

# Financial Statement Analysis

# Agenda for the session

- Understand Balance Sheet/ Income Statement, ratios and what information can be inferred from it for the users of Financial Statements.

Analyzing Balance Sheet of a company to infer the following:

- How a company is financing its various assets?
- Structure of Balance Sheet
- How is the financial position of a company?
- How to infer about the soundness of a company?

- Some basics for understanding ... Balance Sheet

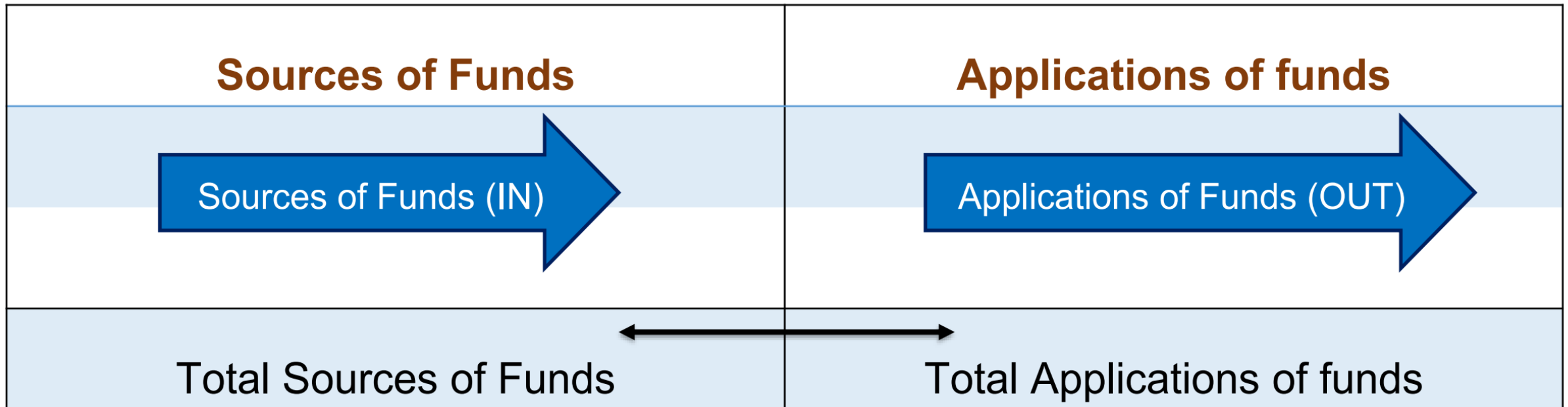
# Balance Sheet

- A statement that shows balances of assets and liabilities of a firm at a point of time.
- A Statement of Financial Position as it shows what a firm owes and what a firm owns.
- A statement of balances whose total of assets will always equal to the total of Owners' Equity + Outsiders' Liabilities.
- A statement that shows balances to be carried to the next accounting year.

# Another way of understanding Balance Sheet

Balance Sheet is statement that shows –

- o From where a firm gets funds – **SOURCES OF FUNDS**
- o Where a firm use funds – **APPLICATIONS OF FUNDS**



# Contents of a Balance Sheet

## Assets:

- Non-Current Assets
- Current Assets

## Outsider's Liabilities:

- Non-Current Liabilities
- Current Liabilities

## Owners' Equity/Shareholders' Fund

# Objectives of Balance Sheet Analysis

- We do the analysis of Balance Sheet because of the following reasons:
- Understanding from where a company is raising funds to meet its fund requirement.
- Understanding where a company is investing its funds
- Understanding the structure of a company's Balance Sheet
- Understanding the changing pattern of the structure of Balance Sheet
- Understanding financial position of a company
- Understanding whether a company is a leveraged company
- Understanding whether a company is capable of meeting its short-term as well as long-term obligations

- Understanding Structure of Balance Sheet
- From where one rupee is raised?
- Where one rupee is used?

- Analyzing Balance Sheet of Asian Paints Limited

# Common-Size Analysis of Balance Sheet – Liabilities Side

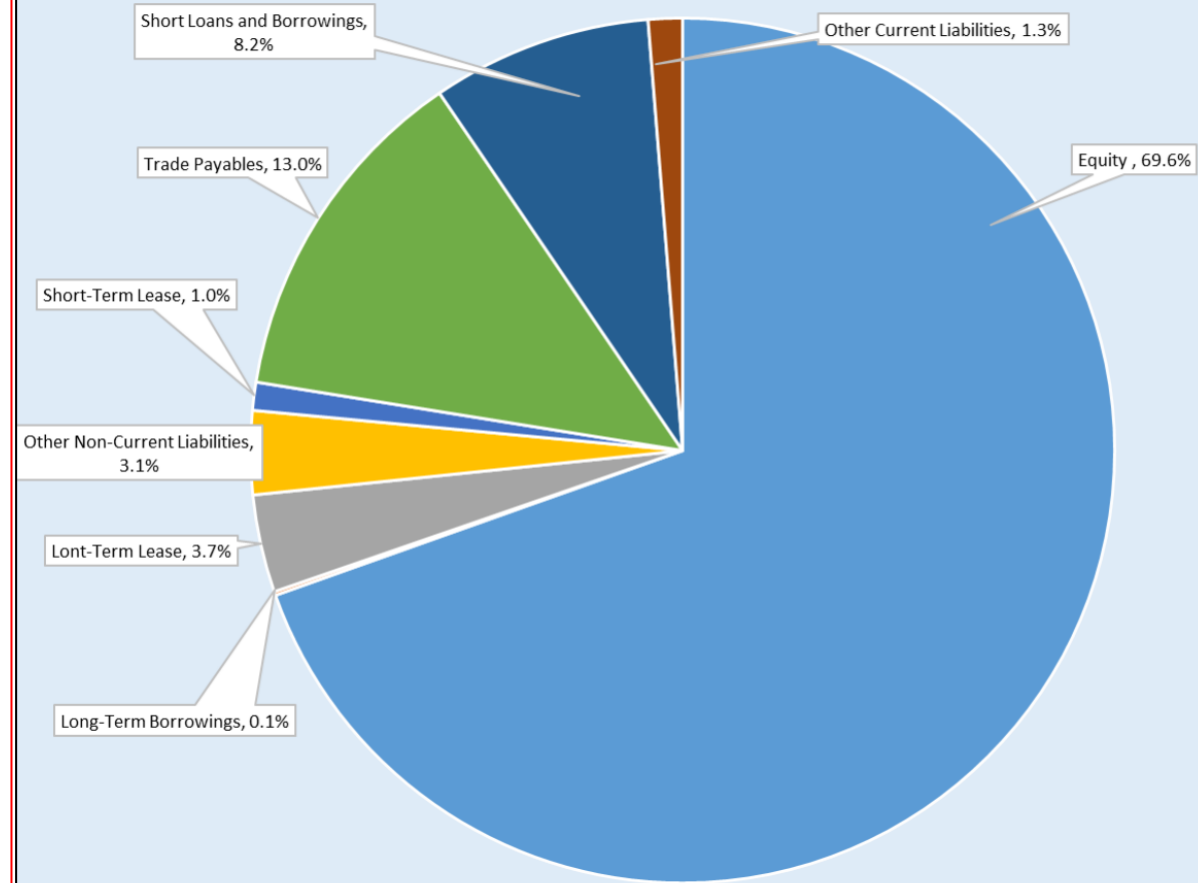
<b>Asian Paints Limited</b>			
<b>COMMON-SIZE ANALYSIS</b>			
<b>EQUITY AND LIABILITIES</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2020</b>
<b>Equity</b>			
Equity Share Capital	0.80%	0.70%	0.71%
Other Equity	63.76%	63.93%	68.87%
<b>TOTAL EQUITY</b>	<b>64.56%</b>	<b>64.63%</b>	<b>69.57%</b>
<b>Financial Liabilities</b>			
Borrowings	0.08%	0.08%	0.14%
Lease Liabilities	2.84%	3.46%	3.65%
Other Financial Liabilities	0.01%	0.01%	0.00%
Provisions	0.89%	0.87%	1.01%
Deferred Tax Liabilities (Net)	2.07%	2.87%	2.08%
Other Non-Current Liabilities	0.02%	0.01%	0.03%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5.91%</b>	<b>7.30%</b>	<b>6.91%</b>
Borrowings		0.03%	
Lease Liabilities	1.24%	0.92%	1.05%
Trade Payables	15.41%	15.07%	12.95%
Other Financial Liabilities	10.06%	10.45%	8.23%
Other Current liabilities	2.04%	0.87%	0.60%
Provisions	0.36%	0.38%	0.32%
Current Tax Liabilities (Net)	0.42%	0.36%	0.36%
<b>TOTAL CURRENT LIABILITIES</b>	<b>29.53%</b>	<b>28.07%</b>	<b>23.51%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

# Common-Size Analysis of Balance Sheet – Assets Side

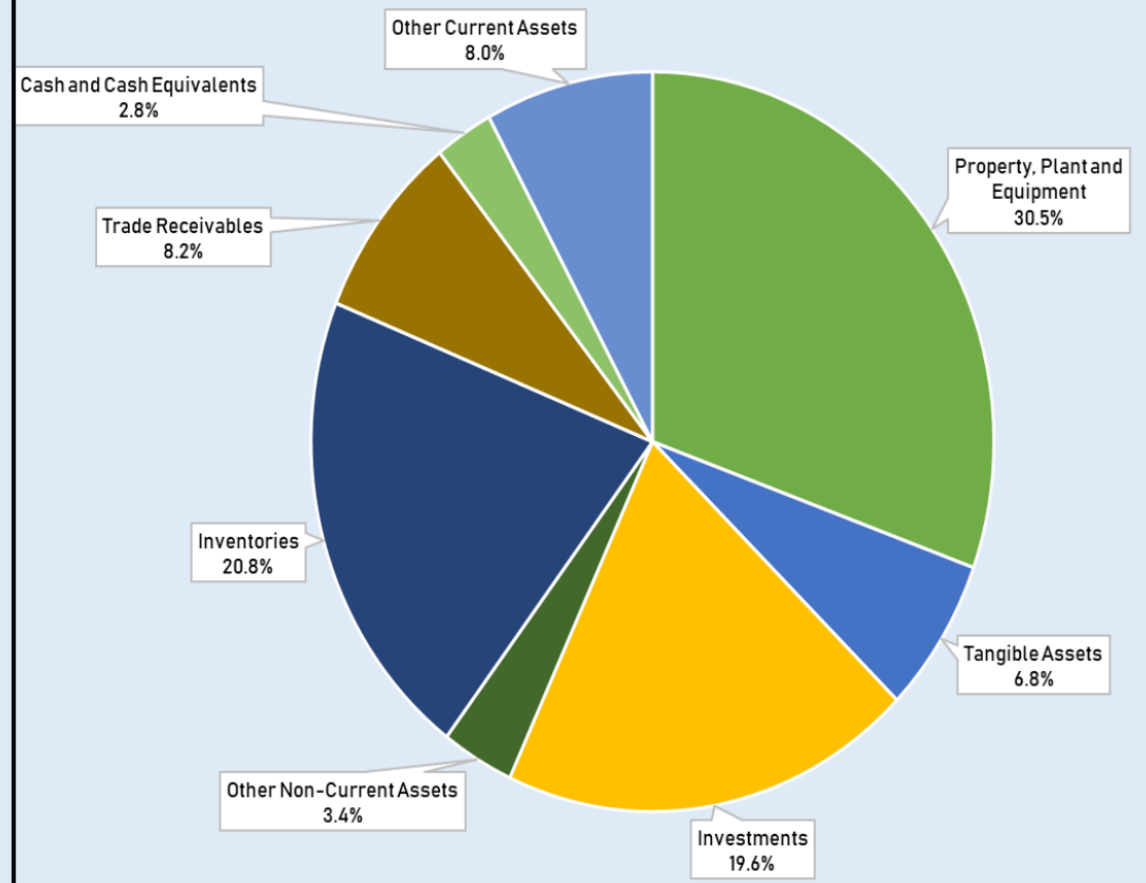
<b>Asian Paints Limited</b>			
<b>COMMON-SIZE ANALYSIS</b>			
<b>ASSETS</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2020</b>
Property, Plant and Equipment	19.43%	32.38%	30.53%
Right of Use Asset	4.79%	5.12%	5.35%
Capital Work-in-Progress	11.59%	1.31%	0.80%
Goodwill	0.29%	0.26%	0.26%
Other Intangible Assets	0.46%	0.40%	0.37%
Investments in Subsidiaries and Associate	6.91%	6.07%	8.66%
Investments	5.97%	7.21%	7.72%
Loans	0.66%	0.56%	0.47%
Other Financial Assets	1.20%	1.61%	1.71%
Current Tax Assets (Net)	0.41%	0.60%	1.02%
Other Non-Current Assets	2.50%	0.24%	0.24%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>54.21%</b>	<b>55.76%</b>	<b>57.12%</b>
Inventories	18.13%	18.89%	20.81%
Investments	8.57%	8.38%	3.18%
Trade Receivables	9.47%	9.10%	8.16%
Cash and Cash Equivalents	0.89%	0.72%	2.48%
Other Balances with Banks	0.12%	0.51%	0.29%
Loans	0.10%	0.10%	0.16%
Other Financial Assets	5.22%	4.15%	6.23%
Assets classified as Held for Sale	0.01%	0.00%	0.00%
Other Current Assets	3.27%	2.39%	1.56%
<b>TOTAL CURRENT ASSETS</b>	<b>45.79%</b>	<b>44.24%</b>	<b>42.88%</b>
<b>TOTAL ASSETS</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

# From where one rupee is raised and where it is invested?

FROM WHERE ONE RUPEE IS RAISED AS ON 31.03.2020



WHERE ONE RUPEE IS INVESTED AS ON 31.03.2020?

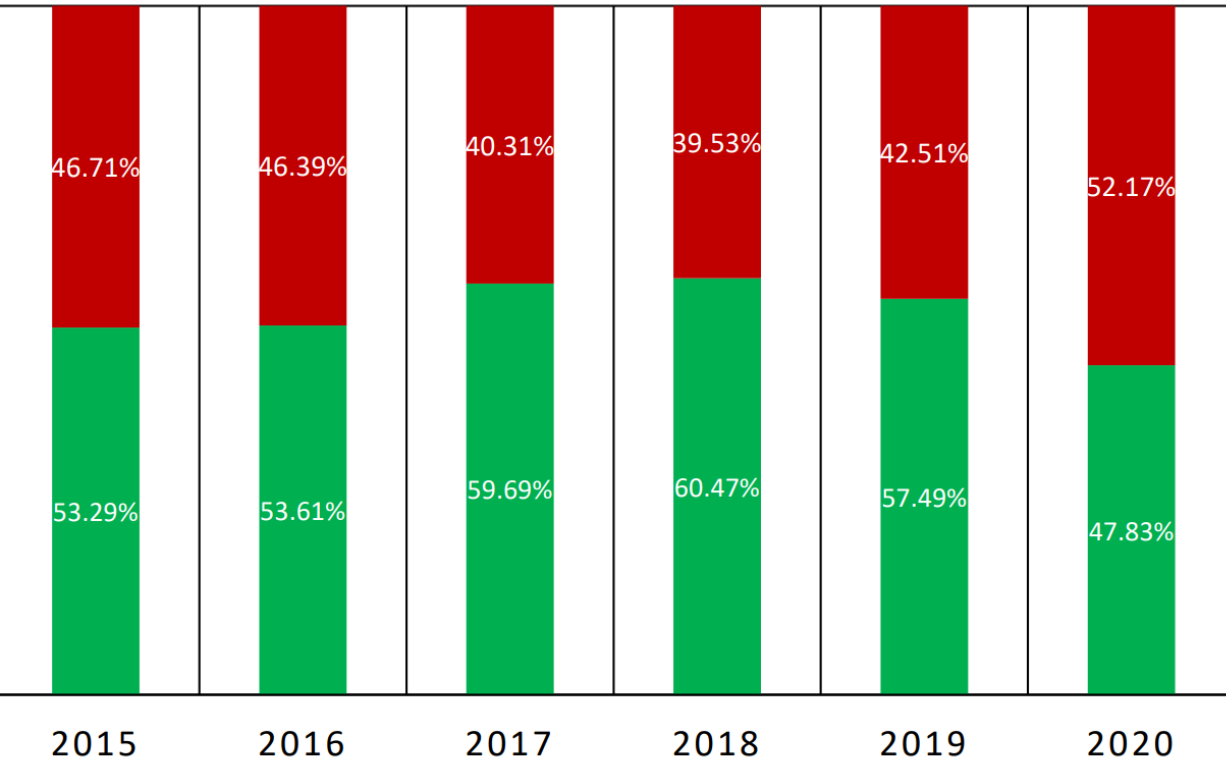






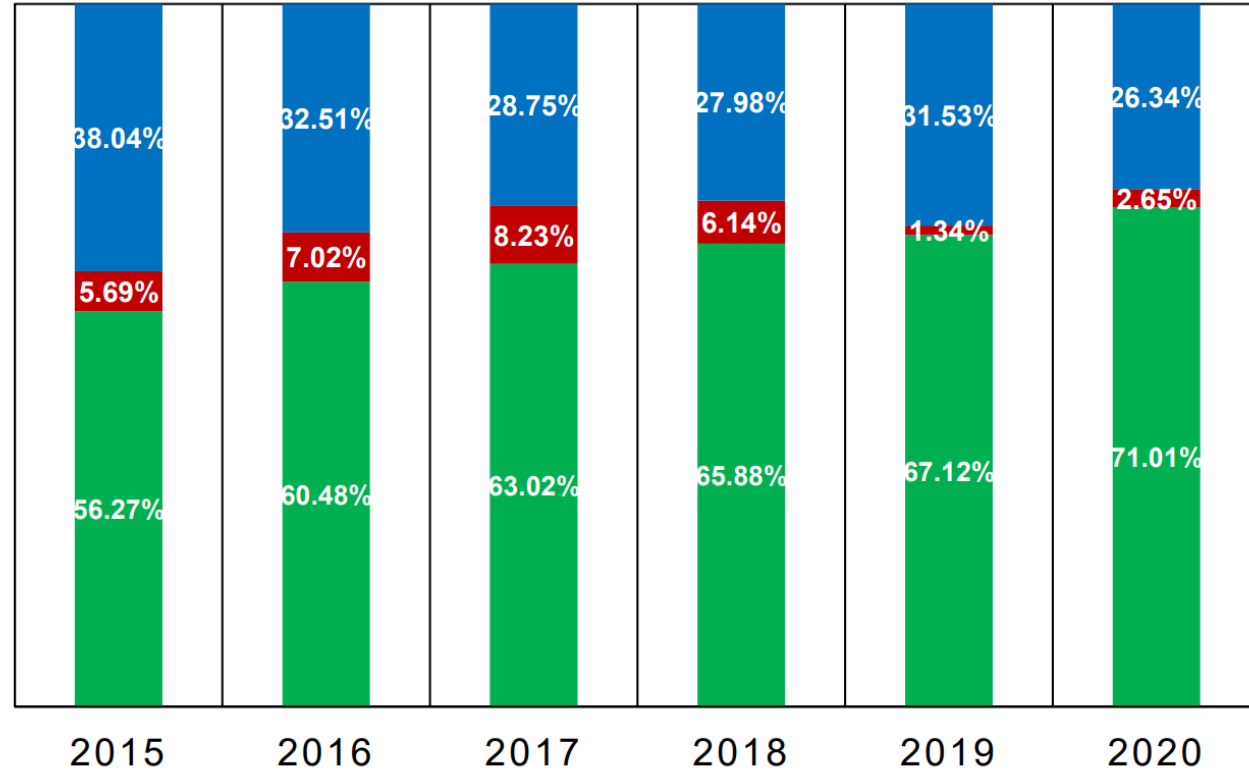
## BALANCE SHEET ANALYSIS - DABUR INDIA LIMITED

■ Total Non-Current Assets
 ■ Total Current Assets

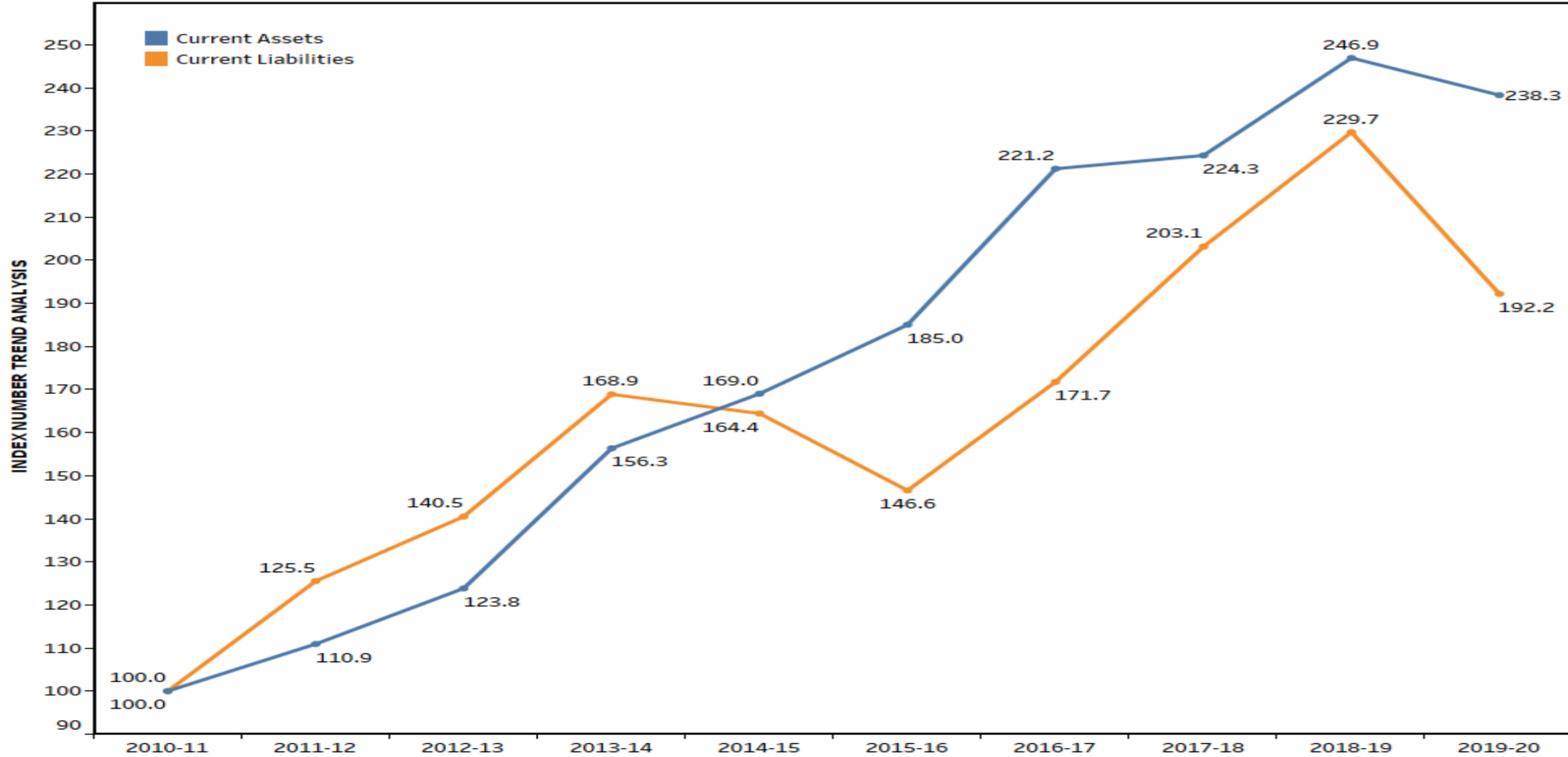


## BALANCE SHEET ANALYSIS - DABUR INDIA LIMITED

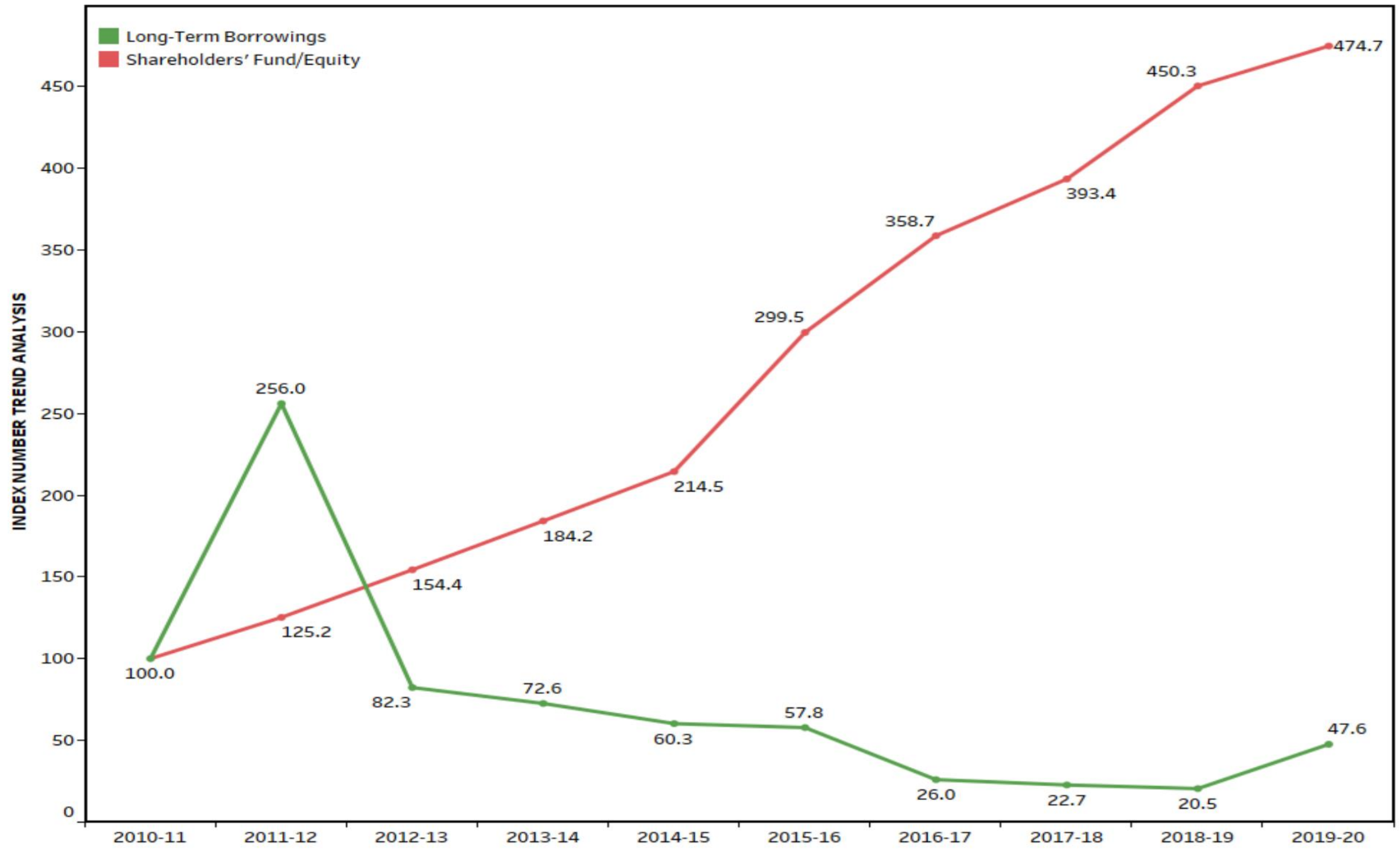
■ Total Equity
 ■ Total Non Current Liabilities
 ■ Total Current Liabilities



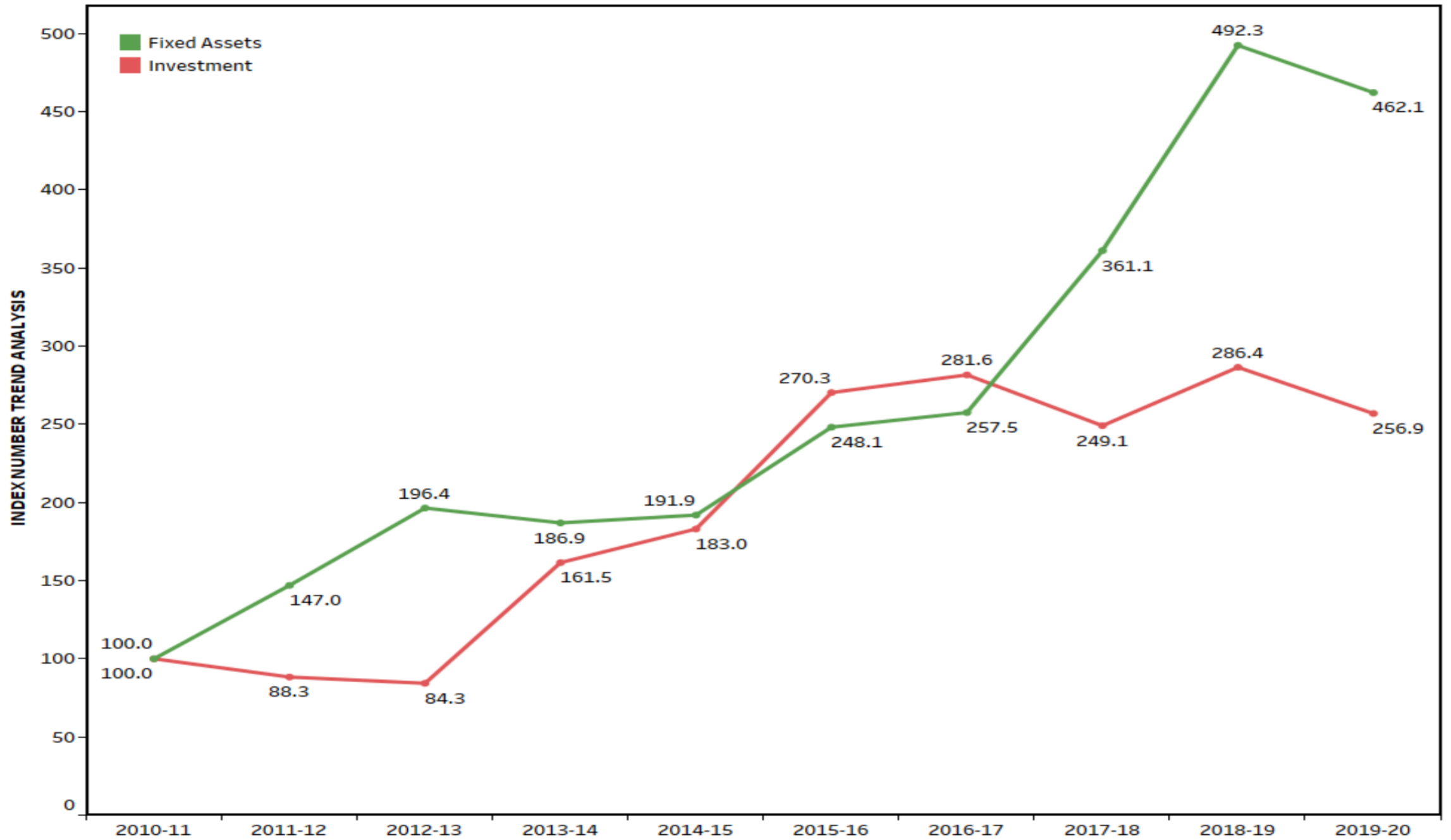
# Trend Analysis of Balance Sheet of Asian Paints Limited



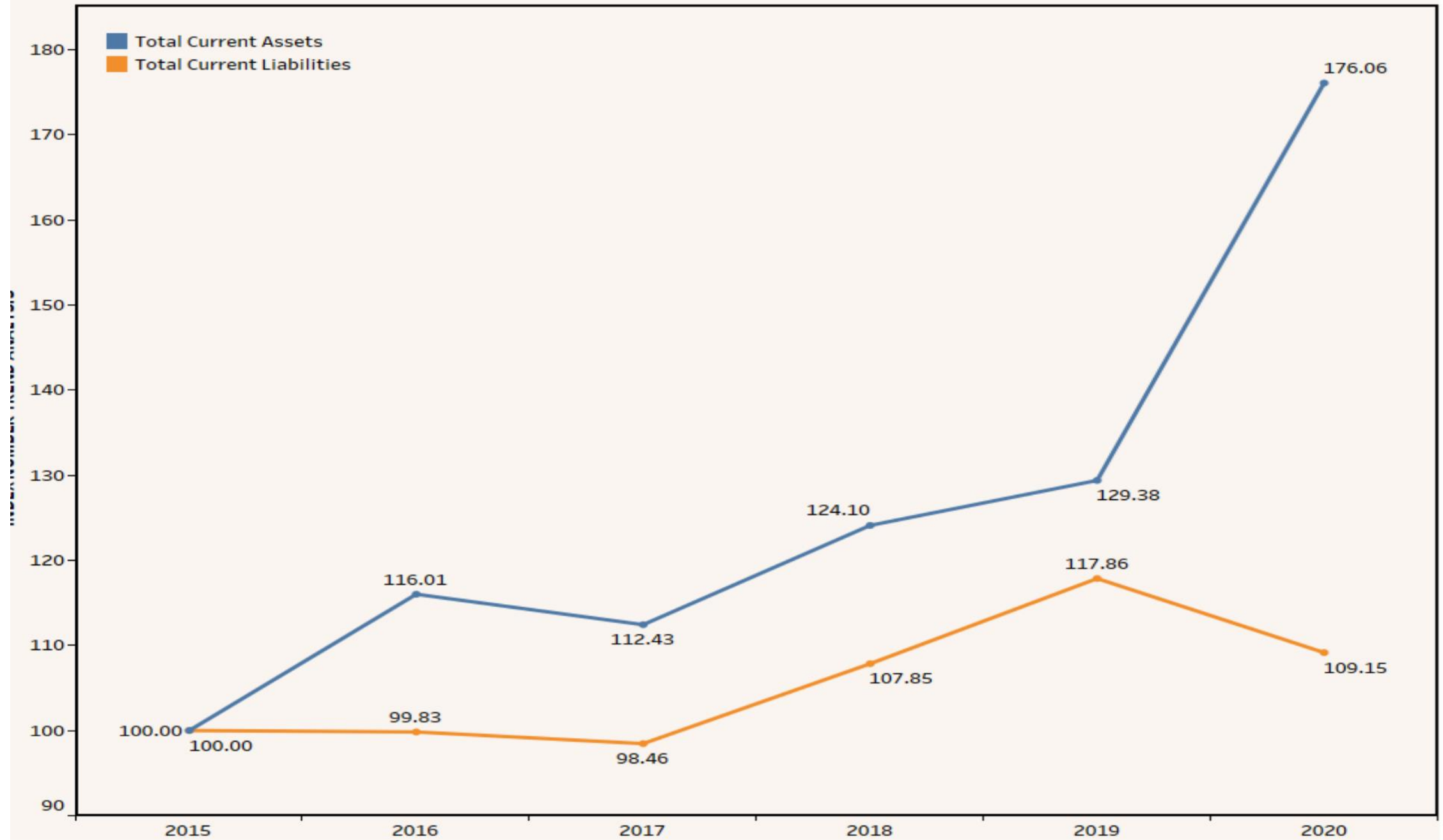
# INDEX NUMBER TREND ANALYSIS - ASIAN PAINTS LTD



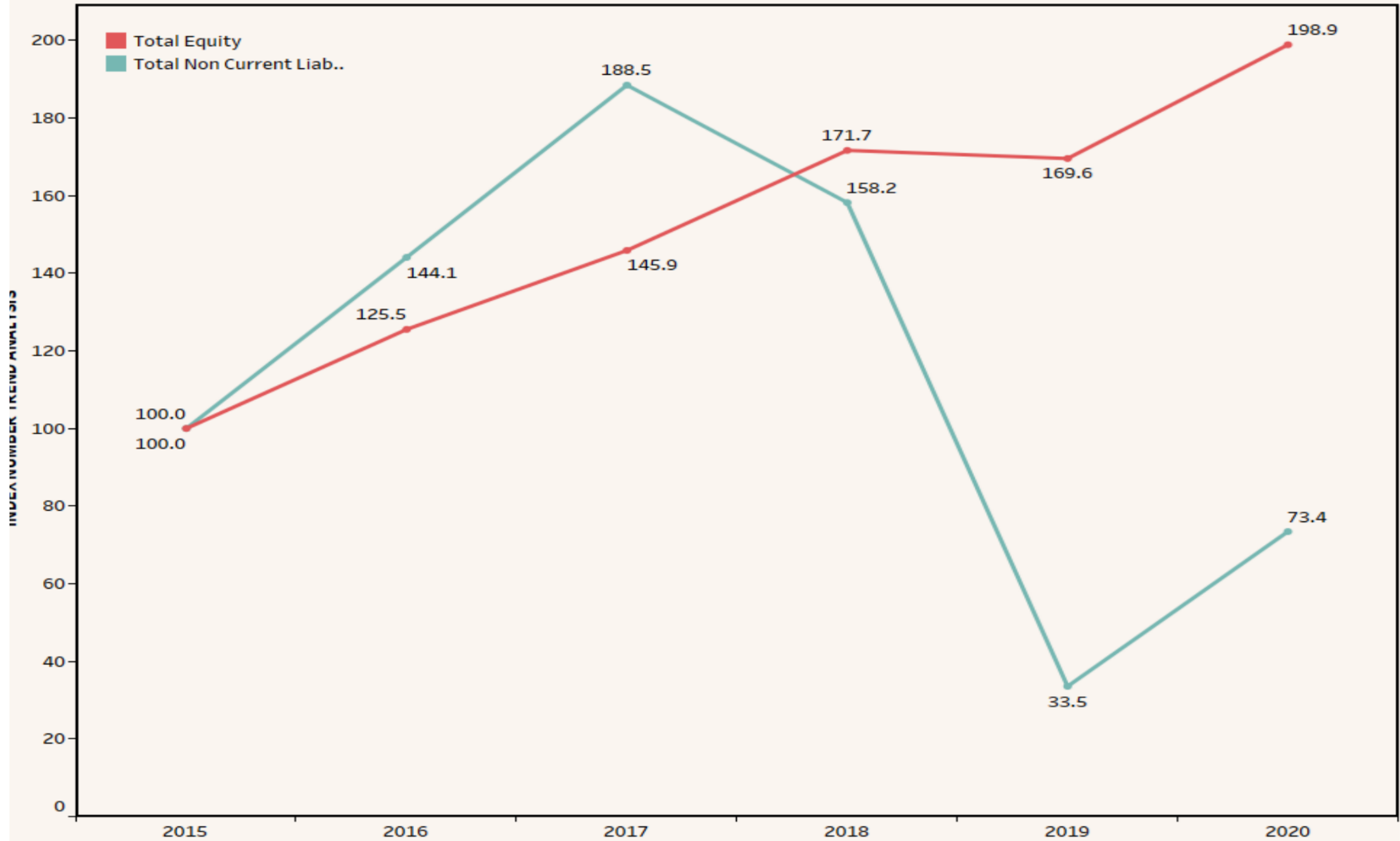
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## INDEX NUMBER TREND ANALYSIS - DABUR INDIA LTD



# INDEX NUMBER TREND ANALYSIS - DABUR INDIA LTD



## INDEX NUMBER TREND ANALYSIS - DABUR INDIA LTD



Particulars	2016	2017	2018	2019	2020
Dividend Pay-out	Rs.423.25	Rs.477.03	Rs.477.03	Rs.1,597.01	Rs.617.78

### Balance Sheet Ratios

Ratio	How to Calculate	What it Means In Dollars and Cents
Current	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Measures solvency: The number of dollars in Current Assets for every \$1 in Current Liabilities. For example: a Current Ratio of 1.76 means that for every \$1 of Current Liabilities, the company has \$1.76 in Current Assets with which to pay them.
Quick	$\frac{\text{Cash} + \text{Accounts Receivable}}{\text{Current Liabilities}}$	Measures liquidity: The number of dollars in Cash and Accounts Receivable for each \$1 in Current Liabilities. For example: a Quick Ratio of 1.14 means that for every \$1 of Current Liabilities, the company has \$1.14 in Cash and Accounts Receivable with which to pay them.
Debt-to-Worth	$\frac{\text{Total Liabilities}}{\text{Net Worth}}$	Measures financial risk: The number of dollars of Debt owed for every \$1 in Net Worth. For example: a Debt-to-Worth ratio of 1.05 means that for every \$1 of Net Worth that the owners have invested, the company owes \$1.05 of Debt to its creditors.

### Income Statement Ratios

Gross Margin	$\frac{\text{Gross Profit}}{\text{Sales}}$	Measures profitability at the Gross Profit level: The number of dollars of Gross Margin produced for every \$1 of Sales. For example: a Gross Margin Ratio of 34.4% means that for every \$1 of Sales, the company produces 34.4 cents of Gross Profit.
Net Margin	$\frac{\text{Net Profit Before Tax}}{\text{Sales}}$	Measures profitability at the Net Profit level: The number of dollars of Net Profit produced for every \$1 of Sales. For example: a Net Margin Ratio of 2.9% means that for every \$1 of Sales, the company produces 2.9 cents of Net Profit.

### Overall Efficiency Ratios

Sales-To-Assets	$\frac{\text{Sales}}{\text{Total Assets}}$	Measures the efficiency of Total Assets in generating sales: The number of dollars in Sales produced for every \$1 invested in Total Assets. For example: a Sales-To-Asset Ratio of 2.35 means that for every \$1 invested in Total Assets, the company generates \$2.35 in Sales.
Return On Assets	$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$	Measures the efficiency of Total Assets in generating Net Profit: The number of dollars in Net Profit produced for every \$1 invested in Total Assets. For example: a Return on Assets Ratio of 7.1% means that for every \$1 invested in Assets, the company is generating 7.1 cents in Net Profit Before Tax.

Return On Investment

$$\frac{\text{Net Profit Before Tax}}{\text{Net Worth}}$$

Measures the efficiency of Net Worth in generating Net Profit: The number of dollars in Net Profit produced for every \$1 invested in Net Worth.  
For example: a Return on Investment Ratio of 16.1% means that for every \$1 invested in Net Worth, the company is generating 16.1 cents in Net Profit Before Tax.

### Specific Efficiency Ratios

Inventory Turnover

$$\frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$

Measures the rate at which Inventory is being used on an annual basis.  
For example: an Inventory Turnover Ratio of 9.81 means that the average dollar volume of Inventory is used up almost ten times during the fiscal year.

Inventory Turn-Days

$$\frac{360}{\text{Inventory Turnover}}$$

Converts the Inventory Turnover ratio into an average "days inventory on hand" figure.  
For example: a Inventory Turn-Days Ratio of 37 means that the company keeps an average of thirty-seven days of Inventory on hand throughout the year.

Accounts Receivable Turnover

$$\frac{\text{Sales}}{\text{Accounts Receivable}}$$

Measures the rate at which Accounts Receivable are being collected on an annual basis.  
For example: an Accounts Receivable Turnover Ratio of 8.00 means that the average dollar volume of Accounts Receivable are collected eight times during the year.

Average Collection Period

$$\frac{360}{\text{A/R Turnover}}$$

Converts the Accounts Receivable Turnover ratio into the average number of days the company must wait for its Accounts Receivable to be paid.  
For example: an Accounts Receivable Turnover ratio of 45 means that it takes the company 45 days on average to collect its receivables.

Accounts Payable Turnover

$$\frac{\text{Cost of Goods Sold}}{\text{Accounts Payable}}$$

Measures the rate at which Accounts Payable are being paid on an annual basis.  
For example: an Accounts Payable Turnover ratio of 12.04 means that the average dollar volume of Accounts Payable are paid about twelve times during the year.

Average Payment Period

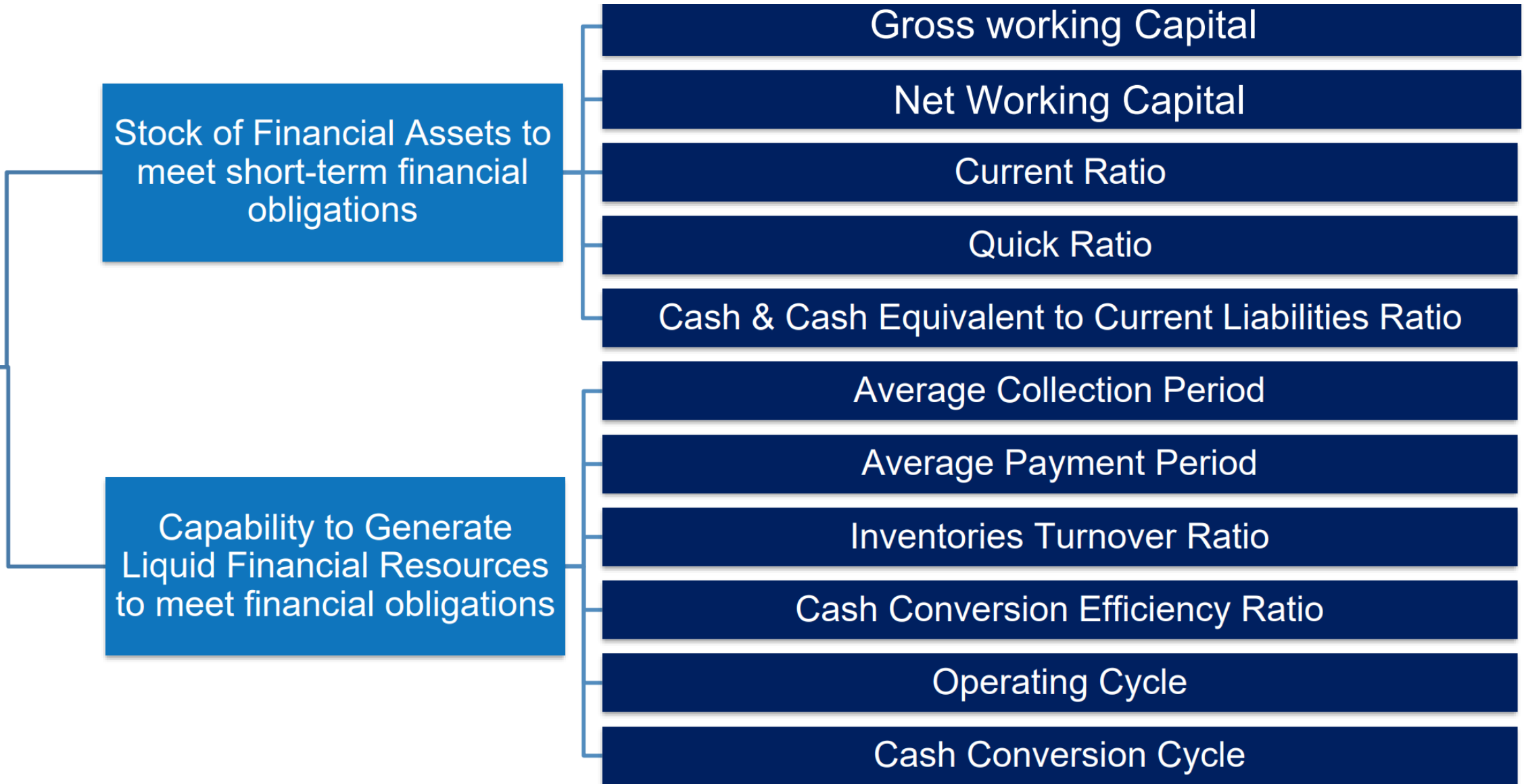
$$\frac{360}{\text{Accounts Payable Turnover}}$$

Converts the Accounts Payable Turnover ratio into the average number of days that a company takes to pay its Accounts Payable.  
For example: an Accounts Payable Turnover ratio of 30 means that it takes the company 30 days on average to pay its bills.

# Liquidity

- Liquidity means having enough financial resources to cover financial obligations in a timely manner with minimal costs.
- Ingredients of Liquidity
- Time of conversion- how quickly an asset can be converted into 'money' or can be used to make payments.
- Amount – Certainty about realization of the amount from the asset.
- Cost – Cost of converting an asset into 'money' or 'cost of using an asset' for making payments

# Liquidity Ratios



# Liquidity Ratios – Balance Sheet Perspective

Stock of Financial Assets to meet short-term financial obligations

Gross Working capital = Current Assets

Net Working Capital = Current Assets – Current Liabilities

Current Ratio = Current Assets/Current Liabilities

Quick Ratio = (Current Assets – Inventories)/Current Liabilities

Cash & Cash Equivalent to Current Liabilities Ratio

# Liquidity Ratios: Balance Sheet Perspective

FINANCIAL DATA (Hypothetical)	
Current Assets	Rs.8,149.50
Current Liabilities	Rs.1,741.73
Inventories	Rs.2,143.80
Cash and Cash Equivalents	Rs.345.51

LIQUIDITY RATIOS		
GROSS WORKING CAPITAL	=Current_Asset	Rs.8,149.50
NET WORKING CAPITAL	=Current_Asset- Current_Liabilities	Rs.6,407.77
CURRENT RATIO	=Current_Asset/Current_Liabilities	4.68
QUICK RATIO	=(Current_Asset- Inventories)/Current_Liabilities	3.45
CASH AND CASH EQUIVALENT TO CURRENT LIABILITIES	=Cash_and_Cash_Equivalent s/Current_Liabilities	19.84%

# Liquidity Ratios – Flow Perspective

## Liquidity Ratios – Flow Perspective

Capability to Generate Liquid Financial Resources to meet financial obligations

$$\text{Average Collection Period} = (\text{Trade Receivables}/\text{Sales}) \times 360$$

$$\text{Average Payment Period} = (\text{Trade Payables}/\text{Cost of Material Consumed}) \times 360$$

$$\text{Inventories Conversion Period} = (\text{Inventories}/\text{Cost of Goods Sold}) \times 360$$

$$\text{Cash Conversion Efficiency Ratio} = \text{Cash From Operating Activities}/\text{Sales}$$

$$\text{Operating Cycle} = \text{Inventories Conversion Period} + \text{Average Collection Period}$$

$$\text{Cash Conversion Cycle} = \text{Operating Cycle} - \text{Average Payment Period}$$

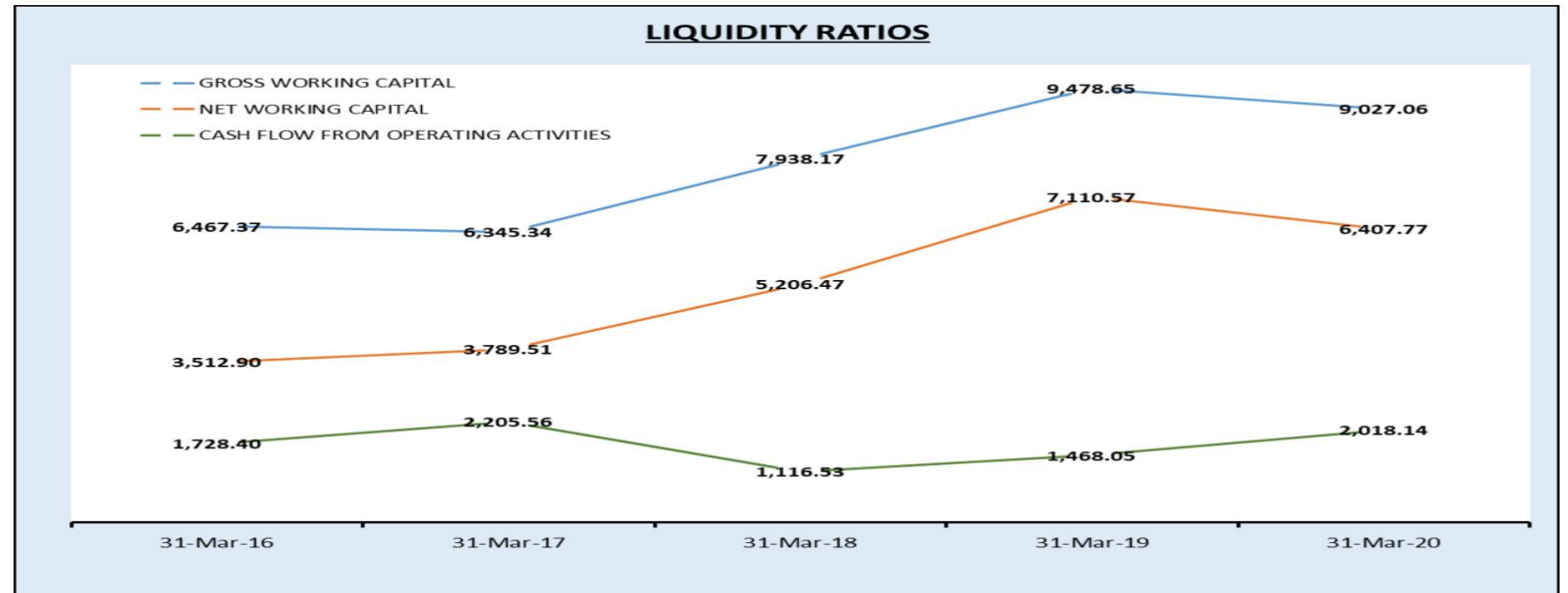
# Cipla Limited – Liquidity Ratios

ANALYSIS OF LIQUIDITY RATIOS OF CIPLA LIMITED					
LIQUIDITY RATIOS	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20
GROSS WORKING CAPITAL	6,467.37	6,345.34	7,938.17	9,478.65	9,027.06
NET WORKING CAPITAL	3,512.90	3,789.51	5,206.47	7,110.57	6,407.77
CASH FLOW FROM OPERATING ACTIVITIES	1,728.40	2,205.56	1,116.53	1,468.05	2,018.14
CURRENT RATIO	2.19	2.48	2.91	4.00	3.45
QUICK RATIO	1.20	1.44	1.79	2.79	2.29
CASH AND CASH EQUIVALENT TO CURRENT LIABILITIES	1,728.40	2,205.56	1,116.53	1,468.05	2,018.14
CASH CONVERSION EFFICIENCY RATIO	14.61%	20.73%	10.15%	12.27%	16.51%
AVERAGE COLLECTION PERIOD (DAYS)	57.72	65.62	76.43	95.31	104.88
AVERAGE PAYMENT PERIOD (DAYS)	98.17	158.10	172.19	171.35	193.51
INVENTORIES CONVERSION PERIOD (DAYS)	214.45	230.67	263.19	229.06	251.83
OPERATING CYCLE	272.17	296.28	339.62	324.37	356.71
CASH CONVERSION CYCLE	173.99	138.18	167.42	153.02	163.20

# Cipla Limited – Liquidity Ratios

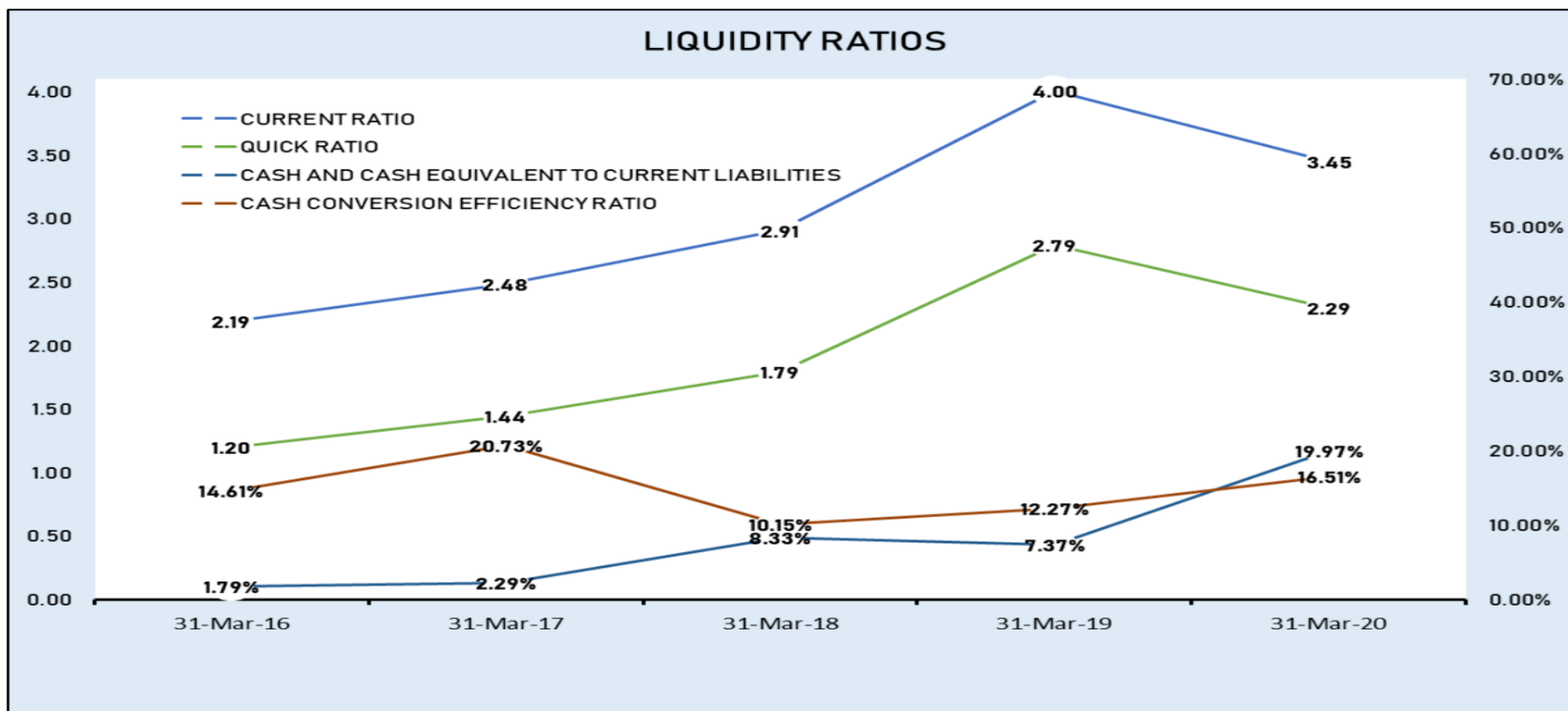
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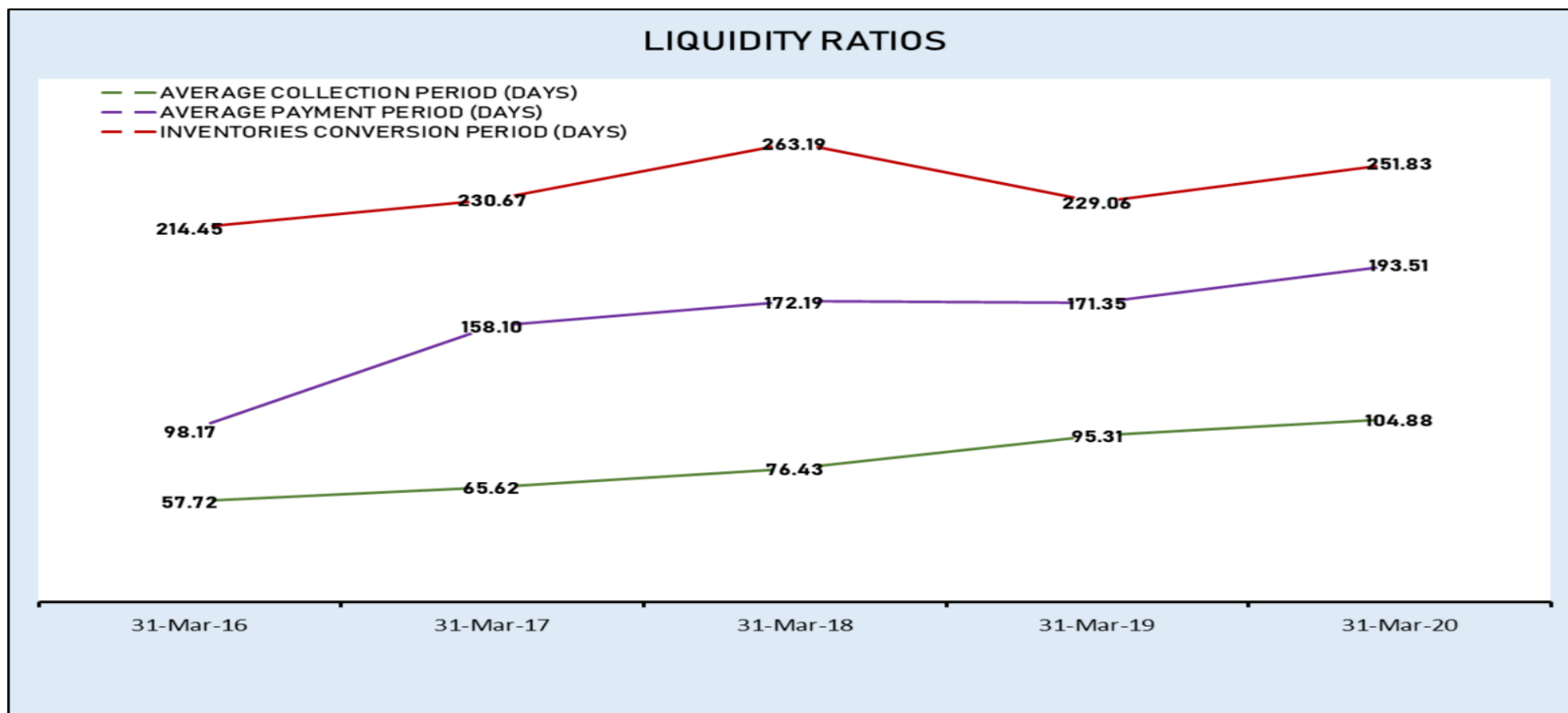
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CASH AND CASH EQUIVALENT TO CURRENT LIABILITIES	1.79%	2.29%	8.33%	7.37%	19.97%
CASH CONVERSION EFFICIENCY RATIO	14.61%	20.73%	10.15%	12.27%	16.51%



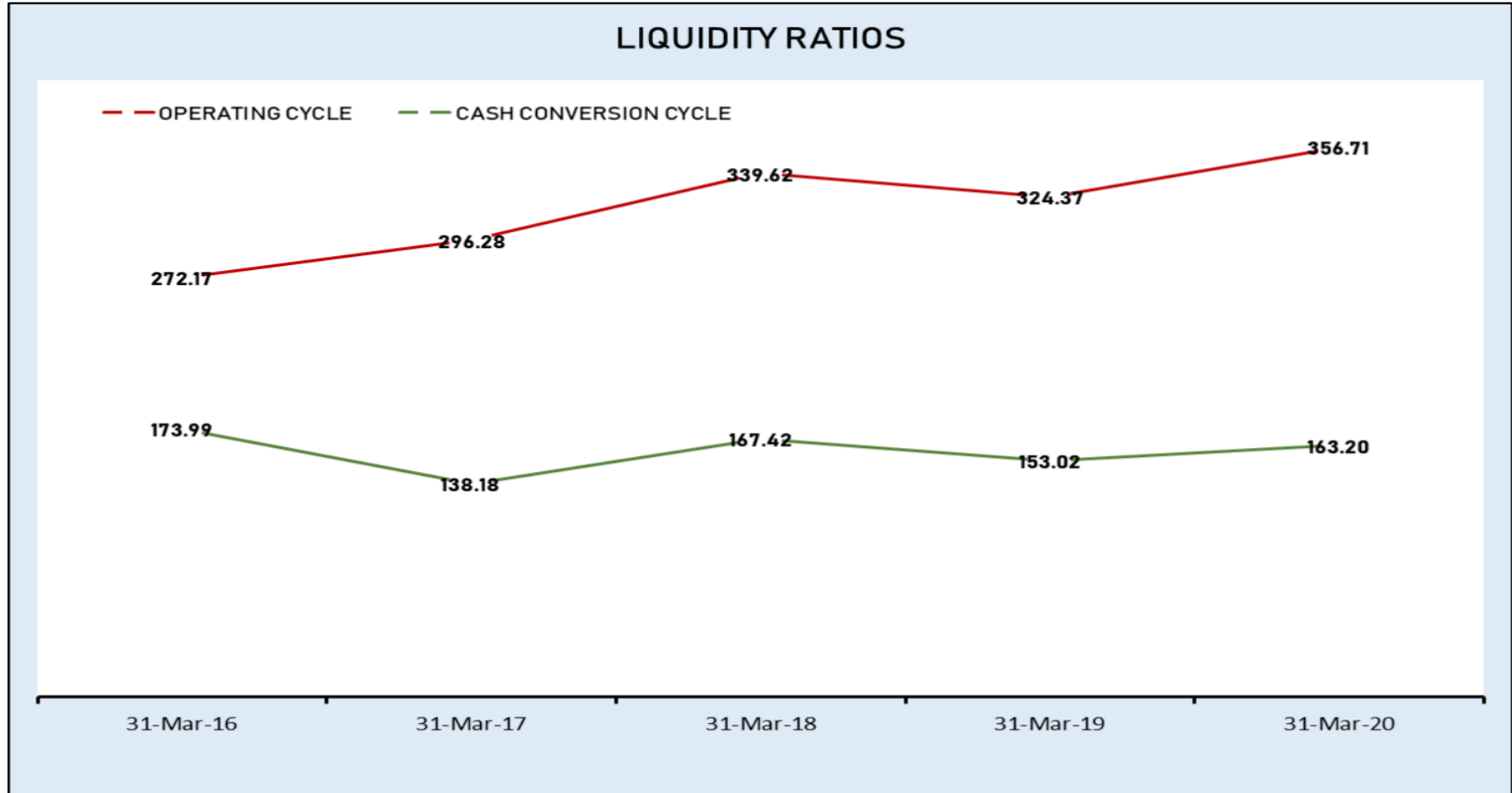
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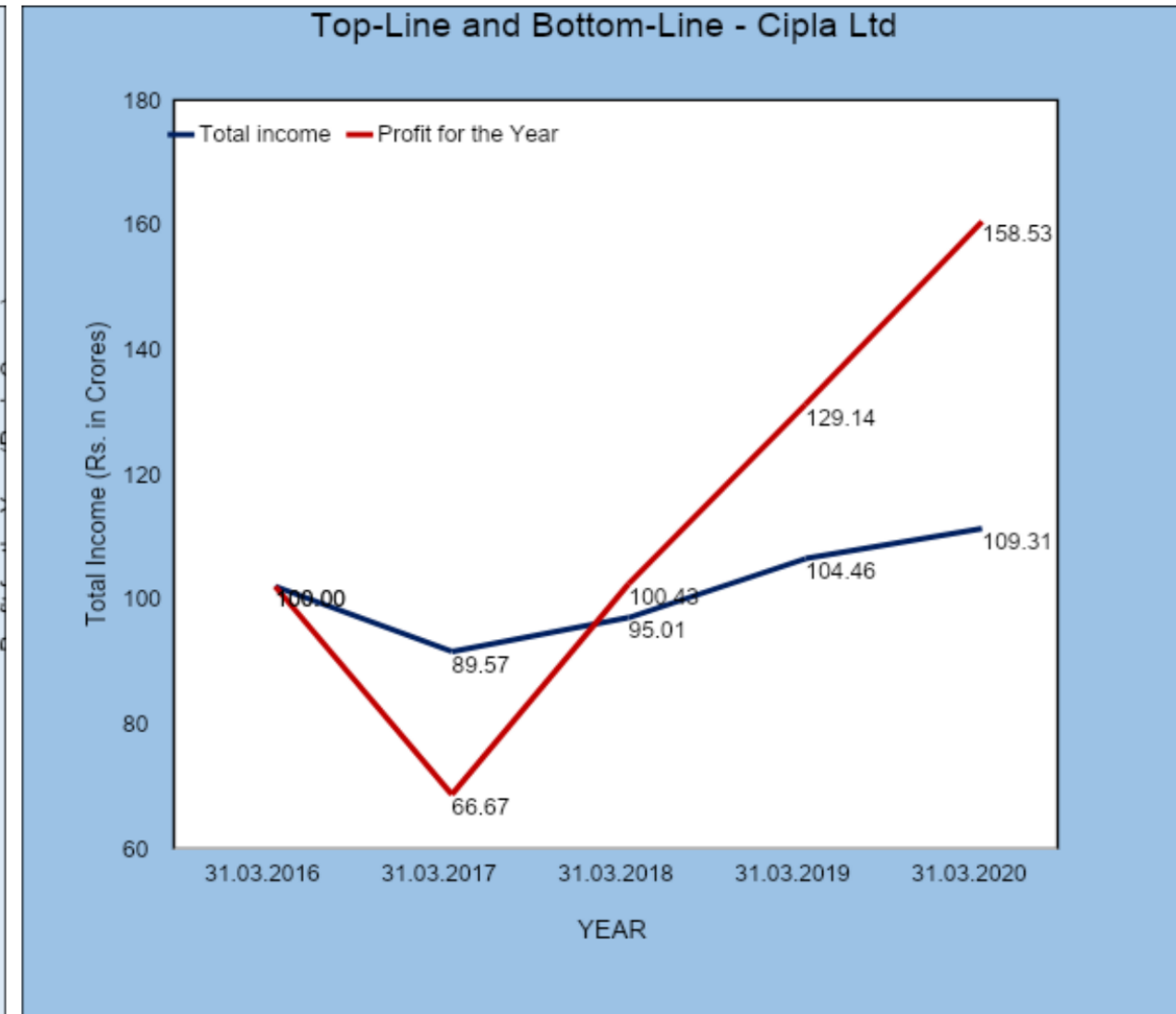
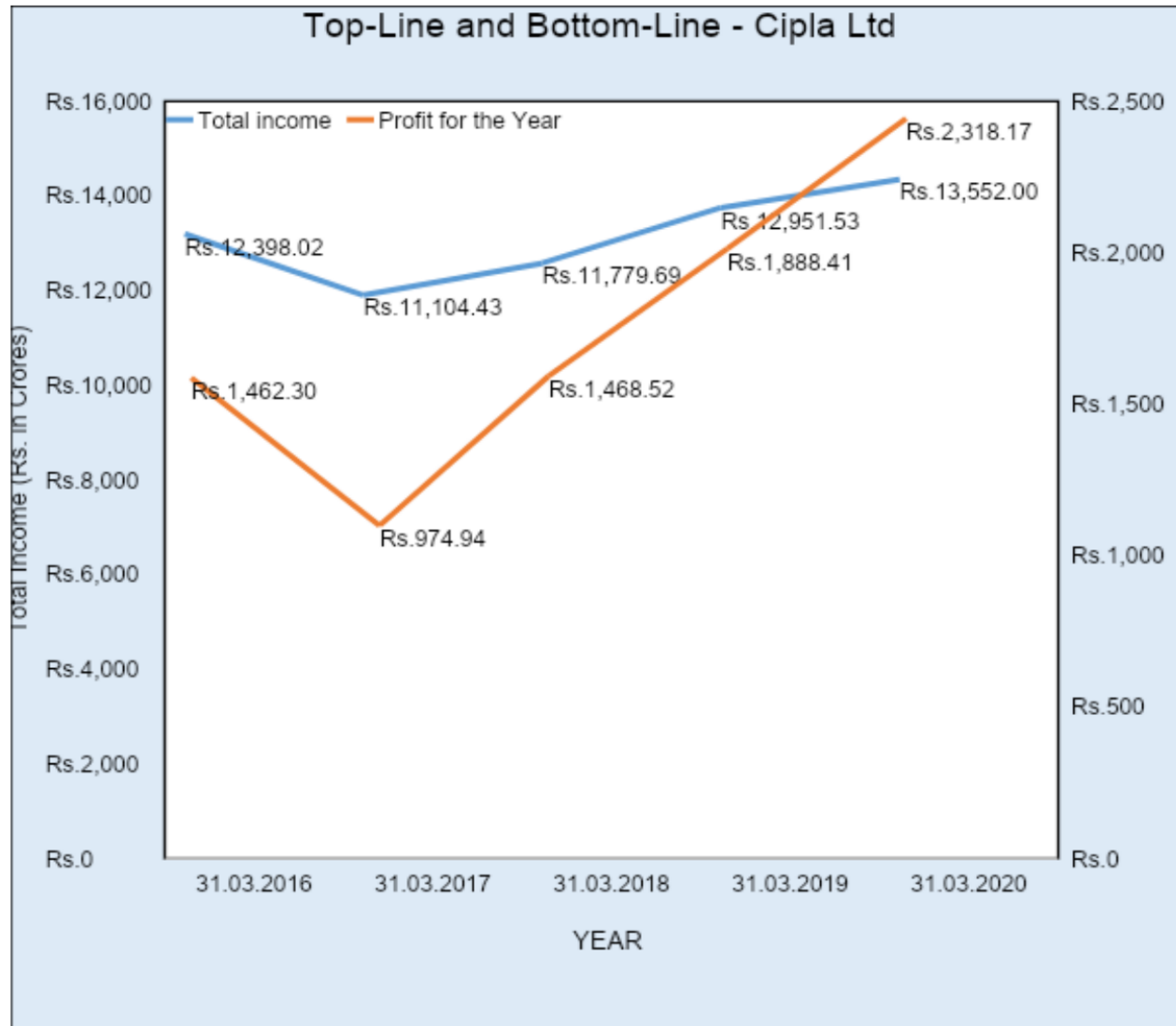
# Analyzing Income Statement of Cipla Limited

Top-Line

Cipla Limited					
Statement of Profit and Loss		(Rs. in Crores)			
	31.03.2016	31.03.2017	31.03.2018	31.03.2019	31.03.2020
<b>Revenue from operations</b>					
Revenue from sale of products	11,828.74	10,637.08	11,004.44	11,968.44	12,220.22
Other operating revenue	288.98	337.5	440.37	405.57	438.93
	<b>12,117.72</b>	<b>10,974.58</b>	<b>11,444.81</b>	<b>12,374.01</b>	<b>12,659.15</b>
Other income	280.3	129.85	334.88	577.52	892.85
<b>Total income</b>	<b>12,398.02</b>	<b>11,104.43</b>	<b>11,779.69</b>	<b>12,951.53</b>	<b>13,552.00</b>
<b>Expenditure</b>					
Cost of materials consumed	3,633.34	2,956.04	3,303.31	3,112.25	2,999.17
Purchases of stock-in-trade	1,037.56	1,128.99	1,064.23	1,259.21	1,363.12
Changes in inventories of finished goods, work-in-progress and stock	228.35	56.27	-212.05	136.7	-43.08
Employee benefits expense	1,778.56	1,728.97	1,785.94	1,839.84	1,911.08
Finance costs	147.07	39.2	11.9	16.97	36.05
Depreciation, impairment and amortisation expense	442.69	499.97	529.61	569.72	599.78
Impairment of Investment		251.41			
Other expenses	3,386.48	3,256.64	3,307.83	3,524.01	3,721.57
<b>Total expenditure</b>	<b>10,654.05</b>	<b>9,917.49</b>	<b>9,790.77</b>	<b>10,458.70</b>	<b>10,587.69</b>
<b>Profit before exceptional items and tax</b>	<b>1,743.97</b>	<b>1,186.94</b>	<b>1,988.92</b>	<b>2,492.83</b>	<b>2,964.31</b>
Exceptional item			77.52		
<b>Profit before tax</b>	<b>1,743.97</b>	<b>1,186.94</b>	<b>1,911.40</b>	<b>2,492.83</b>	<b>2,964.31</b>
<b>Tax expense (net)</b>					
Current tax	356.64	311.06	431.33	576.43	545.96
Deferred tax	-74.97	-99.06	11.55	27.99	100.18
<b>Profit for the year</b>	<b>1,462.30</b>	<b>974.94</b>	<b>1,468.52</b>	<b>1,888.41</b>	<b>2,318.17</b>

Bottom-Line

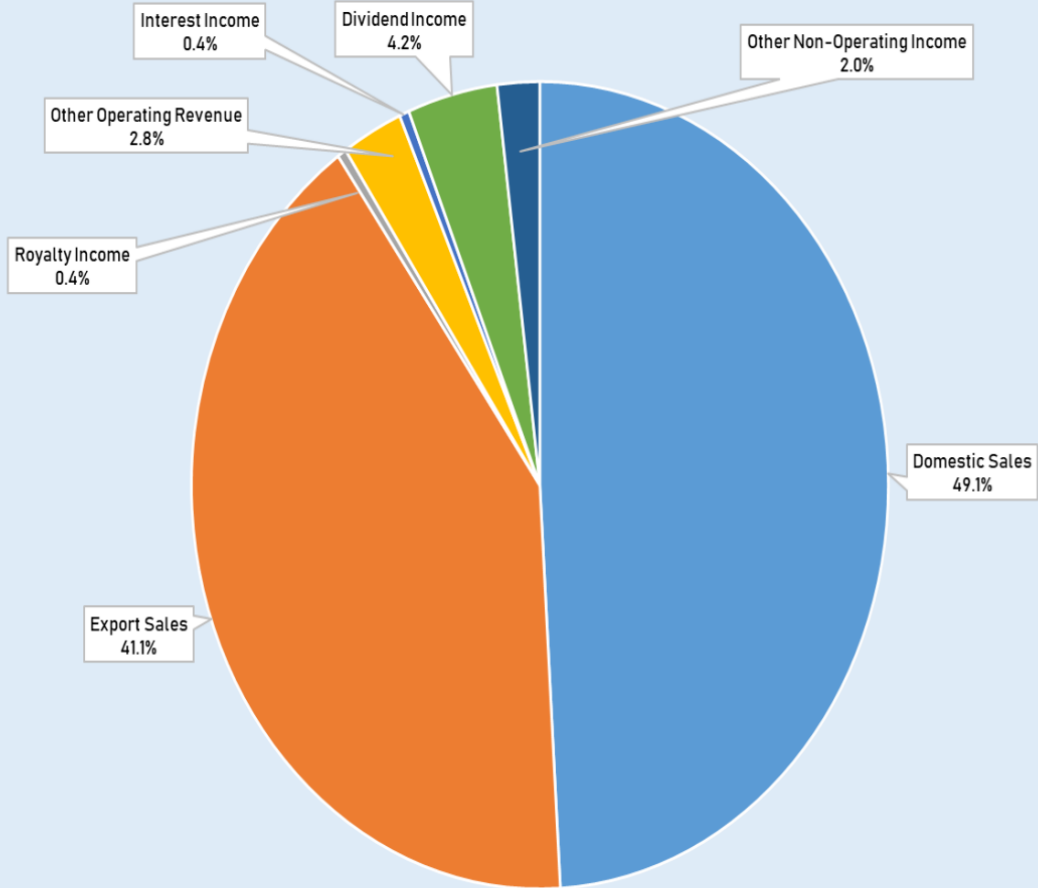
# Pattern in Top-Line and Bottom Line - Cipla



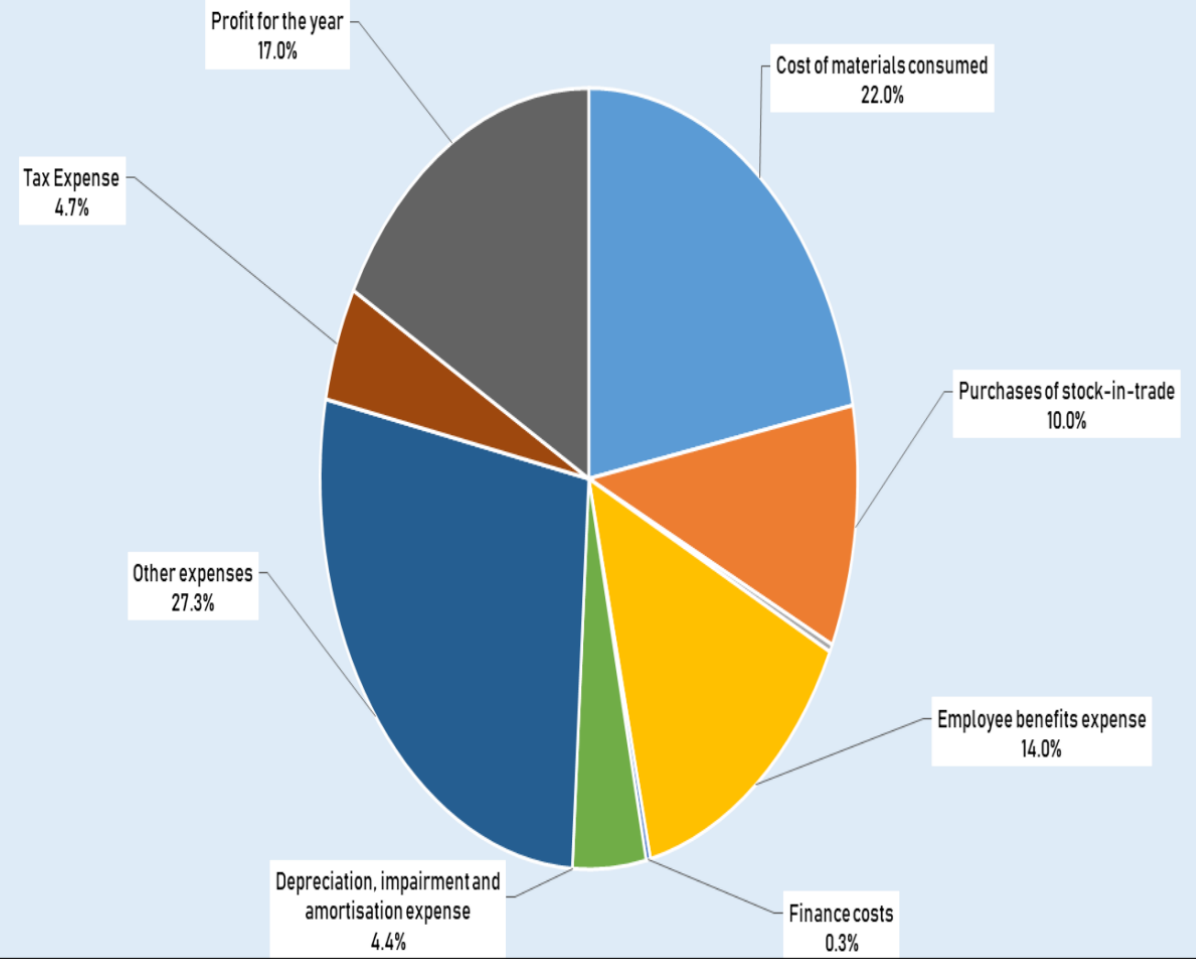
# Common-Size Analysis of Income Statement – Cipla Limited

<b>Cipla Limited</b>					
<b>Common-Size Analysis of Statement of Profit and Loss of Cipla Limited</b>					
	<b>31.03.2016</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2020</b>
<b>Revenue from operations</b>					
Revenue from sale of products	97.74	98.83	97.16	95.54	93.41
Other income	2.26	1.17	2.84	4.46	6.59
<b>Total income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Expenditure</b>					
Cost of materials consumed	29.31	26.62	28.04	24.03	22.13
Purchases of stock-in-trade	8.37	10.17	9.03	9.72	10.06
Changes in inventories of finished goods, work-in-progress and stock-in-trade	1.84	0.51	-1.80	1.06	-0.32
Employee benefits expense	14.35	15.57	15.16	14.21	14.10
Finance costs	1.19	0.35	0.10	0.13	0.27
Depreciation, impairment and amortisation expense	3.57	4.50	4.50	4.40	4.43
Other expenses	27.31	31.59	28.74	27.21	27.46
Tax Expense	2.27	1.91	3.76	4.67	4.77
Profit for the year	11.79	8.78	12.47	14.58	17.11
<b>Total income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

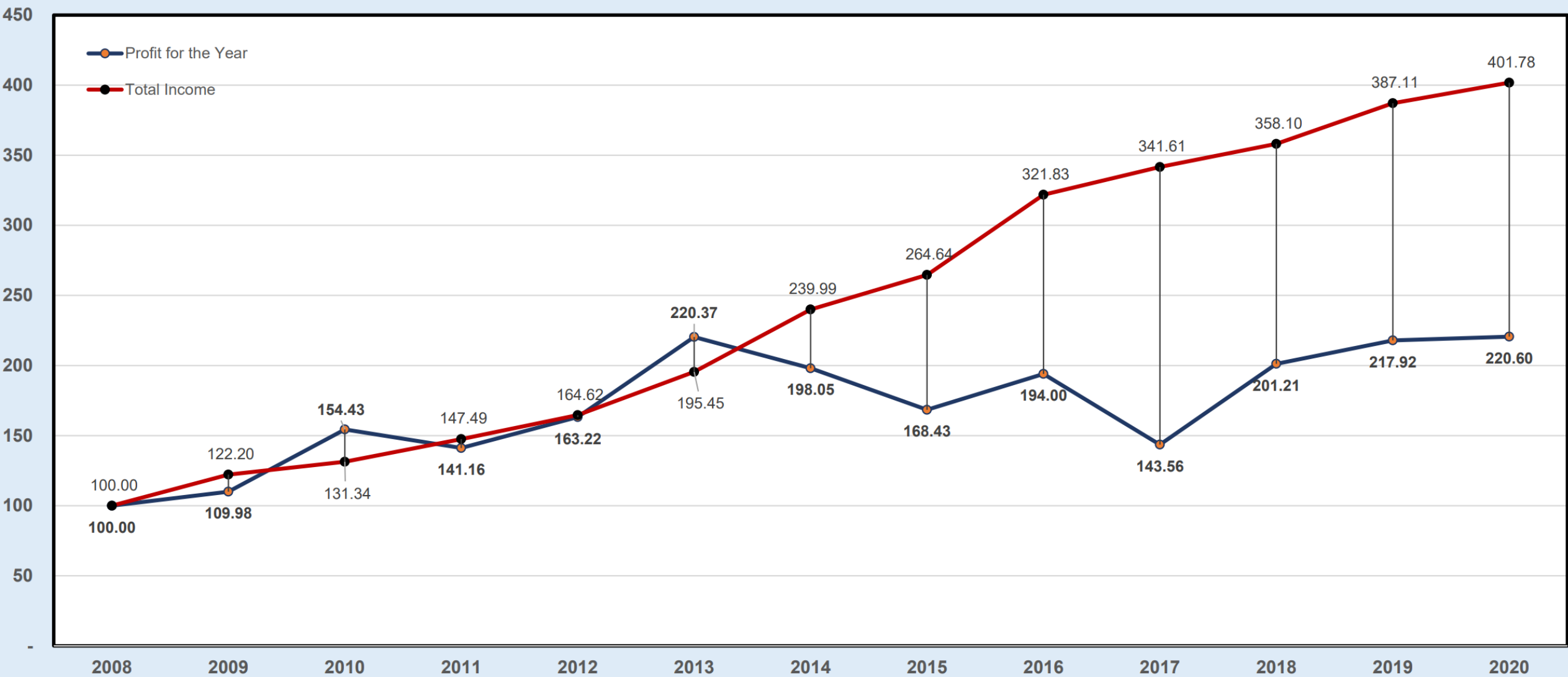
How one rupee is earned by Cipla Limited during FY 2019-20?



How one rupee is spent during the year ending on March 31, 2020?



# Trend Analysis – Income Statement of Cipla Limited



# Analyzing Income Statement of ITC Limited

## Income Statement of ITC Limited (Rs. in Crores)

Top-Line

Bottom-Line

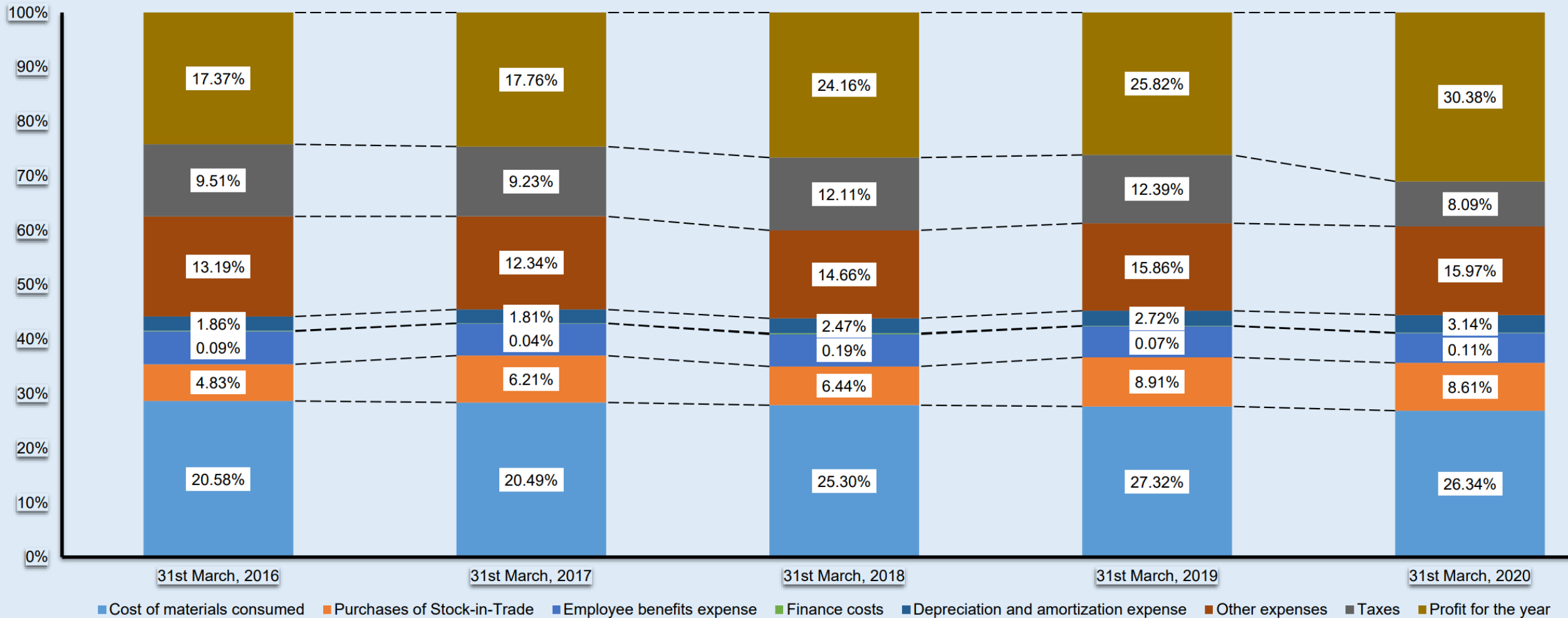
	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
I Revenue From Operations	Rs.51,944.57	Rs.55,448.46	Rs.44,329.77	Rs.45,784.39	Rs.46,807.34
II Other Income	Rs.1,769.26	Rs.1,985.91	Rs.2,129.84	Rs.2,484.54	Rs.3,013.66
<b>III Total Income (I+II)</b>	<b>Rs.53,713.83</b>	<b>Rs.57,434.37</b>	<b>Rs.46,459.61</b>	<b>Rs.48,268.93</b>	<b>Rs.49,821.00</b>
<b>IV EXPENSES</b>					
Cost of materials consumed	Rs.11,054.75	Rs.11,765.56	Rs.11,756.21	Rs.13,184.97	Rs.13,121.76
Purchases of Stock-in-Trade	Rs.2,591.80	Rs.3,566.57	Rs.2,991.98	Rs.4,300.32	Rs.4,289.71
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates	(Rs.196.55)	Rs.644.17	Rs.1,041.85	(Rs.180.14)	(Rs.176.34)
Excise duty	Rs.15,361.90	Rs.15,359.78	Rs.3,702.23	Rs.788.74	Rs.1,187.64
Employee benefits expense	Rs.2,331.59	Rs.2,444.31	Rs.2,487.46	Rs.2,728.44	Rs.2,658.21
Finance costs	Rs.49.13	Rs.22.95	Rs.86.65	Rs.34.19	Rs.55.72
Depreciation and amortization expense	Rs.1,000.68	Rs.1,038.04	Rs.1,145.37	Rs.1,311.70	Rs.1,563.27
Other expenses	Rs.7,086.46	Rs.7,090.03	Rs.6,809.06	Rs.7,656.55	Rs.7,822.11
<b>Total expenses (IV)</b>	<b>Rs.39,279.76</b>	<b>Rs.41,931.41</b>	<b>Rs.30,020.81</b>	<b>Rs.29,824.77</b>	<b>Rs.30,522.08</b>
<b>V Profit before exceptional items and tax (III-IV)</b>	<b>Rs.14,434.07</b>	<b>Rs.15,502.96</b>	<b>Rs.16,438.80</b>	<b>Rs.18,444.16</b>	<b>Rs.19,298.92</b>
VI Exceptional Items	Rs.0.00	Rs.0.00	Rs.412.90	Rs.0.00	(Rs.132.11)
<b>VII Profit before tax (V+VI)</b>	<b>Rs.14,434.07</b>	<b>Rs.15,502.96</b>	<b>Rs.16,851.70</b>	<b>Rs.18,444.16</b>	<b>Rs.19,166.81</b>
VIII Tax expense:					
Current Tax	Rs.4,896.06	Rs.5,285.65	Rs.5,599.83	Rs.5,849.24	Rs.4,441.97
Deferred Tax	Rs.209.64	Rs.16.41	Rs.28.62	Rs.130.60	(Rs.411.21)
<b>IX Profit for the year (VII-VIII)</b>	<b>Rs.9,328.37</b>	<b>Rs.10,200.90</b>	<b>Rs.11,223.25</b>	<b>Rs.12,464.32</b>	<b>Rs.15,136.05</b>

## Common-Size Income Statement of ITC Limited

	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Revenue From Operations	96.71%	96.54%	95.42%	94.85%	93.95%
Other Income	3.29%	3.46%	4.58%	5.15%	6.05%
<b>Total Revenue</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Cost of materials consumed	20.58%	20.49%	25.30%	27.32%	26.34%
Purchases of Stock-in-Trade	4.83%	6.21%	6.44%	8.91%	8.61%
Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates	-0.37%	1.12%	2.24%	-0.37%	-0.35%
Excise duty	28.60%	26.74%	7.97%	1.63%	2.38%
Employee benefits expense	4.34%	4.26%	5.35%	5.65%	5.34%
Finance costs	0.09%	0.04%	0.19%	0.07%	0.11%
Depreciation and amortization expense	1.86%	1.81%	2.47%	2.72%	3.14%
Other expenses	13.19%	12.34%	14.66%	15.86%	15.97%
Taxes	9.51%	9.23%	12.11%	12.39%	8.09%
Profit for the year	17.37%	17.76%	24.16%	25.82%	30.38%
<b>Total Revenue</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.89%</b>	<b>100.00%</b>	<b>100.00%</b>

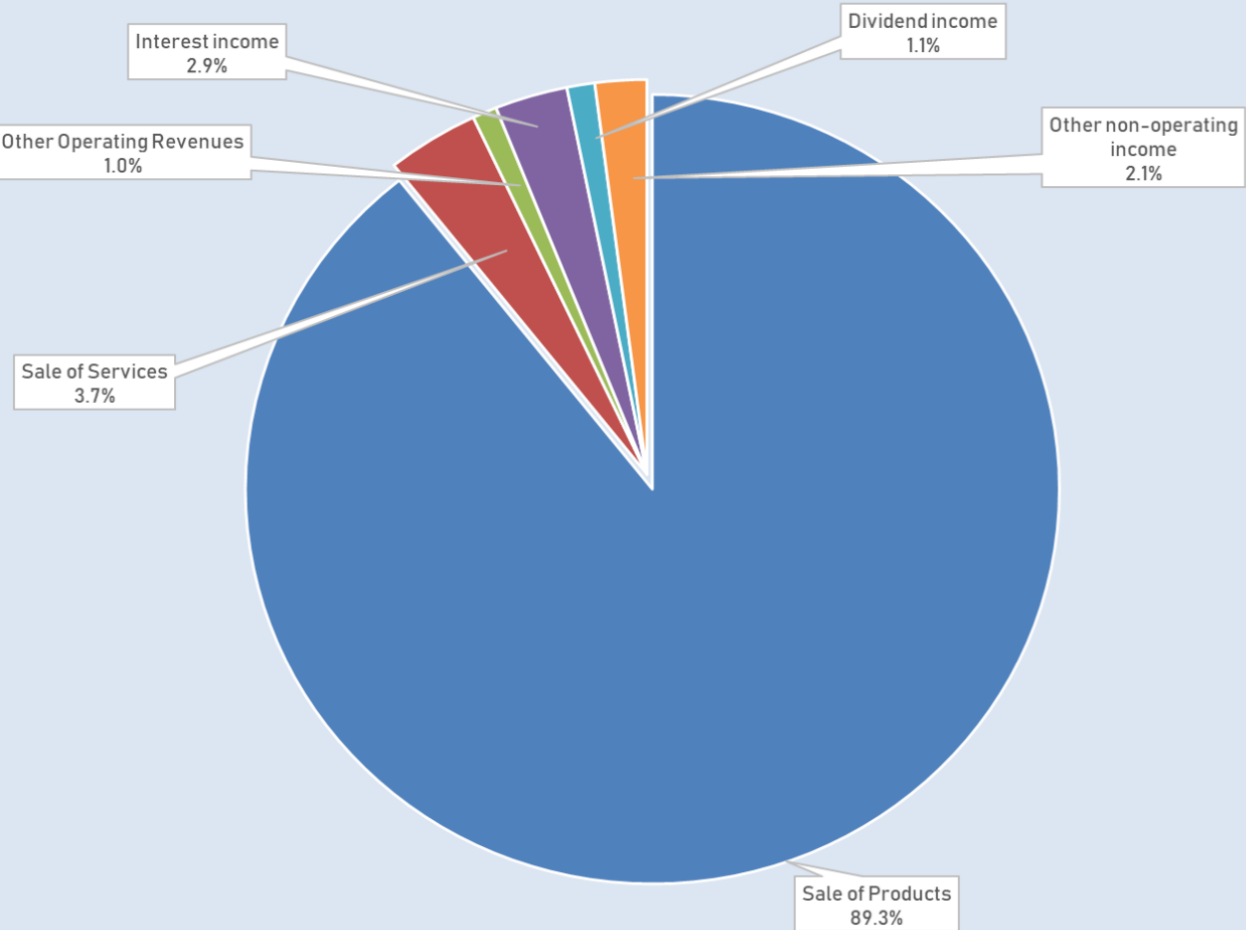
# Changing Structure of Expenses and profit – ITC Limited

Changing Pattern of Expenses and Profit

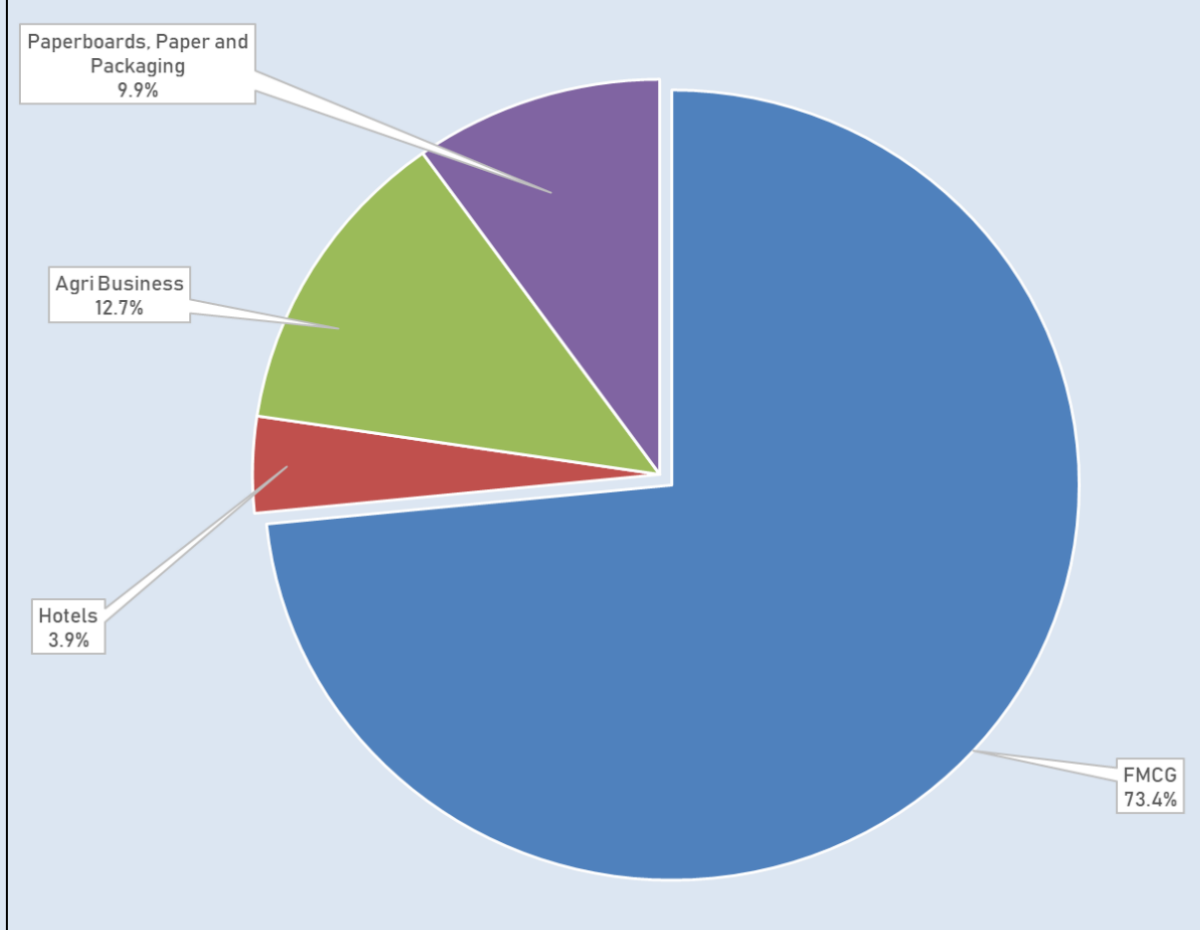


# How one rupee is earned by ITC Limited?

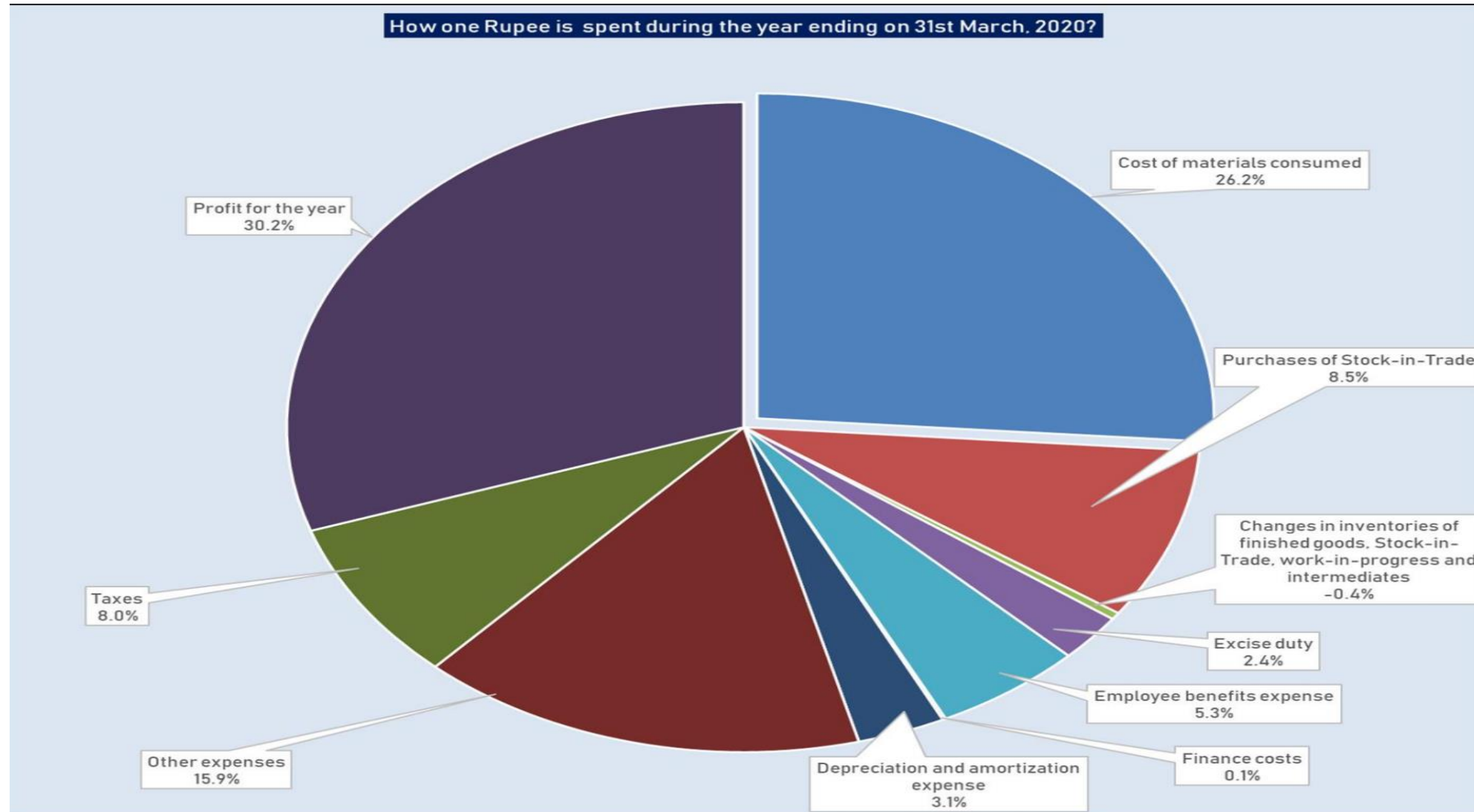
How one Rupee is earned for the year ending on 31st March, 2020?



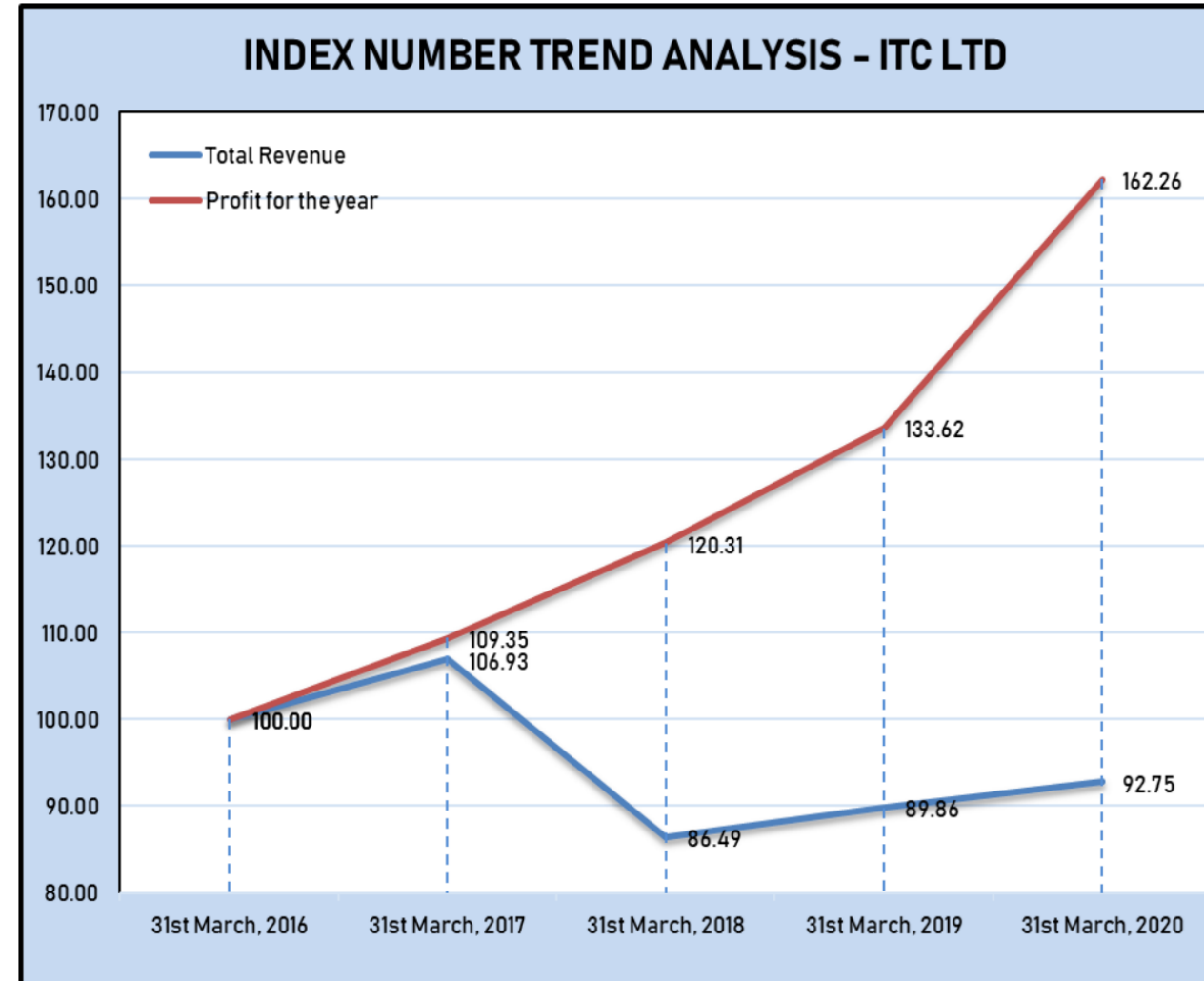
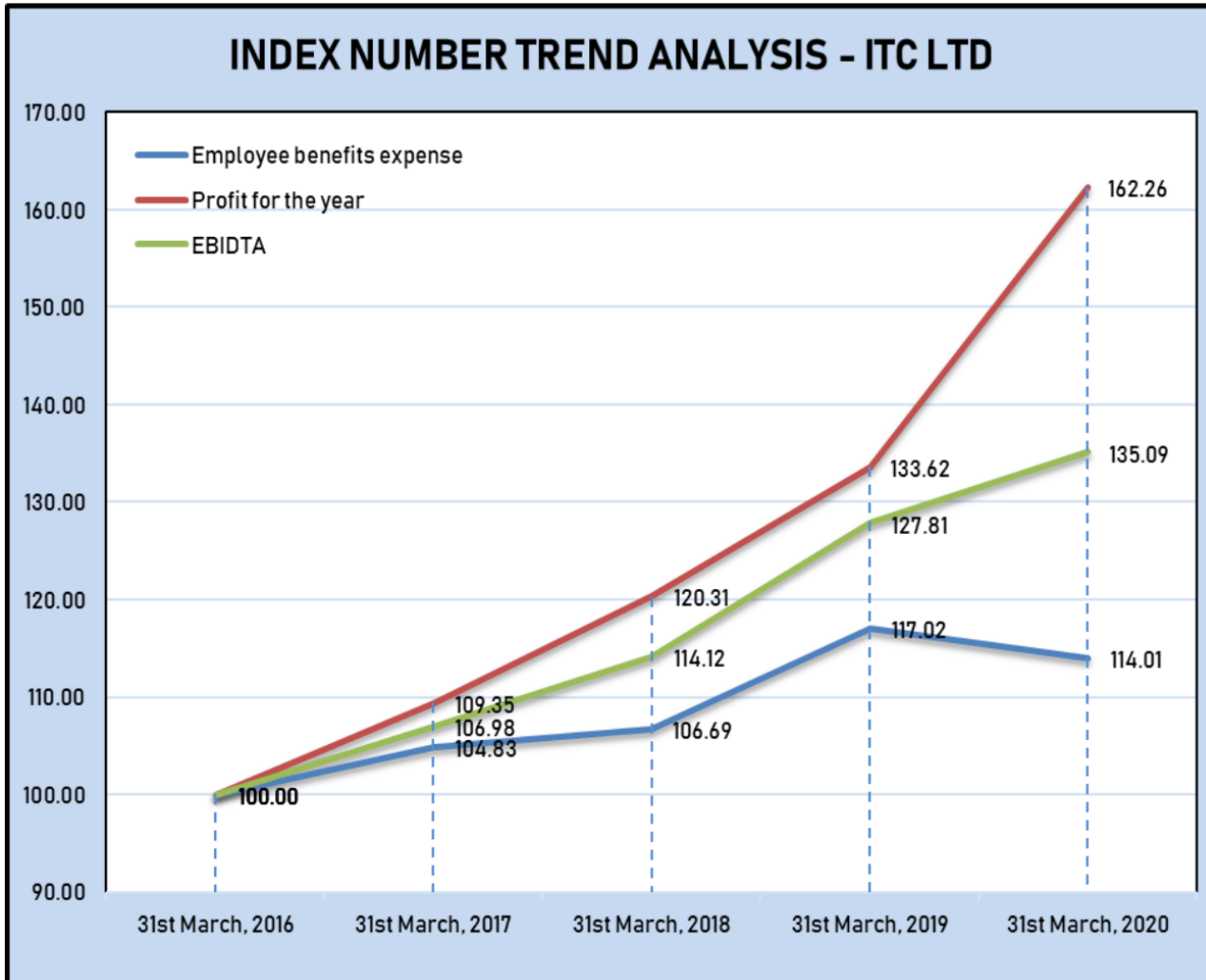
How one Rupee is earned from different segments the year ending on 31st March, 2020?



# How one rupee is spent by ITC Limited?



# Trend Analysis – Income Statement of ITC Limited



# Types or Classification of Ratios

## Liquidity Ratios

- Used to assess a company's ability to meet its short-term obligations

## Activity Ratios

- Used to assess how efficiently a company is managing its operations

## Solvency Ratios

- Used to assess a company's ability to meet its long-term obligations

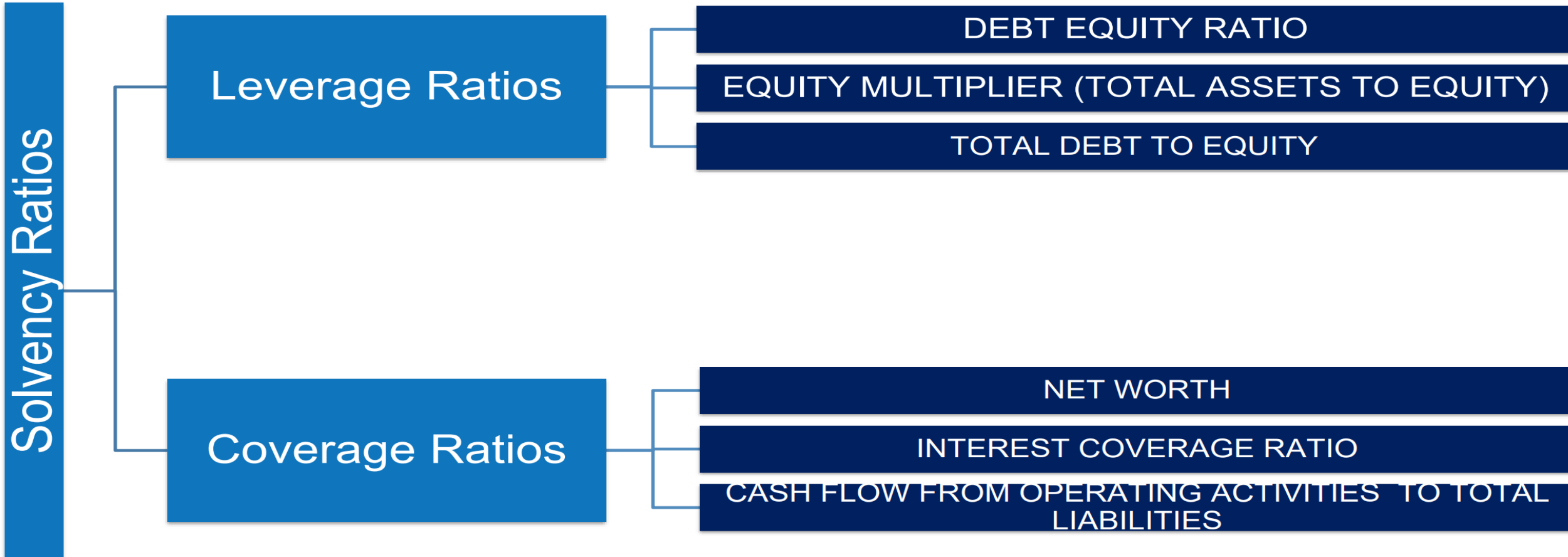
## Profitability Ratios

- Used to assess a company's ability to generate profits

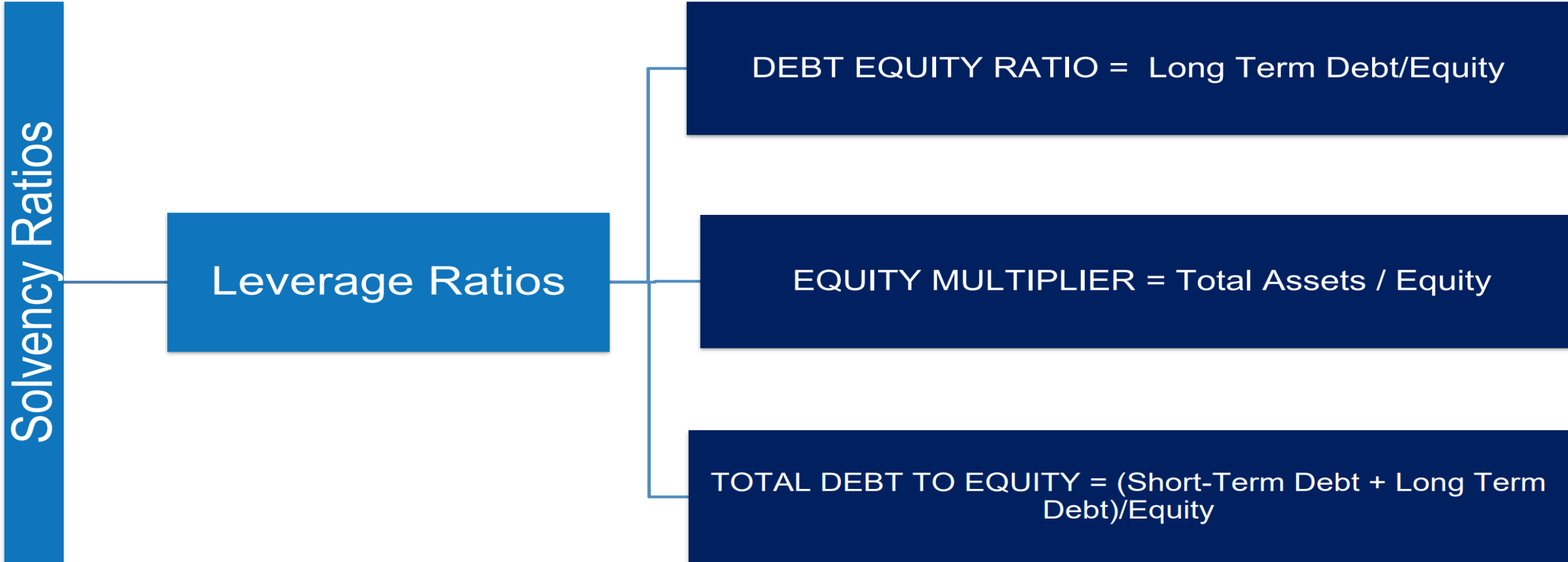
## Valuation Ratios

- Used to know the performance of a company's shares in the market and a firm's value

# Solvency Ratios



# Solvency Ratios



# Solvency Ratios: Leverage

Hypothetical Financial Data - Solvency Analysis	
Particulars	31st March, 2020
SHARE CAPITAL	Rs.200.00
RETAINED EARNINGS	Rs.800.00
NET WORTH	Rs.1,000.00
SHORT-TERM DEBT	Rs.250.00
LONG-TERM DEBT	Rs.400.00
TOTAL ASSETS	Rs.2,000.00

Hypothetical Data - Solvency Ratios	
Particulars	31st March, 2020
DEBT EQUITY RATIO (400/1,000)	40.00%
EQUITY MULTIPLIER (2000/1000)	2.00
TOTAL DEBT TO EQUITY	65.00%

# Solvency Ratios

Solvency Ratios

Coverage Ratios

NET WORTH = Share Capital + Reserves and Surplus

INTEREST COVERAGE RATIO = EBIT/Interest

CASH FLOW FROM OPERATING ACTIVITIES TO TOTAL LIABILITIES = Cash Flow from Operating Activities/Total Liabilities

# Solvency Ratios: Coverage

## Hypothetical Financial Data - Solvency Analysis

Particulars	31st March, 2020
SHARE CAPITAL	Rs.200.00
RETAINED EARNINGS	Rs.800.00
NET WORTH	Rs.1,000.00
SHORT-TERM DEBT	Rs.250.00
LONG-TERM DEBT	Rs.400.00
CASH FLOWS FROM OPERATING ACTIVITIES	Rs.150.00
EBIT	Rs.200.00
INTEREST PAID	Rs.40.00

## Hypothetical Data - Solvency Ratios

Particulars	31st March, 2020
NET WORTH (200+800)	Rs.1,000.00
INTEREST COVERAGE RATIO	5.00
CASH FLOW FROM OPERATING ACTIVITIES TO TOTAL LIABILITIES	23.08%

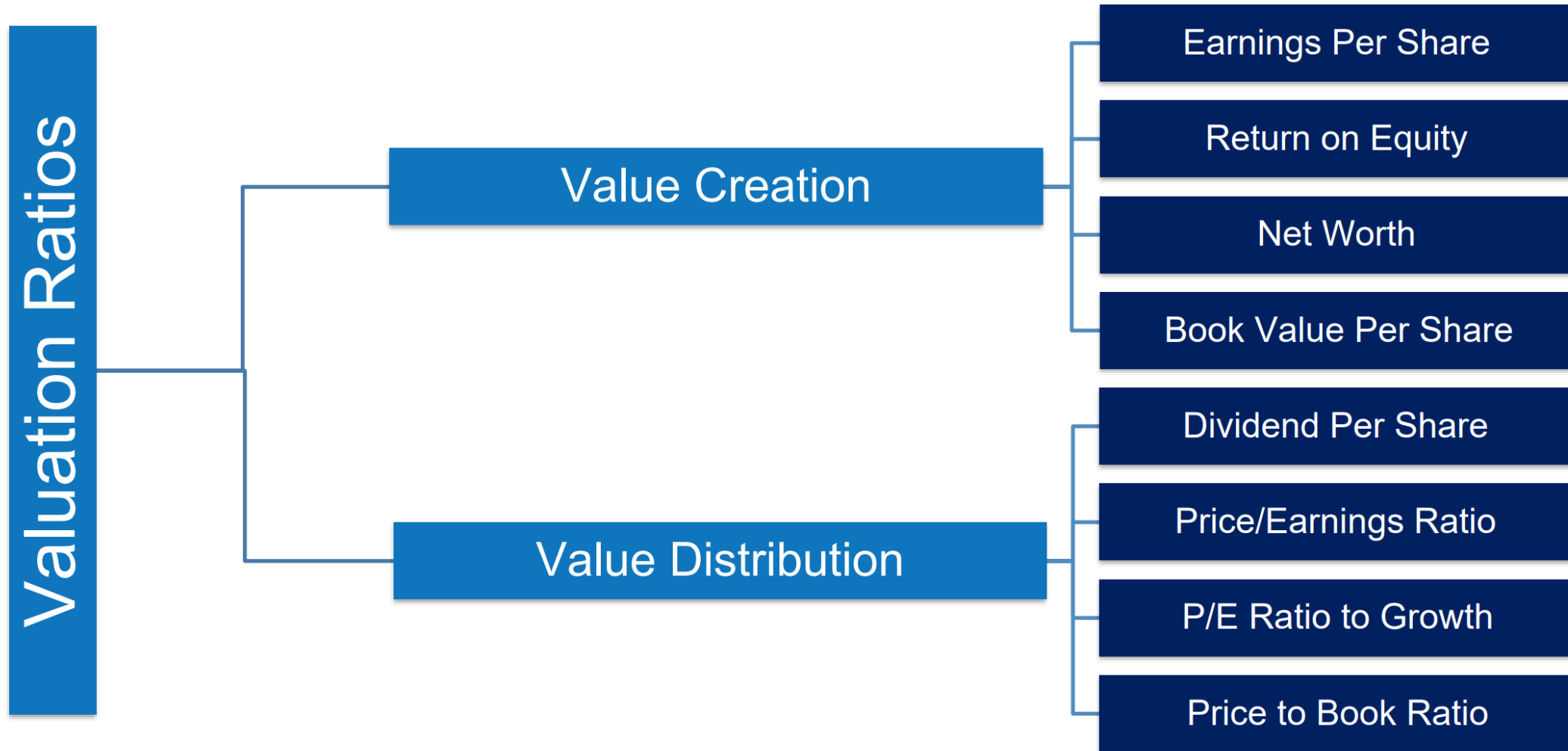
## Dr. Reddy's Laboratories Limited - Solvency Ratio Analysis - Leverage

Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
DEBT EQUITY RATIO	9.06%	4.54%	4.40%	2.95%	0.32%
EQUITY MULTIPLIER	1.51	1.42	1.45	1.28	1.28
TOTAL DEBT TO EQUITY	32.07%	32.73%	33.92%	17.64%	19.44%

## Dr. Reddy's Laboratories Limited - Solvency Ratio Analysis - Coverage

Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
NET WORTH	Rs.11,605.40	Rs.11,600.60	Rs.11,807.80	Rs.12,684.10	Rs.15,191.90
INTEREST COVERAGE RATIO	27.16	28.00	12.10	30.94	59.07
CASH FLOW FROM OPERATING ACTIVITIES TO TOTAL LIABILITIES	46.15%	20.96%	29.07%	77.51%	42.93%

# Valuation Ratios



# Valuation Ratios #1

Financial Information (Hypothetical)	
Total Revenue	1,000
Less: Cost of Goods Sold(COGS)	(500)
Gross Profit	500
Less: Operating Expenses	(300)
Operating Profit (EBIT)	200
Less: Interest	(50)
Profit before Tax (PBT)	150
Less: Tax@30%	(45)
Net Profit (PAT)	105
Share Capital (Rs. 10 face Value)	1,000
Reserves and Surpluses	750

$$\text{Earnings Per Share (Rs.)} = \frac{\text{Net Profit}}{\text{No. of Shares}} = \frac{105}{100} = \text{Rs. 1.05}$$

$$\text{Net Worth} = \text{Share Capital} + \text{Reserves and Surplus} = 1,000 + 750 = 1,750$$

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Net Worth}} = \frac{105}{1,750} = 6\%$$

$$\text{Book Value Per Share} = \frac{\text{Net Worth}}{\text{No. of Shares issued}} = \frac{1,750}{100} = \text{Rs. 17.50}$$

# Valuation Ratios #2

Financial Information (Hypothetical)	
Total Revenue	Rs.1,000.00
Less: Cost of Goods Sold(COGS)	(Rs.500.00)
Gross Profit	Rs.500.00
Less: Operating Expenses	(Rs.300.00)
Operating Profit (EBIT)	Rs.200.00
Less: Interest	(Rs.50.00)
Profit before Tax (PBT)	Rs.150.00
Less: Tax@30%	(Rs.45.00)
Net Profit (PAT)	Rs.105.00
Share Capital (Rs. 10 face Value)	Rs.1,000.00
Reserves and Surpluses	Rs.750.00
EPS	Rs.1.05
Total Dividend paid	Rs.90.00
Growth in the EPS	10%
Share Price	Rs.20.00

$$\text{Dividend Per Share (Rs.)} = \frac{\text{Total Dividend Paid}}{\text{No. of Shares}} = \frac{90}{100} = \text{Rs. 0.90}$$

$$\text{Price/Earnings Ratio} = \frac{\text{Share Price}}{\text{EPS}} = \frac{20}{1.05} = 19.05$$

$$\text{Price Earning Ratio to Growth} = \frac{\text{Price Earning Ratio}}{\text{Growth Rate in Earning}} = \frac{19.05}{10} = 1.905$$

$$\text{Price to Book Value Ratio} = \frac{\text{Share Price}}{\text{Book Value Per Share}} = \frac{20}{17.50} = 1.14$$

# Other Different Terms for Profit

- Gross Profit: Total Revenue – Cost of Good Sold
  - EBIT/PBIT or Operating Profit: Earnings Before Interest Taxes and it presents profits from the operations of the business.
  - PBT: Profit Before Tax; it is calculated by considering all expenses related to operations except taxes.
  - PAT: Profit After Tax; it is profit left after considering all expenses and taxes. This is the profit available for distribution among the shareholders.

Source: THE COCA-COLA COMPANY AND SUBSIDIARIES, Annual Report 2019

## Income Statement (Profit and Loss Account)

Revenue

(-) Cost of Sales

### = GROSS PROFIT

(-) Administrative Expenses

(-) General Expenses

(-) Selling and Distribution Exposure

(-) Research and Develop Expenses

### = EBIDTA

(-) Depreciation and Amortization

### = EBIT

(-) Interest

### = PBT

(-) Taxes

### PAT or Profit for the Year

## THE COCA-COLA COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

(In millions except per share data)

Year Ended December 31,	2019	2018	2017
<b>Net Operating Revenues</b>	\$ 37,266	\$ 34,300	\$ 36,212
Cost of goods sold	14,619	13,067	13,721
<b>Gross Profit</b>	22,647	21,233	22,491
Selling, general and administrative expenses	12,103	11,002	12,834
Other operating charges	458	1,079	1,902
<b>Operating Income</b>	10,086	9,152	7,755
Interest income	563	689	679
Interest expense	946	950	853
Equity income (loss) — net	1,049	1,008	1,072
Other income (loss) — net	34	(1,674)	(1,763)
<b>Income Before Income Taxes</b>	10,786	8,225	6,890
Income taxes	1,801	1,749	5,607
<b>Consolidated Net Income</b>	8,985	6,476	1,283

# ITC Limited – Profitability Ratios – Earning desired profit on sales

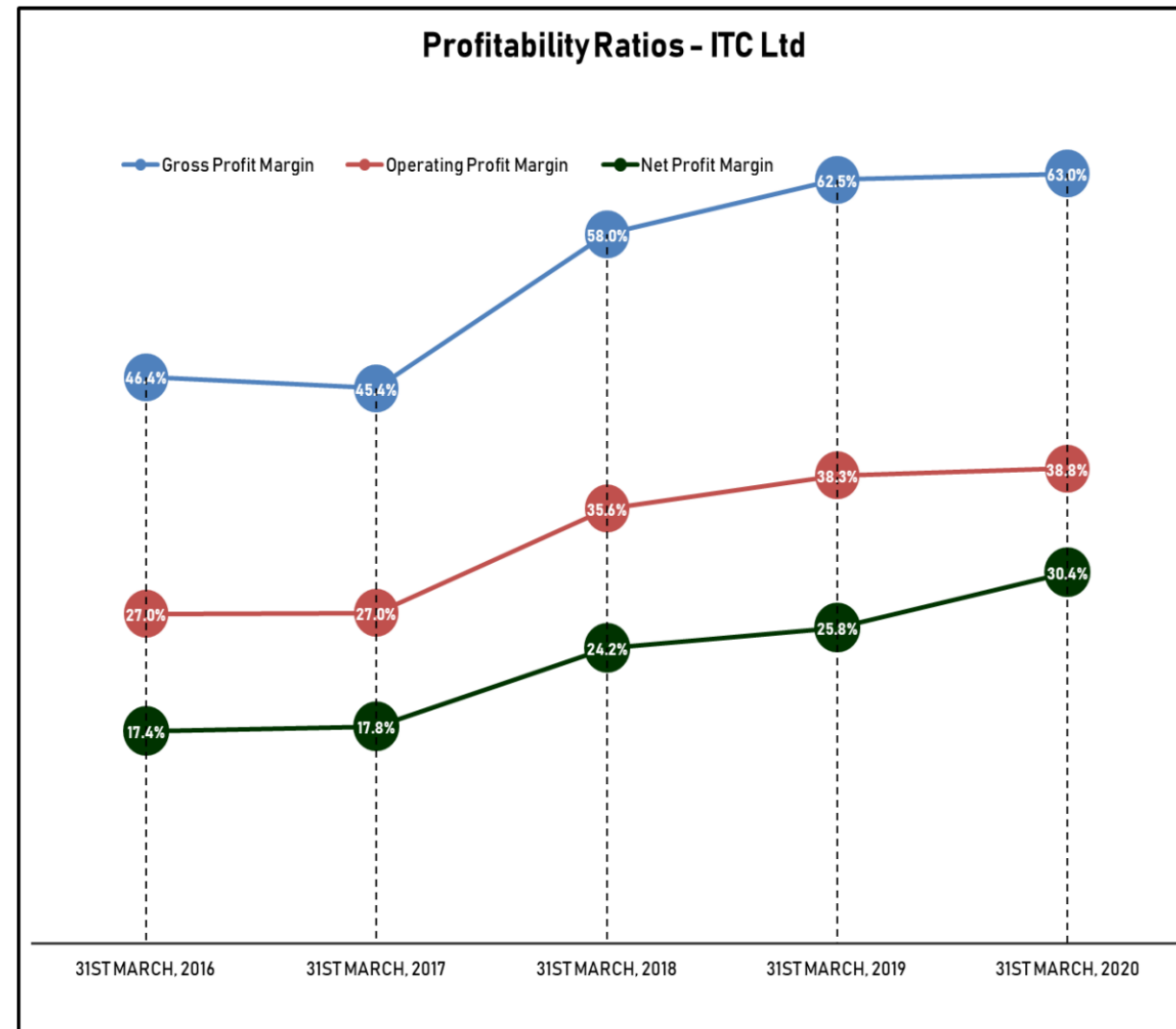
## ITC Limited

Profitability Ratios	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Gross Profit Margin	46.36%	45.44%	58.04%	62.51%	63.02%
Operating Profit Margin	26.96%	27.03%	35.57%	38.28%	38.85%
Net Profit Margin	17.37%	17.76%	24.16%	25.82%	30.38%

## ITC Limited

Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Total Revenue	Rs.53,713.83	Rs.57,434.37	Rs.46,459.61	Rs.48,268.93	Rs.49,821.00
Cost of Goods Sold	Rs.28,811.90	Rs.31,336.08	Rs.19,492.27	Rs.18,093.89	Rs.18,422.77
Gross Profit	Rs.24,901.93	Rs.26,098.29	Rs.26,967.34	Rs.30,175.04	Rs.31,398.23
EBIT	Rs.14,483.20	Rs.15,525.91	Rs.16,525.45	Rs.18,478.35	Rs.19,354.64
Profit After Tax	Rs.9,328.37	Rs.10,200.90	Rs.11,223.25	Rs.12,464.32	Rs.15,136.05

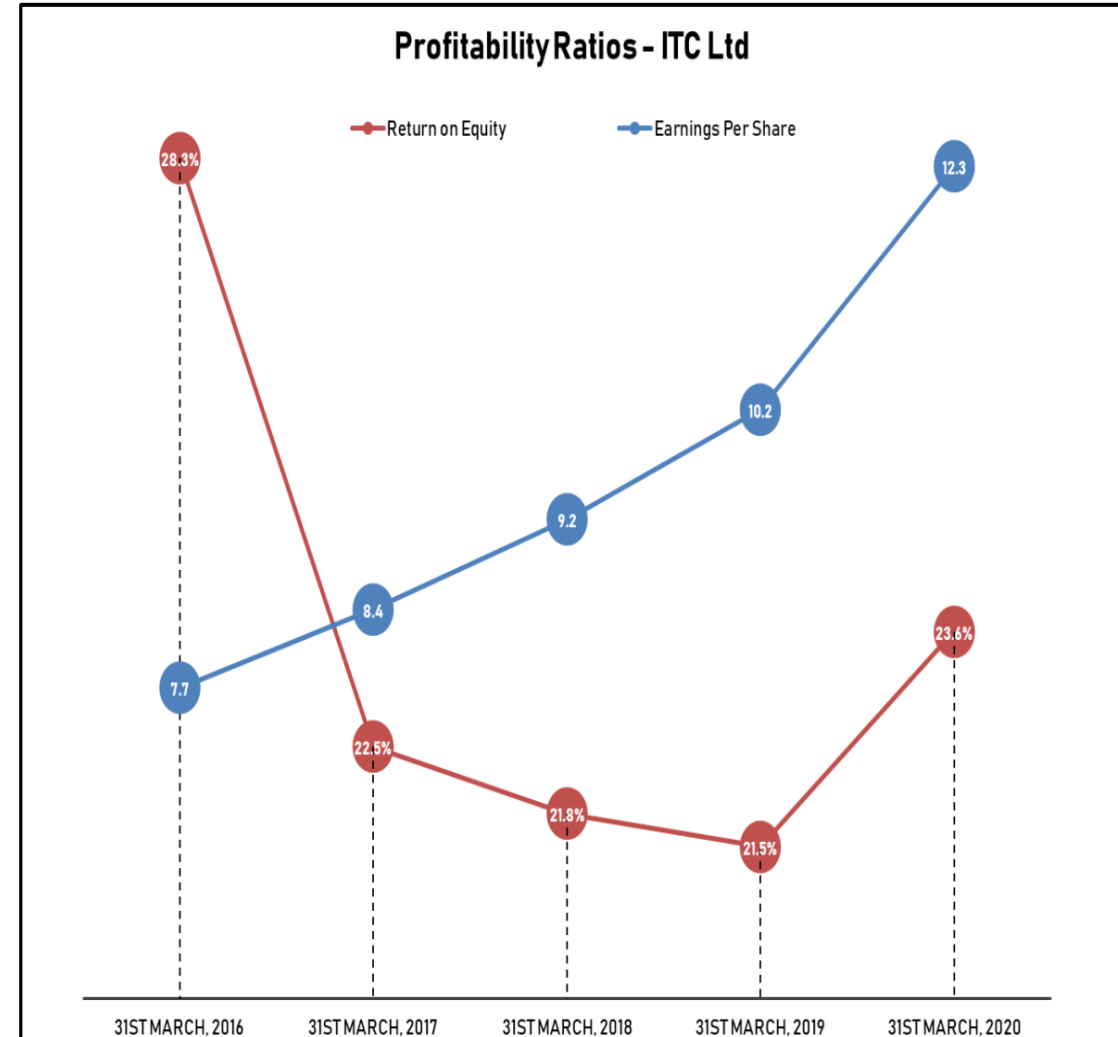
## Profitability Ratios - ITC Ltd



# ITC Ltd – Profitability Ratios – Earning desired profit for Shareholders

ITC Limited					
Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Earnings Per Share	Rs.7.74	Rs.8.43	Rs.9.22	Rs.10.19	Rs.12.33
Return on Equity	28.33%	22.50%	21.84%	21.51%	23.64%

ITC Limited					
Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Profit After Tax	Rs.9,328.37	Rs.10,200.90	Rs.11,223.25	Rs.12,464.32	Rs.15,136.05
Share Capital	Rs.804.72	Rs.1,214.74	Rs.1,220.43	Rs.1,225.86	Rs.1,229.22
Reserves and Surplus (Other Equity)	Rs.32,124.28	Rs.44,126.22	Rs.50,179.64	Rs.56,723.93	Rs.62,799.94
Net Worth	Rs.32,929.00	Rs.45,340.96	Rs.51,400.07	Rs.57,949.79	Rs.64,029.16
No. of Equity Shares	8047	12147	12204	12259	12292



# ITC Limited – Profitability Ratios – Earning profits with efficiency

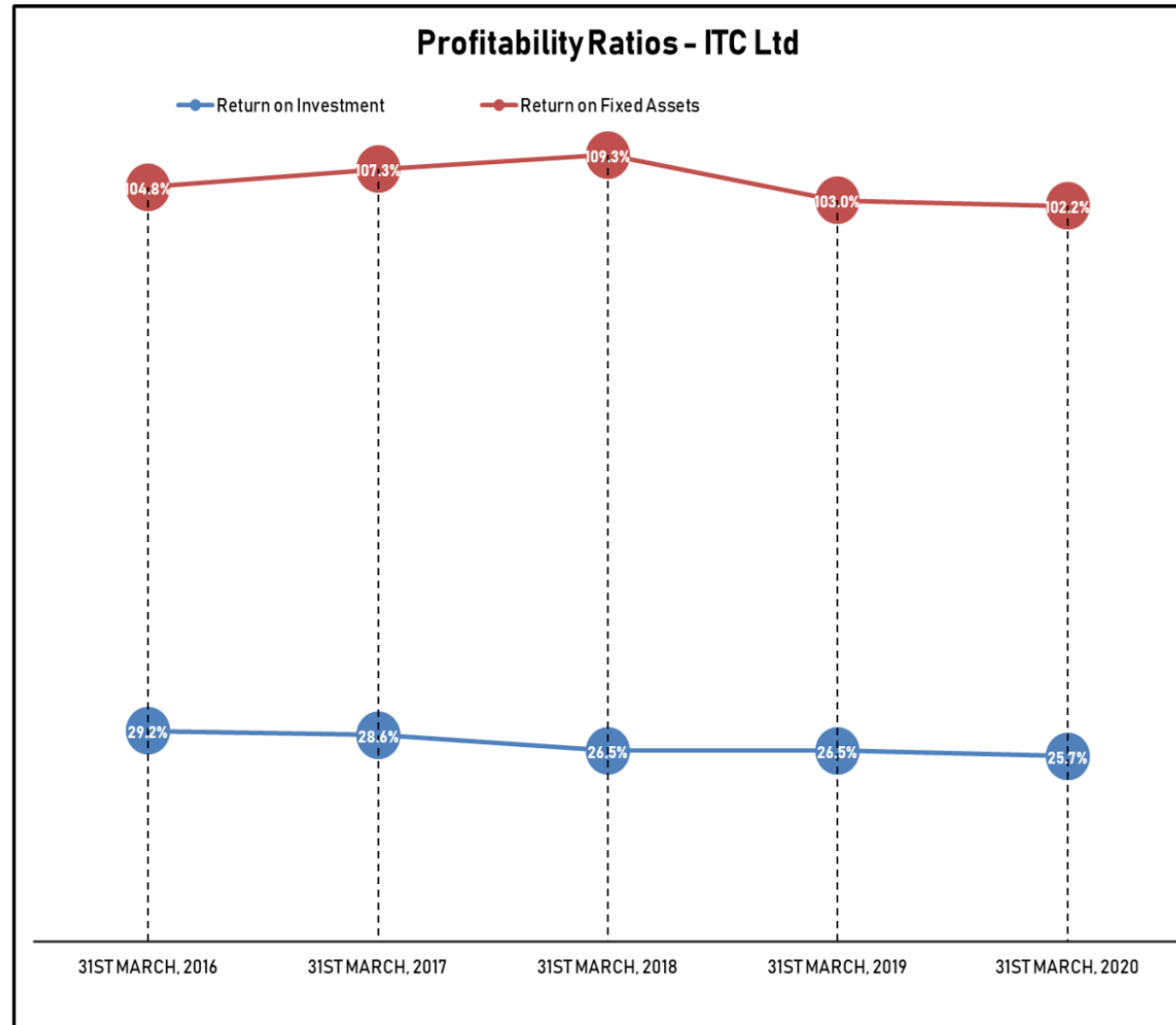
## ITC Limited

Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Total Assets	Rs.49,518.43	Rs.54,215.95	Rs.62,381.31	Rs.69,797.92	Rs.75,235.36
EBIT	Rs.14,483.20	Rs.15,525.91	Rs.16,525.45	Rs.18,478.35	Rs.19,354.64
Fixed Assets (Property, Plant and Equipment)	Rs.13,816.77	Rs.14,469.32	Rs.15,120.00	Rs.17,945.65	Rs.18,932.57

## ITC Limited

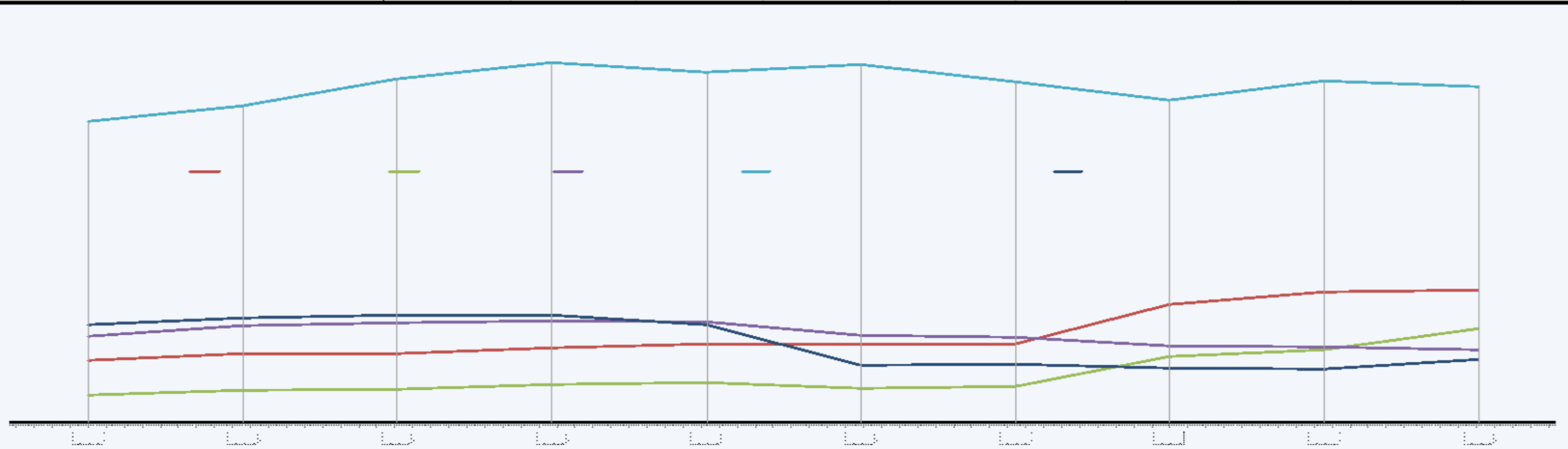
Particulars	31st March, 2016	31st March, 2017	31st March, 2018	31st March, 2019	31st March, 2020
Return on Investment	29.25%	28.64%	26.49%	26.47%	25.73%
Return on Fixed Assets	104.82%	107.30%	109.30%	102.97%	102.23%

## Profitability Ratios - ITC Ltd



## ITC Limited - Ten Year Summary of Financial Indicators

Particulars	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Profit Margin	23.4%	24.9%	25.0%	26.3%	27.1%	27.0%	27.0%	35.6%	38.3%	38.8%
Net Profit Margin	15.9%	17.1%	17.2%	18.2%	18.5%	17.4%	17.8%	24.2%	25.8%	30.4%
Return on Investment	28.8%	31.0%	31.7%	32.3%	31.8%	28.9%	28.6%	26.5%	26.5%	25.7%
Return on Fixed Assets including Intangibles	75.8%	78.9%	84.8%	88.5%	86.3%	88.1%	84.3%	80.3%	84.4%	83.1%
Earnings Per Share	Rs.6.45	Rs.7.88	Rs.9.39	Rs.11.05	Rs.11.99	Rs.11.59	Rs.8.40	Rs.9.20	Rs.10.17	Rs.12.31
Return on Equity	31.3%	32.8%	33.3%	33.5%	31.3%	22.4%	22.5%	21.8%	21.5%	23.6%



# Commercial Banks

- Specifically, commercial banks' major assets are loans (financial assets) and their major liabilities are deposits

# Differences in Balance Sheets of Commercial Banks and Nonfinancial Firms

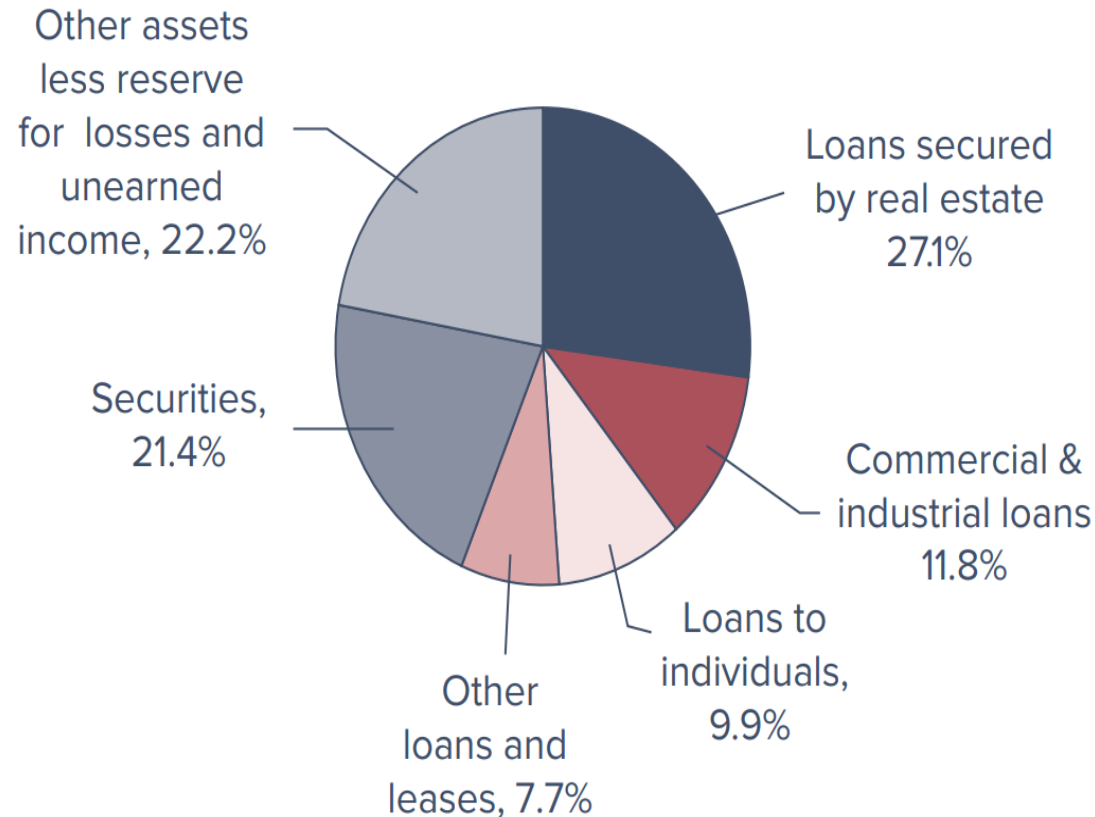
Commercial Banks		Nonfinancial Firms	
Assets	Liabilities and Equity	Assets	Liabilities and Equity
Loans	Deposits	Deposits	Loans
Other financial assets		Other financial assets	
Other nonfinancial assets	Other liabilities and equity	Other nonfinancial assets	Other liabilities and equity

# Balance Sheet of India Major Bank

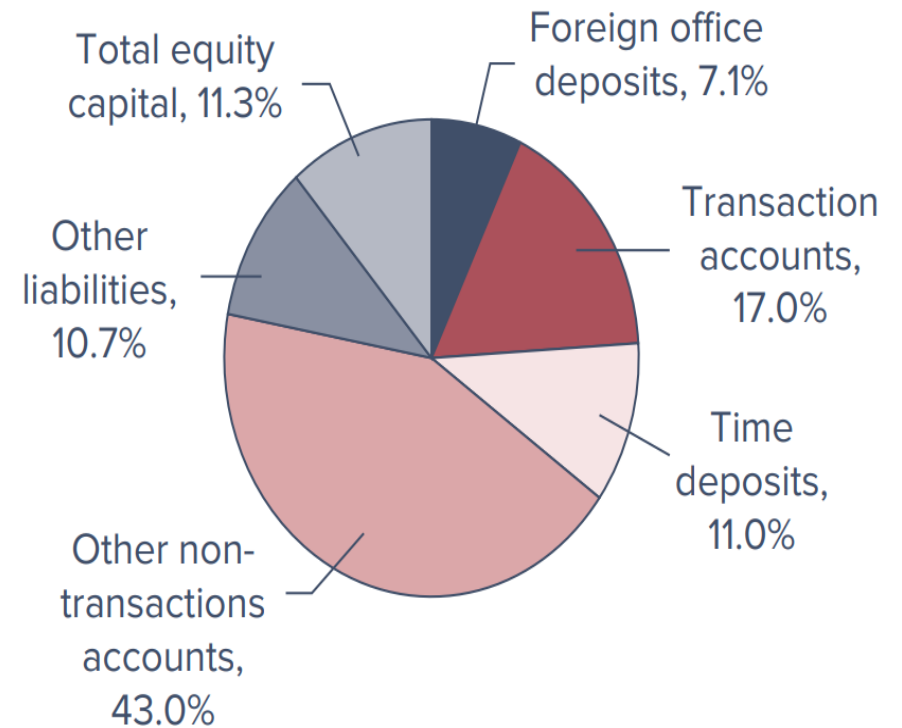
<b>Total Assets</b>	<b>18,645,348</b>
Loans secured by real estate	5,045,856
Commercial and industrial loans	2,205,006
Loans to individuals	1,837,510
Credit cards	941,557
Other loans to individuals	895,953
Other loans and leases	1,432,167
Gross total loans and leases	10,520,539
Less: Unearned income	2,337
Total loans and leases	10,518,202
Less: Reserve for losses	123,889
Net loans and leases	10,394,313
Securities	3,981,634
Bank premises and fixed assets	187,415
Other real estate owned	5,710
Intangible assets	408,786
All other assets	3,667,490
<b>Total Liabilities and Capital</b>	<b>18,645,348</b>
Deposits	14,535,283
Foreign office deposits	1,315,315
Domestic office deposits	13,219,968
Transaction accounts	3,160,949
Nontransaction accounts	10,059,019
Time deposits	2,042,090
Other nontransactions accounts	8,016,929
Subordinated debt	69,952
All other liabilities	1,926,126
Total liabilities	16,531,361
Total equity capital	2,113,987
Total bank equity capital	2,111,105

# Distribution of Commercial Bank Assets, Liabilities, and Equity

Distribution of Assets



Distribution of Liabilities and Equity



# Off-Balance-Sheet Activities

- OBS activities include issuing various types of guarantees (such as letters of credit), which often have a strong insurance underwriting element, and making future commitments to lend. Both services generate additional fee income for banks. Off-balance-sheet activities also involve engaging in derivative transactions—futures, forwards, options, and swaps.
- By undertaking off-balance-sheet activities, banks hope to earn additional fee income to complement declining margins or spread.
- At the same time, they can avoid regulatory costs or “taxes” since reserve requirements and deposit insurance premiums are not levied on off-balance-sheet activities

# Overview of Off-Balance-Sheet Contingent Assets and Liabilities

	1992	2002	2007	2010	2015	2019	Distribution 2019
Total unused commitments	\$1,401.0	\$5,500.2	\$8,052.8	\$5,546.3	\$6,804.7	\$8,215.4	4.6%
Revolving open-end lines secured by 1–4 family residential property	120.3	325.1	637.8	468.7	411.1	430.0	0.2
Credit card lines	572.0	3,357.7	4,500.0	3,010.8	3,236.7	3,975.6	2.2
Construction loan commitments	8.6	40.4	370.0	134.3	352.4	483.6	0.3
Other unused commitments	700.1	1,777.0	2,544.9	1,932.6	2,804.5	3,326.1	1.8
C&I loans				1,048.7	1,848.5	2,127.8	1.2
Loans to financial institutions				198.0	307.8	427.1	0.2
All other				686.0	648.2	771.3	0.4
Letters of credit	190.8	348.3	619.9	589.0	616.7	722.0	0.4
Financial standby letters of credit and foreign office guarantees	110.4	271.7	494.1	472.6	490.8	592.4	0.3
All other letters of credit	80.4	76.5	125.8	116.4	125.9	129.6	0.1
Credit derivatives: protection sold, total notional amount			7,820.3	15,738.0	3,440.8	1,895.2	1.1
Credit default swaps			7,723.0	15,590.0	3,288.9	1,677.6	0.9
Other			97.3	148.0	152.0	217.6	0.1
Credit derivatives: protection bought, total notional amount			8,042.5	15,919.6	3,545.7	2,049.4	1.1
Credit default swaps			7,919.1	15,743.4	3,367.8	1,782.2	1.0
Other			123.5	176.2	177.9	267.3	0.1
Interest rate derivatives, total notional amount	4,872.0	48,485.8	129,477.5	193,391.3	138,361.6	125,078.3	69.3
Swaps	2,127.4	31,195.5	99,376.5	142,383.8	93,730.2	80,916.3	44.8
Forward contracts		4,150.6	5,617.5	19,400.3	13,995.6	11,953.7	6.6
Other	2,744.6	13,139.7	24,483.5	31,607.3	30,635.8	32,185.9	17.8
Other derivatives, total notional amount	3,789.0	7,094.1	20,202.1	23,547.3	35,603.0	42,461.3	23.5
Swaps		1,421.5	3,713.3	6,939.2	13,661.5	15,697.8	8.7
Forward contracts	3,789.0	3,892.4	9,555.3	11,357.8	14,529.7	18,873.3	10.5
Other		1,780.3	6,933.5	5,250.4	7,411.8	7,890.2	4.4
<b>Total off-balance-sheet items</b>	<b>10,252.8</b>	<b>61,428.4</b>	<b>174,215.1</b>	<b>254,731.5</b>	<b>188,372.5</b>	<b>180,421.6</b>	<b>100.0</b>
<b>Total balance sheet assets*</b>	<b>4,593.0</b>	<b>8,372.8</b>	<b>12,930.1</b>	<b>13,254.2</b>	<b>15,915.2</b>	<b>18,584.7</b>	

# Other Fee-Generating Activities

- Trust Services
- Correspondent Banking- These services include check clearing and collection, foreign exchange trading, hedging services, and participation in large loan and security issuances.
- Payment for the services is generally in the form of non-interest-bearing deposits held at the bank offering the correspondent services

# Banks Balance Sheet

- Assets- A bank's assets are grouped into four major subcategories: (1) cash and due from depository institutions, (2) investment securities, (3) loans and leases, and (4) other assets.
- Investment securities and loans and leases are the bank's earning assets

# Banks Balance Sheet

- Cash and Due from Depository Institutions- Vault cash is composed of the currency and coin needed to meet customer withdrawals. Deposits at the Central Bank are used primarily to meet legal reserve requirements to assist in check clearing, wire transfers, and the purchase or sale of Treasury securities.
- Deposits at other financial institutions are primarily used to purchase services from those institutions. These banks generally purchase services such as check collection, check processing, fed funds trading, and investment advice from correspondent banks.

# Banks Balance Sheet

- Investment Securities- Investment securities consist of federal funds sold, repurchase agreements (RPs or reposs).

# Sample Balance Sheet

## Assets

1	Vault cash	12.569	12,072
2	Deposits at Federal Reserve	57.502	69,231
3	Deposits at other financial institutions	8.282	70,412
4	Cash items in process of collection	0.013	9,446
5	<i>Cash and due from depository institutions</i>	78.366	161,161
6	Federal funds sold and RPs	0.000	30,331
7	U.S. Government securities	34.284	54,675
8	Securities issued by states and political subdivisions	166.105	13,971
9	Mortgage-backed securities	328.289	335,295
10	Other debt and equity securities	80.625	17,498
11	<i>Securities</i>	609.303	451,770
12	Commercial and industrial loans	330.095	290,042
13	Loans secured by real estate	1,584.161	342,145
14	Consumer loans	17.497	167,059
15	Other loans	137.804	140,915
16	Leases	0.000	24,161
17	Gross loans and leases	2,069.557	964,322
18	Less: Unearned income	0.000	0
19	Reserve for loan and lease losses	21.071	9,518
20	<i>Net loans and leases</i>	2,048.486	954,804
21	Trading account assets	0.000	83,871
22	Premises and fixed assets	52.561	18,397
23	Other real estate owned	9.254	322
24	Intangible assets	34.617	58,730
25	All other assets	25.840	77,268
26	<i>Other assets</i>	122.272	238,588
27	<b>Total assets</b>	<u>2,858.427</u>	<u>1,806,323</u>

## Liabilities and Equity Capital

<b>28</b>	Demand deposits	224.688	184,059
<b>29</b>	NOW accounts	165.878	83,505
<b>30</b>	DAs	451.622	561,334
<b>31</b>	Other savings deposits	1,271.731	480,147
<b>32</b>	Deposits in foreign offices	0.000	87,429
<b>33</b>	Retail CDs	<u>226.065</u>	<u>21,248</u>
<b>34</b>	Core deposits	2,339.984	1,417,722
<b>35</b>	Wholesale CDs	<u>112.744</u>	<u>34,297</u>
<b>36</b>	<i>Total deposits</i>	2,452.728	1,452,019
<b>37</b>	Federal funds purchased and repurchase agreements	35.646	25,810
<b>38</b>	Other borrowed funds	0.000	83,458
<b>39</b>	Subordinated debt	0.000	1,732
<b>40</b>	All other liabilities	<u>34.419</u>	<u>28,725</u>
<b>41</b>	<i>Total liabilities</i>	2,522.793	1,591,744
<b>42</b>	Perpetual preferred stock	0.000	0
<b>43</b>	Common stock	5.000	3,042
<b>44</b>	Surplus and paid-in capital	67.500	167,112
<b>45</b>	Retained earnings	<u>263.134</u>	<u>44,425</u>
<b>46</b>	<i>Total equity capital</i>	<u>335.634</u>	<u>214,579</u>
<b>47</b>	<b>Total liabilities and capital</b>	<u><u>2,858.427</u></u>	<u><u>1,806,323</u></u>

# Income Statement

- Interest income and expenses, net interest income, provision for loan losses, noninterest income and expenses, income before taxes and extraordinary items, and net income for the banks earned from the on- and off-balance-sheet activities.

# Interest Income

- The income statement for a commercial bank first shows the sources of interest income.
- Interest and fee income on loans and leases.

# Interest Expenses

- Interest on deposits
- Retail CD

# Net Interest Income

- Total interest income minus total interest expense.
- Net interest income is an important tool in assessing the bank's ability to generate profits and control interest rate risk.

# Provision for Loan Losses

- The provision for loan losses is a noncash.
- The provision for loan losses is the current period's allocation to the allowance for loan losses listed on the balance sheet.

# Noninterest Income

- It includes all other income received by the bank as a result of its on- and off-balance-sheet activities and is becoming increasingly important as the ability to attract core deposits and high-quality loan applicants.

# Noninterest Income

- Included in this category is income from fiduciary activities (for example, earnings from operating a trust department),
- Service charges on deposit accounts, trading revenues (gains [losses] and fees from trading marketable instruments and OBS derivative instruments),
- Fees from other-than-banking activities such fees from investment banking and security brokerage, fees from insurance,
- Servicing fees from mortgages, credit cards, and other assets, gains and losses from the sale of loans and investment securities, and other noninterest income (fee income from OBS loan commitments and letters of credit, ATM fees, money order, cashier's check, and travelers' check fees, data processing revenue, and revenue from one-time transactions such as sales of real estate owned, loans, premises, and fixed assets)

<b>Interest Income</b>			
1	Income on C&I loans	\$ 24.404	\$10,140
2	Income on real estate loans	79.512	13,382
3	Income on consumer loans	1.476	13,932
4	Income on other loans	8.654	6,780
5	Income on leases	0.000	882
6	Interest and fees on loans and leases	\$114.046	\$45,116
7	Interest on deposits at other institutions	1.390	1,968
8	Interest on fed funds and RPs	0.000	1,106
9	Interest on U.S. Treasury and agency securities	1.002	1,134
10	Interest on securities issued by states and political subdivisions	4.836	434
11	Interest on mortgage-backed securities	8.808	9,590
12	Interest on debt and equity securities	2.820	1,844
13	Interest income on investment securities	\$ 18.856	\$16,076
14	<i>Total interest income</i>	\$132.902	\$61,192
<b>Interest Expense</b>			
15	Interest on NOW accounts	\$ 0.144	\$ 2,876
16	Interest on MMDA accounts and other savings	2.526	3,270
17	Interest on foreign debt	0.000	820
18	Interest on retail CDs	2.358	221
19	Interest on wholesale CDs	1.452	361
20	Interest on deposit accounts	\$ 6.480	\$ 7,548
21	Interest on fed funds and RPs	0.070	604
22	Interest on borrowed funds	0.008	1,410
23	Interest on subordinated notes and debentures	0.000	58
24	<i>Total interest expense</i>	\$ 6.558	\$ 9,620
25	<i>Net interest income</i>	\$126.344	\$51,572
26	<i>Provision for loan losses</i>	\$ 6.000	\$ 3,762
<b>Noninterest Income</b>			
27	Income from fiduciary activities	\$ 5.768	\$ 1,946
28	Service charges on deposit accounts	6.628	5,280
29	Trading revenue	0.000	4,206
30	Fees from investment banking and security brokerage	0.766	1,172
31	Fees from insurance	0.674	16
32	Net servicing fees	-0.930	-148
33	Net gain (loss) from sale of loans and investment securities	1.552	350
34	Other noninterest income	9.972	13,052
35	<b>Total noninterest income</b>	\$ 24.430	\$25,874
<b>Noninterest Expense</b>			
36	Salaries and employee benefits	\$ 53.942	\$17,346
37	Expenses of premises and fixed assets	8.272	4,780
38	Other noninterest expense	19.712	14,002
39	<b>Total noninterest expense</b>	\$ 81.926	\$36,128
40	Income before taxes and extraordinary items	\$ 62.848	\$37,556
41	Applicable income taxes	1.058	7,894
42	Extraordinary items	0.168	0
43	<b>Net Income</b>	\$ 61.958	\$29,662