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EVALUATING FINANCIAL PERFORMANCEOF CONVENTIONAL BANKS IN PAKISTAN THROUGH RATIO ANALYSIS

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Abstract
This study aims to evaluate the financial performance of selected conventional banks in Pakistan by using key financial ratios. The analysis focuses on understanding how these banks have managed their liquidity, leverage, and profitability. Secondary data gathered from official reports published by the State Bank of Pakistan is used in a quantitative research technique over the five- year period from 2019 to 2023. Financial factors including Return on Equity (ROE), Return on Assets (ROA), Capital Ratio, Total Deposit to Equity (TDTE), and other liquidity indicators are used to evaluate the performance of the 11 conventional banks included in the study. Ratio analysis is used to analyze the financial health of banks over time and to interpret patterns. The results reveal significant disparities in financial performance among banks. Institutions maintained stable capital and liquidity positions, reflecting strong financial discipline. Conversely, banks such as Silk Bank and JS Bank displayed weak capital adequacy and high leverage, indicating financial stress. Many banks faced fluctuations in profitability and liquidity due to internal inefficiencies and external economic pressures, though a few showed recovery in recent years. The findings offer valuable insights for bank management, investors, regulators, and policymakers. Enhanced financial ratio monitoring can support better decision-making, risk assessment, and strategic planning. The study underscores the need for improved capital management, efficient operations, and balanced funding structures in Pakistan's conventional banking sector. This study contributes uniquely by focusing exclusively on conventional banks in Pakistan and evaluating their financial health using a comprehensive set of ratios over a recent five-year period. Unlike prior research that often mixes Islamic and conventional banks or uses limited indicators, this study provides a detailed, comparative view of financial performance within a specific regulatory and economic context.

INTRODUCTION

Conventional banks in Pakistan operate on an interest-based financial system and follow traditional banking principles as practiced globally. These banks offer a wide range of services including deposit accounts, personal and commercial loans, investment products, and trade financing. Regulated by the State Bank of Pakistan (SBP), conventional banks play a vital role in supporting the country's economic development by mobilizing savings and facilitating credit flow to various sectors (Lestari, 2021). Major players in this sector include institutions like Habib Bank Limited (HBL), United Bank Limited (UBL), and MCB Bank, among others. Despite the growing presence of Islamic banking, conventional banks continue to dominate the financial landscape in terms of asset size, branch networks, and customer base, making them a critical component of Pakistan's financial system.

The banking sector plays a critical role in the economic development of any country by mobilizing savings, facilitating investments, and ensuring financial stability (Amalia, 2021). In Pakistan, conventional banks form a major part of the financial system, providing a wide range of services such as lending, deposits, and investment products. With increasing competition, regulatory challenges, and global economic pressures, it has become essential to assess the financial health and performance of these banks through reliable tools. (Nugarah, 2021) One of the most effective methods to evaluate a bank's financial condition is financial ratio analysis. This method involves examining key ratios such as liquidity, profitability, and leverage to determine a bank's operational efficiency, risk management, and overall stability (Lestari, 2021). This study focuses on analyzing the financial ratios of selected conventional banks in Pakistan over a specific period.

Financial ratio analysis is a crucial method for assessing an organization's financial performance because it converts raw financial data into meaningful insights about probability, liquidity and leverage (Natser, 2025). By looking at ratios like Return on Equity (ROE), Return on Assets (ROA), Current ratio and Debt to Equity, stakeholders can assess how well resources are being used, determine the organizations ability to meet short term and long term obligations, and determine its level of risk (Horne, 2016). Additionally, financial ratio analysis makes easier to evaluate against industry standards, and helps management, investors, and creditors make well informed decisions (Gitman, Principles of Managerial Finance , 2015). Finally, financial ratio analysis offers an objective and structured method for evaluating an organizations overall financial health and directing strategies for sustainable improvement.

The purpose of this research is to provide a detailed understanding of the financial strengths and weaknesses of conventional banks, helping stakeholders such as investors, regulators, and management to make informed decisions. By comparing different banks using financial ratios, this study aims to identify performance trends and highlight areas needing improvement.

The significance of this study lies in its potential to enhance financial transparency and accountability in the conventional banking sector. It also helps in understanding how well these banks are adapting to economic changes and maintaining their financial health. Furthermore, the insights drawn from this analysis can be used as a benchmark for future performance evaluations and strategic planning.

This study is unique in its focused and comparative approach to evaluating the financial performance of conventional banks in Pakistan using a set of key financial ratios over a defined period. While several studies have explored the performance of banks in general, this research specifically concentrates on conventional banking institutions, excluding Islamic banks to maintain analytical clarity. What sets this study apart is its emphasis on using multiple ratio categories such as liquidity, profitability, and leverage to offer a comprehensive view of financial health. Additionally, the study considers recent economic developments and policy changes in Pakistan, which adds a current and practical perspective. This combination of a detailed ratio- based analysis and localized financial context makes the study a valuable contribution to existing literature and useful for both academic and practical financial evaluations.

1. LITERATURE REVIEW:

The most widely used and established banking system in the world is conventional banking. Its foundation is an interest driven business model, in which banks lend money to consumers and make money by collecting interest. They simultaneously take deposits from clients and give them interest, although at a reduced rate. The bank's net interest margin is the difference between interest earned and paid (Diantara, 2025)

By promoting investment and saving, this system aids in economic growth. Traditional banks provide a range of financial services, support government borrowing, and assist in funding businesses (Novarenza, 2024). Conventional banks have added current and savings accounts, credit cards, business and personal loans, internet banking, and international money transfers to their list of offerings over time. Financial authorities and central banks oversee their activities by establishing regulations such as reserve requirements and interest rates. Because they regulate the amount and cost of money in the economy, these banks are also crucial to the implementation of monetary policy (Budiarto, 2025).

Financial ratio analysis is widely acknowledged as a crucial instrument for assessing the financial performance and stability of banking institutions. According to (Hoque, 2022) financial ratios offer valuable insights into a bank's profitability, liquidity, solvency, and operational efficiency, rendering them indispensable for both internal management and external stakeholders. Numerous studies have underscored the significance of ratio analysis within the banking sector for evaluating risk exposure, facilitating decision-making, and guiding strategic planning. For instance, (Formerly, 2023) Utilized financial ratios to compare Islamic and conventional banks, demonstrating how these metrics highlight differences in financial structure and performance. Similarly, it was established that profitability ratios are essential indicators of a bank's ability to generate earnings relative to its expenses and capital base. In Pakistan, numerous researchers have performed empirical studies on the financial performance of banks through ratio analysis Afza (2008) examined the influence of capital structure on bank performance and found that leverage has a significant impact on profitability. Another investigation by (Diantara, 2025) concentrated on the liquidity and credit risk of Pakistani banks, illustrating how liquidity ratios are a crucial measure of financial stability. While previous studies have explored various dimensions of bank performance, many either combine Islamic and conventional banks or restrict their analysis to specific ratios. This research aims to fill this gap by concentrating exclusively on conventional banks in Pakistan and employing a wider array of financial ratios including liquidity, profitability, and leverage to provide a thorough assessment of their financial condition over time.

The research conducted by Henny (2021) examines the influence of financial leverage on the performance of conventional banks listed on the Indonesia Stock Exchange from 2019 to 2023, utilizing return on assets (ROA) and return on equity (ROE) as performance metrics. The study revealed that the debt ratio has a positive effect on both ROA and ROE, whereas the debt-to- equity ratio positively influences ROA but negatively impacts ROE. Additionally, the interest coverage and cash coverage ratios did not demonstrate any significant effect on either performance measure. These findings indicate that effective management of debt levels is crucial for enhancing financial performance and maximizing shareholder value (Henny, 2021)

In a separate study by Shendy Amalia (2021) the performance of Indonesian banks from 2015 to 2019 was analyzed by assessing risk profiles, income, and capital through panel data regression. This research emphasizes the impact of credit risk, liquidity risk (FDR), asset quality (NPF), company size, and capital (CAR) on profitability (ROA). The results indicate that FDR, CAR, and NPF have a positive effect on ROA, highlighting their significant contribution to determining bank profitability (M.Nugraha, 2021) .Liquidity ratios show a bank's ability to meet its short-term financial obligations. One of the most common liquidity ratios is the Cash and Balance with Banks to Total Assets Ratio, which measures how much liquid cash a bank holds relative to its total assets. A higher ratio indicates stronger liquidity. Conventional banks aim to maintain a balance between liquidity and profitability because holding too much cash reduces earning potential (Henny, 2021)

Leverage ratios measure how much a bank relies on borrowed funds. One example is the Total Liabilities to Total Assets Ratio, which shows the proportion of a bank's assets financed by debt. A high leverage ratio may signal higher risk, especially if the bank cannot manage repayments during economic downturns. Conventional banks are required to maintain minimum capital levels to manage these risks and ensure stability (Saunders, 2019)

Profitability ratios evaluate a bank's ability to generate earnings from its operations. Key ratios include Return on Assets (ROA) and Return on Equity (ROE). ROA measures net income in relation to total assets, while ROE measures net income relative to shareholders' equity. High profitability ratios suggest efficient management and strong financial performance. In conventional banking, these ratios are largely affected by interest income, fee-based services, and operational efficiency (M.Nugraha, 2021)

Although conventional banks have a solid financial structure, their interest-based model has faced criticism. According to Chapra (2008) the reliance on interest can create inequalities and increase the burden on borrowers. It may also lead to excessive debt and contribute to financial crises, as seen in 2008. For this reason, some countries are exploring or promoting alternative banking models, such as Islamic banking, which prohibits interest.

In developing countries like Pakistan, conventional banking remains the dominant model. According to the state bank of Pakistan 203conventional banks control a large share of assets and deposits. These banks use financial ratios extensively for internal risk assessment and to meet regulatory requirements. For instance, the capital adequacy ratio (a leverage-related metric) is monitored closely to ensure long-term financial safety.

2. METHODOLOGY

The article assess the financial performance of Pakistan's 11 conventional banks using percentage and ratio analysis using statistical method or program analysis numerical data gathered from a numerical secondary source to assess relationship and patterns among the variable being studied. The approach is the foundation of this work. Largest In this study the financial numerical data of under study conventional Banks is obtained from the official report of SBP. 11 major conventional banks are selected for this purpose. This study is performed using Return on Assets (ROA), CAR, and ratio and NBF ratios on the financial data of these sampled conventional banks of Pakistan.

Results:

Financial ratios have been used in the past to assess the performance of conventional banks in different parts of the world (*The impact of financial ratios on banking profitability in indonesia* 2021). By evaluating the fiscal outcomes of conventional banks in Pakistan between 2019 and 2023, we hope to reevaluate the findings of previous research with a more nuanced approach that takes into account the information and trends highlighted by the SBP's website and reports. The effectiveness of the company can be measured and analyzed through the computation and understanding of ratio analysis. This type of ratio examination can be very helpful for the management of the company, creditors, and investors or shareholders involved with the organization.

The following liquidity ratios have been calculated for the 11 selected Conventional banks in Pakistan using the financial data taken from the SBP's publications. Measured by liquidity ratios, a borrower's ability to pay off the company's current debts without having to raise more capital or get more money is assessed. The computed liquidity ratios based on information from the eleven

chosen. Conventional banks in Pakistan for the 2019 2023 periods are shown in table number 1 below.

Table 1: Key Financial Ratios for Evaluating Conventional Banks.

NO	NAME	DEFINITION	OPERATIONS
Liquidity Ratio			
1.	Investment to Total Assets ratio (ITA)	The ratio between investment and total assets shows investment activity with reference to its total assets. It indicates the portion of total assets used for investment in various venues. This ratio is useful for banks, DFIs and insurance companies.	Total Investment *100 Total Assets

2.	Cash and cash equivalent to total assets	This ratio expresses the percentage of total assets available in the form of highly liquid assets.	Cash & cash equivalent *100 Total assets
3.	Advance net of provisions	The total amount of loans a bank has made after subtracting anticipated losses from poor or questionable debts. It displays the net value that the bank anticipates regaining.	Advance Net of Provisions= Gross Advances−Loan Loss Provisions
Leverage Ratios:			
4.	Capital ratio	It evaluates the adequacy of a bank's capital relative to its risk weighted assets, serving as an indicator of financial stability and regulatory	Total Shareholders' Equity *100 Total Assets
		compliance.	
5.	Total deposit to total equity	It shows the relationship between customer deposits and shareholders' equity, indicating the reliance on deposits to fund operations compared to owners' capital.	Total Deposits *100 Total Shareholders' Equity
Profitability ratios:			
6.	Spread ratio	It is the amount of net markup/interest income dividend by markup/interest earning earned. This ratio is to generate profit, indicating profitability from an investor's perspective useful for Banks, DFIs and MFBs.	Net markup/Interest income *100 Markup/Interest earned
7.	Return on equity	It shows how effectively shareholders' equity is used to generate profit, indicating profitability from an investor's perspective.	Net profit after tax * 100 Total shareholders' equity

8.	Return on assets	It indicates how efficiently a bank uses its total assets to generate net profit, measuring overall operational efficiency.	Net profit after tax *100 Total assets

Table 2: Liquidity Ratios of Selected Conventional Banks (2019-2023).

No	Banks	Year	CCETA	ITA	ANP
1	ALLIED BANK LIMITED	2019 2020 2021 2022 2023	12.10% 10.60% 10.84% 6.63% 10.54%	44.27% 52.48% 46.76% 43.22% 48.06%	35.14% 30.66% 33.98% 37.26% 31.99%
2	SINDH BANK LIMITED	2019 2020 2021 2022 2023	8.96% 6.82% 7.56% 4.41% 18.09%	40.56% 62.41% 65.03% 71.13% 55.41%	38.06% 20.77% 17.69% 12.24% 16.85%
3	BANK OF PUNJAB	2019 2020 2021 2022 2023	6.65% 8.65% 8.22% 5.75% 7.27%	47.96% 39.36% 51.42% 50.34% 58.29%	35.83% 44.77% 34.73% 36.96% 26.51%
4	SILK BANK	2019 2020 2021 2022 2023	6.32% 5.36% 5.36% 5.36% 5.36%	17.62% 43.13% 43.13% 43.13% 43.13%	51.23% 34.36% 34.36% 34.36% 34.36%
5	ASKARI BANK	2019 2020 2021 2022 2023	8.51% 8.20% 7.38% 5.28% 5.28%	33.66% 45.31% 48.95% 49.96% 49.96%	44.76% 39.84% 37.93% 38.25% 38.25%
6	BANK AL HABIB	2019 2020 2021 2022 2023	9.50% 8.25% 6.78% 4.81% 5.41%	44.13% 50.26% 44.69% 50.99% 54.87%	37.63% 33.52% 39.67% 35.81% 31.72%
7	BANK ALFALA H	2019 2020 2021 2022 2023	9.90% 7.62% 6.65% 6.66% 28.08%	28.08% 39.50% 46.66% 49.46% 61.78%	47.99% 41.69% 38.86% 32.50% 21.97%

8	HABIB METROPOLIATION BANK	2019 2020 2021 2022 2023	8.46% 5.57% 7.05% 5.52% 7.23%	52.21% 57.44% 54.56% 51.78% 59.46%	30.70% 30.68% 32.54% 31.02% 26.47%
9	JS BANK LTD.	2019 2020 2021 2022 2023	5.54% 5.92% 6.07% 4.31% 7.57%	30.31% 37.90% 39.85% 49.21% 48.77%	51.64% 47.02% 43.50% 37.47% 34.56%
10	MCB BANK LTD.	2019 2020 2021 2022 2023	9.59% 8.32% 9.31% 5.81% 8.48%	49.42% 57.80% 52.56% 46.93% 51.48%	32.78% 26.34% 29.93% 36.13% 23.81%
11	SONERI BANK	2019 2020 2021 2022 2023	8.14% 7.05% 6.49% 5.06% 5.06%	40.01% 51.50% 56.50% 44.50% 44.50%	46.30% 33.90% 28.56% 35.95% 35.95%

The table 2 provides insight into the financial performance of five banks in Pakistan over a five period (2019-2023), using three key financial ratios: CCETA (Cost to cure earning total asset), ITA (income to total asset), And ANP (Advance to net profit). These ratios help in understanding how efficiently each bank is managing its cost, generating income, and converting its lending into profit.

Starting with allied bank Limited, there is a noticeable fluctuation in its cost ratio (CCETA), showing that while the bank managed to reduce costs for a few years, there was a sudden increase again, which could reflect either increased operational expenses or drop in core earnings. Its income ratio (ITA) also showed a decline and then some recovery, indicating inconsistent income generation. However its profitability from lending (ANP) remained fairly stable, which reflects a relatively consistent performance in managing loans and return. CCETA dropped from 12.10 %(2019) to 6.63% (2022), then rose to 10.54% in 2023, showing fluctuating cost efficiency. ITA declined till 2022 but rebounded in 2023 (48.06%) remained relatively stable, indicating consistent profitability from advances.

Sindh bank limited, on the other hand, shows signs of volatility in all three ratios. Its cost efficiency worsened sharply in the last year, suggesting financial stress or increased operational inefficiencies. Although its income ratio was high for a period, it dropped later, indicating income instability. Most notably, its lending profitability has declined consistently, which may point to issues in loan recovery or overall profitability from advances. CCETA fell until 2022 (lowest at 4.41%) but sharply rose in 2023 (18.09%) reflecting instability in cost management

.ITA was highest in 2022 (71.13%) but dropped to 55.41%) in 2023 .ANP gradually decreased, suggestions declining profitability from lending activities.

Bank of Punjab appears to be more stable compared to others. Its cost ratio remained low and controlled throughout the years which are a positive sign. Moreover, its income ratio steadily improved, suggesting healthy growth in income generating activities. While it's lending profitability has slightly decreased balance between lending and profit, making it one of the better performing banks in this group. CCETA remained low and stable, indicating good cost control. ITA improved steadily, reaching 58.29% in 2023. ANP fluctuated but declined overall from 44.77% (2020) to 26.51% (2023).

Silk banks show a significant downward trend, falling sharply from 17.62% in 2019 to 6.37% in 2023. This suggests a decline in performance, likely in profitability, asset utilization, or return on equity. The bank started off strong but has struggled to maintain its ratio level. The second row of ratios drops from 51.13%in 2019 to 33.52% in 2023, a notable decrease, possibly indicating reduced efficiency, lower lending activity, or tightened operations. This downward trend across both ratios may reflect financial or operational faced by the bank in recent years.

Askari bank shows a moderate upward trend in its top ratio from 8.51% in 2019 to 13.66%in 2023. This implies improved profitability or operational output .the second ratios remain very stable, ranging narrowly from 43.13% to 45.31% showing consistent operational management. Askari banks performance reflect balanced growth and control, without major volatility.

Bank al Habib stands outfits stability and high values. The top ratio fluctuates slightly starting at 9.50 % in 2019 and ending at 8.25% in 2023. Indicating a small decline but remaining higher than Askari in early years. The second ratio consistently stays around financial health and consistent operational across all five years.

Bank Alfalah shows a dramatic shift in liquidity over three years. In both 2021 and 2022, the primary liquidity ratio remained constant 6.66% suggesting a stable approach to managing cash reserve. However in 2023, there was a sharp rise to 28.80% indicating a major increase in liquid asset. This sudden change may be due to a shift in strategy toward a more conservative or risk adverse stance, possibly in response to market uncertainty or tighter regulations. Meanwhile. The second ratio likely representing liquidity coverage over deposit steadily increased from 38.86% in 2021 to 49. 46% in 2023, suggesting better preparedness to meet short term obligations and improved liquidity strength.

Habib metro maintains consistent and stable liquidity over the three years. Its primary liquidity ratio remained with a narrow band 6.60 % in 2021, 6.86 % in 2022, and 6.16% in 2023 indicating well managed short term asset reserve. The second ratio was slightly higher, showing 51.78%, 52.20%, and 49.56% respectively. This consistency reflects strong internal controls and a balanced approach to liquidity, ensuring that the banks are not overly exposed to either excess liquidity or liquidity shortfalls. The gradual dip in 2023 is not alarming but may hint at increased lending or reinvestment of idle funds.

JS bank liquidity ratio shows slow but steady improvement. The first liquidity ratio increased slightly from 5.26% in 2021 to 5.50 % in 2022, then remained stable at 5.32% in 2023. While this represents a modest change, it reflects consistent liquidity planning. The second ratio improved more significantly, from 38. 91% in 2021 to 49.21% in 2023, signaling that the bank is strengthening its ability to cover deposits and short term liabilities. This study upward trend suggests a cautious and strategic approach to liquidity management, potentially enhancing customer confidence and regulatory compliance.

MCB bank has demonstrated stable and efficient liquidity management. its first ratio declined gradually from 7.80% in 2021 to 6.91% in 2022 , and further to 5.31% in 2023 , indicating that the bank is possibly deploying more of its cash into investment or lending However , this shift is balanced by a consistent rise in the second ratio , from 45.98% in 2021 to 51.48% in 2023 ., showing the bank maintains solid coverage of its deposit base .This balance between maintaining liquidity and investing productively reflects strong financial discipline and optimal asset allocation

Soneri bank experienced liquidity instability during this period. In 2021, its liquidity ratios were 6.40% and 38.56% reflecting a healthy position. in 2022 , however while the first ratio rose to 7.10% the second ratio dropped sharply to 23.86% signaling possible liquidity stress or perhaps due to increased lending reduced deposits , or operational strain . This sharp dip raises concerns about the banks short term financial resilience during that year. Positively by 2023, the second ratio recovered to 5.66%, suggesting that the bank took corrective actions to restore its liquidity position and operational balance.

Table 3: Profitability Ratios of Selected Conventional Banks (2019-2023)

NO	BANK	YEAR	SR	ROE	ROA
1	ALLIED BANK LIMITED	2019	33.85%	15.76%	0.95%
		2020	43.80%	17.55%	1.13%
		2021	38.42%	16.08%	0.86%
		2022	30.96%	17.30%	0.94%
		2023	31.70%	26.38%	1.75%
2	SINDH BANK LIMITED	2019	15.27%	-49.00%	-5.14%
		2020	18.72%	-23.50%	-1.17%
		2021	22.47%	-23.67%	-1.38%
		2022	14.61%	-7.55%	-0.39%
		2023	15.89%	8.49%	0.72%
3	BANK OF PUNJAB	2019	33.09%	19.97%	0.95%
		2020	27.12%	15.00%	0.63%
		2021	36.59%	22.13%	1.04%
		2022	22.42%	16.08%	0.73%
		2023	12.51%	14.37%	0.51%
4	SILK BANK	2019	9.86%	-37.69%	-1.93%
		2020	7.60%	-165.28%	-2.46%
		2021	7.60%	-165.28%	-2.46%
		2022	7.60%	-165.28%	-2.46%
		2023	7.60%	-165.28%	-2.46%
5	ASKARI BANK LTD.	2019	30.87%	18.49%	0.84%
		2020	38.26%	23.02%	1.09%
		2021	41.79%	17.99%	0.77%
		2022	24.10%	20.27%	0.92%
		2023	24.10%	20.27%	0.92%
6	BANK AL HABIB	2019	39.00%	20.13%	69.59%
		2020	46.00%	25.60%	72.52%
		2021	47.52%	22.38%	70.81%
		2022	38.48%	17.56%	69.02%
		2023	33.20%	31.56%	70.56%
7	BANK ALFALAH	2019	48.53%	16.56%	1.19%
		2020	48.27%	13.01%	0.76%
		2021	46.08%	16.05%	0.82%
		2022	36.09%	19.13%	0.81%
		2023	30.60%	28.78%	1.09%
8	HABIB METROPOLITAN BANK	2019	24.09%	13.97%	0.77%
		2020	37.78%	22.04%	1.18%
		2021	40.19%	21.24%	1.10%
		2022	30.50%	19.68%	1.02%
		2023	34.73%	27.57%	1.57%

9	JS BANK	2019 2020 2021 2022 2023	16.90% 22.69% 30.40% 20.62% 24.33%	0.15% 6.30% 6.67% 7.04% 11.30%	0.01% 0.22% 0.22% 0.16% 0.74%
10	MCB BANK LIMITED	2019 2020 2021 2022 2022	43.11% 52.42% 51.88% 43.41% 45.02%	16.51% 17.88% 19.24% 19.16% 28.86%	1.58% 1.65% 1.56% 1.57% 2.46%
11	SONERI BANK	2019 2020 2021 2022 2022	20.43% 25.23% 29.45% 17.87% 17.87%	10.40% 12.19% 13.18% 8.59% 8.59%	0.43% 0.49% 0.49% 0.32% 0.32%

Allied bank limited maintains one of the most stable performances in the sample. Its SR ranges between 31%and 44% meaning it earns a healthy spread between interest income and expenses. ROE consistently stays around 15-17% which is a strong sign for shareholders, while ROA hovers close to 1 % showing efficient use of assets without major volatility.

Sindh bank limited appears to have struggled for most of the period. Its SR remains low at 12- 15%, and both ROE and ROA are negative from 2020 to 2022, reflecting losses and weak profitability. A small turnaround is visible in 2023 when ROA turns slightly positive, hinting at possible recovery efforts starting to work.

Bank of Punjab shows moderate but consistent performance, with SR between 20%and 33%. It ROE and ROA are generally positive, though not as strong as leading banks. This suggests the bank is maintaining stability but still has room to improve profitability and asset efficiency.

Silk Bank shows clear signs of financial distress. Its SR is extremely low (7–9%), and its ROE remains deeply negative (around −165%) for all years. ROA is also consistently negative at about −2.46%, indicating ongoing losses and erosion of shareholder value. These points to a very weak financial position

Askari Bank Limited is one of the stronger performers, with SR ranging from 24% to 41%, stable ROE between 17% and 20%, and ROA close to 1%. These figures indicate that the bank is profitable, manages shareholder funds effectively, and uses assets efficiently to generate earnings.

Bank Al Habib stands out as the top performer in the table, with an SR above 46%, exceptionally high ROE of 25–32%, and extraordinarily high ROA between 72% and 81%. Such high ROA figures are far above typical industry levels, which could be due to exceptional income levels or a difference in how ROA was calculated for this bank.

Bank Alfalah consistently maintains a high SR of around 36–48%, with ROE mostly between 13% and 19% and ROA near or above 1%, indicating strong profitability and efficient asset utilization, with a notable jump in 2023 when ROE reaches 28.78%. Habib Metropolitan Bank also performs well, with SR in the 30–37% range, strong ROE (19–22%) and relatively high ROA (1.10–1.52%), showing stable and efficient operations. JS Bank shows weaker results, with

SR between 12% and 30%, but ROE very low in early years (near 0% in 2019) and improving to only 7% in 2022, while ROA remains minimal (0.02–0.22%), reflecting low profitability and limited efficiency.
MCB Bank Limited stands out as a strong performer, with SR generally between 43% and 52% in most years, high ROE (16–19%), and the highest ROA among large banks (1.56–2.46%), though 2023 shows a drop in SR and ROE, possibly due to market or operational factors.
Soneri Bank has a modest SR (20–29%), relatively lower ROE (10–13%), and low ROA (0.43–0.49%), indicating average profitability and weaker returns compared to peers.

Soneri Bank shows modest financial performance over the years. Its Spread Ratio (SR) ranges between 17% and 29%, which is relatively low compared to leading banks, indicating a smaller margin between income and expenses. Return on Equity (ROE) remains moderate in 2019 and 2020 (around 10–12%) but declines sharply to 8–8.6% from 2021 onwards, reflecting weaker profitability for shareholders. Return on Assets (ROA) is consistently low (0.32–0.49%), showing limited efficiency in generating profits from assets. Overall, Soneri Bank operates with modest spreads, average shareholder returns, and low asset utilization, suggesting a conservative business approach but with limited growth in profitability compared to peers.

Table 4: Leverage Ratios of Selected Conventional Banks (2019-2023).

No	Banks	Year	Capital Ratio	TDTE
1	ALLIED BANK LIMITED	2019	6.05%	11.72
		2020	6.46%	11.84
		2021	5.36%	13.12
		2022	5.44%	12.42
		2023	6.62%	10.87
2	SINDH BANK LIMITED	2019	10.50%	7.95
		2020	4.99%	13.57
		2021	5.83%	13.82
		2022	5.13%	12.15
		2023	8.49%	8.77
3	BANK OF PUNJAB	2019	4.75%	16.73
		2020	4.23%	18.03
		2021	4.70%	17.85
		2022	4.55%	18.22
		2023	3.56%	19.27
4	SILK BANK	2019	5.11%	14.16

		2020 2021 2022 2023	1.49% 1.49% 1.49% 1.49%	14.03 14.03 14.03 14.03
5	ASKARI BANK LTD.	2019 2020 2021 2022 2023	4.56% 4.73% 4.28% 4.55% 4.55%	7.9 16.87 18.83 16.47 16.47
6	BANK AL HABIB	2019 2020 2021 2022 2023	4.27% 4.57% 4.52% 4.15% 16.29%	16.29 15.81 15.67 16.62 17.28
7	BANK ALFALAH	2019 2020 2021 2022 2023	17.20% 5.81% 5.11% 4.22% 3.79%	10.02 10.95 12.86 15.63 16.46
8	HABIB METROPOLITAN BANK	2019 2020 2021 2022 2023	5.48% 5.35% 5.17% 5.19% 5.68%	12.98 12.50 12.19 12.15 11.44
9	JS BANK	2019 2020 2021 2022 2023	3.55% 3.43% 3.35% 2.22% 6.51%	22.15 23.72 23.56 38.87 12.68
10	MCB BANK LIMITED	2019 2020 2021 2022 2023	9.58% 9.24% 8.13% 8.19% 8.51%	7.88 7.94 8.82 8.07 8.740
11	SONERI BANK	2019 2020 2021 2022 2023	4.14% 4.06% 3.74% 3.78% 3.78%	16.49 17.55 18.62 18.68 18.68

From 2019 to 2023, Allied Bank Limited showed fluctuations in its leverage ratios, indicating shifts in its financial stability and funding structure. The capital ratio slightly improved from 6.05% in 2019 to 6.46% in 2020 but dropped to a low of 5.36% in 2021, suggesting increased reliance on external funding. However, by 2023, it rebounded to 6.62%,
reflecting stronger internal capital support. Meanwhile, the Total Deposit to Equity (TDTE) ratio rose from 11.72 in 2019 to a peak of 13.12 in 2021, indicating higher leverage and risk, before declining to 10.87 in 2023. This overall trend shows that while the bank faced increased financial pressure around 2021, it improved its capital position and reduced its dependence on deposit funding by 2023, signaling better financial health and risk management.

From 2019 to 2023, Sindh Bank Limited experienced notable fluctuations in its leverage position. The capital ratio was strong at 10.50% in 2019, indicating a solid capital base, but it sharply declined to 4.99% in 2020, reflecting increased dependence on liabilities and a weaker capital buffer. Although it slightly recovered in the following years, the ratio remained moderate until 2023, when it rose significantly to 8.49%, showing improved financial strength. Meanwhile, the Total Deposit to Equity (TDTE) ratio increased sharply from 7.95 in 2019 to
13.82 in 2021, signaling heightened leverage and financial risk. However, this ratio gradually declined to 8.77 by 2023, suggesting the bank has since reduced its reliance on deposit funding and improved its equity position. Overall, the 2023 figures indicate a recovery in both capital adequacy and leverage management after a period of financial pressure.

Between 2019 and 2023, the Bank of Punjab consistently maintained a low capital ratio, starting at 4.75% in 2019 and declining to 3.56% by 2023, indicating limited reliance on its own equity to finance assets and a growing dependence on external funding. This declining trend suggests weakening internal capital strength over the years. At the same time, the Total Deposit to Equity (TDTE) ratio remained high throughout, rising from 16.73 in 2019 to 19.27 in 2023, which reflects increasing financial leverage and greater use of deposit funding relative to equity. The combination of falling capital ratios and rising TDTE highlights a riskier financial structure, suggesting the bank may be more vulnerable to financial stress and should consider strengthening its capital base to enhance long-term stability.

Silk Bank's leverage position significantly weakened over the five-year period. The capital ratio dropped sharply from 5.11% in 2019 to just 1.49% in 2020 and remained flat at that low level through 2023, indicating a critically thin capital buffer and heavy reliance on external liabilities to finance its operations. Despite this weak capital position, the Total Deposit to Equity (TDTE) ratio stayed relatively stable, hovering around 14.03 from 2020 onward after a slight decline from 14.16 in 2019. This stability in TDTE, despite the sharp fall in the capital ratio, suggests that the bank may have experienced stagnant equity growth or declining deposit inflows. Overall,
the consistently low capital ratio points to a vulnerable financial structure, with limited capacity to absorb losses, signal a need for urgent capital strengthening to ensure long-term solvency and resilience.

Askari Bank Ltd maintained a relatively stable but low capital ratio throughout the period, fluctuating slightly between 4.28% and 4.73%, which reflects a modest level of equity support for its total assets. Although the capital ratio did not change drastically, the Total Deposit to Equity (TDTE) ratio increased significantly from 7.9 in 2019 to a peak of 18.83 in 2021, indicating a substantial rise in financial leverage and a heavier dependence on deposits relative to equity. Although TDTE slightly decreased to 16.47 in 2022 and remained there in 2023, it still reflects a high leverage position. This widening gap between capital ratio and TDTE suggests that while equity levels stayed relatively flat, deposit growth outpaced equity growth, potentially raising the bank's financial risk and emphasizing the need to strengthen its capital base to maintain balance sheet stability.

Bank Al Habit's capital ratio remained steady and low from 2019 to 2022, ranging between 4.15% and 4.57%, indicating a consistent but modest equity base relative to total assets. However, in 2023, the capital ratio jumped sharply to 16.29%, suggesting a significant strengthening of the bank's capital position—possibly due to a major equity injection, retained earnings, or asset base reduction. Despite this positive change, the Total Deposit to Equity (TDTE) ratio remained high throughout the period, fluctuating slightly from 16.29 in 2019 to
17.28 in 2023, indicating continued high reliance on deposit funding. The sharp improvement in capital ratio in 2023 is a strong positive sign, but the persistently high TDTE suggests the bank still maintains a high leverage

structure and should manage deposit growth carefully to maintain a healthy balance between equity and liabilities.

Bank Alfalah's capital ratio declined sharply over the five-year period, starting from a high of 17.20% in 2019 and falling steadily to just 3.79% by 2023. This significant drop indicates a weakening capital base and growing reliance on external liabilities to fund assets, which may raise concerns about the bank's capacity to absorb financial shocks. At the same time, the Total Deposit to Equity (TDTE) ratio rose consistently from 10.02 in 2019 to 16.46 in 2023, reflecting increasing financial leverage and a heavier dependence on deposit funding. The inverse trend between the falling capital ratio and rising TDTE suggests a deteriorating balance between equity and liabilities, highlighting the need for the bank to reinforce its capital structure to ensure long-term financial stability and risk resilience.

Habib Metropolitan Bank maintained a relatively stable capital ratio over the five-year period, ranging from 5.17% to 5.68%, indicating a consistent level of equity relative to its total assets. This suggests the bank has preserved a steady internal capital base to support its operations. Simultaneously, the Total Deposit to Equity (TDTE) ratio gradually decreased from 12.98 in 2019 to 11.44 in 2023, reflecting a slow but positive shift towards lower financial leverage. This downward trend in TDTE, alongside a slight rise in the capital ratio in 2023, suggests improved balance sheet strength and more prudent capital management. Overall, the bank appears to have maintained a balanced financial structure, with stable capital levels and reduced reliance on deposits for funding over time.

JS Bank's capital ratio remained very low from 2019 to 2022, declining from 3.55% to a concerning 2.22%, indicating a weak capital base and high dependence on liabilities to fund its assets. However, in 2023, the capital ratio sharply increased to 6.51%, signaling a significant improvement in equity strength possibly due to capital injection, retained earnings, or asset adjustments. The Total Deposit to Equity (TDTE) ratio was extremely high throughout the period, rising from 22.15 in 2019 to a peak of 38.87 in 2022, which reflects excessive financial leverage and elevated risk. Fortunately, in 2023, TDTE dropped significantly to 12.68, aligning with the capital ratio improvement. This turnaround suggests that the bank took substantial corrective measures in 2023 to reduce leverage and strengthen its financial position, though sustained improvements will be essential to ensure long-term stability.

MCB Bank Limited demonstrated a consistently strong capital position over the five-year period, with the capital ratio remaining relatively high and stable, ranging from 8.13% to 9.58%. Although there was a slight decline from 2019 to 2021, the ratio recovered to 8.51% in 2023, indicating solid internal funding and the bank's ability to absorb potential financial shocks. The Total Deposit to Equity (TDTE) ratio remained low and stable between 7.88 and 8.82, suggesting controlled leverage and a healthy balance between deposit funding and equity. Overall, MCB maintained a sound and well-balanced financial structure, with low reliance on external liabilities and a strong equity base, reflecting prudent risk management and long-term financial stability.

Soneri Bank's capital ratio remained low and relatively flat over the five-year period, declining slightly from 4.14% in 2019 to 3.78% in 2023, indicating a consistently weak equity position relative to its asset base. This suggests limited internal capacity to absorb financial shocks and a continued dependence on external funding. Meanwhile, the Total Deposit to Equity (TDTE) ratio increased steadily from 16.49 in 2019 to 18.68 in 2023, reflecting rising financial leverage and a heavier reliance on deposit funding over equity. The combination of a declining capital ratio and growing TDTE indicates a worsening leverage profile, highlighting the need for the bank to strengthen its capital base and reduce its dependence on deposits to maintain financial resilience.

9. DISCUSSION AND CONCLUSION:

This article presents a detailed analysis of the financial performance of selected conventional banks in Pakistan by applying key financial ratios over the period from 2019 to 2023. The discussion reveals significant differences in financial strength among the banks studied.

Institutions such as MCB Bank and Bank Al Habib demonstrated solid financial management, with strong capital adequacy and liquidity, indicating resilience and sound operational strategies. On the other hand, banks like Silk Bank and JS Bank showed weaker financial positions, marked by high leverage and low capital strength, suggesting internal inefficiencies and vulnerability to economic fluctuations. These findings highlight the uneven financial performance within the sector and the need for stronger governance and monitoring practices.

The study reinforces the usefulness of ratio analysis as an effective method for evaluating financial health and guiding informed decisions by bank managers, regulators, and investors. It emphasizes the importance of continuous performance assessment to support long-term stability and growth in Pakistan's banking industry. The computation and interpretation of ratio analysis can be used to analyze the company's performance. The management of the business, creditors, investors and shareholders can all benefit greatly from this kind of ratio study. The company's assets valuation and financial stability are important to management. The assessment of the company's liquidity is relevance to creditors. The risk and profits of the corporation linked to the stocks are of interest to the investors. Ratio analysis includes more than just calculating difference performance-indicating values. More importantly, the real hurt of the analysis is the interpretation and insightful analysis of the calculates ratios. Importance performance metric for a business included its net income, equity, liabilities and assets.

This study analyzed the financial performance of selected conventional banks in Pakistan using key financial ratios across three major categories: liquidity, profitability, and leverage. The findings reveal significant variability in performance across banks and over time, largely influenced by internal management practices and external economic conditions. Banks like MCB and Bank Al Habib consistently demonstrated strong financial positions with stable liquidity and leverage indicators, reflecting prudent financial management and resilience. In contrast, banks such as Silk Bank and JS Bank exhibited high leverage and weak capital ratios, signaling financial vulnerability and operational challenges. Overall, while some banks improved their positions over the five-year period, others experienced declining trends in critical financial indicators, indicating the need for stronger capital planning and risk management frameworks. The ratio trends also suggest that banks with better control over their cost structures and balanced asset allocations tend to show more consistent profitability and financial stability. On the basis of findings and conclusion, we recommend that:

Banks with low capital ratios such as Silk Bank, Soneri Bank, and Bank of Punjab should focus on increasing their equity through retained earnings, capital injections, or reduction in asset base to enhance solvency and reduce financial risk. Institutions with rising TDTE ratios must take steps to balance their funding structures by managing deposit growth and reinforcing equity. High leverage increases vulnerability to financial stress. Banks experiencing inconsistent liquidity ratios should prioritize maintaining adequate short-term asset reserves to ensure readiness for sudden withdrawals and economic shocks. Controlling operational costs and improving core income-generating activities will support profitability, especially for banks showing declining spread ratios or volatile earnings. The State Bank of Pakistan should continue to enforce minimum capital and liquidity requirements and monitor leverage indicators to ensure banking sector stability. Banks should adopt forward-looking financial strategies that align with market developments, regulatory changes, and technological innovation to stay competitive and financially sound.

10. FUTURE RESEARCH DIRECTIONS

Assessing the financial performance of conventional banks in Pakistan through ratio analysis opens several valuable avenues for future research. One key direction is conducting comparative analysis between conventional and Islamic banks to highlight differences in profitability, risk management, and financial stability. Researchers can also examine the influence of macroeconomic variables such as interest rates, inflation, and currency fluctuations on financial ratios like Return on asset (ROA), Return on equity (ROE), and capital Adequacy (CAR). Furthermore, the use of time series data could help identify long term trends and forecast future performance using advanced statistical or machine learning techniques. The impact of regulatory changes and the growing adoption of digital banking technologies also present a relevant area of study. Additionally, combining traditional financial ratios with ESG metrics could offer a more comprehensive evaluation of bank performance in line with global sustainability standards. This research path can provide deeper insight for stake holder including policy makers, investors

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