

1 ☐ BANK PERFORMANCE

MAJOR FACTORS THAT AFFECT A BANK'S PERFORMANCE

2 ☐ Introduction

A commercial bank provides banking services to individuals and business alike.

Financial performance, bank history, market cap, assets/debt, and the economy are factors used to determine the value, or total worth, of a bank.

3 ☐ 1. Financial Performance

- A good indicator of a bank's value.
- Earning statements and past profit records are a sign of present performance health.
- Customers may receive an annual statement outlining the bank's accounting process, general performance, and the future vision.

4 ☐ History of the Bank

- A strong tool for the customer when looking at bank performance.
- Past performance and leadership history influences a customer's perception.

5 ☐ MARKET CAP

- Defined as the number of outstanding shares of stock times the price of each share.
- Less objective measure of bank's worth
- Represents how much money an investor would need to have to immediately purchase the bank.

6 ☐ ASSETS/DEBTS

- Amount of assets vs. debt on the books
- Large assets and little debt equals higher value than a similar sized bank with higher debt.
- Current Ratio = Current Assets/Current Liabilities

7 ☐ ECONOMY

- State of the economy, aside from the actual health of a bank, and economic trends greatly affect the bank's value in the customer's eyes.
- In 2008, banks that made wise investments lost value on fears about the health of banking in general.

8 ☐ BANK MODEL

<http://www.norges-bank.no>