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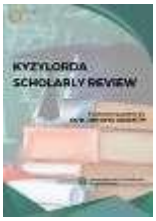

Analysis and Evaluation of the Financial Performance of a Sample of Banks Listed on the Iraq Stock Exchange for 2021–2025

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Abstract: In this study, the financial performance of a purposive sample of five banks, which are listed in the regular market of the Iraq Stock Exchange for the period 2021–2025, including the National Bank of Iraq, Al-Mansour Investment Bank, Cihan Islamic Investment and Finance Bank, Kurdistan International Bank for Investment and Development, and Bank of Baghdad, were analysed and evaluated. The sample involves conventional and Islamic banks. The study is descriptive-analytical in the theoretical part and quantitative-analytical in the practical part, where the audited annual financial statements of the Iraqi Securities Commission were used. The indicators are the return on assets, return on equity, net profit margin, efficiency ratio, liquidity ratio, deposits to assets ratio, equity to assets ratio and growth rates of assets and profits. The results show that the sample's financial performance has improved significantly in the period of the study. The Average return on assets improved from 1.09% in 2021 to 4.53% in 2025 and Average return on equity from 4.82% in 2021 to 19.28% in 2025, whereas the Efficiency ratio (expenses/revenue) downtrended from 55.65% to 40.13% in 2025. The study suggests addressing weak financial intermediation, diversifying income sources away from returns on placements with Central Bank, and improve the capital adequacy.

Keywords: Financial analysis; financial performance evaluation; return on assets; return on equity.

Introduction

Financial performance is at the heart of the decisions made by all stakeholders who are dependent upon the outcome of the financial performance, as it reflects an entity's capacity to fulfil obligations. It is also significant as a matter of the financial systems' overall health, not just because of its impact on the system, but due to its significance to the regulatory authorities. A financial analysis, then, becomes a process of converting information in the published accounting statements into information that helps guide decisions. A single figure is of little value without reference to other figures or to a standard, or to the performance of a previous year, or to a similar institution.

The Iraq Stock Exchange plays a key role in the Iraqi economy in terms of mobilisation of saving and allocation to investment through formal channels. In recent years, there were significant structural changes in the market, most importantly the increase of the capital of the listed banks according to the requirements of the Central Bank of Iraq, expansion of lending and investment, the entry of new companies into the regular market and relative improvement of financial disclosure since the companies were required to submit their financial statements to the Iraqi Securities Commission and publish them electronically. These developments have given researchers a unique

chance to establish longitudinal financial databases that can be used for comparative financial analysis over time. This study is based upon published financial data and those already audited, which are broken down into three areas: research methodology, theoretical framework and applied analysis before conclusions and recommendations.

Section One: Research Methodology

First: Research Methodology

1 Research Problem

The research problem is brought about by the fact that banks work in a very volatile environment. Evaluating their performance is, therefore, important since many stakeholders use these evaluations in investment and supervision decisions. Thus, the research problem can be stated as the following major question:

What is the level of financial performance of a sample of banks listed on the Iraq Stock Exchange during 2021–2025?

The main question gives rise to the following subsidiary questions:

- Did the profitability indicators (return on assets and return on equity) of the research sample improve during the study period compared with the base year 2021?
- Did operating efficiency, measured by the expenses-to-revenues ratio, improve over the same period?
- Is there a significant difference in performance levels between conventional and Islamic banks?
- Was asset growth associated with improved profitability, or did it represent quantitative growth unaccompanied by qualitative improvement?

2 Research Hypotheses

The study seeks to test the following hypotheses:

- First hypothesis: There are statistically significant differences in the financial performance indicators of the research sample between the base year 2021 and 2025.
- Second hypothesis: Financial performance differs significantly between conventional and Islamic banks in the sample.
- Third hypothesis: There is a statistically significant positive relationship between a bank's asset growth and its return on assets.

3 Research Objectives

- To measure the financial performance of a sample of banks listed on the Iraq Stock Exchange over 2021–2025.
- To analyse trends in the development of these indicators over the period.
- To compare the banks in the sample and rank them according to their aggregate performance.

4 Research Significance

The study will be a valuable addition to the literature of Iraqi accounting and financial literature

due to the inclusion of conventional and Islamic banks in a single analysis and covering the latest period of time. The results could be used as a reference for investors, used for bank management to evaluate competitive position, used by supervisory authorities to draw conclusions about banks that need more attention, and used as a basis for further empirical research.

5 Research Scope and Limitations

- Data scope: The study relied on audited and published financial statements.
- Subject scope: Financial performance as the dependent variable, measured using eight banking indicators.
- Spatial scope: The regular market of the Iraq Stock Exchange.
- Time scope: 1 January 2021 to 31 December 2025.

6 Research Method

The applied part of the study used quantitative-analytical method, while the first part of the study was descriptive-analytical used to develop the theoretical framework and describe the phenomenon. The financial statements were used to extract the data, calculate indicators and analyze the trends. Then, descriptive and inferential statistical tools were used to test the hypotheses, which were appropriate for the small sample: the arithmetic mean, standard deviation, coefficient of variation, Wilcoxon signed-rank test for paired samples and Spearman's rank correlation coefficient. When there is a small sample size and normality of the distribution is not assumed then these non-parametric tools are more appropriate than the parametric alternatives.

7 Research Population and Sample

The research population comprises companies listed on the regular market of the Iraq Stock Exchange. The sample was selected purposively according to three criteria: the bank had to be listed on the regular market throughout the study period; audited annual financial statements had to be available and published for all five years; and the bank had to represent a relatively large share of the sector. These criteria resulted in a sample of five banks, as shown in the following table:

Table 1: Research Sample

Ticker	Bank Name	Paid-up Capital (IQD Billion)	Type	Market
BNOI	National Bank of Iraq	650	Conventional	Regular Market
BMNS	Al-Mansour Investment Bank	445	Conventional	Regular Market
BCIH	Cihan Islamic Investment and Finance Bank	400	Islamic	Regular Market
BKUI	Kurdistan International Bank for Investment and Development	400	Islamic	Regular Market
BBOB	Bank of Baghdad	400	Conventional	Regular Market
Total	—	**2,295**	—	—

Source: Prepared by the researcher based on the Iraqi Securities Commission's List of Listed Companies.

8 Data Sources

The study relied on two main sources:

- Primary source: Audited annual financial statements of the sample banks for 2021–2025, published electronically by the Iraqi Securities Commission in its listed-companies database.
- Secondary source: Iraqi Securities Commission data on listed companies and their capital, the market's annual reports, and published studies and literature on banking financial analysis.

9 Analysis Indicators and Calculation Formulas

Eight indicators were used, selected according to their importance in banking analysis and the possibility of calculating them from published data, as shown in the following table:

Table 2: Research Indicators, Calculation Formulas, and Expected Direction

No.	Indicator	Calculation Formula	Interpretation	Desired Direction
1	Return on Assets	Net profit ÷ Total assets × 100	Efficiency of asset utilisation in generating profit	Increasing
2	Return on Equity	Net profit ÷ Equity × 100	Return on owners' funds	Increasing
3	Net Profit Margin	Net profit ÷ Total income × 100	The bank's ability to convert income into profit	Increasing
4	Efficiency Ratio	Total expenses ÷ Total income × 100	Efficiency in controlling expenses	Decreasing
5	Liquidity Ratio	Cash and balances with the Central Bank ÷ Assets × 100	Ability to meet withdrawals	Increasing*
6	Deposits-to-Assets Ratio	Customer deposits ÷ Total assets × 100	The bank's reliance on deposit funding	Balanced
7	Equity-to-Assets Ratio	Equity ÷ Total assets × 100	Approximate indicator of capital adequacy	Increasing
8	Growth Rate of Assets and Net Profit	(Current year ÷ Previous year) − 1	Expansion and growth trend	Increasing

Section Two: Theoretical Framework

First: The Concept of Financial Analysis and Performance Evaluation

Financial analysis refers to the examination of data contained in accounting statements and reports using the quantitative methods and techniques employed by a financial analyst to evaluate an institution's past and present financial performance and predict its future performance (Shuaib, 2014: 12).

Financial performance evaluation is the assessment of an institution's financial position using financial indicators over a specified period or several periods, with comparisons made against

institutions in the same field or against a particular year designated as the base year (Ahmed et al., 2021: 253).

Second: The Importance of Financial Performance Evaluation

The importance of financial performance evaluation stems from its role as the link between the preparation of accounting information and its use in decision-making. Financial data in published statements remain raw figures unless analysed and compared. Once analysed, they become information on which lending, investment, supervisory, and management decisions can be based. The importance of evaluation can be summarised as follows (Ghazal, 2015: 16):

1. Increasing access to external financing sources, thereby creating greater investment opportunities.
2. Reducing the cost of capital associated with an increase in the institution's value, thereby encouraging investors.
3. Improving the allocation of available resources, leading to better operational performance.
4. Strengthening the ability to withstand financial crises.
5. Providing useful information that enables sound decisions to be made at the appropriate time.

Third: Objectives of Financial Performance Evaluation

Financial performance evaluation seeks to achieve several objectives, as follows (Al-Karkhi, 2014: 32):

1. Identifying the company's ability to generate revenues from its ongoing activities or other sources.
2. Determining the level of achievement in comparison with the objectives set out in its financial plans.
3. Identifying persistent deficiencies and weaknesses in the activities of the economic unit, analysing them comprehensively, and determining their causes in order to develop the necessary solutions, correct them, and prevent their recurrence.
4. Determining each unit's or department's responsibility for deficiencies or weaknesses in its activities by measuring departmental productivity and identifying positive and negative achievements, thereby encouraging competition among departments to improve performance.
5. Assessing the extent to which available resources are used rationally and efficiently to achieve higher returns at lower costs and with good quality.
6. Providing a substantial information base for formulating long-term financial policies and plans more objectively, avoiding subjectivity and unrealistic estimates.
7. Providing stakeholders with financial performance data and information for analysis, comparison, and interpretation, thereby supporting investment and financing decisions.
8. Determining the efficiency of financing and the use of available resources and invested assets.

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Section Three: Applied Analysis

1. Presentation of Basic Financial Data

The basic financial information of the research sample for the 2021-2025 period is given in this section. All amounts have been converted into billions of Iraqi dinars for comparison with conventional banks and are reclassified. Only those items of the presentation are included in the presentation that have analytical relevance in relation to the total assets, customer deposits, shareholders' equity, total income, total expenses, and net profit.

Table 3: Total Assets of the Research Sample, 2021–2025 (Amounts in IQD Billion)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	1,821.3	2,416.1	3,983.0	5,144.2	6,511.9
Al-Mansour Investment Bank	697.9	736.8	1,135.4	2,108.8	2,391.0
Cihan Islamic Investment and Finance Bank	1,254.9	1,281.0	1,216.5	1,456.7	996.4
Kurdistan International Bank for Investment and Development	1,416.6	1,541.6	1,377.3	901.9	889.0
Bank of Baghdad	1,539.8	1,724.2	2,748.5	3,546.0	2,890.4
Arithmetic Mean	**1,346.1**	**1,540.0**	**2,092.1**	**2,631.5**	**2,735.7**

Source: Prepared by the researcher based on audited annual financial statements published by the Iraqi Securities Commission.

Table 4: Customer Deposits of the Research Sample, 2021–2025 (Amounts in IQD Billion)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	1,145.2	1,538.7	2,926.6	3,462.8	3,970.6
Al-Mansour Investment Bank	377.3	387.2	670.6	1,201.3	1,363.6
Cihan Islamic Investment and Finance Bank	475.4	434.2	357.8	354.5	459.6
Kurdistan International Bank for Investment and Development	605.1	705.0	617.1	204.5	234.3
Bank of Baghdad	1,157.5	1,309.3	2,170.3	2,679.3	2,064.7
Arithmetic Mean	**752.1**	**874.9**	**1,348.5**	**1,580.5**	**1,618.5**

Source: Prepared by the researcher based on audited annual financial statements published by the Iraqi Securities Commission.

Table 5: Shareholders' Equity of the Research Sample, 2021–2025 (Amounts in IQD Billion)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	315.9	333.3	505.1	697.5	981.8
Al-Mansour Investment Bank	280.1	283.1	311.8	466.0	657.7
Cihan Islamic Investment and Finance Bank	284.8	776.5	807.0	876.6	450.9
Kurdistan International Bank for Investment and Development	618.7	621.2	625.2	601.8	590.3
Bank of Baghdad	309.1	349.6	473.7	727.5	703.6
Arithmetic Mean	**361.7**	**472.7**	**544.6**	**673.9**	**676.9**

Source: Prepared by the researcher based on audited annual financial statements published by the

Iraqi Securities Commission.

Table 6: Total Income, Total Expenses, and Net Profit in 2025 (Amounts in IQD Billion)

Bank	Total Income	Total Expenses	Net Profit
National Bank of Iraq	551.4	162.7	308.5
Al-Mansour Investment Bank	270.5	44.8	191.5
Cihan Islamic Investment and Finance Bank	54.1	27.9	21.2
Kurdistan International Bank for Investment and Development	21.7	18.1	3.0
Bank of Baghdad	324.0	63.6	215.6
Total	**1,221.7**	**317.0**	**739.8**

Source: Audited annual financial statements for 2025. Total income refers to the sum of net interest income, commissions, foreign-exchange gains, and other income, rather than total interest income alone.

2. Horizontal Analysis of Size and Growth Indicators

أ. The horizontal analysis of the total asset growth rate for 2021–2025 is presented in the following table:

Table 7: Total Asset Growth Rate

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	—	32.65	64.85	29.16	26.59
Al-Mansour Investment Bank	—	5.58	54.08	85.74	13.38
Cihan Islamic Investment and Finance Bank	—	2.08	5.03-	19.74	31.60-
Kurdistan International Bank for Investment and Development	—	8.83	10.66-	34.52-	1.43-
Bank of Baghdad	—	11.97	59.41	29.01	18.49-
Sample Average	**—**	**12.22**	**32.53**	**25.83**	**2.31-**

* 2021 is the base year; therefore, no growth rate is calculated for that year.

As shown in Table 7, asset growth during 2021–2022 was modest, with growth rates ranging from 2% to 33%, accompanied by pressure on profitability due to higher operating expenses following the pandemic. In 2023–2024, three of the five banks recorded asset growth rates exceeding 29% in each year. Growth peaked at Al-Mansour Investment Bank, at 85.74% in 2024. In 2025, the assets of Bank of Baghdad declined by 18.49% and those of Cihan Bank by 31.60%, while the National Bank of Iraq continued to grow by 26.59%.

ب. The horizontal analysis of the net profit growth rate for 2021–2025 is presented in the following table:

Table 8: Net Profit Growth Rate

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	—	5.42	589.96	32.81	22.26
Al-Mansour Investment Bank	—	55.85	213.38	150.82	92.54

Cihan Islamic Investment and Finance Bank	—	15.33	172.93	19.82	17.86-
Kurdistan International Bank for Investment and Development	—	54.28-	68.41	404.82-	124.83-
Bank of Baghdad	—	77.30	193.07	96.96	29.74-

Table 8 shows that net profit growth during 2021–2022 ranged from 5% to 77%, while during 2023–2024 it ranged from 19% to 96%. The highest rate was recorded by Al-Mansour Investment Bank, at 150.82% in 2024. In 2025, net profit declined at Bank of Baghdad by 29.74% and at Kurdistan International Bank for Investment and Development by 124.83%, whereas Al-Mansour Investment Bank continued to grow by 92.54%.

3. Analysis of Profitability Indicators

Profitability indicators are central to performance evaluation because they assess a bank's ability to generate returns from its resources after covering operating costs and the cost of risk. Three indicators were calculated: return on assets, return on equity, and net profit margin.

Table 9: Return on Assets (ROA)

Bank	2021	2022	2023	2024	2025	Average
National Bank of Iraq	1.43	1.14	4.77	4.91	4.74	3.40
Al-Mansour Investment Bank	1.16	1.72	3.49	4.72	8.01	3.82
Cihan Islamic Investment and Finance Bank	0.54	0.62	1.77	1.77	2.13	1.36
Kurdistan International Bank for Investment and Development	0.37	0.15	0.29	1.36-	0.34	0.04-
Bank of Baghdad	1.95	3.08	5.67	8.65	7.46	5.36
Sample Average	**1.09**	**1.34**	**3.20**	**3.74**	**4.53**	**2.78**

The return on assets is significantly better for the sample as a whole, rising by over 4 times from an average of 1.09% in 2021 to 4.53% in 2025 (see Table 9). This rise is due to two interrelated factors—total income increased at a higher rate than assets; the ratio of expenses to income has decreased. This meant that the improvement was not just quantitative – an increase in the size of the balance sheet – but also qualitative – improved operating efficiency. But there are significant bank-to-bank differences when comparing them. The Bank of Baghdad had the best ROA in four of the five years with the peak of 8.65% in 2024. Al-Mansour Investment Bank, with a gain of 6.85% from 1.16% to 8.01% in the sample, had the fastest gain. The same trend continued with Kurdistan International Bank, which stayed low during the period (0.15% in 2022), followed by a loss of IQD 12.25 billion in 2024, with a negative return on assets of (−1.36%).

Table 10: Return on Equity (ROE)

Bank	2021	2022	2023	2024	2025	Average
National Bank of Iraq	8.27	8.26	37.62	36.18	31.43	24.35
Al-Mansour Investment Bank	2.90	4.47	12.71	21.34	29.11	14.11

Cihan Islamic Investment and Finance Bank	2.40	1.02	2.67	2.94	4.70	2.74
Kurdistan International Bank for Investment and Development	0.84	0.38	0.64	2.04-	0.52	0.07
Bank of Baghdad	9.70	15.20	32.88	42.18	30.64	26.12
Sample Average	**4.82**	**5.87**	**17.31**	**20.12**	**19.28**	**13.48**

Return on equity presents an even more pronounced picture: its average reached 19.28% in 2025, compared with 4.82% in 2021. Bank of Baghdad recorded the highest value (42.18%) in 2024.

Table 11: Net Profit Margin

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	31.43	25.45	55.37	55.82	55.96
Al-Mansour Investment Bank	47.05	46.89	60.43	58.73	70.79
Cihan Islamic Investment and Finance Bank	27.22	27.25	41.92	36.76	39.12
Kurdistan International Bank for Investment and Development	11.68	6.43	10.88	107.80-	14.04
Bank of Baghdad	36.14	47.45	66.54	65.98	66.53
Sample Average	**30.70**	**30.69**	**47.03**	**21.90**	**49.29**

* Net profit margin = Net profit ÷ Total income × 100. The negative value for Kurdistan Bank in 2024 indicates a net loss.

Table 11 shows an upward trend in the net profit margin, with the sample average increasing from 30.70% in 2021 to 49.29% in 2025. Notably, margins exceeded 55% at three banks in 2025.

4. Analysis of Efficiency Indicators

The efficiency ratio is one of the most precise indicators of management quality because it measures the expenses incurred by a bank for each unit of income generated.

Table 12: Efficiency Ratio (Expenses ÷ Revenues)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	61.05	68.02	33.27	28.03	29.52
Al-Mansour Investment Bank	46.82	44.76	29.46	29.12	16.55
Cihan Islamic Investment and Finance Bank	63.99	66.91	49.68	54.51	51.47
Kurdistan International Bank for Investment and Development	75.06	84.35	80.43	207.80	83.48
Bank of Baghdad	31.32	27.73	14.12	11.60	19.62
Sample Average	**55.65**	**58.36**	**41.39**	**66.21**	**40.13**

Lower values are preferable. A value exceeding 100% means that expenses exceeded revenues, resulting in an operating loss.

Table 12 shows that the sample's average ratio declined from 55.65% in 2021 to 40.13% in 2025, indicating that banks generated income at a lower cost. Bank of Baghdad was the most efficient throughout the period, recording a ratio of 11.60% in 2024. By contrast, Kurdistan International Bank remained above 75% in all five years and exceeded 200% in 2024.

5. Analysis of Liquidity Indicators

Table 13: Liquidity Ratio (Cash and Balances with the Central Bank ÷ Assets)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	18.69	29.83	46.01	36.24	26.46
Al-Mansour Investment Bank	60.77	53.53	56.72	62.24	64.36
Cihan Islamic Investment and Finance Bank	37.04	32.68	19.45	34.04	47.84
Kurdistan International Bank for Investment and Development	55.63	54.12	51.32	46.81	41.85
Bank of Baghdad	45.86	41.92	47.08	56.97	36.79
Sample Average	**43.60**	**42.42**	**44.12**	**47.26**	**43.46**

The liquidity ratio (Table 13) indicates that the sample banks maintained a high level of current assets throughout the period. The sample average was 43.60% in 2021 and 43.46% in 2025, although substantial differences existed between banks. Al-Mansour Investment Bank maintained a ratio ranging from 53% to 64%, whereas the ratio at the National Bank of Iraq declined from 46.01% in 2023 to 26.46% in 2025.

Table 14: Net Credit Facilities to Deposits Ratio (%)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	75.67	61.80	44.76	51.44	70.18
Al-Mansour Investment Bank	32.39	43.20	29.08	20.76	27.83
Cihan Islamic Investment and Finance Bank	6.89	21.27	38.06	33.08	31.23
Kurdistan International Bank for Investment and Development	0.45	0.44	0.39	36.53	33.26
Bank of Baghdad	10.51	6.84	2.84	1.88	7.30
Sample Average	**25.18**	**26.71**	**23.02**	**28.74**	**33.96**

Table 14 also shows a structural imbalance of credit facilities to deposits, indicating a financial intermediation problem. Average for the sample in 2021 was 25.18%, and in 2025 was 33.96%, significantly lower than those seen in effective banking systems, which are higher than 70%. This implies a significant share of deposits is not transferred into financing economic activity, but goes into liquid assets. This is referred to in the economic literature as the "shift from intermediation to hoarding" and it is a significant limitation of the developmental role of banks due to the separation of savings from investment.

6. Analysis of Funding Structure and Risk

Table 15: Deposits to Total Assets Ratio (%)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	62.88	63.69	73.48	67.31	60.98
Al-Mansour Investment Bank	54.07	52.54	59.06	56.96	57.03
Cihan Islamic Investment and Finance Bank	37.89	33.89	29.41	24.34	46.12

Kurdistan International Bank for Investment and Development	42.71	45.73	44.80	22.68	26.36
Bank of Baghdad	75.17	75.94	78.96	75.56	71.43
Sample Average	**54.54**	**54.36**	**57.14**	**49.37**	**52.38**

As can be seen in Table 15, the ratio of deposits to assets of Bank of Baghdad was 75.41%, on average, showing the highest dependence on deposits among all banks, followed by National Bank of Iraq at 65.67%. This high reliance comes with a cost, in that funding costs are lowered, and profit margins are increased; but it also exposes a bank to bank-run risk and uncertainty of depositor confidence. This effect was especially pronounced at Kurdistan International Bank, where the deposits decreased by 66.9% from IQD 617.08 billion in 2023 to IQD 204.54 billion in 2024. This resulted in asset shrinkage by over one-third and in a net loss. In the scope of this sample this episode is the most obvious case of liquidity risk in the Iraqi banking sector.

Table 16: Equity to Total Assets Ratio (%)

Bank	2021	2022	2023	2024	2025
National Bank of Iraq	17.34	13.79	12.68	13.56	15.08
Al-Mansour Investment Bank	40.13	38.41	27.47	22.10	27.51
Cihan Islamic Investment and Finance Bank	22.70	60.61	66.34	60.18	45.25
Kurdistan International Bank for Investment and Development	43.67	40.29	45.39	66.73	66.41
Bank of Baghdad	20.08	20.28	17.24	20.52	24.34
Sample Average	**28.78**	**34.68**	**33.82**	**36.62**	**35.72**

The equity-to-assets ratio in Table 16 reveals a decisive structural difference among the banks. This ratio reached 66.73% in 2024 and 66.41% in 2025 at Kurdistan International Bank, and 60.18% and 45.25%, respectively, at Cihan Bank in the same years, compared with 13.56% and 15.08% at the National Bank of Iraq and 20.52% and 24.34% at Bank of Baghdad.

Aggregate Evaluation and Ranking of Banks

Each bank was evaluated on the basis of the sum of its ranks across six criteria: return on assets in 2025, return on equity in 2025, net profit margin in 2025, the efficiency ratio in 2025 (ranked in descending order, since a lower value is better), average return on assets over the period, and average return on equity over the period. Each bank was assigned a total rank score, with a lower total indicating better performance.

Table 17: Aggregate Ranking of the Research Sample

Bank	ROA 2025	ROE 2025	NPM 2025	Efficiency	Average ROA	Average ROE	Total Rank
Baghdad	2	2	2	2	1	1	10
Al-Mansour Investment Bank	1	3	1	1	2	3	11
National Bank of Iraq	3	1	3	3	3	2	15
Cihan Bank	4	4	4	4	4	4	24

Kurdistan International Bank	5	5	5	5	5	5	30

Ranks range from 1 (best) to 5 (weakest). A lower total rank indicates better overall performance. Bank of Baghdad came in first with a total rank score of 10, followed by Al-Mansour Investment Bank (11), National Bank of Iraq (15), Cihan Islamic Investment and Finance Bank (24), and Kurdistan International Bank for Investment and Development (30).

Hypothesis Testing

Non-parametric statistical tools appropriate for the small sample (five banks) were used to test the hypotheses: the Wilcoxon signed-rank test for paired samples to compare 2021 with 2025, and Spearman's rank correlation coefficient to measure the relationship between asset growth and return on assets.

Table 18: Wilcoxon Test Results Comparing 2021 and 2025

Indicator	2021 Average	2025 Average	W Statistic	p-value	Decision at 0.05
Return on Assets	1.09	4.53	5	0.625	Not significant
Return on Equity	4.82	19.28	5	0.625	Not significant
Net Profit Margin	30.70	49.29	5	0.0625	Not significant
Efficiency Ratio	55.65	40.13	5	0.625	Not significant

These results reflect the descriptive trends of improvement in all four indicators, but failed to reach statistical significance (at 0.05) in any of them with the Wilcoxon test. The lowest p value was found for net profit margin for a sample of 5 pairs (0.0625) which is just below the level of significance. This is due to the small sample size and not a lack of effect. In a test with five pairs, the minimum possible p-value is about 0.0625, which means that the test will not have enough statistical power to reject the null hypothesis, no matter how large the difference is. It is, therefore, not surprising that the result of the statistical analysis is a methodological limitation and not a counterpoint to the phenomenon, and that generalisation has to be treated with care.

Spearman's correlation coefficient was used to test the hypothesis for the relationship between asset growth rate and return on assets of 2025 and 2025, the results showed that for the hypothesis of asset growth rate with return on assets 2025 and 2025, the value of Spearman's correlation coefficient was 0.300 and the p value was 0.683. This means that there is positive, albeit non-statistically significant, correlation, suggesting that qualitative growth of the Iraqi banking sector is not always linked to quantitative growth of the banks, and that the correlation between size and profitability in the Iraqi banking sector is not linear and deterministic.

Based on this, both the first and second hypotheses were accepted at the descriptive analysis level since there was a clear difference between 2021 and 2025, and the performance of both conventional and Islamic banks differed. The hypothesis 3 is not accepted. However, statistical conclusions (inference) are still limited by the statistical power of the sample.

Conclusions and Recommendations

1. Conclusions

In light of the analysis presented above, the following conclusions can be drawn:

1. The financial performance of the research sample improved substantially over 2021–2025. Average return on assets increased from 1.09% to 4.53%, average return on equity rose from 4.82% to 19.28%, and the average efficiency ratio declined from 55.65% to 40.13%. This indicates that the improvement was not merely quantitative but was also accompanied by greater operating efficiency.
2. The improvement was not uniform across banks. Bank of Baghdad and Al-Mansour Investment Bank led in profitability and efficiency indicators, whereas Kurdistan International Bank remained the weakest performer. It recorded a net loss of IQD 12.25 billion in 2024, its total income fell by 69%, and its efficiency ratio exceeded 200%.
3. The sector suffers from weak financial intermediation. The average credit-facilities-to-deposits ratio did not exceed 27.52% over the entire period, rising from 25.18% in 2021 to 33.96% in 2025. This separates savings from investment and limits banks' role in financing economic activity.
4. The increase in banks' paid-up capital in response to regulatory requirements was associated with equity-to-assets ratios exceeding 60% in some banks. This mechanically reduced return on equity and revealed idle capital for which no sufficiently profitable deployment had been found.
5. The analysis of Kurdistan International Bank, and to some extent Cihan Bank, revealed that liquidity risk is the most influential risk in the Iraqi banking environment. A 66.9% decline in deposits within one year was sufficient to turn a profit into a loss.

2. Recommendations

- Spread the sources of income and decrease dependence on the returns from placements with the Central Bank which are dependent on monetary policy decisions that may change and do not constitute a sustainable competitive advantage.
- Improve weak credit intermediation by creating financing products to meet the needs of SMEs, enhancing collateral management, and strengthening credit risk assessment ability.
- Instead of having idle capital in the form of low-yield liquid balances, develop plans to deploy them either by expanding income generating assets or by returning capital to shareholders.
- Implement a progressive regime of capital requirements, in relation to risk, rather than in relation to a fixed capital amount, to prevent idle capital in small banks.



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