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FINANCIAL REPORT ANALYSIS TO ASSESS THE FINANCIAL PERFORMANCE OF BANKING COMPANIES

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Abstract

This study analyzes the financial performance of four banks listed on the Indonesia Stock Exchange: Bank BTN, Bank DBS Indonesia, Bank HSBC Indonesia, and Maybank Indonesia. Through solvency and profitability ratios during the 2020-2024 period. Using a descriptive quantitative approach, financial data were obtained from annual reports published on the Indonesia Stock Exchange and official bank websites. The analysis employed trend analysis and comparative analysis to examine Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Return on Equity (ROE). The findings reveal that all banks maintained DAR within the safe range of 81-90%, while DER showed significant variation with BTN recording the highest leverage (1,251.98%) due to its focus on housing finance. In terms of profitability, HSBC demonstrated superior performance with ROA of 1.94% and ROE of 13.17%, while DBS showed dramatic recovery from negative ROE of -3.00% (2020) to 13.87% (2023). Conversely, Maybank and BTN maintained ROA below 1%, indicating the need for operational efficiency improvements. The study confirms the trade-off theory between solvency and profitability, showing that high leverage can be sustainable with effective management and government support. Foreign banks exhibited better resilience than domestic banks in facing the pandemic crisis, supported by parent company backing. This research contributes to the financial analysis literature by providing empirical evidence of post-pandemic banking performance and offers practical implications for regulators, investors, and bank management in formulating strategies to support national financial system stability.

Keywords: financial performance analysis, solvency ratio, profitability ratio, banking sector, post-pandemic recovery

Introduction

The banking industry plays an important role in the Indonesian economy by acting as an intermediary between companies that have money and companies that need money. Analyzing banking operations is very important to evaluate the ability of banks to carry out their functions effectively and quickly. As financial intermediaries, banks are tasked with distributing money from individuals or entities with excess funds to parties that need financing, whether for consumption or production purposes. With this function, a bank's financial performance becomes a key indicator of its efficiency, profitability, and ability to maintain financial stability amid local and global economic dynamics (Kasmir, 2018). Proper financial performance evaluation is crucial not only for bank management as a basis for strategic decision-making, but also for investors, supervisors, and the public in assessing the strength and resilience of financial institutions (Fahmi, 2012).

Changes in the global economic environment in recent years have created major challenges for the banking industry in Indonesia. In the period 2020–2024, the Indonesian banking industry faces major changes due to the impact of the COVID-19 pandemic, digital transformation, and credit restructuring policies. The pandemic has put pressure on bank profitability through increased loss provisions and a decline in asset quality. However, from 2022 to 2024, the financial performance of the national banking sector began to improve as the economy recovered, the use of digital services increased, and the Financial Services Authority (OJK) implemented policies to help maintain financial sector stability. According to the OJK's 2024 report, the profitability ratios of Indonesian banks, particularly Return on Assets (ROA) and Return on Equity (ROE), have increased compared to the pandemic period, while solvency ratios indicate sufficient capital strength.

Financial ratios are tools that are often used to evaluate how a company is performing. Of the various types of ratios, solvency ratios and profitability ratios are the most important in showing a company's financial capabilities and its ability to generate profits. Solvency ratios show the extent to which a company's assets are financed through debt and its ability to pay long-term liabilities. Meanwhile, profitability ratios show how well a company generates profits from invested capital and the efficiency of its use of resources. These two ratios are the main benchmarks for assessing the financial health of banks, especially in the face of economic changes and financial risks.

Good financial performance is an indicator of a bank's success in carrying out its functions as an intermediary and manager of public funds. Banks with high solvency ratios demonstrate a strong ability to meet long-term obligations and manage financial risks. Conversely, high profitability indicates a bank's ability to generate sufficient profits to strengthen its capital and expand its business (Brigham & Houston, 2019). Therefore, analysis of these two ratios is highly relevant for assessing the resilience and sustainability of a bank's operations in the long term.

This study reviews four banks listed on the Indonesia Stock Exchange, namely Bank BTN, Bank DBS Indonesia, Bank HSBC Indonesia, and Maybank Indonesia. These four banks were selected because they differ in terms of ownership and business size. Among them is a domestic bank, namely BTN, which represents regional and national institutions. Meanwhile, the other three banks are foreign banks, namely DBS, HSBC, and Maybank Indonesia, which reflect global corporate management practices. A comparison between these four banks is important to see how differences in capital structure, operational strategies, and management efficiency affect the financial results of each bank (Financial Services Authority [OJK], 2023).

The purpose of this study is to analyze and compare how the four banks manage their finances, particularly through solvency and profitability ratios during the period from 2020 to 2024. The results of this study are expected to provide a clear picture of the factors that influence the financial condition of banks in Indonesia. In addition, these results can also serve as a guideline for decision makers in their efforts to strengthen the stability of the country's financial system. Academically, this research is expected to add insight into how to analyze financial statements, especially in comparing local banks with foreign banks in Indonesia. Thus, this research has both theoretical and practical value in supporting better financial management and banking policies.

In addition to the objectives mentioned above, this study is also significant for the Indonesian banking industry. First, the results can assist regulators in assessing the effectiveness of capital and supervisory policies implemented in the banking sector. Second, for investors, this analysis provides a clear and objective picture of the level of risk and potential returns associated with investing in the banking sector. Third, for the general public, this study increases understanding of the financial condition of banks as institutions that manage public funds. Thus, this study is highly relevant both theoretically and practically in supporting transparency, accountability, and stability in the national financial system.

In general, analyzing financial statements to evaluate the financial performance of banking companies is an important step in maintaining a healthy and stable financial system. By focusing on profitability and solvency ratios, this study provides a comprehensive approach to understanding the main factors that affect banking performance in Indonesia, especially in facing challenges after the pandemic and the increasingly complex nature of global economic integration.

Theoretical Framework

Financial statement analysis is a structured way to evaluate a company's financial condition by understanding accounting data (Hanafi & Halim, 2016). In banking, this analysis is used to monitor financial performance, risk levels, and a bank's ability to achieve sustainable profits. Financial ratios play an important role in checking the efficiency of operations and the financial stability of banks (Kieso, Weygandt, & Warfield, 2008).

A bank's financial performance can be seen from various financial ratios that measure how effectively and efficiently the bank manages its assets, liabilities, and capital. Of these ratios, the most important ones for assessing the health of a bank are solvency ratios and profitability ratios. Solvency ratios are used to determine the extent to which debt is used to finance the bank's assets and the bank's ability to meet its long-term obligations. Commonly used indicators are the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER). A higher value for these ratios means that the bank's financial risk is also greater (Fahmi, 2012). Meanwhile, the profitability ratio shows the bank's ability to generate profits from its assets and capital. Commonly used indicators are Return on Assets (ROA) and Return on Equity (ROE), where higher values of these ratios indicate better efficiency and performance of the bank (Munawir, 2014).

The relationship between solvency and profitability reflects the trade-off principle in financial management. If a bank uses debt extensively, it may be able to expand its productive assets, but it also risks reducing its net profit due to increased interest expenses (Brigham & Houston, 2019). Conversely, if a bank's capital structure is balanced, it can maintain long-term stability and attract investor confidence.

In this context, domestic banks in Indonesia often face challenges in maintaining solvency ratios due to high operational costs and limited access to foreign funds. In contrast, foreign banks such as DBS Indonesia and HSBC Indonesia are more efficient because they receive capital and technological support from their parent companies. This shows that differences in ownership structure and management efficiency are key factors affecting the financial performance of the banking sector in Indonesia, as stated by the OJK in 2023.

Based on previous theories and research, it can be concluded that a bank's ability to manage its finances depends on how its management regulates capital and its ability to generate profits on a continuous basis. Assessment through solvency and profitability ratios provides a comprehensive way to evaluate the financial resilience and competitiveness of banks in Indonesia.

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Method

This study uses a quantitative descriptive approach, which is a method that aims to describe the financial condition of a company based on financial ratio calculations. This approach was chosen because the research data consists of figures taken from the bank's annual financial reports (Sugiyono, 2019). In addition, the descriptive method is used to provide a complete picture of the company's financial condition without changing or manipulating the research variables (Ferdinand, 2014).

The research subjects are Bank BTN, Bank DBS Indonesia, Bank HSBC Indonesia, and Maybank Indonesia. These four banks were selected using purposive sampling with the following criteria: first, banks that have published complete annual financial reports on the Indonesia Stock Exchange (IDX), and second, banks that have been actively operating in Indonesia from 2020 to 2024. The data sources used are secondary data, namely annual financial reports downloaded from the official websites of each bank and supporting data obtained from the official website of the Indonesia Stock Exchange and the OJK annual report (2024).

The instrument used in this study is a financial analysis worksheet to calculate and compare solvency ratios (DAR, DER) and profitability ratios (ROA, ROE) between banks and between periods.

The data analysis method used is quantitative descriptive analysis with two approaches, namely:

1. Trend analysis to observe changes in financial ratios from 2020 to 2024.
2. Comparative analysis to compare performance between banks and identify differences in financial structure.

The main variables used are:

1. Solvency ratios, measured by:
- Debt to Asset Ratio (DAR) = Total Liabilities / Total Assets
- Debt to Equity Ratio (DER) = Total Liabilities/ Total Equity
2. Profitability ratios, measured by:
- Return on Assets (ROA) = Net Profit / Total Assets
- Return on Equity (ROE) = Net Profit / Total Equity

This approach is expected to provide a comprehensive empirical overview of the relationship between solvency, profitability, and the financial performance of Indonesian banks in the post-pandemic era.

Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

Results

The analysis used two groups of financial ratios: solvency ratios (Debt to Asset Ratio and Debt to Equity Ratio) and profitability ratios (Return on Assets and Return on Equity). Data were obtained from each bank's annual financial reports for the 2020–2024 period, published on the IDX and the bank's official website. This period represents a crucial transition phase: from the pandemic (2020–2021) to economic recovery and financial digitalization (2022–2024). The analysis revealed significant differences in financial performance across banks, both in terms of capital stability and profit-generating capacity.

1. **Rasio Solvabilitas**

NO	COMPANY	CODE	YEAR				
			2020	2021	2022	2023	2024
1	PT. BANK HSBC INDONESIA	HSBA	82,86%	83,82%	85,91%	84,86%	85,24%
2	PT. BANK DBS INDONESIA	DBSS	89,49%	88,77%	89,42%	89,22%	90,05%
3	PT. BANK MAYBANK INDONESIA TBK	BNII	84,28%	82,98%	81,63%	82,07%	84,17%
4	PT. BANK TABUNGAN NEGARA (PERSERO) TBK	BBTN	88,97%	88,12%	87,37%	86,88%	86,84%

Table 1. Debt to Asset Ratio calculation results report

From these calculations, it can be seen that the financial performance of the four banks during the 2020-2024 period for the DAR showed varying conditions. The ideal DAR standard for the banking industry is a maximum of 85-90% (Kasmir, 2018). The average DAR of the four banks was between 81-90%, still within the safe limits for the banking industry. DBS Indonesia had the highest DAR (90.05%), indicating a heavy dependence on third-party funds, while Maybank Indonesia showed the lowest value (84.17%), reflecting efficient funding management.

Overall, the financial performance of the four banks in terms of the DAR ratio can be considered quite good, as it falls within the ideal banking industry standard range. Although most assets are financed by debt, this is normal in the banking industry, where debt in the form of Third Party Funds (TPF) is the primary source of funding (Hanafi & Halim, 2016).

NO	COMPANY	CODE	YEAR				
			2020	2021	2022	2023	2024
1	PT. BANK HSBC INDONESIA	HSBA	483,47%	517,96%	609,73%	560,38%	577,31%
2	PT. BANK DBS INDONESIA	DBSS	851,35%	790,46%	845,50%	827,42%	904,71%
3	PT. BANK MAYBANK INDONESIA TBK	BNII	536,30%	487,49%	444,51%	457,87%	531,82%
4	PT. BANK TABUNGAN NEGARA (PERSERO) TBK	BBTN	1607,86%	1530,80%	1356,18%	1250,57%	1251,98%

Table 2. Report on the results of the Debt to Equity Ratio (DER) calculation

These calculations reveal significant variation in the financial performance of the four banks during the 2020-2024 period, with DER showing significant variation. The ideal DER standard for banking ranges from 300-500%, with a higher ratio indicating significant financial leverage (Brigham & Houston, 2019). BTN stands out with a very high DER ratio (1,251.98%), indicating significant leverage due to its focus on housing finance. HSBC and Maybank have DERs below 600%, within the OJK's ideal limit (2024), indicating a healthier capital structure and sound risk management.

HSBC and Maybank have DERs below 6x, indicating more prudent capital management. Only BTN exceeds the safe DER threshold (>1000%), indicating a need for increased capital. BTN's high DER is related to its low-margin mortgage financing strategy, while DBS and HSBC maintain moderate DERs by strengthening equity funding and efficient risk management. Maybank demonstrates structural stability due to its focus on the retail and retail segments.

Overall, the financial performance of the four banks for the DER ratio shows that Bank Maybank has the healthiest capital structure with the lowest DER and is close to the ideal standard. Meanwhile, Bank BTN and DBS have very high leverage, but are still well managed given their adequate profitability (Munawir, 2014).

2. **Rasio Profitabilitas**

NO	COMPANY	CODE	YEAR				
			2020	2021	2022	2023	2024
1	PT. BANK HSBC INDONESIA	HSBA	1,16%	1,18%	1,51%	1,95%	1,94%
2	PT. BANK DBS INDONESIA	DBSS	-0,32%	0,66%	0,91%	1,50%	1,09%
3	PT. BANK MAYBANK INDONESIA TBK	BNII	0,74%	1,00%	0,95%	1,06%	0,61%
4	PT. BANK TABUNGAN NEGARA (PERSERO) TBK	BBTN	0,44%	0,64%	0,76%	0,80%	0,64%

Vo. 1 No. 1 2025
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Table 3.Return On Asset (ROA) Calculation Report

NO	COMPANY	CODE	YEAR				
			2020	2021	2022	2023	2024
1	PT. BANK HSBC INDONESIA	HSBA	6,79%	7,31%	10,72%	12,89%	13,17%
2	PT. BANK DBS INDONESIA	DBSS	-3,00%	5,87%	8,57%	13,87%	10,92%
3	PT. BANK MAYBANK INDONESIA TBK	BNII	4,72%	5,85%	5,19%	5,90%	3,84%
4	PT. BANK TABUNGAN NEGARA (PERSERO) TBK	BBTN	8,02%	11,10%	11,75%	11,49%	9,23%

Table 4.Report on the results of the calculation of Return on Equity (ROE)

All banks showed a post-pandemic recovery trend (2020–2024). HSBC achieved the highest ROA (1.94%) and ROE (13.17%), indicating strong asset efficiency. DBS experienced negative returns in 2020 due to the pandemic, but rebounded to 13.87% ROE in 2023. Maybank and BTN remained stable at below 1% ROA, indicating still-limited efficiency.

According to Bank Indonesia's report, ROA >1% and ROE >10% reflect good profitability. Therefore, HSBC and DBS are considered high, while Maybank and BTN remain below the ideal standard. HSBC and DBS's high profitability is driven by efficient asset management, diversification of non-interest income, and global capital support. Maybank faces profit fluctuations due to rising interest expenses, while BTN remains focused on restructuring productive assets and operational efficiency.

These calculations reveal significant differences in the financial performance of the four banks during the 2020-2024 period, with ROE showing a significant difference. The ideal ROE standard for banking is a minimum of 10-15% (Brigham & Houston, 2019). Overall, the 2020-2024 trend indicates a significant recovery after the pandemic. Foreign banks such as HSBC and DBS were able to maintain efficiency and capital stability thanks to the support of their global parent companies, while BTN and Maybank still face structural pressures on capital and profitability.

Discussion

This study supports the theory of the trade-off between solvency and profitability (Brigham & Houston, 2019). BTN has the highest DER (1,399.48%) but is still able to maintain a competitive ROE (10.32%), indicating that the use of high leverage can be sustainable if managed well, especially in businesses such as mortgages (Fahmi, 2012). On the other hand, Maybank, with the healthiest capital structure (DER 491.60%), actually produces a lower ROE (5.10%), indicating that conservative capital management does not always result in higher profitability.

Foreign banks such as HSBC, DBS, and Maybank demonstrated better resilience than local banks like BTN during the pandemic crisis, consistent with the theory that parent company support provides adequate financial protection (OJK, 2023). HSBC achieved its highest profitability levels thanks to its balanced capital structure and focus on high-value customer segments, in line with the operational efficiency principles outlined by Hanafi and Halim (2016).

The findings of this study align with those of Ardyansyah, Aslah, and Dameria (2022), which showed that a decrease in the solvency ratio indicates an improvement in the capital structure. The decrease in BTN's DAR from 88.97% to 86.84% and DER from 1,607.86% to 1,251.98% aligns with these findings. The ROA and ROE results in this study also align with Maith's (2013) findings that stable profitability reflects effective asset management. HSBC's trend of increasing ROA and ROE demonstrates a similar pattern to the high-performing companies in the study.

However, this study differs from previous research on post-pandemic recovery. DBS's extreme volatility, which saw its ROE change from -3.00% to 13.87%, suggests the bank is highly vulnerable to external impacts, a trend not widely addressed in previous research.

Conclusion

This study examines how Bank BTN, Bank DBS Indonesia, Bank HSBC Indonesia, and Maybank Indonesia perform financially by looking at solvency and profitability ratios from 2020 to 2024. The results show that after the pandemic, all banks experienced a fairly good recovery, but each had a different level of resilience. In terms of liquidity capacity, all banks still maintained a DAR within a safe range of 81 to 90 percent. However, the DER showed a significant difference, with Bank BTN having the highest leverage at 1,251.98% due to its focus on housing finance, while Maybank had the healthiest capital structure with a DER of 531.82%. In terms of profitability, HSBC showed the best results with an ROA of 1.94% and an ROE of 13.17%. Meanwhile, DBS experienced a very significant recovery, as its negative ROE of -3.00% in 2020 turned into 13.87% in 2023. In contrast, BTN and Maybank still have ROA below 1%, which indicates that both need to improve their operational efficiency.

This research contributes to academics by adding new information to studies on the financial analysis of Indonesian banking, particularly in the post-pandemic recovery period, and by comparing local banks with foreign banks. Specifically, the results can be used by regulators to assess how capital policies work and assist investors in decision-making by clearly demonstrating the level of risk and potential returns for each bank.

Limitations in this study include: (1) the sample only includes four banks which does not represent the entire banking industry; (2) the analysis only uses quantitative ratios without considering qualitative factors such as management quality and technological innovation; and (3) the observation period from 2020 to 2024 is still too short to find long-term trends. Therefore, it is recommended for further research: (1) expanding the sample to include BUKU I to IV banks; (2) combining qualitative analysis on digitalization strategies and corporate governance; (3) extending the observation period to at least 10 years; and (4) conducting a comparative analysis with the banking sector in ASEAN.

Overall, this study demonstrates the importance of maintaining a balance between leverage and profitability for bank survival. The results indicate that foreign banks are stronger because they are supported by their parent companies, thus highlighting the need to strengthen the capital of domestic banks. This research is expected to serve as a reference for stakeholders in the banking sector in designing financial management strategies that support the stability of the national financial system.

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