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ANALYSIS OF PROFITABILITY INDICATORS FOR A SAMPLE OF IRAQI COMMERCIAL BANKS"

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ABSTRACT
This study seeks to analyse profitability indicators for a sample of Iraqi commercial banks, with the aim of assessing their financial performance and their capacity to generate adequate returns for investors and shareholders. The analysis is based on a set of fundamental financial indicators—namely, the net profit margin, return on assets (ROA), return on equity (ROE), and net interest margin—as quantitative tools for evaluating the efficiency of banks' management in utilizing available resources.

The selected indicators were applied to a sample of Iraqi commercial banks over the period 2009–2017, drawing upon their published financial statements. The findings indicate significant variations among the banks under review in terms of profitability performance. Such performance was found to be influenced by internal factors, including managerial efficiency, asset quality, and financing policies, in addition to external factors such as the overall economic environment, political stability, and fluctuations in oil prices, which constitute the primary source of revenue for the Iraqi economy. The study concludes that enhancing profitability indicators requires Iraqi banks to strengthen revenue diversification policies, adopt modern banking practices, and improve transparency and financial disclosure in order to attract investors and foster confidence in the banking sector. Furthermore, it recommends supporting banking reforms and advancing the legislative framework in line with international standards.

Keywords: *Profitability, Financial Performance, Iraqi Banks, ROA, ROE, Net Interest Margin.*

INTRODUCTION

Financial analysis is considered one of the important topics in financial management in general, and in companies in particular. Through it, the financial position can be reflected, highlighting the strengths and weaknesses that a company faces in carrying out its operational and investment activities within the environment in which it operates and the sector to which it belongs, in addition to the competition with other companies in the same sector. The importance of financial analysis has increased in recent years as a result of several factors, including intense competition, the growing role of financial markets, and the tremendous development in information technology.

FIRST: RESEARCH PROBLEM

Investors face the risk of investing in companies due to a lack of trust and the complete reliance on the data prepared by companies in their financial statements. Therefore, in order to contribute to enhancing trust between investors and companies, it is necessary to reassess corporate performance through financial analysis indicators to ensure the credibility of the provided information. Some investors place absolute confidence in the auditor's report; thus, performance evaluation plays a vital role in reinforcing trust in the company.

The research problem revolves around the fact that companies suffer from weaknesses in financial performance evaluation, which negatively affects their financial position. Hence, the core issue of this research can be formulated in the following question: **What is the importance of profitability for Iraqi companies?**

SECOND: RESEARCH HYPOTHESIS

Based on the research problem presented, the following hypothesis is proposed:
There is a significant role and importance of profitability for Iraqi companies.

THIRD: IMPORTANCE OF THE RESEARCH

In light of market openness and intense competition, it becomes increasingly difficult for investors to distinguish between companies in which they intend to invest. This difficulty may arise from the results of corporate operations, which could be characterized by a lack of accuracy, clarity, or credibility. Therefore, the importance of this research lies in enhancing confidence in the information provided by companies through reassessing corporate performance, with a particular focus on profitability indicators within the research community.

FOURTH: RESEARCH OBJECTIVES

1. The objectives of this research are to demonstrate the role of performance evaluation, financial indicators, and profitability indicators in enhancing trust between investors and companies.
2. The research presents the concepts of each variable of the study.
3. The research aims to identify the effects on financial performance and profitability.

FIRST: THE CONCEPT OF THE PROFITABILITY INDICATOR

Profitability represents the earning power of any profit-oriented business entity and is considered one of the most important objectives pursued by any institution or organization. In the case of banks, profitability refers to value creation, which is a crucial step in both establishing and sustaining the bank, as well as maximizing shareholders' wealth through profitability (Mendoza & Rivera, 2017).

Profitability is the ability of a bank to generate profits and revenues in a manner that reflects its continuity, development, and ability to maintain a balance between the revenues it achieves and the risks it undertakes. This is achieved through the adoption of specific policies, such as investing assets, reducing expenses, and studying risks in order to minimize or avoid them (Sakr, 2020).

Thus, profitability represents both a primary objective and a fundamental gain, whether from the perspective of the bank itself or in terms of setting collection goals and operational mechanisms. It is also considered a key indicator monitored by investors when evaluating banks, particularly those with high profitability indicators. Moreover, profitability reflects the relationship between the profits generated by an institution and the assets employed in achieving those profits (Manahi et al., 2021).

Profitability can serve as a measure of a bank's overall performance, as it is regarded as an indicator of revenue generation and the effectiveness of asset utilization. This, in turn, reflects the efficiency of bank management in implementing policies for the optimal use of resources. Consequently, profitability indicators are regarded as essential by investors, creditors, and even customers who seek secure banks with high profitability to safeguard their deposits (Sakr et al., 2019, p. 185).

The International Monetary Fund (IMF) defines profitability as one of the critical determinants of a bank's strength, as it affects capital growth and the ability to withstand adverse events. Through profitability, banks can meet their obligations and maintain repayment capacity. Furthermore, profitability is considered a key indicator for measuring financial difficulties faced by banks (International Monetary Fund, 2006, p. 10).

SECOND: ITEMS OF PROFITABILITY REVENUES

Bank profits are generated through the investment of its assets within specific items that the bank can manage. These items include the following:

1. **Credit Commissions:** Banks collect commissions from other banks (counterpart banks) by providing services to third parties on behalf of those banks (Mohammed et al., 2017, p. 409).
2. **Credit Interest:** This refers to the interest granted on the facilities provided by the bank to borrowers, calculated on the loans extended.
3. **Foreign Exchange Differences:** These are profits (or sometimes losses) resulting from the bank's dealings in buying and selling currencies, whether through market transactions, direct dealings, or due to fluctuations in exchange rates of certain countries for the currencies held by the bank (Al-Aqeeli & Hassan, 2021, p. 8).
4. **Service Fees:** Some banks engage in economic activities, training programs, financial studies, and feasibility studies for projects and institutions as part of their specialized services. Although these activities are not part of the bank's core operations, they represent secondary activities through which the bank earns service fees. They also reflect the efficiency of bank management.
5. **Other Revenues:** These represent revenues earned from the bank's investment activities, such as income from discounting bills of exchange, selling assets above book value, returns from investing in securities, and other types of investments.

THIRD: FACTORS AFFECTING BANK PROFITABILITY

The factors influencing bank profitability can be divided, in terms of environment and determinants, into two main categories: external and internal factors.

External Factors: These are influences or determinants that affect the profitability of banks or the decisions made by management, but occur outside the control of the bank itself. They represent external environmental effects on the bank, and management must respond to these changes in a way that ensures risk-weighted assets are safeguarded and that risks arising from such external variables are effectively managed (Abd et al., 2017, p. 316).

A. **Political and Economic Conditions:** Any change in the political or economic situation of the country in which a bank operates significantly impacts its performance. For example, a country experiencing economic growth will reflect positively on bank profitability, while in times of economic recession, the impact will be negative. Similarly, banks may also be affected collectively in a specific region or across a group of countries due to prevailing political or economic conditions (Sarah & Siham, 2019, p. 19).

B. **Monetary Policy:** The regulations and standards imposed by central banks, along with the policies related to asset management, liquidity provision, capital adequacy, and other supervisory requirements, play a key role in influencing profitability. These policies affect banks' profitability whether through quantitative controls or regulatory measures adopted by central banks (Al-A'raf, 2020, p. 81).

C. **Banking and Social Culture:** Bank profitability is influenced by the level of public awareness regarding deposits and banking transactions, particularly with respect to technological adoption in daily financial dealings. In some societies, cultural tendencies toward Islamic banks, based on the perception that commercial banks operate on usury, also impact profitability. Such cultural and social factors shape how individuals interact with banking institutions.

D. **Competition:** Competition is an inevitable factor across all markets and profit-oriented institutions. It drives banks to attract customers and investments in order to increase profitability, growth, and sustainability. However, management has a certain degree of control over this factor by adopting strategies and policies aimed at delivering superior services that distinguish one bank from another, thereby attracting investors, clients, depositors, and beneficiaries of banking services (Taqtaq et al., 2020, p. 30).

E. **Interest Rates:** Interest rates play a crucial role in bank profitability. The extent to which profitability increases depends on the quality of credit granted in terms of risk exposure, as well as the spread between higher lending rates and lower deposit rates. In other words, higher lending rates coupled with reduced interest rates on deposits contribute to profitability, since the difference between interest received and interest paid to depositors enhances overall bank earnings (Bahaa Al-Din et al., 2016, p. 151).

Internal Factors: These factors directly influence bank profitability, and management plays a significant role in addressing them. In some cases, they cannot be realized without direct managerial intervention. The following factors reflect the efficiency of management in carrying out its tasks and implementing its strategies (Speeti et al., 2020, p. 124):

A. **Deposits:** One of the key structures of a bank is the ability to attract deposits, which provide greater liquidity and expand assets, thereby allowing more flexibility in investment without facing financial distress or difficulties in meeting obligations.

B. **Profits and Losses from Securities:** Banks may incur profits or losses in their capital as a result of dealing in securities and commercial papers.

C. **Utilization of Bank Resources:** Commercial banks are exposed to risks associated with the investment of their assets. The mechanism of asset investment plays a central role in achieving profitability. This reflects the core function of commercial banks, which is to employ assets in ways that maximize profitability (Ali A., 2019, p. 52).

D. **Credit Profits and Losses:** Credit represents the largest component of a bank's investment activities and is the primary source of profit generation, serving as the foundation for revenue streams (Taqtaq et al., 2020, p. 28).

E. **Technological Development in Commercial Banks:** With globalization expanding into commercial activities, banks have become central players by providing services to depositors and customers. Technology plays a crucial role in improving internal structures, enhancing efficiency, and reducing the time and effort associated with traditional banking practices, while also improving the quality of services offered.

F. **Number of Bank Branches:** One of the most important factors under the bank's control is the expansion of its branches into areas where it lacks market share or presence. This expansion positively impacts profitability by bringing the bank closer to depositors and customers, thereby increasing revenue and market share through wider branch networks (Jasim et al., 2020, p. 134).

FOURTH: PROFITABILITY INDICATORS

As noted earlier, the primary objective of banks is to achieve profitability. Measuring profitability requires specific standards, indicators, and ratios to assess the extent to which assets have generated returns, their impact on bank resources, the distribution of profits to investors or owners, and the payout ratios for depositors. All of this is measured using a set of specialized indicators known as profitability indicators (Nyako_baasi, 2018, p. 43). These include:

Return on Assets (ROA): This ratio measures the net income earned relative to total assets. It reflects management's efficiency in employing and investing bank assets to generate profitability. It is calculated using the following relationship (Abd & Al-Aqeeli, 2020, p. 423): ROA= Net Income/Total Assets

Return on Equity (ROE): This indicator measures the profit generated per dinar or dollar (depending on the currency used) for shareholders or owners. It is expressed by the following formula (Sujud & Hashem, 2017, p. 41): ROA= Net Income/ Equity

Return on Deposits (ROD): This measures the ratio of net income to total deposits. It reflects the bank's ability to generate profits for depositors and provides a competitive advantage in attracting more deposits compared to other banks. It is expressed as follows (Kassem & Sakr, 2018): ROD=Net Income /Total Deposits

FOURTH: INTERNAL AND EXTERNAL FACTORS AFFECTING PROFITABILITY

Internal Factors Affecting Profitability: Internal determinants are subject to management oversight and reflect differences in managerial policies and decisions regarding asset structure (Sohail et al., 2013, p. 67). They are derived from banking accounts (balance sheet or profit and loss account) and are therefore referred to as micro-determinants of profitability or bank-specific determinants (P. Athanasoglou, 2005, p. 6). These include:

Debt Ratio: Calculated as the ratio of total debt to total equity. Total debt includes all bank obligations, such as deposits, borrowings, accounts payable, and other liabilities. The debt ratio is a common measure used to assess the extent to which a bank relies on debt as a funding source (Yenesew, 2014, p. 28). It also indicates the level of security available to creditors: a higher ratio suggests greater risk for creditors, while a lower ratio implies a safer financial position and stronger long-term viability. It is calculated as follows (Mohammed & Al-Taie, 2020, p. 69):
Debt Ratio=Total Liabilities /Equity×100

Bank Size: Bank size is measured by the total assets owned by the bank. The natural logarithm of total assets is used instead of absolute asset values to reduce scale effects: Bank Size=log f0(Total Assets) = {Bank Size}
Larger size is expected to create advantages that enhance profitability, including stronger market power, improved technological efficiency, and cheaper funding. However, beyond a certain point, excessive size may lead to diseconomies of scale, as organizational bureaucracy can hinder communication. Larger size also affects costs and the ability to diversify loan portfolios (Adalessossi & Erdoğan, 2019, p. 130).

Capital Adequacy: This refers to the required capital level stipulated by legal and regulatory authorities to ensure the bank's financial soundness. Capital adequacy is measured by Tier 1 and Tier 2 capital supported by risk-weighted assets. Tier 1 capital absorbs losses without requiring the bank to cease trading, while Tier 2 capital (such as preference shares and subordinated debt) provides additional protection in liquidation scenarios. Other measures include the Total Equity to Total Assets (TETA) ratio (ALMUMANI, 2013, p. 303): Capital Adequacy=Total Equity/Total Assets×100
ratio indicates higher risk exposure and potential capital adequacy problems (Adalessossi & Erdoğan, 2019, p. 129).

Liquidity Ratio: Liquidity is a critical financial ratio for assessing a bank's ability to meet its obligations, as determined by central bank requirements (Amin Al-Imam & Ali, 2017, p. 118). Inadequate liquidity suggests the bank may be unable to fulfill its obligations, making liquidity a core strength of financial stability. It is defined as the ability to meet all due payments on time (Hilu, 2020, p. 242). A sufficient liquidity ratio reduces the risk of failure and financing costs while enhancing profitability (Petria et al., 2015, p. 520).

- **Cash Balance Ratio:** Reflects the extent to which the bank's cash holdings can cover its obligations. Expressed as:Cash Balance Ratio=Deposits and Similar Liabilities×100Cash in Vault + Cash at Central Bank + Previous

Year Balances Higher ratios indicate stronger ability to meet obligations, showing a direct relationship between liquidity and cash balance (Abdulrahman & Al-Farsi, 2020, pp. 114–115).

Credit Risk: Credit risk represents one of the main factors influencing bank performance, reflecting the probability of loss due to borrower default. It is typically measured by the ratio of loan loss reserves to total (or net) loans granted (Petria et al., 2015, p. 520). Lower credit risk enhances profitability, while stricter credit risk policies may reduce lending activity, depriving banks of a primary income source. The main goal of credit risk management is to maximize expected profits while minimizing earnings volatility and protecting shareholder wealth (Abdallah, 2016, p. 4).

Number of Bank Branches: Geographic expansion, particularly into densely populated areas, increases the number of bank clients. By delivering banking services to such communities—especially in areas where distances are large—banks with wider branch networks attract more customers. This growth increases deposits, credit facilities, and overall banking operations, thereby improving profitability (Boujamia, 2014, p. 136).

Credit Facilities to Total Assets (NCA): This ratio measures the extent to which a bank allocates funds specifically to credit operations as opposed to other investments, relative to total assets (Al-Jazrawi & Al-Na'imi, 2007, p. 16).

Quality of Banking Services: In recent years, management has placed greater emphasis on the link between service quality and profitability, recognizing service quality as an investment. Improved service quality increases customer satisfaction and future revenue. Research has shown a positive (though not always direct) relationship between service quality and profitability. In the 1980s, service quality was used as a competitive strategy, while in the 1990s, Total Quality Management highlighted its role in reducing costs and boosting productivity. Studies found a positive relationship between service quality, customer satisfaction, and returns, showing that higher service quality enhances customer satisfaction, which in turn drives profitability (Al-Mashhadani, 2016, pp. 198–199).

FIFTH: EXTERNAL FACTORS AFFECTING BANK PROFITABILITY

These are variables not related to the bank's management but reflect the economic and legal environment that affects the performance of financial institutions (P. Athanasoglou, 2005:6). The most important of these determinants are:

1. **Economic Growth:** Expressed by the growth of Gross Domestic Product (GDP), which influences the increase in bank activity through the growth of customer deposits, granted loans, and interest margins. This implies a positive impact on bank profitability. Conversely, when economic activity declines, demand for loans and deposits decreases, which negatively affects profit margins (Petria et al., 2015:520).
2. **Inflation Rate:** In general, inflation refers to a persistent increase in the overall price level or a decline in the value of money over a certain period. In other words, inflation is the widespread and sustained rise in the general level of prices measured by the cost index of various goods and services (Muraina, 2018:42). It is another macroeconomic factor positively associated with bank performance. Expected high inflation rates lead to higher interest rates on loans, thus increasing profitability. However, if inflation is unexpected, it may increase financing costs and negatively affect profitability (Petria et al., 2015:521).
3. **Interest Rate:** Bank profitability increases with rising interest rates on loans, especially when deposit interest rates remain low. This implies greater profit margins. However, higher interest rates discourage companies and individuals from borrowing, which, in the long run, reduces bank earnings (Al-Harbi, 2019:10).
4. **Exchange Rate:** The exchange rate of a country's currency reflects domestic price levels to foreign investors and stakeholders. It is one of the most important determinants of investment. Any change in the exchange rate affects the value of domestic assets and their returns. A decline in the exchange rate leads to a decrease in these returns from the perspective of foreign investors.

CHAPTER THREE

PRACTICAL FRAMEWORK

ANALYSIS OF PROFITABILITY INDICATORS

NET PROFIT TO EQUITY

From Table (10), we can analyze the ratio of net profit to equity for the four banks during the study period.

- **Bank of Baghdad:** The net profit-to-equity ratio was relatively stable. The range between the highest and lowest ratios was relatively small, amounting to (12.34%). The highest ratio was recorded in 2011 at (15.01%), while the lowest ratio was in 2015 at (9.5%). Over the years, fluctuations were observed: 2009 (14.47%), 2010 (11.51%), 2011 (15.01%), 2012 (12.11%), 2013 (11.01%), 2014–2015 (9.5% and 2.13% respectively). In 2016, the ratio increased again to (7.07%), but decreased in 2017 to (2.67%).
- **Iraqi Investment Bank:** The bank showed a significant decline in the net profit-to-equity ratio compared to the Bank of Baghdad. The highest ratio was in 2013 (14.38%), while the lowest was in 2012 (1.17%) due to a significant increase in equity and cash balances from deposits. Yearly fluctuations: 2009 (7.35%), 2010 (10.06%), 2011 (8.47%), 2012 (1.17%), 2013 (14.48%), 2014 (10.18%), 2015 (6.22%), 2016 (3.51%), and 2017 (1.41%).
- **Middle East Bank:** The highest net profit-to-equity ratio was in 2009 (15.5%), while the lowest was in 2017 (-0.21%). Yearly fluctuations: 2009 (15.5%), 2010 (10.26%), 2011 (13.38%), 2012 (12.93%), 2013 (10.29%), 2014 (1.17%), 2015 (1.96%), 2016 (4.32%), and 2017 (-0.21%).

- **Gulf Bank:** The highest ratio was in 2012 (20.54%), while the lowest was in 2017 (-1.32%). Yearly fluctuations: 2009 (13.23%), 2010 (9.53%), 2011 (9.74%), 2012 (20.54%), 2013 (15.54%), 2014 (10.41%), 2015 (3.05%), 2016 (1.85%), and 2017 (-1.32%).

Overall Comparison:

- Bank of Baghdad ranked first with the highest mean net profit-to-equity ratio, with an average of (9.49%), standard deviation of (4.68%), and coefficient of variation (49.32%).
- Gulf Bank ranked second with a mean of (9.47%), standard deviation (6.52%), and coefficient of variation (68.58%).
- Middle East Bank ranked third with a mean of (7.73%), standard deviation (5.95%), and coefficient of variation (76.97%).
- Iraqi Investment Bank ranked fourth with a mean of (6.97%), standard deviation (4.39%), and coefficient of variation (62.98%).

Table (1)Percentage of Net Profit to Equity for the Banks under Study during the Years (2009–2017) (%)

Bank / Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	General Mean	Standard Deviation	Coefficient of Variation %
Bank of Baghdad	14.47	11.51	15.01	12.11	11.01	9.50	2.13	7.07	2.67	9.49	4.68	49.32
Iraqi Investment Bank	7.35	10.06	8.47	1.17	14.38	10.18	6.22	3.51	1.41	6.97	4.39	62.98
Middle East Bank	15.50	10.26	13.38	12.93	10.29	1.17	1.96	4.32	-0.21	7.73	5.95	76.97
Gulf Bank	13.23	9.53	9.74	20.54	15.54	10.41	3.05	1.85	-1.32	9.47	6.52	68.85

Net Profit to Total Assets

Analysis of Net Profit to Total Assets Ratio

- From Table (11), the analysis of the net profit to total assets ratio for the four banks under study during the research period can be observed.
- For Bank of Baghdad, the ratio was relatively stable, as the range between the highest and lowest values was narrow, reaching only 2.02%. The highest ratio was recorded in 2011 at 2.39%, while the lowest ratio appeared in 2015 at 0.37%. The fluctuations can be summarized as follows: in 2009 the ratio was 1.97%, dropping to 1.42% in 2010, then rising sharply to 2.39% in 2011 (the highest throughout the study period). A decline followed in 2012 to 1.93%, then a slight decrease in 2013 (1.82%) and 2014 (1.52%). A sharp fall occurred in 2015 (0.37%), the lowest recorded value. In 2016, the ratio rebounded to 1.67%, but again declined in 2017 to 0.68%.
- For the Iraqi Investment Bank, the ratio shows greater uniformity compared to Bank of Baghdad. The highest ratio was in 2014 at 5.17%, while the lowest was in 2012 at 0.37%. Specifically, in 2009 the ratio stood at 2.40%, then rose significantly in 2010 to 3.62%. It declined in 2011 to 3.03%, and in 2012 fell sharply to 0.37% (the lowest point). A strong recovery occurred in 2013 (5.15%) and slightly increased in 2014 (5.17%). However, the ratio declined again in 2015 (3.18%), 2016 (1.76%), and 2017 (0.70%).
- For the Middle East Bank, the highest ratio was recorded in 2012 at 2.96%, while the lowest was in 2017 at -0.08%. In 2009, the ratio stood at 2.10%, but fell to 1.49% in 2010. A significant increase was seen in 2011 (2.76%) followed by a slight rise in 2012 (2.96%, the highest value). In 2013, it dropped slightly to 2.70%, and in 2014 fell sharply to 0.53%. A mild increase was recorded in 2015 (0.80%) and a more pronounced rise in 2016 (1.85%). However, in 2017 the ratio dropped considerably to -0.08%, marking the lowest point.
- For the Gulf Bank, the highest ratio was in 2012 at 7.26%, while the lowest was in 2017 at 0.70%. The ratio in 2009 was 3.08%, then declined to 2.27% in 2010. It increased again in 2011 to 3.28%, followed by a sharp rise in 2012 (7.26%, the highest across the study). In 2013, it decreased to 6.07%, and in 2014 fell further to 4.43%. In the following years (2015–2017), the ratio continued to decline, with values of 1.22%, 0.73%, and 0.70%, respectively.
- In general, the results show that the ratios of net profit to total assets among the studied banks were relatively close during the research period, despite some fluctuations. From Table (11), Gulf Bank ranked first in terms of net profit to total assets, with the highest general mean of 3.23% and a standard deviation of 2.33%, although its coefficient of variation was 72.14%. The Iraqi Investment Bank ranked second in terms of performance.
- The Iraqi Investment Bank ranked second in terms of the net profit to total assets ratio, recording a general mean of 2.82%, a standard deviation of 2.33%, and a coefficient of variation of 60.64%. The Middle East Bank came third, with a mean of 1.68%, a standard deviation of 1.08%, and a coefficient of

variation of 64.29%.
Finally, the Bank of Baghdad ranked fourth, recording the lowest performance in terms of net profit to total assets, with a mean, a standard deviation, and a coefficient of variation of (0.64%, 0.64%, and 100.00%, respectively).

Bank Name	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Mean**	**Std. Dev.**	**C.V. %**
Bank of Baghdad	1.97	1.42	2.39	1.93	1.82	1.52	0.37	1.67	0.68	1.53	0.64	60.64
Iraqi Investment Bank	2.40	3.62	3.03	0.37	5.15	5.17	3.18	1.76	0.70	2.82	1.71	60.64
Middle East Bank	2.10	1.49	2.76	2.96	2.70	0.53	0.80	1.85	-0.08	1.68	1.08	64.29
Gulf Bank	3.08	2.27	3.28	7.26	6.07	4.43	1.22	0.73	0.70	3.23	2.33	72.14

CHAPTER FOUR: CONCLUSIONS AND RECOMMENDATIONS

MAIN CONCLUSIONS

1. Investors are unable to make investment decisions in companies unless they have a complete vision of the company's financial performance.
2. Disclosure of the results of financial analysis represents a competitive advantage among companies.
3. Financial analysis provides a clear picture of the risks faced by companies.
4. Bank of Baghdad recorded the highest ratio of net profit to total assets in 2011, where the percentage reached (2.39%). Meanwhile, the lowest ratio of net profit to total assets was recorded in 2015, at a value of (0.37%).
5. Due to the nature of the activities carried out by banks and their differences from other commercial and industrial entities, the financial ratios used to evaluate the performance of non-banking entities are not suitable for evaluating commercial banks. Instead, there are specific ratios that should be used to assess the performance of banks in accordance with the nature of their activities.

MAIN RECOMMENDATIONS

1. Greater attention should be paid to the results of financial analysis, ensuring the highest accuracy so that investors can effectively benefit from the outcomes.
2. Companies should disclose their financial data, information, and financial position to provide a clear picture to stakeholders.
3. Companies should disclose the risks they are exposed to, in order to prevent misleading investors and to give them more space in making investment decisions.
4. Financial institutions should focus on balancing liquidity and profitability, avoiding idle cash in the treasury, which negatively affects profitability indicators.
5. It is necessary to involve the accounting staff of banks in training programs to enhance and develop their knowledge in conducting performance evaluation studies for banks, with the aim of carrying out future studies that would improve the efficiency and effectiveness of financial institutions.

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