

EVALUATING THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS UNDER THE CORONA PANDEMIC USING THE CAMELS CRITERION

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Abstract

The study aims to shed light on the cognitive aspects of evaluating the financial performance of a sample of private banks according to the (CAMELS) standard in light of the Corona pandemic. The repercussions of the main financial indicators of the standard, and the importance of the research lies in the novelty of the topic based on the novelty of the financial crisis caused by the Corona pandemic on the economic and banking sectors, and the research problem is summarized in the following main question: (Was the CAMELS standard able to highlight the strengths and weaknesses of Private banks in light of the Corona pandemic?), in light of the hypothesis (variation in the impact of evaluating the financial performance of private commercial banks in the research sample according to the (CAMELS) standard before and after the Corona pandemic), and from this point of view and to achieve the goal of the study, a sample consisting of (2) banks was selected An Iraqi business for a period of (6) years that was divided into two periods, the first represented by the years (2016-2019) the period before the Corona pandemic and the second represented by the years (2020-2021) a period after the beginning of the pandemic slate. The study reached a set of conclusions, the most important of which are: The results of the financial analysis of the banks of the study sample showed a decrease in the evaluation and classification of the elements of the CAMELS standard for bankers, the research sample for the period after the beginning of the Corona pandemic compared to the period before the pandemic. As for the most prominent recommendations, it is summarized in working to keep pace with banking developments by directing and involving the administrations and owners of private banks through the Association of Private Banks with advanced courses and under the supervision of the Central Bank of Iraq to familiarize them with the general lines that are being worked out to assess the bank, as well as identifying the basic and effective ways to overcome financial crises, from By participating in banking conferences and seminars.

Keywords: financial performance of banks, Corona pandemic, CAMELS standard, commercial banks.

Introduction

Banks contribute significantly and influentially to supporting the growth of the national economy. They are considered financial institutions that play a major role in providing the necessary liquidity to finance investment projects. Banking institutions occupy a great position in contemporary economies. They are one of the institutions that directly influence the financial and monetary policies through participation in capitals. Investment projects in order to regulate

the financial movement in the market through an effective macroeconomic policy that has dimensions affecting the development process and the advancement of the national economy. Since the end of the year (2019), the world has faced a negative pandemic that has spread across countries and has been called the emerging corona virus (COVID-19) (a highly contagious coronavirus and transmission between humans that affects the respiratory system, causing death) (1) where this pandemic forced most countries of the world to close their borders when This pandemic has negative repercussions on all economic, social and financial sectors and fields, and the Corona pandemic represents the biggest test of the financial system so far. On the other hand, the CAMELS standard is considered a global model followed by many international banks and financial institutions to assess their performance by examining the data recorded in the financial statements as well as the final accounts on the basis of each component of this model, to determine the standard of its sustainability and the degree of its safety, and then take appropriate measures to remedy the low Activity of the bank and raise the level of its financial performance.

Research Importance

The importance of the research is evident from the novelty of the topic based on the novelty of the financial crisis caused by the Corona pandemic on all economic and banking sectors. Where it gives us a clear idea of the impact of the pandemic on the financial performance of the banking sector assessed according to the (CAMELS) standard due to the importance of this model as it is one of the modern global indicators that are used to evaluate the performance of commercial banks, in addition to the importance of research in light of the global economic crisis as a result of the Corona pandemic, which affected The financial performance of all components of the gross domestic product, as well as providing empirical evidence from the reality of the data of private banks operating in Iraq, regarding indicators of financial stability before and after the Corona pandemic.

Research problem

The research problem attempts to answer the following questions:

1. What is the impact of the Corona pandemic on the financial performance of the banking sector,
2. Was the CAMELS model able to shed light on the strengths and weaknesses of private banks in light of the Corona pandemic?
3. What are the most important challenges facing the banking sector as a result of the pandemic?

Research Assumes

To achieve the research objectives, the following hypothesis is formulated: Variation of the negative and positive impact of evaluating and classifying the financial performance of private commercial banks, the research sample, according to the (CAMELS) standard before and after the Corona pandemic.

Research Aims

The study mainly aims to evaluate and classify the financial performance of the banking sector before and after the spread of the Corona pandemic. The research seeks to achieve other sub-objectives, the most important of which are:

1. Shedding light on the most important indicators of the financial performance of the Iraqi banking sector.
2. Analysis (evaluation and classification) of the research sample from private commercial banks before and after the Corona pandemic.
3. Comparing and ranking the performance efficiency of the research sample banks according to the (CAMELS) standard before and after the Corona pandemic.

Research Limits

Spatial limits: The study included a research sample from private commercial banks (Bank of Baghdad, Bank of the Middle East), to conduct the practical side of the study, as (2) banks were selected for the study sample due to the availability of financial data and annual reports for the years (2016-2021) published in The Iraqi Securities Commission during the research period.

Time limits: The period (2016-2019) was the period before the Corona pandemic (COVID-19) and the period (2020-2021) the period after the beginning of the pandemic, according to the financial data available by the official authorities.

Research Method

The researcher used the theoretical descriptive method to describe the current framework Theoretical to the concept of evaluating the financial performance of the banking system, as well as to the concept of the CAMELS standard and its sub-indicators used to evaluate the financial performance of banks, in addition to the analytical method based on extracting financial ratios supported by the statistical method.

Research Structure

For the purpose of supporting the hypothesis of the research, it was divided into three sections. The first topic included the theoretical framework for the concepts of the study variables, which was represented in evaluating the financial performance according to the (CAMELS) model in light of the Corona pandemic. By introducing the research sample banks, as for the second, it was concerned with evaluating the research sample banks for the period from (2016-2019) before the pandemic, while the third axis dealt with the classification of banks for the same period. Banks for the period (2020-2021) after the beginning of the Corona pandemic, and the second dealt with the classification for the same period, and the third axis included a comparison procedure for the evaluation and classification of banks between the two periods before and after the beginning of the pandemic.

The first topic: assessing the financial performance of commercial banks in light of the Corona pandemic using the (CAMELS) standard.

First: Evaluate the financial performance of commercial banks

The concept of financial performance appraisal

The concept of performance appraisal occupies a distinguished position at the present time due to its great importance in determining the efficiency of the bank's performance and the extent to which it achieves its objectives, as well as identifying the pros and cons of performance within a specified period and analyzing their causes in order to strengthen the positive aspects and overcome obstacles in a way that contributes to raising the level of banking performance in the future. There are those who believe that the performance appraisal process is the tools that are used to identify the activity of the economic unit in order to measure the achieved results, analyze them and compare them with the predetermined goals in order to identify the deviations and diagnose their causes. Taking the necessary measures to overcome these deviations. In most cases, the comparison is between what has actually been achieved and what is targeted at the end of a certain period of time, usually a year.(2)

Objectives of evaluating financial performance

- A. The success of banks through their endeavor to continue all possible activities related to financial performance, and this includes the availability of information to other parties outside the bank to achieve transparency of work.
- B. A statement on the efficiency of the commercial bank's use of the available resources in the optimum manner and the achievement of the maximum possible return at the lowest possible cost in light of those available resources.(3)
- C. Maintaining the soundness of the bank's financial position, through periodic evaluation of the bank's profitability and operational efficiency.(4)

The concept of the banking sector

- The banking system is defined as the banking institutions and the regulations and laws that comprise them and under which these institutions operate.(5)
- The banking system is also the backbone of all financial institutions, including the central bank, government and private banks, and investment banks.(6)
- Banks are among the oldest intermediary financial institutions that accept deposits of all kinds to serve individuals, other financial institutions and government projects.(7)

Objectives of commercial banks

The objectives that banks seek to achieve can be divided as follows(8) :

- A. Financial objectives: including the bank increasing profits, maximizing the wealth of owners, increasing rates of return on investment, and maintaining a specific liquidity ratio.
- B. Marketing objectives: including maximizing the market value of the bank in order to increase market competition through the quality of financial services provided at the lowest costs, to improve the bank's reputation and increase the customer base.
- C. General objectives: include providing services to individuals, companies, and government institutions to serve economic, social and political development.

The importance of evaluating the financial performance of the banking sector

The importance of evaluating the financial performance of banks lies in the following:

- A. The evaluation of the financial performance shows the strategic position of the bank within the framework of the sectorial environment in which it operates, and then determines the priorities and cases of change required to improve the strategic position of the bank.(9)
- B. It helps in revealing the development that the bank has achieved in its path, by following up on the results of the actual performance over time from one period to another and spatially compared to other similar banks.(10)
- C. It enables management to achieve a balance between expenses and revenues that banks receive.(11)

Second: The Corona pandemic and its reflection on the financial performance of banks

Conceptual framework of the corona pandemic

The World Health Organization (WHO) gave the new strain of the Corona virus the scientific name (nCov-19), and then the International Committee on Classification of Viruses called it (SARA-Cov-2) to distinguish it from the rest of the other strains that preceded it in its emergence and outbreak. The World Health Organization announced On (March 12, 2020) about the coronavirus epidemic (Corona) as a pandemic, although this announcement has nothing to do with the characteristics of the disease or its seriousness, but rather with the geographical spread and the unexpected increase in cases of infection, as well as deaths in most parts of the world, as well as the shortcomings of countries in controlling the spread of the virus. The disease (COVID-19) has been classified into a pandemic or a global epidemic as a result of the rapid spread of infection and its expansion from one person to another in a number of countries in the world at the same time, and as a result of the failure of countries to control the outbreak of this disease, the World Health Organization classified the (COVID-19) epidemic) as a pandemic affecting many countries of the world.

The challenges facing the banking sector in the wake of the spread of the Corona virus

There are many challenges that may face the work of central banks during the coming period, and the most important of these challenges can be reviewed as follows (11)

1. Weakening the ability of the banking sector to finance the economy in the future.
2. The problem of printing money and the challenges of inflation and deflation, which is divided into two sub-problems:
 - A. The problem of inflation caused by the injection of money into the global economy.
 - B. doubt There is a possibility of falling into a deflationary trap.
- 4- Aggravation of the global debt crisis.
- 5- Other potential challenges include the following:
 - A. The currency war.
 - B. The negative impact of the negative interest rates on European bonds.

- C. The rise in US interest rates and the emerging market crisis.

As for the main challenges facing the banking sector, they are summarized as follows:

1. Decreased profitability of banks (reduced revenues).
2. Pressures on the volume of liquidity.
3. Operational risks.
4. Low credit quality (credit default)
5. Difficulty adapting to digital transformation.

As a result of these challenges, banks will have to focus on the following areas:

1. Analysis of the liquidity and capital structure.
2. 2- Planning for possible future scenarios.
3. Selling bad loans.
4. 4- Rationalizing the number of branches.

Third: CAMELS model for evaluating the financial performance of banks

Camels Standard Concept

(CAMELS) is a model for evaluating the performance of financial and banking institutions by examining the financial statements and final accounts on the basis of each component of this model (12), as it is one of the important models for its importance in revealing and stating the financial position of banks, as well as the guidance of the US Federal Reserve To be used in detecting all the loopholes in it, and it is used at the present time as a system for monitoring and evaluating banks.(13) The CAMELS model is also a type of financial analysis used to evaluate the financial and administrative performance of banks to determine their capabilities and safety, to make it easier to measure their performance and then take appropriate measures to improve the bank's weakness and raise the level of its financial performance.(14) The system is applied to all banks and according to specific indicators, as it is one of the most important tools used by the Central Bank to monitor banks, as it gives better results than the traditional statistical method, especially that the results of this criterion are more accurate than the results of the statistical analysis that was used previously, because the statistical analysis does not determine The size of the risk before it occurs, unlike the CAMELS standard, which can detect the amount of risk before it occurs for a period of time (15), and it is considered a tool for the internal supervision process to ensure the protection of the financial institution from risks. This standard is based on a statement of all aspects of the different bank such as financial and human resources and cash flow operations And the statement of the financial position of the bank.(16)

The importance of the CAMELS criterion in the banking performance appraisal process

The importance of applying the CAMELS standard in clarifying the extent of the financial recovery of the bank by measuring the sources of funding and how they are managed and the extent to which this reflects on the size of the alignment between profits and risks in order to

support the confidence of both investors and depositors, and to assist banking regulators and policy makers by supervising the bank to assess and examine management and financial soundness for the bank.(17) As well as early detection of weaknesses that are dangerous to its performance and addressing them before they aggravate, as well as discovering strengths and trying to strengthen them, identifying banks that require special attention, and assistance in determining examination priorities and optimal allocation of supervisory resources and prior planning for examination.(18)

Elements of the CAMELS Standard

The name (CAMELS) model came from the initial letters of the names of the six elements on which this model is based to evaluate banking performance, as this criterion consists of six basic elements: (the solvency or adequacy of capital, quality of assets, management, profitability, liquidity, sensitivity to market risks)

Classification of banks according to the American Banking Assessment System (CAMELS)

The following table shows the rating degrees granted to banks based on the components of the banking evaluation system.(19)

Table (1) Ratings of Banks Classification According to (CAMELS) Standard

analysis classification	group rating	Rating Scales
strong	1,4-1	Classification 1
Patients	2,4 – 1,6	Classification 2
reasonable	3,4 – 2,6	Classification 3
marginal (risk)	4,4 – 3,6	Classification 4
Unsatisfactory	5 – 4,6	Rating 5

The second topic: Evaluation and classification of the performance of private commercial banks using the CAMELS standard before the Corona pandemic period

First: an introductory overview of banks, the research sample

Baghdad Bank

It is one of the commercial banks operating in the private sector and listed in the Securities Commission. The Bank of Baghdad was established as a private joint stock company, with a nominal capital of (100) million Iraqi dinars, according to the certificate of incorporation numbered (4512) dated 12/18/1992, issued by the Real Estate Registration Department under Law of the Central Bank of Iraq No. (2) of 1992, which is the first private bank opened in Iraq, and began its banking operations on 9/12/1992, and on 9/25/1997 it amended the articles of incorporation by practicing comprehensive banking.) distributed in Baghdad and the governorates, and the number of employees is (1079), of whom (265) are in the public administration and (814) are distributed in the branches.(20)

Middle East Bank

The bank was established as a private joint stock company in accordance with the Companies Law No. (36) of 1983 in force at the time, according to the certificate of incorporation issued by the Companies Registration Department No. MM/511 dated 7/7/93 with a nominal capital of (400) million dinars, of which (100) was paid.) million dinars, and after the bank obtained a banking license from the Central Bank of Iraq in its letter No. A / D / 491 dated 9/28/1993 in accordance with the provisions of the Law of the Central Bank of Iraq in force at that time No. (64) for the year (1976), the bank began to practice Its business is in accordance with the provisions of the Central Bank Law in force at that time No. (64) for the year (1976) the bank began to practice its business through the main branch first, where it received the public on 5/5/1994, and the bank provides banking and financial business related to its activities through (19) Branches operating inside Iraq, including seven branches operating inside Baghdad and twelve branches outside it.(21)

Second: Evaluating the performance of the research sample banks according to the (CAMELS) standard before the Corona pandemic

The (CAMELS) standard will be applied to the (2) research sample banks for a period of (4) years from (2016-2019) the period prior to the occurrence and spread of the Corona pandemic (COVID-19) according to the indicators of the elements of the (CAMELS) standard, as it will be applied Indicators and extracting ratios to measure and analyze banking performance, based on the annual financial reports of those banks.

Evaluation: The performance of the research sample banks was evaluated according to the indicators (CAMELS) elements.

In order to analyze these ratios of the banks investigated, it must be compared with the evaluation criteria issued by the Central Bank of Iraq.

Table (2): Evaluation Criteria for the Effects of the CAMELS Standard

Approved evaluation standard	The ratio	No
Minimum 12	Capital Adequacy Ratio	1.
Maximum 10	Ratio of bad credit to total cash credit	2.
The more this indicates that the bank will obtain profits associated with market risks	The ratio of investments to total assets	3.
Its increase indicates the efficiency of the bank in expanding its customer base and investing their deposits in the best way.	Return on total deposits	4.
The minimum is 30 (the high rise is a negative indicator because it is considered uninvested money)	Legal Liquidity Ratio	5.
The more the assets and liabilities are equal or close to being equal, the better for the bank	Ratio of interest rate sensitive assets to interest rate sensitive liabilities	6.

Prepared by the researcher based on the classification guide according to the (CAMELS)

system issued by the Central Bank of Iraq for the year 2013 and risk control - the Central Bank Analysis of the results of evaluating the performance of banks in the research sample for the period (20016-2019)

Table (3): Evolution of the elements of the CAMELS standard for private banks, the research sample, for the period (2016-2019)

Average	2019 %	2018 %	2017 %	2016 %	Sub Indicator	Elements of a Standard CAMELS	No	the bank
24.27	24.16	23.96	25.40	23.56	Capital Adequacy Ratio	capital adequacy component	1.	Baghdad Bank
69.86	79.69	81.92	64.55	53.29	Ratio of bad credit to total cash credit	Asset quality component	2.	
57.00	75.77	-32.18	-69.76	254.18	profit growth rate	management element	3.	
2.04	0.91	0.53	4.01	2.69	Return on total deposits	profitability component	4.	
88.90	80.61	93.14	92.68	89.17	Legal Liquidity Ratio	Liquidity element	5.	
0.47	0.45	0.48	0.43	0.51	Interest Rate Risk Ratio	Allergy to the market	6.	
38.29	40.61	33.40	36.21	42.93	Capital Adequacy Ratio	capital adequacy component	1.	Middle East Bank
3.87	3.90	4.13	3.64	3.82	Ratio of bad credit to total cash credit	Asset quality component	2.	
-44.77	103.44	-294.33	-104.95	116.75	profit growth rate	management element	3.	
1.09	0.03	-0.54	0.18	4.67	Return on total deposits	profitability component	4.	
88.19	83.64	89.07	89.01	91.02	Legal Liquidity Ratio	Liquidity element	5.	
0.63	0.49	0.59	0.65	0.77	Interest Rate Risk Ratio	Allergy to the market	6.	

Prepared by the researcher based on the annual reports of the banks of the research sample
 A- Analysis of the capital adequacy component of the research sample banks for the period (2016-2019)

Capital Adequacy Ratio

It is noted from the above table that

1. The capital adequacy ratio maintained by the Bank of Baghdad is characterized by a kind of stability and orderliness. Through table (2-10), we find that the lowest

- percentage retained by the bank was in (2016), which amounted to (23.56%) due to the increase in total assets in this year compared to the years of the study sample, which amounted to (1,200) million dinars, while the highest percentage was Realized in (2017), which amounted to (25.40%) due to the decrease in assets to (1,090) million dinars, and the average capital adequacy ratio of the bank was (24.27)
2. The Middle East Bank recorded the lowest capital adequacy ratio in (2018) at (33.40%) due to the increase in total assets, which amounted to (800,749) million dinars, while it achieved the highest percentage in (2016), which amounted to (42.93%). Due to the decrease in total assets to (656,850) million dinars, the average capital adequacy of the bank has reached (38.29)

B- Asset quality component

Ratio of bad credit to total cash credit

1. The results of the Bank of Baghdad showed that the highest credit ratio reached (81.92) in the year (2018) and the reason for its increase is due to the increase in overdue debts to (135,154) million dinars, while the lowest ratio reached (53.29) in the year (2016) due to the reason for the decrease Due to the decrease in overdue debts to (73,000) million dinars, and this decrease is due to the sound management in the bank in terms of risk management, and the average for this ratio has reached (69.86)
2. The Middle East Bank recorded the highest ratio of non-performing credit to total credit, which amounted to (4.13) in the year (2018). The reason for the increase in this percentage is due to the increase in overdue debt, which amounted to (1,652) million dinars, while its percentage amounted to (3.64). In the year (2017), due to the decline in overdue debts to (1,040) million dinars, and the average for this ratio was (3.87)

C- The management component

Profit growth rate

1. The rate of profit growth in the Bank of Baghdad was characterized by variation from year to year, reaching the highest rate of (254.18) in the year (2016), due to the increase in net profit after tax in this year compared to the years of the study sample, which amounted to (20,200) million dinars, while The lowest rate was (-69.76) in the year (2017) due to the decrease in the net profit after tax to (6,100) million dinars, and the average for this ratio reached (57.00)
2. The ratio in the Middle East Bank was also characterized by fluctuation and variation from year to year during the sample years of the study, reaching its highest ratio (116.75) in the year (2016) due to the high net profit after tax in this year, which amounted to (11,570) million dinars, in When the lowest percentage amounted to -294.33 in the year (2018), because the bank achieved a loss this year of (2,295) million dinars, due to the decline in banking activities and revenues, and the average for this ratio was (-44.77)

D- Profitability Component

Return on total deposits

1. The results of the Bank of Baghdad showed achieving the highest rate of return on total deposits, which amounted to (4.01) in the year (2017) due to the decrease in the total deposits in this year, which amounted to (714.522) million dinars, while the lowest rate reached (0.53) in the year (2017).) due to the rise in total deposits to (786,380) million dinars, and the average for this year was (2.04)
2. The highest rate of return on total deposits for the Middle East Bank reached (4.67) in the year (2016) due to the high net returns this year, reaching (11,570) million dinars, while its lowest rate was (-0.54) in (2018). This is because the bank has achieved a loss this year of (2,295) million dinars, and the average for this ratio was (1.09)

E - The element of liquidity

Legal Liquidity Ratio

1. The highest legal liquidity ratio at the Bank of Baghdad reached (93.14) in the year (2018) due to the increase in liquid assets this year, reaching (879) million dinars, while the lowest ratio reached (80.9) due to the decrease in the volume of liquid assets to (792).) million dinars, and the average ratio was (88.9)
2. The Middle East Bank recorded the highest legal liquidity ratio of (91.02) in the year (2016) as a result of the increase in liquid assets in this year (439,502) million dinars, and its lowest ratio reached (83.64) in the year (2019) due to the decrease in liquid assets with The bank amounted to (363,237) million dinars, and the average amounted to (88.19)

F- The element of sensitivity to the market

Interest rate risk ratio

1. The Bank of Baghdad recorded the highest amounted to (0.51) in the year (2016) due to the increase in the interest rate sensitive assets in this year, which amounted to (292,465) million dinars, while the lowest percentage reached (0.43) in the year (2017) due to the decrease The interest rate sensitive assets of the bank amounted to (234,831) million dinars, and the average for this ratio was (0.47)
2. The ratio in the Middle East Bank took a declining path, reaching its highest ratio (0.77) in the year (2016) due to the high volume of interest rate sensitive assets at the bank, which amounted to (123,062) million dinars, while the lowest ratio reached (0.49) in The year (2019) as a result of the decline in interest rate-sensitive assets, which amounted to (97,459) million dinars, and the average for this ratio was (0.63)

Third: Classification of the performance of the research sample banks according to the (CAMELS) standard before the Corona pandemic

After the research sample banks were evaluated for the period (2016-2019) the period preceding the occurrence of the Corona pandemic, according to the (CAMELS) standard and its main elements and indicators, these banks will be classified for the same period based on the

evaluation criteria approved by the Central Bank of Iraq.

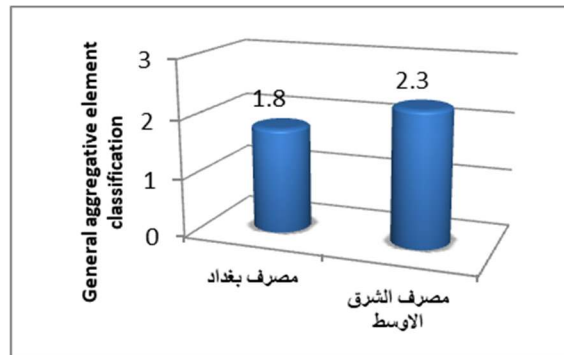
Classification: After obtaining the evaluation results, the banks of the research sample were classified according to (CAMELS) standard for the period (2016-2019)

The general aggregate classification of banks and For table (4) this shows my agencies:

Table (4): Results of the general classification of banks for the period (2016-2019) according to (CAMELS) standard

Aggregate Rating Evaluation for banks	Category Synthesis general	sensitive market	Liquidity	Profitability	Administration	Quality the findings	Adequacy head Money	elements The CAMELS banks	T
Very well	1.8 A2	2 Very well	1 excellent	2 Very well	1 excellent	3 Good	2 Very well	Baghdad Bank	1.
Very well	2.3 C2	2 Very well	3 Good	4 my limit	2 Very well	2 Very well	1 excellent	Middle East Bank	2.

Figure 1: The aggregate classification of the banks of the research sample



Researcher's preparation

We note from Figure (1) that the Bank of Baghdad obtained the (first) general aggregate rating with a rating of (very good) (satisfactory) with a degree of (1.8) and that this rating is characterized by its high ability to face any unexpected losses compared to the banks of the research sample and its good efficiency in operating the material capabilities In the performance of banking services, achieving strong profits, the possibility of distributing profits to shareholders without hindrance with the growth of capital increase in an acceptable manner and a low volume of non-performing assets, as the bank has some credit pillars which it manages effectively in addition to owning a very good investment policy, and liquidity and its management It is strong and that the bank has sure sources to obtain funds on good terms to meet current and future obligations, in addition to its high ability to control the risks of interest rates, the level of profits and the solvency of capital for the purpose of facing market risks. While

the Middle East Bank received the general aggregate rating (second) as well with a rating of (very good) (satisfactory) with a degree of (2.3) and it has similar characteristics as in the first rating, but there is weakness in one or more of the six mentioned indicators or elements, except that It has a high ability to withstand losses because it has efficient management in maintaining capital adequacy in a satisfactory manner and its good management of market risks and may have had a negative impact on profitability and liquidity. Therefore, it is necessary to re-establish new credit and investment policy plans to achieve more returns and improve the level of profitability.

The third topic: evaluating the performance of the research sample banks using the (CAMELS) criterion after the beginning of the Corona pandemic

The (CAMELS) standard will also be applied to the two (2) research sample banks for a period of two years (2020-2021), the duration of the occurrence and spread of the Corona pandemic (COVID-19) according to the indicators of the (CAMELS) standard, as indicators will be applied and ratios extracted to measure banking performance And its analysis, by relying on the annual financial reports of those banks and by adopting the same evaluation mechanism and methodology before the Corona pandemic in the second topic.

First: Evaluating the performance of the research sample banks according to the CAMELS standard after the start of the Corona pandemic

Analysis of the results of evaluating the performance of the research sample banks for the period (2020-2021), as shown in Table (5)

Table (5) The Evolution of the Elements of the CAMELS Standard for Private Banks, the Research Sample, for the Period (2020-2021)

Average	2021 %	2020 %	Sub Indicator	Elements of a Standard CAMELS	No	banks
17.92	17.24	18.59	Sub Indicator	Elements of a Standard CAMELS	1.	Baghdad Bank
105.59	127.18	84	Capital Adequacy Ratio	capital adequacy component	2.	
112.57	48.42	176.71	Ratio of bad credit to total cash credit	Asset quality component	3.	
2.24	2.59	1.88	profit growth rate	management element	4.	
75.83	46.22	105.44	Return on total deposits	profitability component	5.	
38.90	48.96	28.83	Legal Liquidity Ratio	Liquidity element	6.	
39.96	39.19	40.73	Interest Rate Risk Ratio	Allergy to the market	1.	Middle East Bank
16.005	13.73	18.28	Capital Adequacy Ratio	capital adequacy component	2.	

Average	2021 %	2020 %	Sub Indicator	Elements of a Standard CAMELS	No	banks
-51.51	-0.35	-102.66	Ratio of bad credit to total cash credit	Asset quality component	3.	
-0.62	-0.45	-0.79	profit growth rate	management element	4.	
88.77	84.73	92.81	Return on total deposits	profitability component	5.	
58.84	72.57	45.10	Legal Liquidity Ratio	Liquidity element	6.	

Prepared by the researcher based on the annual financial statements of the banks, the research sample

Analysis of the capital adequacy component of the research sample banks for the period, as it is clear from the following table (5)

Capital Adequacy Ratio

1. The Bank of Baghdad recorded a decrease in the capital adequacy ratio in the year (2021) amounting to (17.24) compared to the base year (2020) which amounted to (18.59). (2020) amounting to (1,419,528) million dinars, and the average for this percentage was (17.92)
2. The results of the Middle East Bank showed a decrease in the capital adequacy ratio in the year (2021), which amounted to (39.19) compared to the base year (2020) which amounted to (40.73). Compared with the year (2020) amounting to (647,868,750) million dinars, and the average for this percentage was (39.96)

Asset quality component

Ratio of bad credit to total cash credit

1. The Bank of Baghdad achieved an increase in the ratio of bad credit to the total cash credit for the year (2021), reaching (127.18) compared to the previous year (2020) amounting to (84). The reason for this increase is due to the increase in bad debts to (154,694,340) million dinars after it was In the year (2020) it amounted to (118,969,000) million dinars, and the average for this percentage was (105.59)
2. The Middle East Bank recorded a decrease in the percentage for the year (2021) reaching (13.73) compared to the previous year (2020) amounting to (18.28). dinar in the year (2020), and the average for this ratio was (16.01)

The management component

Profit growth rate

1. The Bank of Baghdad recorded a significant decrease in the profit growth rate for the year (2021), reaching (48.42) compared to the base year (2020) of (176.71) due to the decrease in the volume of profits achieved by the bank in this year, which amounted to (29,980) million dinars, while The profits for the year (2020) amounted to (20,200) million dinars, and the average for this percentage was (112.57)
2. B - The Middle East Bank did not achieve any profits during the two years, the research sample, as the profit growth rates amounted to (102.66 -, -0.35) for the two years (2020, 2021) respectively, due to the bank's realization of losses of (2,095) million dinars for the year (2020) and in the amount of (1,359) million dinars in the year (2021), as a result of a decrease in its revenues from banking operations, interest and commissions in return for the increase in costs and expenses at the bank, and the average for this ratio reached (-51.51)

Profitability Component

Return on total deposits

1. The Bank of Baghdad achieved an increase in the rate of return on total deposits for the year (2021), reaching (2.59) compared to the previous year (2020), which amounted to (1.88), due to the increase in the total returns after tax to (29,980) million dinars after it had reached (20,200) million dinars in the year (2020), and the average for this ratio was (2.24)
2. The Middle East Bank recorded negative results for the rate of return on total deposits for the two years of the research sample, where the ratios amounted to (0.79, -0.45) for the years (2020, 2021) respectively, because the bank has achieved successive losses amounting to (2,095 - 1,359) million dinars due to the negative impact of the pandemic, which led to a decrease in the total deposits received at the level of the banking sector as a whole, and the average for this ratio reached (-0.62)

Liquidity element

Legal Liquidity Ratio

1. The Bank of Baghdad recorded a noticeable decrease in the legal liquidity ratio for the year (2021), which amounted to (46.22) compared to the previous year (2020) of (105.44) due to the decrease in liquid assets in this year, which amounted to (568,589) million dinars after it had reached (1,202,923) million dinars in the year (2020), and the average for this percentage was (75.83)
2. The Middle East Bank also recorded a decrease in the legal liquidity ratio for the year (2021), reaching (84.93) compared to the previous year (2020) of (92.81), due to the decrease in liquid assets in this year to (298,512) million dinars after they had been It amounted to (355,382) million dinars in the year (2020), and the average for this percentage was (88.77)

The element of sensitivity to the market

Interest rate risk ratio

1. The Bank of Baghdad achieved an increase in the interest rate risk ratio for the year (2021) reaching (48.96) compared to the previous year (2020) amounting to (28.83), due to the increase in the volume of sensitive assets at the bank to (567,453) million dinars after it was (310,223) million dinars in the year (2020), and the average for this percentage was (38.90)
2. The Middle East Bank also achieved an increase in the percentage for the year (2021) reaching (72.57) compared to the previous year (2020) amounting to (45.10) due to the increase in the total interest rate sensitive assets of banks to (219,522) million dinars, while it had reached (123,204) million dinars in the year (2020), and the average for this ratio was (58.84)

Second: Classification of the performance of the research sample banks according to the (CAMELS) standard after the beginning of the Corona pandemic

After the two (2) research sample banks were evaluated for the period (2020-2021) for the period after the start of the Corona pandemic (COVID-19), the research sample banks were classified for the same period above based on the evaluation results according to the CAMELS standard indicators and evaluation criteria. Approved and issued by the Central Bank of Iraq.

Classification

Table (6): Aggregate rating degrees in evaluating the banks of the research sample

Degree	Category	Evaluation
1	A1	excellent(strong)
1.34-1.2	B1	
1.4-1.35	C1	
1.8-1.5	A2	very good (satisfactory)
2.1-1.9	B2	
2.4-2.2	C2	
2.8-2.5	A3	good(reasonable)
3.1-2.9	B3	
3.4-3.2	C3	
3.8-3.5	A4	marginal(marginal – risk)
4.1-3.9	B4	
4.4-4.2	C4	
4.7-4.5	A5	poor(unsatisfactory)
4.9-4.8	B5	
5	C5	

Prepared by the researcher based on (personal interviews with the employees of the Banks

Performance Analysis and Risk Control Department - the Central Bank)

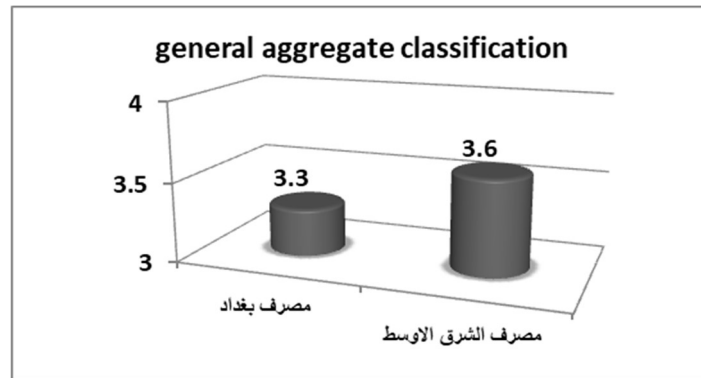
The results of the evaluation of the elements of (CAMELS) for the banks of the research sample for the period (2020-2021)

Based on the foregoing and based on the results presented in Table (6), the general aggregative classification of banks was conducted, and Figure (2) below shows my agencies:

Table (7): The results of the general classification of banks for the period from (2020-2021) according to the CAMELS standard.

general aggregate classification	market sensitivity	Liquidity	profitability	Administration	asset quality	capital adequacy	Elements (CAMELS BANKS)
3.3 C3	4 my limit	3 Good	3 Good	3 Good	4 my limit	3 Good	Baghdad Bank
3.6 A4	3 Good	3 Good	5 weak	5 weak	4 my limit	2 Very well	Middle East Bank

Figure (2): Summary of the results of the evaluation of the elements of (CAMELS) for the banks of the research sample during the beginning of the Corona pandemic



Prepared by the researcher based on Table (6)It is evident from the table (7) above that the Bank of Baghdad obtained the (first) general aggregate rating with a rating of (good-reasonable) with a degree of (3.3), where this rating is characterized by weakness in one or more main elements of (CAMELS), which if not treated in a period of time Reasonably, it could lead to a major problem in the bank's liquidity and solvency, and its risk management is weak, and banks in this classification are not committed to many and major aspects of the Central Bank of Iraq's instructions. While the investment bank obtained the (third) general aggregate rating with a rating of (marginal - marginal - risk) at a degree (4), as it appears that it is in a dangerous and critical stage as it does not implement solid and safe practices in addition to the existence of a financial and administrative deficit that led to this weak performance, as well as The risk management in the bank is very weak and there are fundamental violations of the instructions

of the Central Bank. Therefore, you need to take immediate and quick measures by the Central Bank to implement corrective measures and follow them directly and continuously.

Third: Comparing the evaluation and classification of the performance of banks before and after the beginning of the Corona pandemic A comparison will be made to evaluate and classify the performance of the research sample banks between the two periods (2016-2019) before the Corona pandemic and (2020-2021) the period after the beginning of the pandemic so that we can know the extent of the pandemic's impact on the financial performance of banks as a sample for research.

Table (8): Comparison of the results of the general aggregate classification of the research sample banks for the two periods (2016-2019) and (2020-2021) before and after the start of the Corona pandemic

The difference between the rating grades	General Aggregate Classification (2020-2021) After the start of the Corona pandemic			General aggregate classification for the period (2016-2019) Before the Corona pandemic			Bank name	No
	Evaluation	Category	Degree	Evaluation	Category	Degree		
1.5	good - reasonable	C ₃	3.3	Very good - satisfactory	A ₂	1.8	Baghdad Bank	1.
1.3	marginal - marginal	A ₄	3.6	Very good - satisfactory	C ₂	2.3	Middle East Bank	2.

Prepared by the researcher based on tables (16) and (23)

From the above table (8), we note the following

1. The general aggregate rating of the Bank of Baghdad decreased from (1.3) with (A2) rating (very good - satisfactory) in the period (2016-2019) to (3.3) with (C3) rating (good - reasonable) during the period (2020). -2021) with a difference of (1.5) degrees, so it belongs to the group of banks with rating No. (3), which carries a mixture of weaknesses that range from moderate to severe, and if they are not corrected within a reasonable period of time, it may lead to the bank's inability To deal with fluctuations and be more vulnerable to external conditions.
2. The aggregate rating of the Middle East Bank also declined from (2.3) with a (C2) rating (very good - satisfactory) during the period (2016-2019) to (3.6) with (A4) rating (marginal - marginal) in the period (2020-2021) with a difference of (1.3), so it belongs to the group of banks with rating No. (4) that suffer from unsafe and unstable practices due to the presence of serious administrative and financial problems that can lead to

unsatisfactory performance, and the problem of this bank ranges between severe So critical will be unable to deal with fluctuations in business and business conditions.

Conclusions and Recommendations

First: the conclusions

1. The results of the financial analysis of the study sample banks showed a decrease in the evaluation and classification of the elements of the (CAMELS) criterion for the bankers of the research sample for the period after the beginning of the Corona pandemic compared to the period before the pandemic.
2. The Bank of Baghdad recorded a decrease in the general aggregate rating during the period of the Corona pandemic (2020-2021), as it reached (3.3) with a rating of (good - reasonable), while it had achieved (1.8) with a rating of (very good - satisfactory) during the period preceding the pandemic. (2016-2019)
3. The study indicated that the Middle East Bank recorded a decline in the general aggregate rating during the pandemic period (2020-2021), as it reached (3.6) with a (marginal-marginal) rating, after it had achieved (2.3) with an evaluation (very good - satisfactory) in The period prior to the Corona pandemic (2016-2019)

Second: Recommendations

The most important recommendations are

1. Banks must verify the strength and adequacy of capital and continuous analysis of the quality of assets, both in terms of quality, the size of the required provisions and their impact, as well as maintaining high and efficient levels of management and working on studying the causes of low profitability indicators to address them, in addition to the need for banks to pay attention to cash liquidity and maintain In quantities commensurate with the size of its potential, and the need to monitor market risks through the use of pre-prepared programs and results to identify and measure the risk arising from interest rate fluctuations.
2. The necessity for banks that suffer from weak banking performance and lack of financial performance to change the board of directors because it is primarily responsible for the decision-making process.
3. Working to keep abreast of banking developments by directing and involving the departments and owners of private banks through the Association of Private Banks with advanced courses and under the supervision of the Central Bank of Iraq to familiarize them with the general lines that are being worked out to evaluate the bank, as well as identifying the basic and effective ways to overcome financial crises by contributing to Banking conferences and seminars.

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