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# The Impact of Financial Analysis on Risk Management in the Banking Sector: (Applied study of a sample of commercial banks operating in Iraq)

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## Abstract

To assess the bank's activity during the financial cycle, it must undergo a monitoring process for the purpose of ensuring the correctness of financial management, and perhaps among the most tools that banks have is the financial analysis technique, which is considered as a tool for analyzing information and measuring the risks that it may be exposed to and that would impede the progress The normal process of granting loans, and in view of the role that financial analysis acquires in banks as a subject of study, as it can be clarified that the research problem is "ignoring the role of financial analysis and its results in managing banking risks."For more information on the topic, the following sub-questions can be asked:Is there a financial analysis of banking risks? Are the results of financial analysis taken into consideration in banking risk management? The research was based on a main hypothesis that: that the results of financial analysis affect the effectiveness of banking risk management, and the importance of the research lies in the fact that it studies economic issues that are still focused on and work on developing and enriching the content of financial thought, an attempt to highlight the importance of financial analysis as the most important way to avoid Risks taking into account the requirements of the market economy, and then this study will be an attempt to keep pace with the developments taking place at the theoretical and applied levels in this field, as for the importance of the research as follows: To highlight the most important mechanisms for dealing with bank risks in general and credit risks in particular.To highlight the role that financial analysis plays within the bank, especially in the field of granting loans.

**Keywords:** financial analysis, risk management, credit risk, financial ratios, credit.

## 1. Introduction

In the business and money market, there is a constant need for money circulation, and this need varies according to the nature and size of the business, as it plays an important role in pushing the wheel of development through the financing it provides to various projects, especially with the growing need for financing, which deepened the role of banks in bridging the The needs of institutions, business organizations and various economic agents in financing.

As financial analysis is one of the most important topics in the field of financial management and banking management, and through it the management of the commercial bank can evaluate all its financial decisions, whether those related to investment or that may be related In addition, financial analysis is a very important means in evaluating the strategic position of the commercial bank, which is to identify the strengths and weaknesses in the bank's internal environment and also identify opportunities and threats in the bank's external environment. In the world of finance and business, there is a constant need to the circulation of funds and this need varies according to the nature and size of the business, as it plays an important role in pushing the wheel of development through the financing it provides to various projects, especially with the growing need for financing. Which deepened the role of banks in meeting the needs of institutions, business organizations and various economic agents in financing..., as financial analysis is one of the most important topics in the field of financial management and banking management, and through it the management of a commercial bank can evaluate all its financial decisions, whether related to In addition, the financial analysis is a very important means in evaluating the strategic position of the commercial bank, which is to identify the strengths and weaknesses in the bank's internal environment and also identify opportunities and threats in the bank's external environment (Denney & Powell, 2020).

Therefore, financial analysis is one of the most appropriate means or tools to achieve these goals in determining strengths and determining their advantages, as well as in identifying weaknesses and determining their causes, and also in discovering opportunities and threats facing the commercial bank. These variables constitute the core of the strategic performance of the bank. The financial analysis process has benefited from Before many interested people and scholars, it is of particular importance because it is the means that ensures that the objective of determining whether the financial position in general and the monetary position of the commercial bank in particular is strong and capable so that it can be assured of its position in its environment and ensure its continuity in continuing its operational operations. The financial position as well as the monetary position of the bank enables it to implement its strategy first and ensures the integrity of its credit decisions secondly and also ensures that it fulfills its financial obligations towards all parties thirdly (Ershadi et al., 2020; Henkel & Haley, 2020).

Banks are joint stock institutions that seek to achieve the largest profit, so they must look to employ their assets in ways to achieve this while reducing the degree of risk they may be exposed to. In addition to the risks, there are other factors that affect how the bank manages its assets and the extent of its ability to achieve profits as a result, there is the mandatory reserve and the legal reserve that is determined by the central bank and whose maintenance involves the bank bearing a cost represented in the opportunity cost. The bank must also maintain an appropriate percentage of its surplus cash reserve to face daily withdrawals, and some unexpected withdrawals that may arise or to meet seasonal withdrawals. As commercial banks depend in their work on banking and investment activities and the provision of banking services.

## 2. Previous studies

Studies related to research variables were reviewed, as a specific number of research articles were included due to their importance and contribution to the study of research variables earlier. We review some of these studies as follows:

1- Study (Musa, Muddathir Abdel Hafeedh Hamouda 2021). The role of financial analysis in reducing the risks of banking operation: A field study on Al-Balad and Islamic Solidarity Banks in Sudan.

This study aims at the role of financial analysis in reducing the risks of banking operations, and the study aimed to shed light on the financial analysis and exposure to the operational risks of banks, which they address, and to determine the extent of its application of theoretical information that limits risks in commercial banks, and this study assumed many hypotheses, Including that there is a statistically significant relationship between the use of financial analysis methods and forecasting operational risks in commercial banks, and there is a statistically significant relationship between the efficiency of financial analysis and the efficiency of banking performance, and there is a statistically significant relationship between the financial results of the analysis used in commercial banks And analyzing the impact of operational risks, the researcher relied on the historical descriptive approach and the method of the case study to test the hypotheses of the study and according to the data of the field study. The difficulty of quickly identifying the risks of the human element through financial analysis, it is also difficult to control the researcher recommended a series of recommendations, the most important of which is the necessity of activating the role of risk management within banks so that all operations within the bank pass through them. Capital ratios for operational risks should be included within the financial analyses.

2- A study (Al-Asadi and Ajil, 2020) entitled: Evaluation of Iraqi commercial banks using financial analysis indicators

This study aims to evaluate Iraqi commercial banks using indicators of financial analysis of published financial accounts and identify those factors, where the study focused on some financial indicators, which were represented by (liquidity, financial market, profitability, financial leverage) and extracting financial ratios and studying their implications and thus determining the most important financial factors Affecting the profitability of banks, which the bank management should focus on to reach the appropriate levels of profit, in addition to its importance to achieve efficiency and effectiveness in banking work and improve quality. The researcher reached the main conclusion that the most important factors affecting profitability levels are (liquidity, property rights, liabilities, investments), and the researcher recommends bank departments to deal in a balanced manner between financial risks and the returns to be achieved.

3- Oudat, M. S., & Ali, B. J. (2021). The Underlying Effect of Risk Management on Banks' Financial Performance: An Analytical Study on Commercial and Investment Banking in Bahrain. Ilkogretim Online, 20(5).

This study aimed to analyze the selected financial risks and the financial performance of commercial and investment banks listed on the Bahrain Bourse for the period 2015-2019. Financial risks contain capital, liquidity and exchange rate risks, at the same time financial performance is measured by return on equity. To achieve the purpose of the research, regression analysis of the data was used. Where the data was collected from the annual financial reports of the banks. The results were found that there are non-significant relationships between capital risk, liquidity risk and exchange rate, showing that risks and financial performance for both models, except for the liquidity risks of investment banks, have a significant relationship with financial performance.

# 3. Financial analysis

### *3-1- Financial Analysis Definition:*

Financial analysis is one of the traditional methods for evaluating financial performance used by the financial management to assess the financial position and operational performance of the economic unit, all banking and non-banking for future conditions. (Abu Zaid, 2009: 20) The purpose of analyzing the financial statements is to examine those current and past financial statements so that the performance of the unit, the financial position, future risks and potential possibilities can be evaluated. Hanusova,2011:14)).

Financial analysis is also defined as the process of studying, analyzing and interpreting the various financial statements contained in the financial statements of the institution, and this analysis is carried out using different tools that have been divided according to the purpose of the analysis, if it is for lending purposes or administrative purposes.etc. (Al-Zarkan, 2010: 271).

Accordingly, financial analysis is one of the important methods and tools in the institution and a basis of planning, control, auditing and risk management, as it includes a comprehensive and detailed study of the financial data contained in the financial statements, as well as a study of all banking performance results for the purpose of interpreting and diagnosing strengths and weaknesses in the financial procedures and policies followed by banks. (Al-Douri and Salameh, 2013: 99).

From the foregoing, we conclude that financial analysis studies all data and financial statements to add value to them after categorizing them. It also identifies the strengths and weaknesses in the bank’s activities and thus ensures it prepares better future plans and contributes to knowing the trends of progress and development of the bank’s performance and the most important risks facing the bank.

***3-2- Financial Analysis Objectives:***

The objectives of financial analysis are summarized in the following: (Dufera, 2010: 19) & (Sokolov, 2008: 15)

1- Interpreting the data contained in the financial statements in order to know the strengths and weaknesses of the bank to build expectations about the future prospects of the bank, which allows analysts to make decisions related to the operation and increase investment in it in the future.
2- Assessing the financial profitability and operational efficiency of banks and their management in order to judge their financial health.
3- To reveal the trends and patterns of development taken by the bank's performance over time.
4- Knowing the reality of the financial position of the institution.
5- Benefit from the available information for the purpose of making decisions related to control, auditing and risk management.
6- Determining the ability and capacity of the bank to service its debt and its ability to borrow.
7- Disclose the reserves that the bank can use to improve its financial position.
8- Knowing the conditions of the bank from all directions and aspects.
9- Presenting conclusions and suggestions to improve the difficult financial situation that the bank may be going through.

It is clear to us through the above that the objective of the basic financial analysis is to identify the real financial situation of the bank, identify deviations and problems and know their causes, which helps in making sound decisions for the purpose of addressing these problems and gaps in the best, most efficient and effective way.

***3-3 financial analysis Uses:***

Financial analysis has many uses, whether in the areas of planning, management or control, performance evaluation, in addition to both internal and external control, or identifying banking risks. Because of the wide use of financial analysis tools, they have been classified according to the purpose and purpose of their use. It should be noted here that one tool or one ratio is useful in the analysis for more than one purpose: (Ashish, 2010: 22-23).

1- Financial analysis for investment purposes: it thus benefits the investor, whether he is an existing investor of the company, or an investor who wants to evaluate the company's performance to make a decision to invest in it or not, and the investor is interested in (ROE)), to know the return that he will get as a result of his investment in this company.

2- Financial analysis for administrative purposes: Financial analysis tools are used for the purposes of managing the facility. The administration may need to know the size of the profits it achieved during the previous period, its efficiency in managing these funds, or its efficiency in using its assets to generate returns for it. The facility also helps in evaluating its policies operational, investing and financing, by using various analysis tools to forecast and plan the volume of sales and profits, and this helps in preparing the estimated balance sheets

1- Financial analysis for consulting purposes: The analysis is for broad-based consulting purposes, as it benefits many parties, such as students and researchers, as well as customers, to know the status of the company they deal with.

2- Financial analysis for lending purposes: This analysis includes short-term and long-term borrowing. Investors or lenders may need to know the facility's ability to repay its financial obligations within short periods of time (short term), and based on the results of the analysis, the investor or lender can accept to provide Loan to this facility or withhold, and liquidity ratios are considered important indicators of the liquidity and solvency of the financial institution and thus enable borrowers to make their decision, and the same applies to lenders, but from the long-term, and this situation constitutes a challenge to the facility, as it requires many criteria or conditions due That the facility provides in order to accept its request for borrowing, and from these ratios, the ratio of equity to total assets. And as the analysis for the purposes of borrowing is important for the financial analyst as a borrower, it is important for the company itself, in order to adjust its position (its assets and liabilities) by improving the values of the various financial ratios that it has. This is from knowing the strengths and weaknesses that it suffers from, so the facility can make an adjustment to its financial position and its various lists, to reflect a better position for the company.

***3-4- The financial ratios adopted in the financial analysis of banks:***

Financial ratios play a pivotal role in the functions of managerial accounting and performance evaluation for any unit or bank. Perhaps the main objective of financial ratio analysis is to use the results for decision-making purposes. It also helps to identify and highlight areas of weak and satisfactory financial performance. These ratios can help management to Determining its strengths and weaknesses and the need for corrective effort (Karim & Alam, 2013: 67), and it also helps in summarizing large amounts of financial data and making quantitative judgments about the financial performance of the unit as ratios express future mutual numbers, and it is a very powerful tool widely used to analyze Financial statements and their interpretation, determining the strength and weakness of the facility, its historical performance, and evaluating its past and current financial position. (Bhandari, 2010:36) Financial ratios are defined as relationships between numbers that are extracted from financial statements. They are generally calculated by dividing the numerator by the denominator, and the result is expressed as a percentage or monetary or non-monetary value, or by comparing the correct numbers. (Mbeba, 2008:26).

The advantages of using financial ratios in banks may be summarized as follows: (Al-Zuhairi, 2015:44)

▪ Knowing the accuracy and validity of the decisions taken.
▪ Verification of moving towards the right direction to achieve the objectives.

- Putting administrations on the best and correct path with regard to their procedures, policies and future plans.
- Identifying and diagnosing negative and positive gaps and deviations to develop, develop or address plans
- Contribute to understanding the unit's financial position when evaluating its financial performance.

## 4. Risk Management

### *4-1- Risk management Definition:*

Writers and scholars differed in their definition of risk, some of them defined it as (the uncertainty of the occurrence of a certain loss), and this definition was based on the moral state of the individual when making his decisions, and others defined it as (the possibility of a loss, and this definition is based on probability and probability as an expression Mathematics whose value ranges between (zero and one).

If the probability degree = zero, this means that the risk is impossible to occur, and if the degree of probability = one, this means that this risk is certain to occur, but if the degree of probability is greater than zero and less than one is true, then this means that the risk is likely to occur.

The previous definition of limiting the risks in loss, the occurrence of the risk means the occurrence of the loss and the occurrence of the loss is evidence of the existence of the risk, and the definition did not clarify the type of loss, whether it is material or moral. Others have defined risks as: "Potential material loss as a result of a specific accident." In this definition, a statement of the type of loss, as it has been identified as a quantitative material loss, and others define risks as: Uncertainty of return or return.

There are other definitions of risk, including:

❖ The discrepancy between the actual returns and the expected returns.
❖ Dispersion between actual results and expected results.
❖ The possibility of the actual results differing from the expected or hoped results. (Al-Shukairy, 2012: 24).

### *4-2- Objectives of risk management:*

In light of the growing markets, technological development and communication systems, risks have become an integral part of any business. There is no risk-free business, especially in light of these developments. Hence, the goal or objective of risk management emerges for us, as shown below: - (Ethnic Central Bank, Department of Management Risks, 2017).

1- Assisting in achieving the Bank's objectives of maintaining a stable financial system based on competition in the market, promoting sustainable development and achieving economic prosperity.
2- Contribute to identifying, classifying, measuring, monitoring and controlling all risks related to the formulation and implementation of monetary policy.
3- Building sound foundations for managing the bank's risks and spreading the culture of risk management among all employees of the bank and the financial system as a whole.
4- Reassure the senior management of the bank that the risks to which they may be exposed are managed appropriately and under control. The process of risk management includes

a set of operations that begin with identifying the risk, then analyzing and measuring it, and ending with treating the risk through techniques represented in avoiding the risk, transferring the risk, reducing the impact of the risk, and accepting danger.

***4-3- Risk management Guiding principles:***

The banking industry is based in its content on the art of risk management. Therefore, measuring risks for the purpose of monitoring and controlling them is an essential role in which risk management in banks serves through a number of functions, including: (Al-Baghdadi, 2018: 227).

1- The assistant in forming a clear future vision on which a future plan is built.
2- Developing and developing a competitive advantage for the bank by controlling current and future costs that affect profitability.
3- Estimating the risks and hedging against them in a way that does not affect the profitability of the bank.
4- Helping the bank to calculate the capital adequacy rate according to the decisions of the Basel Committee, as the new requirements of the Basel Committee depend on the measurement, follow-up and control of the expected loss rates.

***4-4 As for banking risk management:***

It is the identification, follow-up and control of risks to be reported and controlled to reduce their negative effects, and their importance at the time of the technological revolution, which led to the creation of new and multiple risks as a result of the orientation of banking work electronically, which led to the emergence of additional risks associated with electronic banking (Al-Shammari, 2013:46), and the management aims Risks to identify losses from potential risks such as (how losses occur, and how certain events with the sequence of risk can produce losses) and that risk management methods are through (avoiding or avoiding risks, reducing or reducing risk, risk retention, risk transfer, and risk sharing ), and that the stages of the risk management process consist of the following steps (identifying risks, setting goals, identifying risks, assessing or measuring risks, studying alternatives and choosing a method to deal with risks, follow-up and auditing) (mark, 2013: 2).

In theory, banking risk management is defined as the logical development and implementation of an organized plan with the aim of dealing with potential losses, as the focus is usually on banking risk management to manage the institution’s exposure to losses or risks and protect the value of its assets even before losses occur. Risk management in the banking sector has undergone changes Due to the regulations that emerged from the global financial crisis and the fines imposed in its wake, today about 50% of bank employees work in risk operations such as credit management, while 15% work in analytics, where risk management is a part Basically of banking operations, and banking risk arises when there is a possibility of more than one outcome and the final outcome is unknown, as all banking institutions face a state of uncertainty regarding the results of their various activities (Busharmah, 2010: 188).

***4-5- Banking Risk Management Types:***

Just like any business, banks face a myriad of risks, and it is worth noting that it is important to know how banks manage risks as there are different types of risks that a bank may face, the most important of which are the following:

1- Credit risk: Credit risk is defined as the risk that the customer or the recipient of the loan will not repay the money that he borrowed from the bank, as these banks often lend money to their customers. Thus, this could lead to interruptions in cash flows, increase in collection costs and other effects of the bank not collecting its funds. (Zayer et al., 2018: 183).

2- Market risk: The second type of risk faced by banks is market risk, which can be defined as the risk that an individual or another entity may suffer losses due to factors that affect the overall performance of investments in the financial markets, which leads to a decrease in the value of the investment as a result of market factors such as stagnation. These are referred to as Risks are sometimes called systemic risks. (julliet amponsha,2011:11)

3- Operational risks: Among the risks that banks may face are also operational risks, which are defined as the risk of loss resulting from ineffective or failed internal processes, people, systems, or external events that can disrupt the flow of commercial operations. Losses can be direct or indirect financial losses (Al-Ghanimi, 2016: 14).

4- Reputational risk: Reputational risk is defined as the damage that can occur to the bank when it fails to meet the expectations of stakeholders, which affects the business negatively regardless of its size. For example, suppose there is a news story about a bank in which there has been corruption in the management systems, this may damage their relationships with customers, cause a drop in the share price as well, give competitors an advantage to advance, among many other damages.) Al-Baghdadi, 2018: 225).

5- Liquidity risk: Liquidity risk can be defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due, since with any financial institution, there is always the risk that it will not be able to pay its obligations in a timely manner; Due to unforeseen claims or obligation to sell long-term assets at an undervalued price. (Qahush, 2000:115-116).

Accordingly, it can be said that the banking industry is one of the industries most exposed to risks, especially in our contemporary world, where these risks have increased and their nature has changed in light of the developments of banking liberalization, and the growing use of new financial tools helped by the tremendous development and technological progress in the banking industry. The issue of banking risks is an essential part in the preoccupations of any banking institution, because it may lead to preventing it partially or completely from achieving or maximizing its performance, as the risk is inherent in every activity of the banking institution, and therefore these institutions should find a balance between the opportunity to obtain returns for them, and not to be exposed to these risks resulting from its activities.

## 5. The practical side

Before proceeding to assess the performance of banks using financial indicators and ratios, an introductory overview of the banks should be provided. The research sample:

1- Ashur International Bank for Investment: Ashur International Bank for Investment was established in 2005 as a private joint stock company within the private sector and the first integrated investment bank, to provide an integrated package of banking services to commercial institutions and individuals in Iraq, and by relying on a network of correspondents, the bank provides distinguished services that are not For individuals and Iraqi commercial companies only, but also to include individuals and regional and international commercial companies, by opening up to the economies of the world by facilitating internal and external transfers, providing credit ceilings, and supporting trade finance services. The vision of the bank is to be the bank One of the pioneers in providing innovative financial services and commitment to providing what is distinct locally and globally. As for the bank's message, the bank's message stems from the commitment to provide the highest standards of banking service in accordance with the legislation and laws in Iraq, using the latest and best technologies in all transactions, and managing investments with care in order to achieve the best Profits for the common interest of the dealers and the bank itself, the obligation to cooperate and coordinate with other financial institutions and bodies in order to achieve this goal Strengthening the base and foundations of the investment financial system, in addition to committing to the development of societies by investing in various sectors, which in turn provides more job opportunities in the community, encouraging the provision and saving of funds and correct and accurate investment according to sound investment foundations, through investment and financial products that are compatible with The requirements of the dealers, providing the required funds for investors with the aim of establishing economic projects and finding complementary tools for financing activities in a way that meets the needs of the dealers. As for the bank's strategy, Ashur International Bank for Investment aims to become one of the most active and innovative banks in Iraq, which offers innovative and unique financial solutions to be the closest to the future and its constant quest to enhance and develop its financial strength, which constantly creates added value for investors, customers, employees and society as a whole. As for the bank's objectives, it is to enhance the development process in the national economy, support its wheel, create social and economic benefits, and provide new and renewable banking products and services. The bank's capital has grown since the bank's capital Founded in 2005 from 25,000,000 Iraqi dinars to reach 2 50,000,000 million Iraqi dinars in 2020.

2- The Investment Bank of Iraq: The Investment Bank of Iraq was established and included in the Companies Register in the year 13/7/1993 by the Companies Registrar Department in the Ministry of Trade with a capital of 100 million dinars in accordance with the provisions of the Companies Law. 16 branches in Baghdad and the rest of the country's governorates, in addition to other specialized offices, including brokerage offices for buying and selling financial shares, and an office for buying and selling foreign currencies. The bank that the activities of the Investment Bank of Iraq do not calm down and its goals do not end, as it has a wise and well-established policy that considers the main profit in the ability to develop society and individuals, support the national economy and provide the best services to the bank's customers, which is the source of its strength and based on these firm values that governed the bank's march during In the past years, this banking edifice was able to participate in the leadership of the banking process and to form a successful experience whose pillars are the will, determination, teamwork and dedication Patience, trust and honesty.

3- Union Bank of Iraq the Union Bank of Iraq was established as a private joint stock company with a capital of two billion Iraqi dinars according to the certificate of incorporation issued by the Companies Registrar Department on 9/23/2002. 2004, the development of the bank's private capital, as the bank's capital developed, as it was equal to 50 million Iraqi dinars in 2010, it became approximately 252,000,000 million Iraqi dinars in 2020, As for the bank's goals, the bank aims to mobilize national savings and employ them in various investment activities and contribute to the development of the march The development of Iraq in accordance with the general policy framework of the state in addition to achieving the highest profit for shareholders, and maintaining the distinguished position of the bank among other local banks operating inside and outside Iraq in the field of providing the best banking services.

It is possible to clarify the financial and non-financial measures that are chosen in the light of what can be obtained from the field of application represented by the bank instead of the traditional measures that are used to be used as follows:

***Risk Perspective:***

Leverage ratio: The method of calculating this ratio can be clarified as follows: By dividing the total deposits / capital + reserves * 100%, the total deposits are calculated as the value (current accounts and deposits) in the statement of financial position, while the capital is It represents the value of the subscribed (paid) capital in the statement of financial position. As for the reserves, it represents the value of the reserves in the statement of financial position.

Liquidity risk ratio: The method of calculating this ratio can be clarified through the following: by dividing the cash/total deposits, as the cash value (the balance of cash and cash equivalents on December 31) is represented at the end of the cash flow statement, while the total deposits are represented by (current accounts and deposits) in the statement of financial position.

Capital adequacy ratio: The method of calculating this ratio can be clarified through the following: This ratio reflects the extent of development in the capital adequacy of the research sample banks during the years of comparison, and the data for this table was obtained from the lists of published reports of the bank.

The evaluation of the performance of banks is carried out according to the risk perspective and as follows:

First: Ashur International Bank for Investment
Risk Perspective:

**Leverage Ratio**

% 100*$Financial\ Leverage\ Ratio = (total\ deposits)/(Capital\ +\ Reserves\ )$

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| total deposits | 181989893 | 129872530 | 117221282 |
| Capital + Reserves | 259793681 | 259793681 | 258256076 |
| Leverage Ratio | 70.051% | 49.990% | 45.389% |

**Liquidity risk ratio**

$Liquidity\ risk\ ratio = \ (mony\ )/(total\ deposites\ )$

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| Money | 427474671 | 377672093 | 318505232 |
| total deposits | 181989893 | 129872530 | 258256076 |
| Liquidity Risk Ratio | 2.348 | A.908 | 1.233 |

**Capital Adequacy Ratio**

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| capital adequacy | 276% | 271% | 222% |

Second: The Investment Bank of Iraq:
Risk perspective

**Leverage Ratio**

% 100* $Financial\ Leverage\ Ratio = (total\ deposits)/(Capital\ +\ Reserves\ )$

| Details | 2018 | 2019 | y2020 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| total deposits | 238583932240 | 210962480920 | 269018347254 |
| Capital + Reserves | 260452139587 | 260610123008 | 260818189702 |
| Leverage Ratio | %91,603 | %80,949 | %103.144 |

**Liquidity risk ratio**

$Liquidity\ risk\ ratio = \ (mony\ )/(total\ deposites\ )$

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| Money | 355093483003 | 303545298378 | 357700691777 |
| Total deposits | 238583932240 | 210962480920 | 269018347254 |
| Liquidity Risk Ratio | 1.488 | 1.438 | 1.329 |

**Capital Ratio**

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| Capital adequacy | 122% | 102% | %105 |

Third: Union Bank of Iraq
Risk perspective

**Leverage Ratio**

% 100* $Financial\ Leverage\ Ratio = (total\ deposits)/(Capital\ +\ Reserves\ )$

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| total deposits | 127470974 | 97180822 | 88460004 |
| Capital + Reserves | 261595202 | 261688521 | 261729870 |
| Leverage Ratio | 48.728% | 37.136% | 33.798% |

**Liquidity risk ratio**

$Liquidity\ risk\ ratio = \ (mony\ )/(total\ deposites\ )$

| The details | 2018 | 2019 | 2020 |
|---|---|---|---|
| Money | 89648886 | 43519954 | 41533373 |
| Total deposits | 127470974 | 97180822 | 88460004 |
| Liquidity Risk Ratio | 0.703 | 0.447 | 0.469 |

**Capital Ratio**

| Details | 2018 | 2019 | 2020 |
|---|---|---|---|
| Capital adequacy | % 40 | % 42 | % 50 |

As a conclusion from the process of evaluating the performance of banks according to the risk perspective, some of the following points were noted:

Ashur Bank:

* Leverage ratio: We conclude from the above that the financial leverage ratio of Ashur Bank for the years 2018, 2019 and 2020, ranged between 70% - 49% - 45%, respectively, as these ratios are one of the financial measures that refer to the financial position of the bank in terms of its debts Its capital and assets.
* Liquidity risk ratio: The liquidity risk ratio is one of the basic pillars in the work of banks in order to face crises and financial fluctuations, as it ranged for the years 2018, 2019, 2020, between 1.233, 2.908, 2.348, respectively.
* After extracting the capital adequacy ratio of the bank, we conclude that the ratio ranges between 276% - 271% - 222%, respectively, as this ratio indicates the extent of capital adequacy to hedge the risks that may face in the future.

The Investment Bank of Iraq:

* Leverage ratio: From the above, we conclude that the financial leverage ratio of the Investment Bank of Iraq for the years 2018, 2019, 2020, ranged between 91%, 80%, 103%, respectively, which means it increased significantly.
* Liquidity risk ratio: for the years 2018, 2019, 2020, it ranged between 1.488, 1.438, 1.329, respectively.
* Capital adequacy ratio: The capital adequacy ratio for the years of the research sample ranged between 122%, 102%, 105%, respectively.

- Union Bank of Iraq:

* Leverage ratio: After analyzing the financial ratios of the Union Bank of Iraq, represented by the leverage ratio, which ranged for the years 2018, 2019 and 2020 between 33%, 37%, and 48%, respectively.
* Liquidity risk ratio: The liquidity risk ratio for the years 2018, 2019, 2020, was represented. 0.703, 0.447, 0.469, respectively.
* Capital adequacy ratio: The capital adequacy ratio for the years 2018, 2019, 2020 was 40%, 42%, and 50%, respectively.

The methods of measuring modern banking risks are one of the precautionary rules for measuring the degree of risks that banks may face, especially as stipulated by the Basel Committee on Banking Supervision, which includes the comprehensive management of liquidity risks as well as supporting the existing systems for capital adequacy and maintaining a sufficient liquidity ratio to face risks.

## 6. Conclusions and recommendations

***6-1- Conclusions:***

1- Financial analysis is a reflection of the real situation of the credit applicant, through which strengths and weaknesses are discovered. Because the financial balance of the institution means the degree of financial stability enjoyed by the institution and through which it can be judged on the institution's policy adopted in the management and use of its resources.

2- Risks are an integral part of the bank’s work, and there are many types of risks that the bank may be exposed to during its activities, because risks are an essential part of any banking institution’s preoccupations, and they may lead to a partial or total prevention of it from achieving or maximizing its performance.

3- Risk is inherent in every activity of the banking institution, and therefore these institutions should find a balance between the opportunity to obtain returns for them, and not to be exposed to these risks resulting from their activities.

4- Financial analysis, through its ratios and indicators, is a very important tool for banks that grant loans, which guarantees the continuity of the latter on the one hand and ensures the financing of effective institutions that practice appropriate activities on the other hand. All this proves the validity of the hypotheses put.

***6-2- Recommendations:***

A set of recommendations can be made, the most important of which are:

1- A policy must be adopted to distribute risks among banks, and a loan insurance policy should be followed.

2- Forums and training programs should be held in order to develop the banking risk management function.

3- Implementation of the Basel Convention:

1- Iraqi banks should work to find an information system capable of accurately identifying and measuring risks.
2- On the part of the borrower, the loan applicant must be supported by his ability to repay and the importance of his project, to be characterized by effectiveness and quality, and his commitment to the principle of disclosure and transparency when submitting the loan application, and to encourage sources of funding through Islamic partnerships and speculation in which both the lender and the borrower bear the returns of the projects. justice and balance, and this is what some countries have resorted to.
4- It is not necessary to rely on the classical methods (financial analysis) but must also rely on the new statistical methods (pointing method, risk points, ...) in studying and evaluating loans.

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