

1 ☐ Profitability of A Bank

2 ☐ Introduction

- In the highly competitive financial market, it is imperative that bank's analyze each line of business in order to maximize profits.
- In this presentation, a brief overview of three areas of concentration will be given.

3 ☐ LEVERAGE AND RISK

- BALANCE SHEET
- As a customer, the bank sends out a monthly statement showing all activity on your accounts.
- A financial institution also has a monthly statement, balance sheet, that is reviewed by all parties involved.

4 ☐ BALANCE SHEET EXAMPLES

5 ☐

6 ☐

7 ☐ CREDIT RISK

- Simply defined as the potential that a borrower will fail to meet its obligations.
- To absorb losses like this, a bank will keep an "allowance" for loan and lease losses.
- These losses are written off and are replenished through the "provisions" set aside.

8 ☐ Credit Risk Balance Sheet Example

9 ☐ INTEREST RATE TISK

- Interest earned from loans
- greater than
- interest paid on deposits
- The total of this equation is a major factor of profitability.

10 ☐ Market

- The economic market will change.
- With each change, the financial institutions must adjust in order to remain profitable.
- Keeping check on assets and liabilities is a day to day process.

11 ☐