

This research study was conducted to find out the factors and indicators of risks in commercial banks and their effective risk management. It may be helpful to the stockholders who are concerned with the risk level: a bank faces and the management may use it to get a clear view of institution's standing and can decide future action plan for managing their financial risk. This study also provides a clear view of financial factors that by managing will lead to reduce the ultimate financial risk.

The source of data collection for this study is primary and secondary. Questionnaire is used for primary data collection and annual reports of the banks are used for secondary data collection. The sample consists of banks from Rawalpindi and Islamabad. Ten (10) commercial Banks from both cities were chosen at random. 30 different branches of all banks were selected for this study. There were hundred (100) respondents who have completed the questionnaire. The extent of interest shown by outside parties is a very basic factor that leads to financial risk. The more is the interest of outside parties higher will be the risk.

The data of the survey depicts that a lot of interest is shown by the outside parties in the banks. Another factor is Regulatory / Contractual of the bank have an affect on the overall risk management. The banks in the survey are facing a high level of regulatory / contractual requirements. These increase the complexity and diversity of the banking system. The ratio analysis indicates an in consistency of the banks in their focusing areas.