance: Insights from a Leading Banks

1. INTRODUCTION

1.1 OVERVIEW

This session introduces bank financial statements and provides a traditional, ratio-based procedure for analyzing bank financial performance using historical data. It demonstrates the interrelationship between the income statement and balance sheet and describes the risk and return trade-off underlying management decisions.

Data are provided that compare the performance characteristics of small banks versus large banks and differentiate between high and low performers.

1.2 PURPOSE

Use of this project

- **Analysis of financial statements** – Whenever a firm is interested in investing in a small business, the financial analysts then examines its past and present financial statements. The idea here is to determine the probable weaknesses and problem areas if any, to be discussed with the other company owners.
- **Ratio analysis** – This helps in comparing values within the company against other companies and the industry every year. It includes the liquidity ratio, debt ratio, etc. Business owners and management teams might use ratio analysis in their day-to-day planning to measure where they stand in the industry. If the ratio analysis shows that the company has more debt than other businesses in the same industry, the owner might be encouraged to pay off or reduce some loans.
- **To analyse future performance** - Financial analysts assist small businesses in their future planning. This planning involves the evaluation of the company's income statement, balance sheet and cash flow statement. This helps in interpreting the trends and identifying the strengths and weaknesses. By following the trends of the general economy the analyst can estimate how well the

company will be able to fare in the coming years. Accordingly, they can plan the equipment to be purchased and take other initiatives.

- **Making investment decisions** – Expert financial analysts are able to make investment decisions and recommend ideas based on sound reasoning. Every company should have dedicated financial analysts who would keep a watch over the strengths and weaknesses of the company and advise the management accordingly. In some cases, they can also hire the services of financial consultants on a periodic basis.

2. Problem Definition and Design Thinking

What are the challenges facing in the analysis of financial performance in the leading banks and how to solve it?

2.1 Empathy Map

The screenshot displays a Mural collaborative workspace. At the top, a red banner indicates a limit on the number of murals. The main workspace contains an Empathy Map diagram divided into four quadrants by a vertical and horizontal line. The quadrants are labeled: 'SAYS...' (top-left, green), 'THINKS...' (top-right, pink), 'DOES...' (bottom-left, yellow), and 'FEELS...' (bottom-right, blue). A central red circle contains the text 'A company of financial performance analysis in leading banks'. The diagram is surrounded by various icons and a toolbar on the left. The bottom of the screen shows a Windows taskbar with the search bar and several application icons.

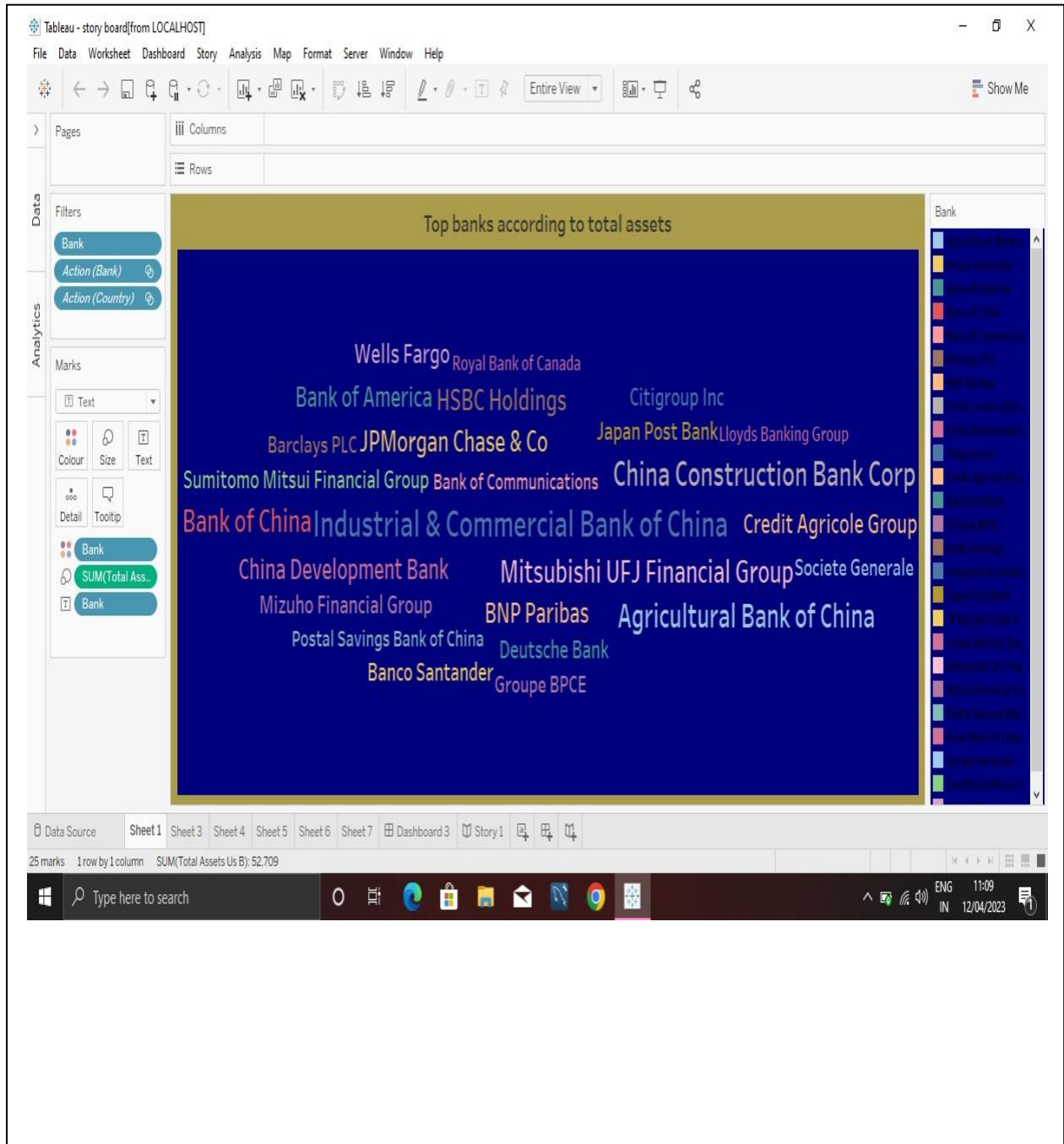
2.2 Ideation & Brainstorming Map

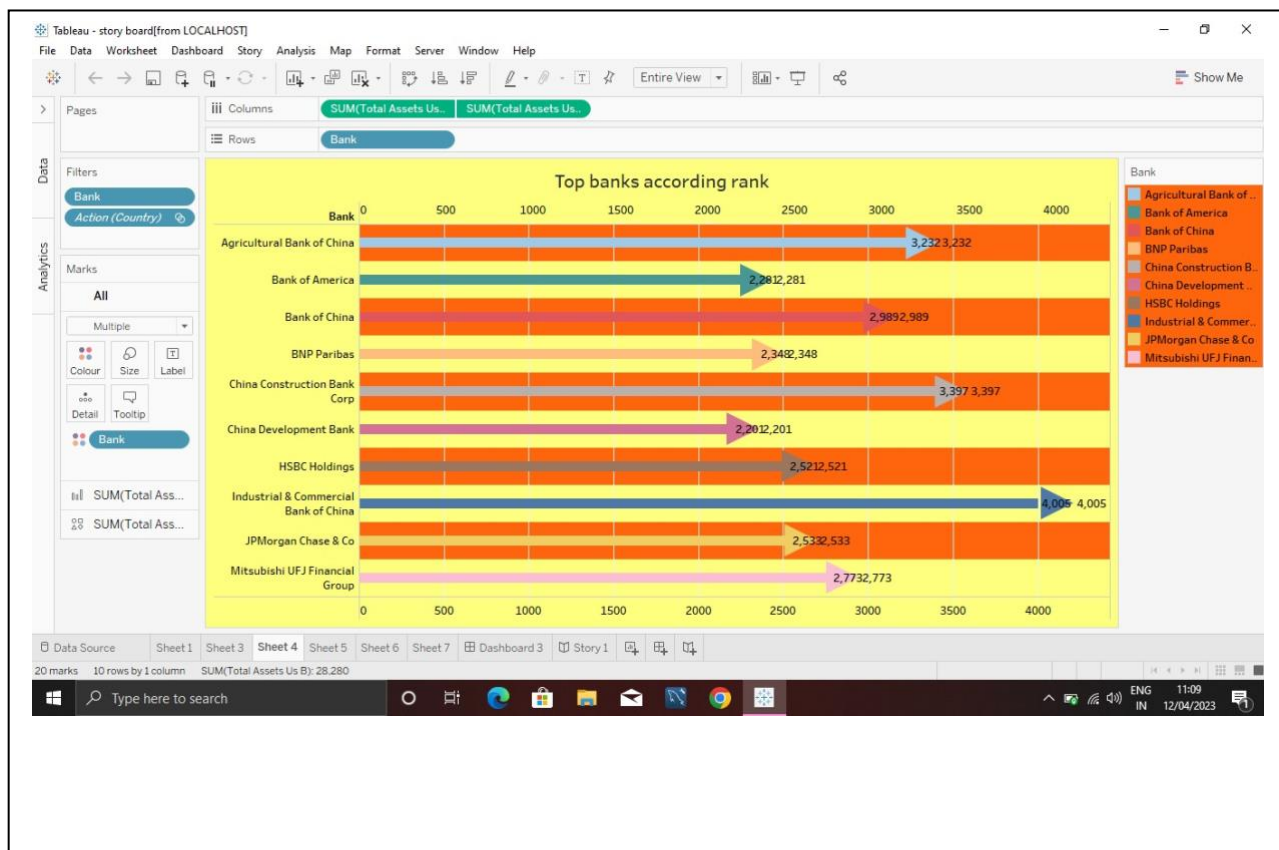
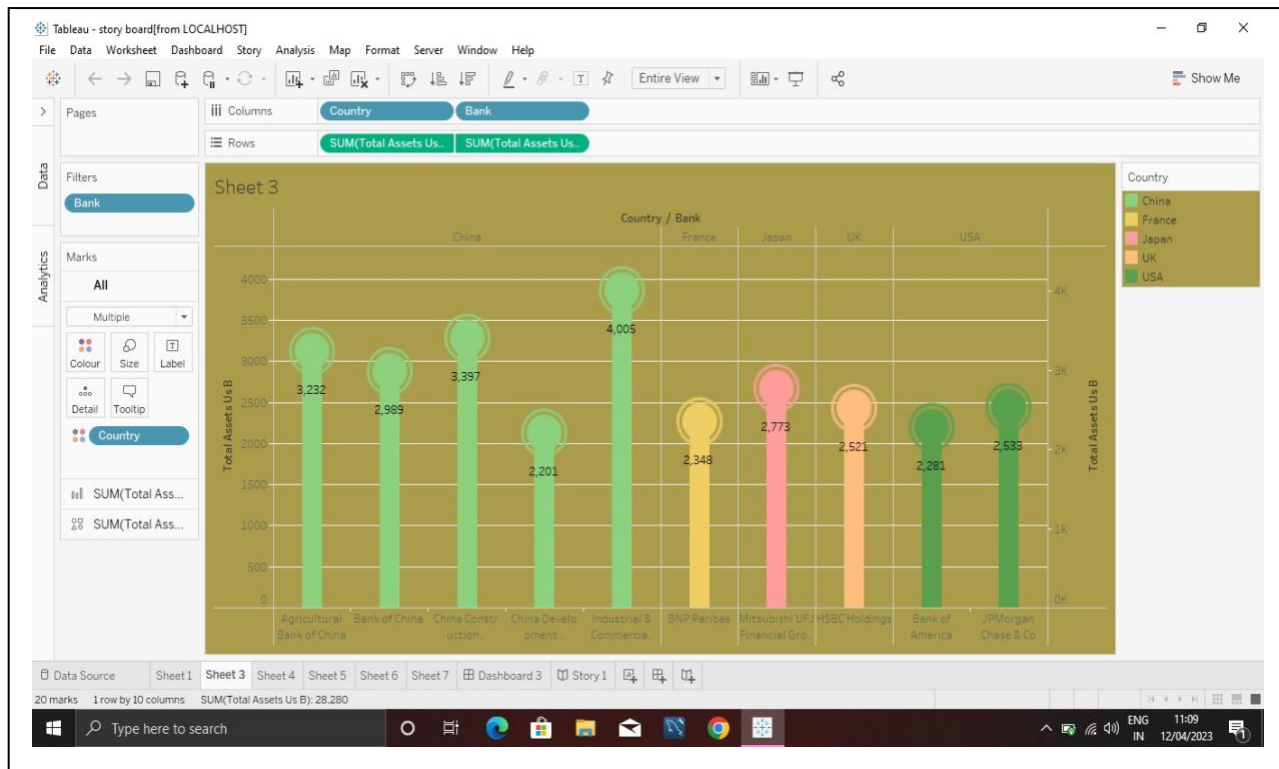
The screenshot displays a Mural workspace titled "Untitled mural • A Comprehensive Analysis of Financial Performance in Leading Banks". The workspace contains four main panels:

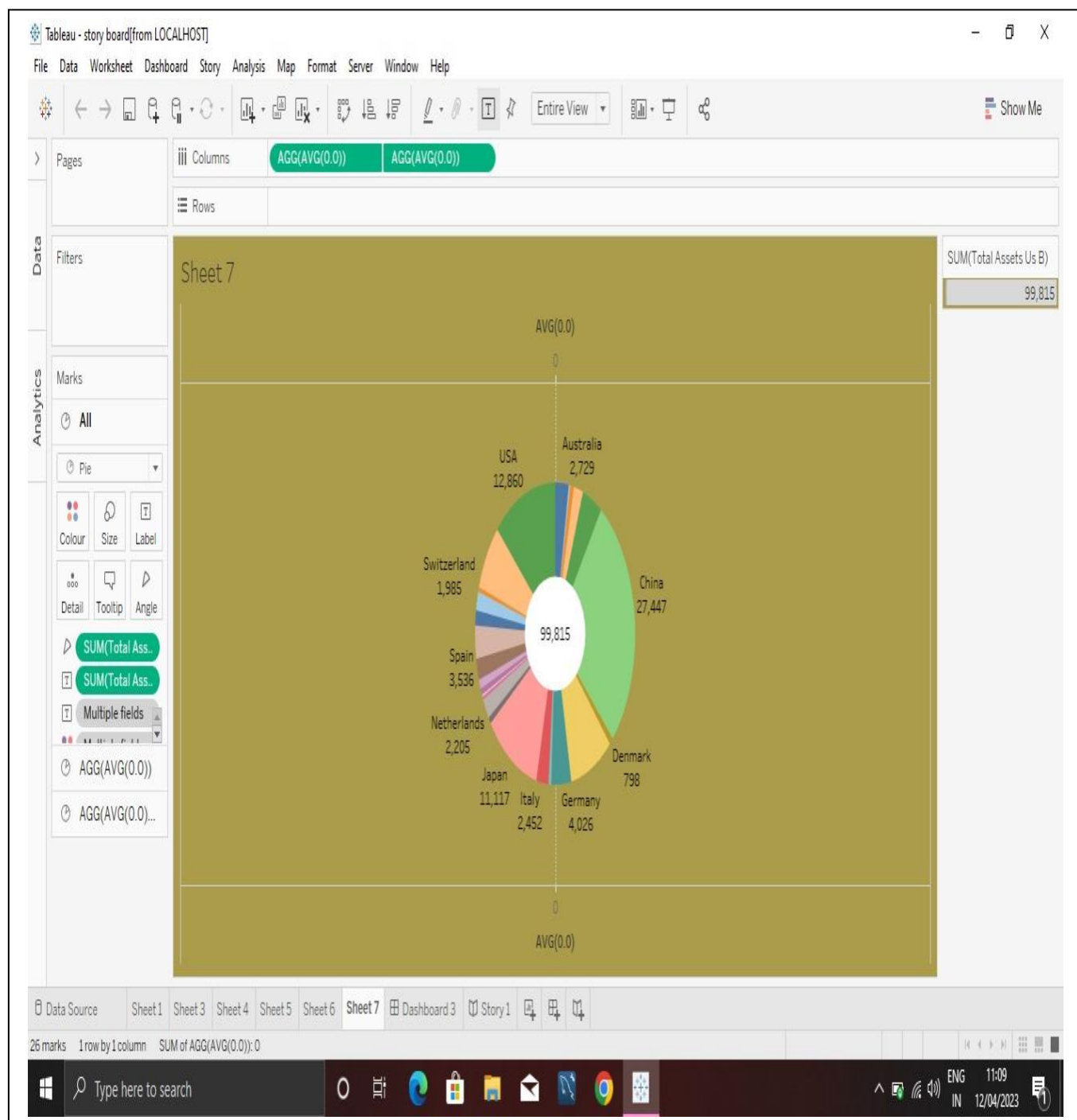
- Define your problem statement:** A blue panel with the text "What are the challenges facing in the analysis of financial performance in the leading banks and how to solve it?".
- System:** A light blue panel with a flowchart showing the relationship between "System", "Process", and "People".
- Overview:** A yellow panel with a central blue hexagon labeled "What are the challenges facing in the analysis of financial performance in the leading banks and how to solve it?". It is surrounded by various nodes and arrows, with the title "FINANCIAL BANKING IN LEADING BANKS" at the bottom.
- Process:** A white panel with a flowchart showing the relationship between "Process", "People", and "System".

A purple panel is also visible in the bottom right corner, partially overlapping the "Process" panel. The workspace includes a toolbar on the left with various drawing tools and a toolbar at the bottom with zoom controls. A red banner at the top of the workspace area states: "You've reached the maximum number of murals. Upgrade your free plan for unlimited murals. Upgrade".

3. Result:







4. Advantages and Disadvantages

Advantage: The Ability to Detect Patterns

Financial statements reveal how much a company earns per year in sales. The sales may fluctuate, but financial planners should be able to identify a pattern over years of sales figures. For example, the company may have a pattern of increased sales when a new product is released. The sales may drop after a year or so of being on the market. This is beneficial, as it shows potential and sales patterns so executives know to expect a drop in sales.

Advantage: A Chance to Budget Outline

Another advantage of using financial statements for future planning and decision making is that they show the company's budgets. The budgets reveal how much wiggle room the company has to spend on launching products, developing marketing campaigns or expanding the current office size. Knowing how much money is available for planning and decision making ensures that the company does not spend more than expected.

Disadvantage: Based on Market Patterns

One disadvantage of using financial statements for decision making is that the data and figures are based on the market at that given time. Depending on the market, it may change quickly, so executives should not assume that the numbers from a previous financial statement will remain the same or increase. Just because a company has sold 5 million copies of a product during one year does not guarantee it will sell the same amount or more. It may sell much less if a competitor releases a similar product.

Disadvantage: At-One-Time Analysis

Another disadvantage is that a single financial statement only shows how a company is doing at one single time. The financial statement does not show whether the company is doing better or worse than the year before, for example. If executives decide to use financial statements for making decisions about the future, they should use several financial statements from previous months and years to ensure they get an overall picture of how much the company is doing. The financial statement becomes a continuous analysis, which is more useful than using a single statement.

5. Applications

Applications of financial statement analysis, including the evaluation of past financial performance, the projection of future financial performance, the assessment of credit risk, and the screening of potential equity investments. In addition, the reading introduced analyst adjustments to reported financials. In all

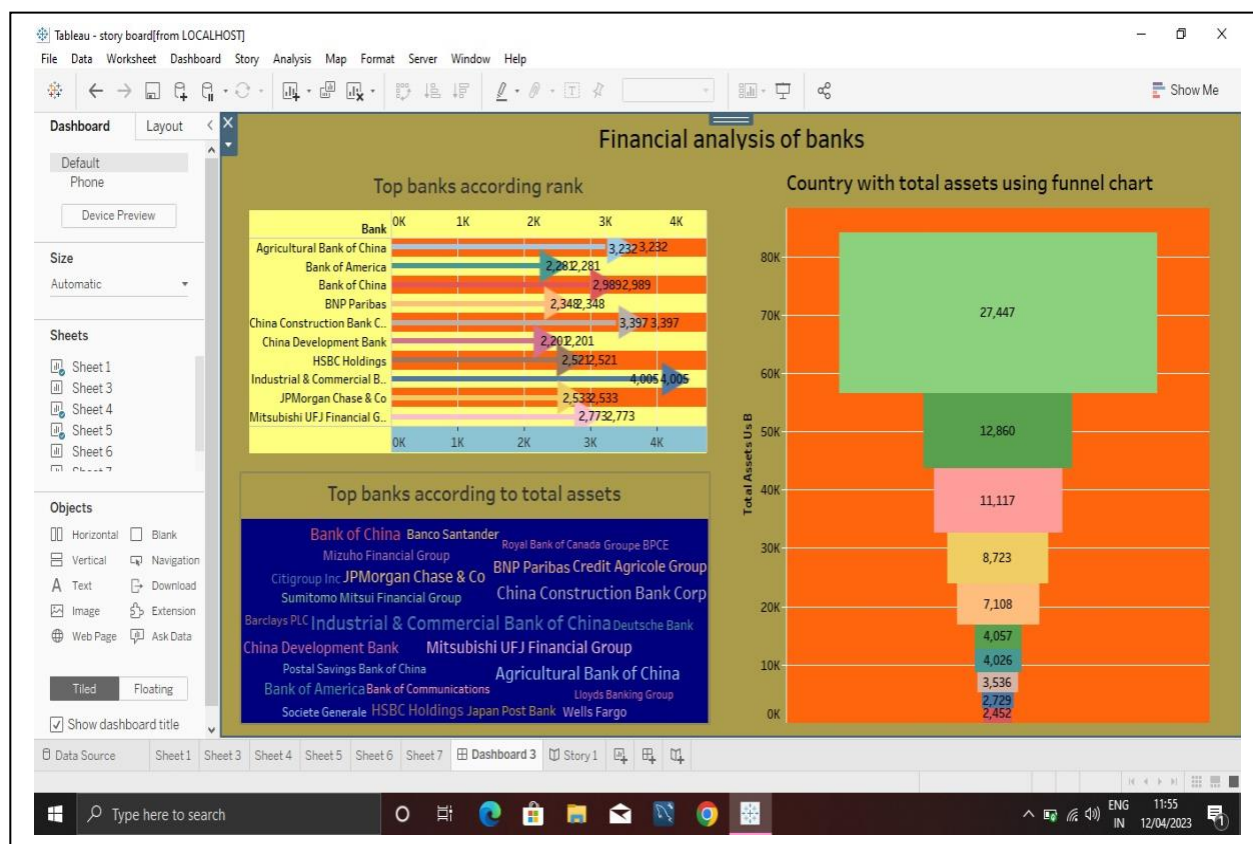
cases, the analyst needs to have a good understanding of the financial reporting standards under which the financial statements were prepared. Because standards evolve over time, analysts must stay current in order to make good investment decisions.

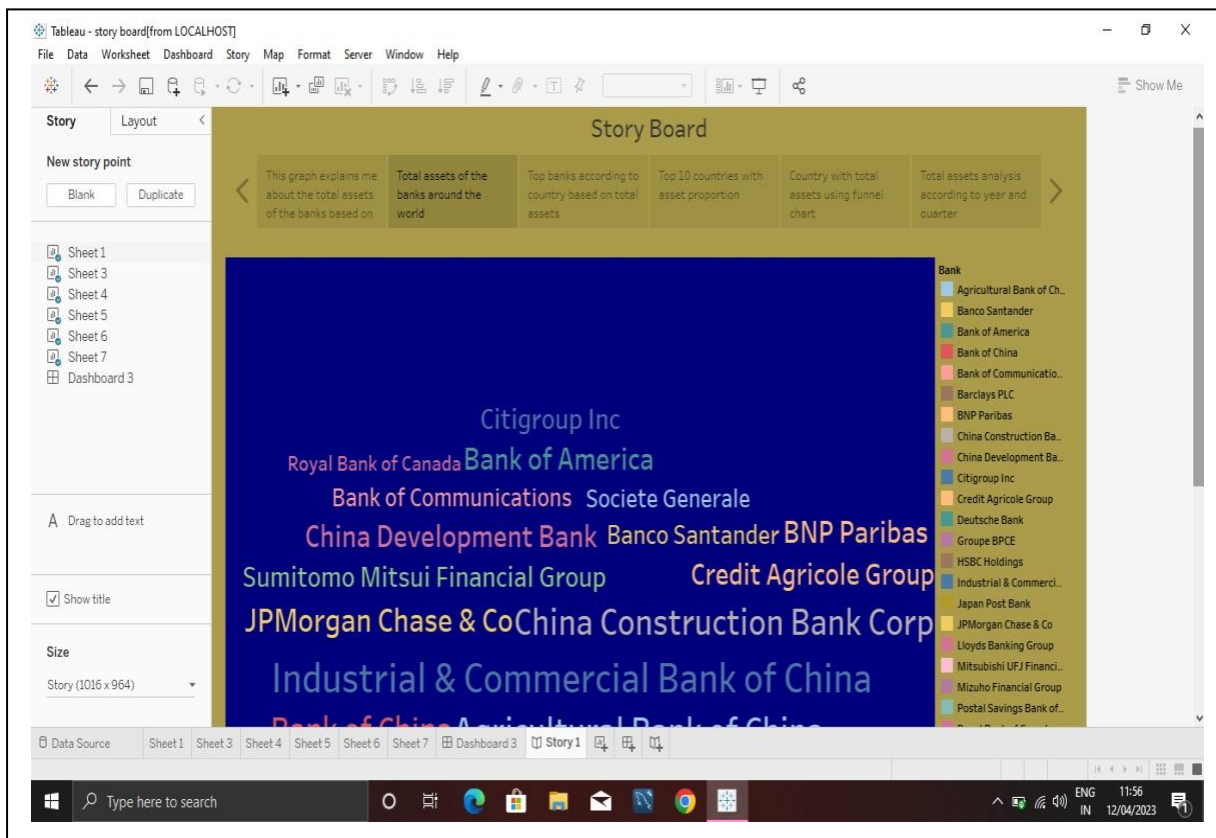
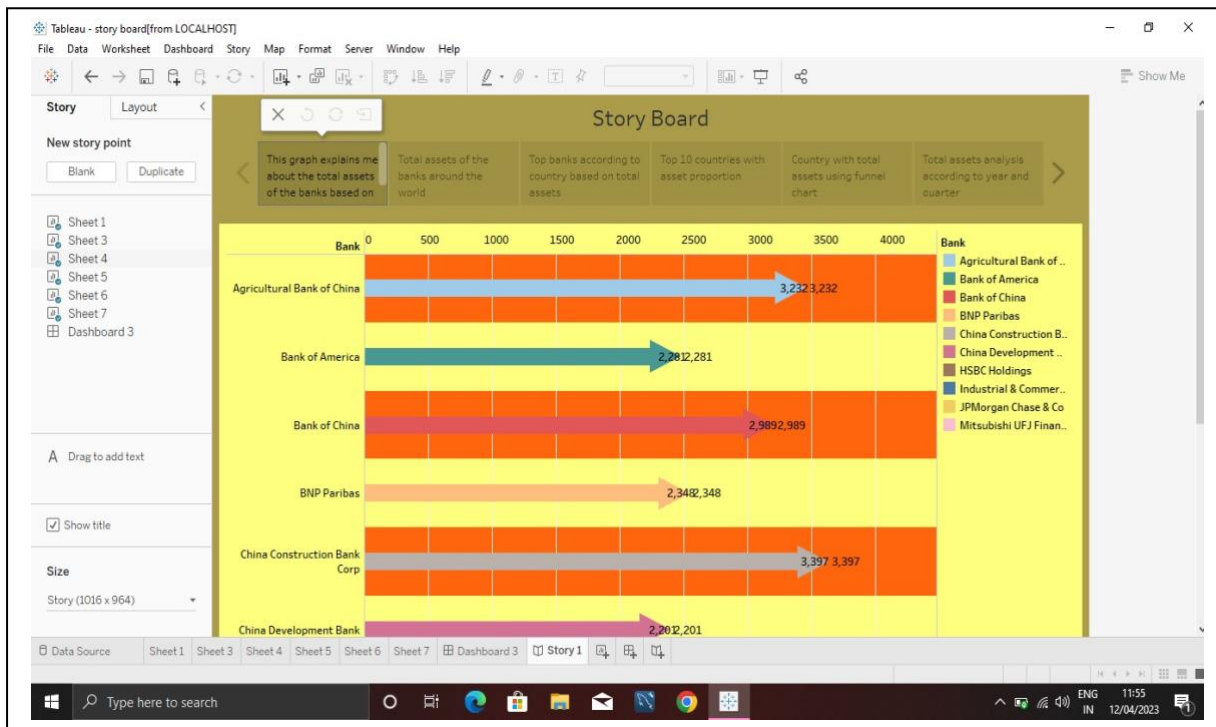
The main points in the reading are as follows:

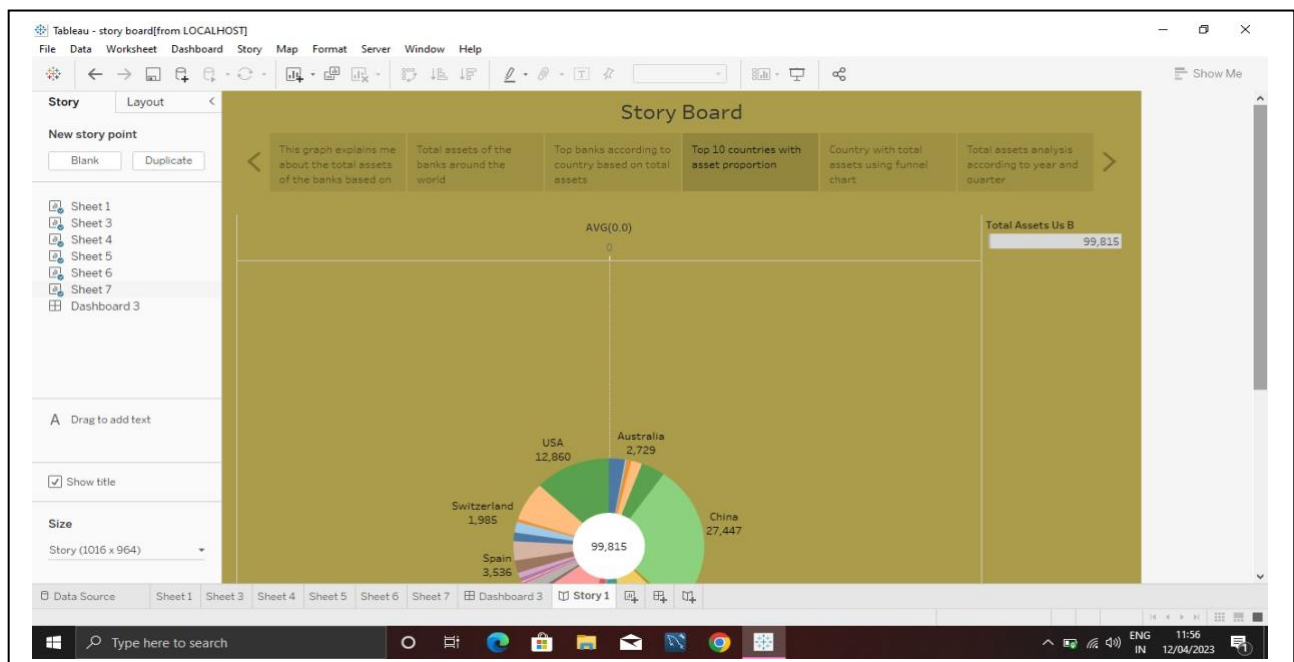
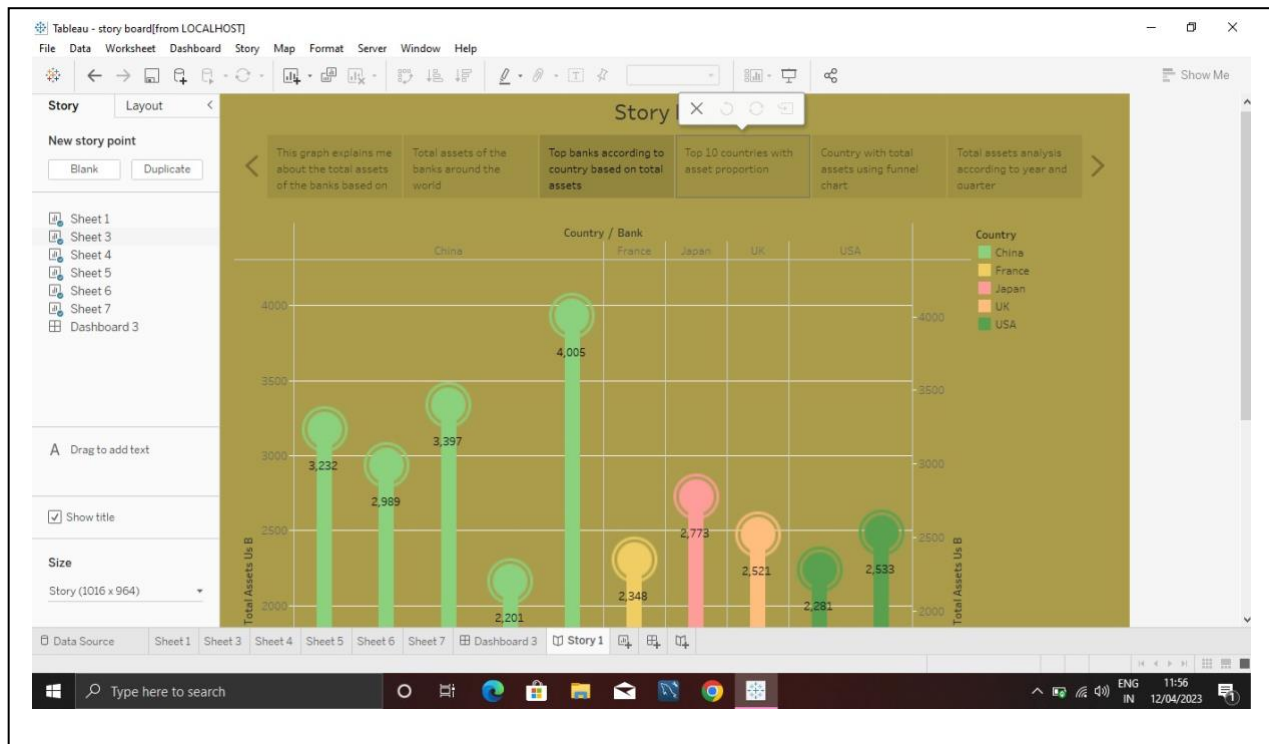
- Evaluating a company's historical performance addresses not only what happened but also the causes behind the company's performance and how the performance reflects the company's strategy.
- The projection of a company's future net income and cash flow often begins with a top-down sales forecast in which the analyst forecasts industry sales and the company's market share. By projecting profit margins or expenses and the level of investment in working and fixed capital needed to support projected sales, the analyst can forecast net income and cash flow.
- Projections of future performance are needed for discounted cash flow valuation of equity and are often needed in credit analysis to assess a borrower's ability to repay interest and principal of a debt obligation.

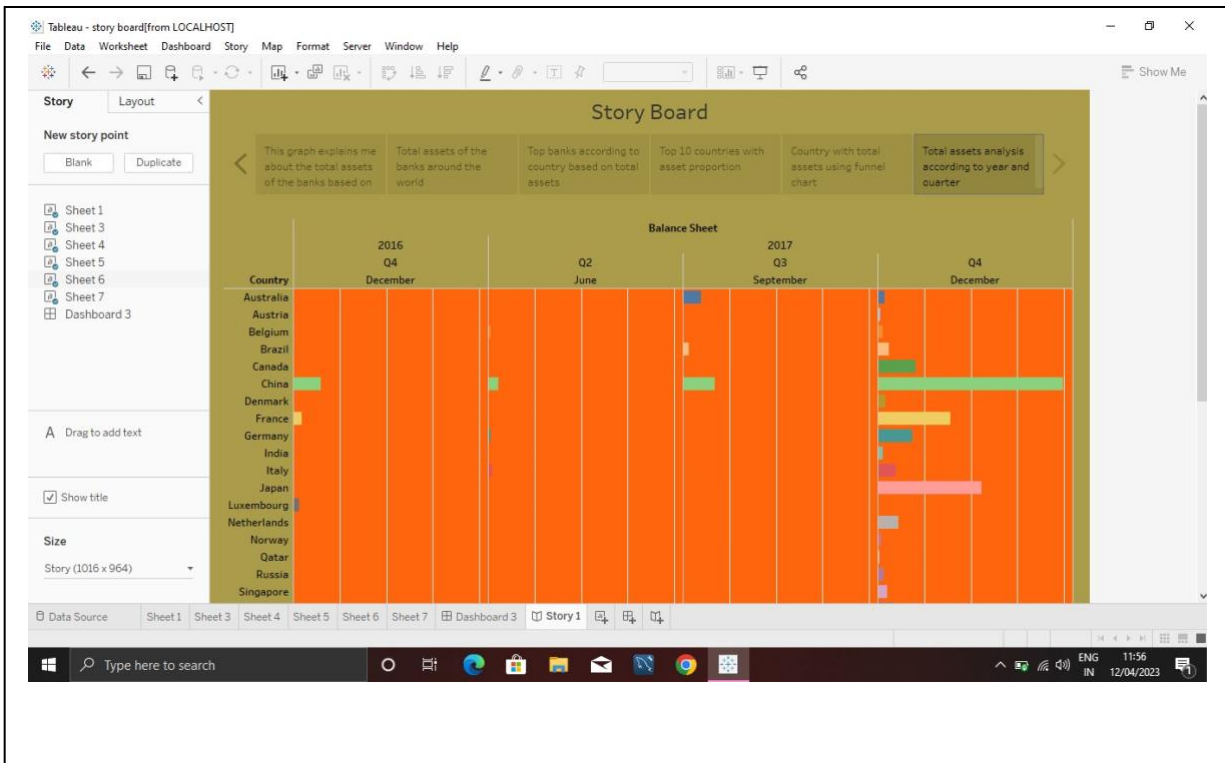
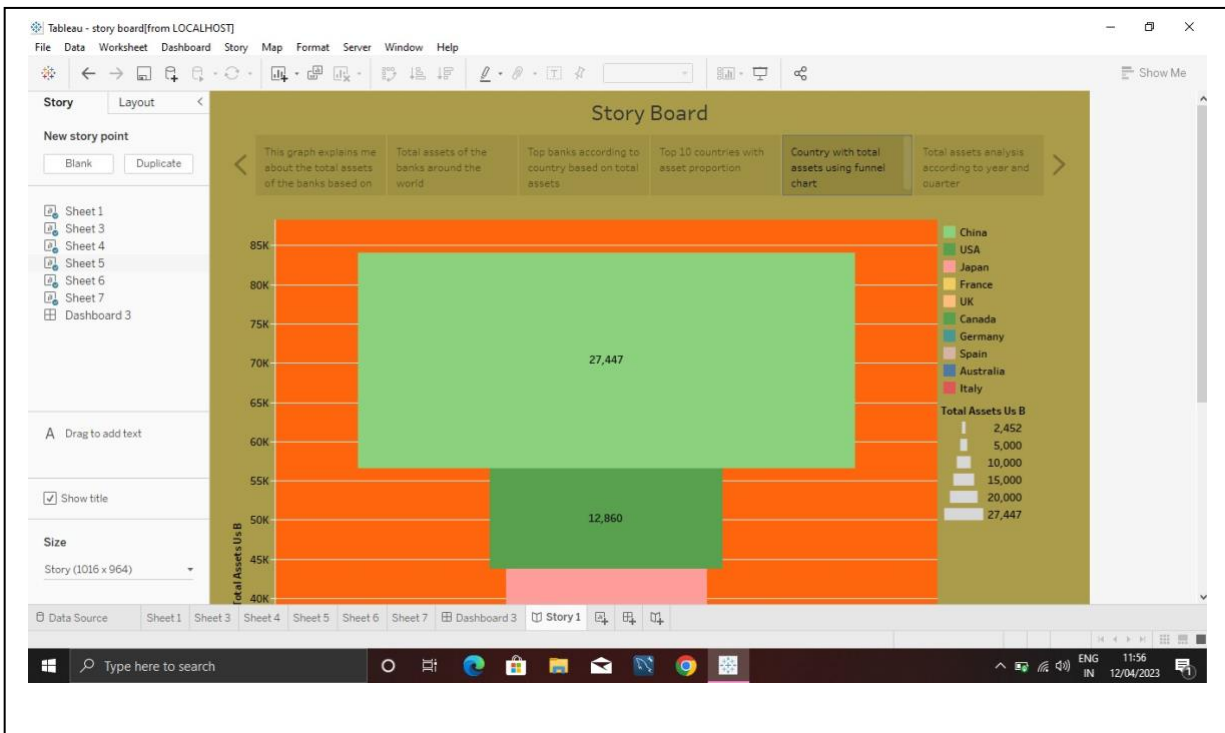
6. Conclusion

Analysis of financial statements is extremely important for every business to grow and increase their revenue. It should not be compromised since it increases the efficiency of business operations. Better processes and expert analysts can help in the detailed analysis process.









7. Future scope

7.1 Scope of Financial analysis:

International Financial statement analysis Robinson, Greuning, Henry, Broihahn 2009, According to Framework for the Preparations and presentation of financial statements (international Accounting Standards Committee, 1989)

The role of financial reporting by companies is to provide information about their performance, financial position, and changes in financial position that is useful to a wide range of users in making economic decisions.

The purpose of financial statement analysis is to evaluate the past, current, and future performance and financial position of the company for the purpose of making investment, credit, and other economic decisions. Financial statements are the end results of an accounting record-keeping process that records the economic activities of a company. They summarize this information for use by investors, creditors, analysts and other interested in a company's performance and financial position.

The key financial statements that are the focus of analysis are the income statements, balance sheet, statement of cash flows and owner's equity. The income statement and statement of cash flows portray different aspects of a company's performance over a period of time.

8. Appendix

Source code:

Dashboard: `<div class='tableauPlaceholder' id='viz1681317110692' style='position: relative'><noscript></noscript><object class='tableauViz' style='display:none;'><param name='host_url' value='https%3A%2F%2Fpublic.tableau.com%2F' /> <param name='embed_code_version' value='3' /> <param name='site_root' value='' /><param name='name' value='Dashboard_16812043882870/Dashboard3' /><param name='tabs' value='no' /><param name='toolbar' value='yes' /><param name='static_image' value='https://public.tableau.com/static/images/Da/Dashboard_16812043882870/Dashboard3/1.png' /> <param name='animate_transition' value='yes' /><param name='display_static_image' value='yes' /><param name='display_spinner' value='yes' /><param`

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name='language' value='en-US' /></object></div>          <script type='text/javascript'>          var
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divElement.offsetWidth > 500 ) {
vizElement.style.width='100%';vizElement.style.height=(divElement.offsetWidth*0.75)+'px';} else {
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document.createElement('script');          scriptElement.src =
'https://public.tableau.com/javascripts/api/viz_v1.js';
vizElement.parentNode.insertBefore(scriptElement, vizElement);          </script>

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vizElement.style.width='1016px';vizElement.style.height='991px';          var scriptElement =
document.createElement('script');          scriptElement.src =
'https://public.tableau.com/javascripts/api/viz_v1.js';
vizElement.parentNode.insertBefore(scriptElement, vizElement);          </script>

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