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The impact of accounting disclosure according to the standard (IFRS-16) lease contracts on the efficiency of the financial performance of banks

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ABSTRACT

IFRS-16 standard showed changes in the quality of disclosure and accounting treatment of lease contracts, which was reflected in the information content of the financial statements. The research deals with the statement of the impact of applying IFRS-16 standard on the efficiency of the financial performance of banks by measuring the level of performance according to financial indicators. The research aims to evaluate the changes in reclassifying lease contracts to financing and operating on the financial position of banks. The financial analysis method was adopted, relying on some of the main financial indicators to evaluate the financial performance of Mansour Investment Bank, the research sample, such as the ratio of debt to equity, the ratio of fixed assets to equity, and some other indicators. The most important conclusions are that there is a clear impact in applying the standard on the efficiency of the bank's performance, the research sample. The most important recommendations are the necessity of applying the standard to all Iraqi banks in order to enhance the qualitative characteristics of accounting information in financial statements and increase the efficiency of these banks in the financial markets.

Keywords : IFRS 16 lease standard, evaluation of banks' financial performance.

Introduction

The application of such international financial reporting standards (IFRS) in banks is a means of achieving the qualitative characteristics of accounting information and enhancing the quality of the financial statements content, which was positively reflected in the efficiency of the financial performance of banks. Among these standards is the IFRS 16 Lease Contracts Standard, which classified lease contracts into two types: financing and operating, and also disclosed the method of presentation and accounting treatment for them, as it differed significantly in the type of accounting treatment, as it requires recording lease contracts as an asset to achieve a clearer assessment and obligations in return for that also in the balance sheet and what is required to recognize interest expense and depreciation in the income statement, with a clear impact on the cash flow statement in calculating lease payments. The research aims to show the impact of accounting disclosure before and after applying the standard on the efficiency of banks' performance and measure the changes that occurred in the level of the bank's activity according to the main financial indicators in order to provide users of the financial statements with a realistic picture of the bank's performance and the extent of its ability to continue performing with the aim of making the appropriate decision to improve performance and invest available opportunities.

Axis One: Research Methodology

1. Research Problem:

1. Research Problem:

The research problem focuses on answering the following questions:

A. What are the requirements for applying the (IFRS 16) standard, and the accounting treatments in recognizing and measuring lease contracts in banks.

B. Does the mandatory accounting disclosure according to the (IFRS 16) standard have a clear impact on the efficiency of the financial performance of banks.

2. Research Objective:

1. Presentation of the theoretical framework of the concept of lease contracts and accounting disclosure requirements according to the standard (IFRS 16).

2. Evaluation of the financial performance of banks before and after applying the standard, the impact of applying the standard (IFRS 16) in light of what is disclosed accounting-wise in the financial statements, relying on some financial indicators to evaluate performance and interpret the results to identify the strengths and weaknesses that appeared after applying the above standard

3. Research Hypothesis:

The research is based on the main hypothesis that changes in accounting for leases according to the standard (IFRS 16) lead to improving the quality of disclosure in the financial statements, which enhances the efficiency of the financial performance of banks.

4. Research Importance:

The importance of the research lies in several basic aspects:

A. By providing an in-depth analysis of the effects resulting from the standard (IFRS 16), the research contributes to improving how financial information is presented, which enhances users' understanding of the financial statements.

B. The research contributes to providing insights on how to improve the financial performance of banks in order to maintain and expand in the financial markets.

C. Contribution to the scientific literature: The research adds scientific value by exploring how modern accounting standards affect the quality of financial information, which can be the basis for future studies in this field.

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5. Research community and sample

The research community is the banking sector and the research sample is Al-Mansour Investment Bank for the years 2017-2023, due to the availability of the required information.

6. Research methodology

The research adopted the deductive approach in the theoretical aspect, and the inductive approach in the practical aspect.

7. Data collection sources

Scientific research sources include:

A. Academic books: provide basic theories and concepts in the field.

B. Scientific articles: contain recent research and developments in the field.

C. Academic journals: reliable sources containing peer-reviewed articles.

D. Theses and dissertations: provide in-depth and documented studies.

E. Scientific conferences: provide the latest research and discussions in the field.

F. Government and organization reports: provide updated financial statements and statistics.

Z. Electronic references: such as academic databases (JSTOR, PubMed, Google Scholar).

On the practical side, analyzing the financial statements of Mansour Investment Bank and calculating financial indicators that measure the impact of applying a standard on the efficiency of the bank's performance before and after application.

Second axis: The theoretical side

Accounting disclosure aims to enhance transparency and credibility in financial statements. It plays a pivotal role in improving the information content of accounting information provided to investors, lenders, and other shareholders. It includes providing the necessary information that helps external parties make appropriate decisions about the bank's financial position and operational performance.

First. Definition of accounting disclosure

Accounting disclosure is the process of providing accurate and reliable financial and administrative information about the financial position and performance of the bank through financial reports prepared in accordance with recognized accounting standards. Disclosure aims to provide internal and external users, such as investors, creditors and regulatory authorities, with the information necessary to make informed economic decisions, and is an essential element in enhancing transparency and building confidence in financial reporting. (Verrecchia, 2001). It is defined as the process that includes disclosing relevant financial information to external parties, including investors, creditors and the public. Accounting disclosure aims to ensure that financial information is provided in a transparent manner, which enhances confidence in the market and enables interested parties to make informed economic decisions based on accurate and comprehensive information (Healy & Palepu, 2001).

Second. The importance of accounting disclosure

Accounting disclosure plays a role in providing accounting information with qualitative characteristics to users of financial statements, which is reflected in achieving information symmetry, enhancing confidence in the economy, improving the allocation of economic resources, and reducing financial manipulation and fraud. (Beyer et al., 2010). Which achieves transparency, enhances the image and reputation of banks, and increases investors' confidence in their ability to achieve continuous development, which enables them to make decisions. The quality of accounting disclosure is directly related to the performance of banks

(Lin & Qamruzzaman, 2023).

Third. Types of accounting disclosure

Accounting disclosure can be divided into: (Hummel & Schlick, 2016):

1. Mandatory disclosure: requires banks to provide specific information according to accounting standards and regulatory laws. This includes disclosure of financial statements, accounting policies, and any information related to legal obligations.

2. Voluntary disclosure: includes information provided by banks outside of legal requirements, such as disclosure of corporate social responsibility, environmental sustainability, and future plans.

3. Financial disclosure: includes financial performance reports, balance sheets, and cash flow statements.

4. Non-financial disclosure: includes information on environmental, social, and governance (ESG) factors.

Fourth. Principles of accounting disclosure

The disclosed information must have the following characteristics (Chang, Tseng, & Yu, 2024; Demaline, 2023):

1. Transparency: Ensuring that all relevant financial information is available to interested parties in a clear and easy-to-understand manner.

2. Relevance: The information disclosed must be useful in making financial decisions and provide users with an accurate view of the bank's financial position.

3. Fair representation: Financial reports must accurately reflect the bank's financial position and actual performance without bias or misleading.

4. Completeness: All important information that may affect the decisions of investors and other users of financial reports must be disclosed.

5. Comparability: Information must be presented in a way that allows it to be compared effectively. Over time and between different banks to ensure that users can evaluate relative performance.

Fifth. Challenges facing banks in achieving accounting disclosure

Banks face several major challenges in achieving effective accounting disclosure (Alzoubi & Shiyyab, 2023):

01. Technologies and their development: The use of smart applications in processing big data places the challenge of integrating them with the systems used

by banks, which requires updating the infrastructure for applying these technologies in order for accounting disclosures to be accurate and reflect these technologies on the bank's financial performance.

02. Commitment and regulation: As a result of changes in the work environment, banks have become more complex and require adherence to local and international accounting standards. This challenge has imposed on management to ensure transparency in presenting information in the financial statements.

03. Credit risks: Accurate and comprehensive disclosure of credit risk management and the type of these risks represents a challenge for banks, which requires a strong system for collecting and analyzing data on an ongoing basis.

04. Competitive environment: In order for banks to maintain their market share in the presence of financial technology companies, the bank finds itself facing the challenge of quickly adapting to these variables, including meeting the accounting disclosure requirements for these variables.

05. Disclosure and confidentiality: Banks face a challenge in presenting the accounting disclosures required under international accounting standards without disclosing confidential information that may weaken their competitive position in the market.

Sixth Background of IFRS 16

1. Historical development: IFRS 16 was issued to replace IAS 17 due to the need to improve accounting disclosure related to leases. In response to the views of users of financial statements regarding transparency, reliability, consistency and comparability of accounting information.

2. Criticisms of IAS 17:IAS 17 distinguished between two types of leases: IAS 17 classified leases into two types, operating leases and finance leases. This classification gave banks the freedom to keep operating leases off the balance sheet, which affected the fairness of the financial position of users of the financial statements in stating the actual obligations of banks. Because operating leases were not presented as obligations on the balance sheet, which was subject to significant criticism by investors and financial analysts (Morais & Curto, 2019).

3. Development of IFRS 16: In response to these criticisms, the International Accounting Standards Board (IASB) issued IFRS 16 with the aim of providing more transparency and comprehensiveness about the financial position of banks.

It requires all leases (except for some specific cases) to be recognized as assets and liabilities in the statement of financial position. This change enhances the ability of financial statement users to assess the financial performance of banks more accurately (Morais & Curto, 2019; Mulford, 2019).

4. Implementation of IFRS 16: IFRS 16 was issued in 2016 and is effective from early 2019. It represents a major shift in how financial statements are prepared, making accounting disclosures more comprehensive and transparent. It requires information on all leases to be presented, allowing investors and analysts to assess the financial obligations associated with these contracts (Giner & Mora, 2019).

VII. IFRS 16 Basic Principles

1. Recognition of assets and liabilities: IFRS 16 requires the recognition of right-of-use assets and liabilities arising from leases in the statement of financial position. It covers almost all leases except short-term and low-value leases. This is in contrast to the previous standard IAS 17 (Morais & Curto, 2019).

2. Initial measurement: IFRS 16 requires that at the commencement of the lease term, the liabilities relating to the lease amount are measured at the present value of future payments due, and the assets relating to the right of use are measured at cost, including the lease liability and other direct expenses associated with the lease. This ensures that the financial statements reflect the true value of the assets and liabilities of the lease (Mulford, 2019).

3. Subsequent measurement: After initial measurement, the standard requires right-of-use assets to be measured at cost less accumulated depreciation and accumulated impairment losses. Lease liabilities are adjusted for changes in estimated cash flows in future years. This ongoing measurement ensures that accounting information is accurately presented in the financial statements (Morais & Curto, 2019

4. Disclosure: The standard requires comprehensive accounting disclosure of details of leases entered into. It shows information about assets, liabilities, amortization and related benefits. In order to present a comprehensive and transparent picture of the impact of leases on financial performance (Giner & Mora, 2019).

VIII. Impacts of applying IFRS 16 on financial statements

Adopting IFRS 16 has significant impacts on the financial statements of the following agencies:

1. Balance sheet: Leases are recognized as an asset (right of use) and a liability (lease obligation), which results in an increase in assets and liabilities (Stancheva-Todorova & Velinova-Sokolova, 2019).

This means the inclusion of new or revalued fixed assets and their associated financial obligations, which indicates an investment in assets and increases financial risks.

2. Income statement: Reclassifying rental expenses leads to an increase in depreciation and interest expenses, which reduces operating profits and net profit (Abu Sbaih et al., 2023). It weakens the efficiency of banks' financial performance if measured according to financial ratios that explain the bank's ability to achieve profits and attract investment. (Al-Sharaby, 2024)

3. Cash flow statement: Implementing the cash flow statement information presentation standard improves as cash flows for leases are reclassified from operating to financing activities (Abu Sbaih et al., 2023). Achieving a fair presentation of operational activities

Ninth. Challenges and Opportunities Implementing IFRS 16

1. Challenges: A. Complexity in implementation: The standard poses a challenge to banks due to the fundamental changes in the nature of listing and organizing leases. It requires updating their accounting systems to keep pace with the requirements of the standard, and making investments in technology and training. In addition, banks may face difficulty in valuing all leases and accurately identifying liabilities and assets (Grosu & Hlaciuc, 2018).

B. Impact on financial ratios: When analyzing the financial statements according to basic financial ratios, such as the debt-to-equity ratio, the application of the standard has a clear impact, as including leases as debts in the balance sheet increases this ratio, which may negatively affect the bank's credit rating and investment decisions (Morales-Diaz & Zamora-Ramìrez, 2018). In addition to other effects, if measured according to other ratios, we will look at them in the practical aspect of this research.

C. Compliance and disclosure challenges: The standard aims to increase the level of accounting disclosure and transparency in financial statements. However, banks face a challenge due to the lack of advanced accounting information systems to provide the required disclosures accurately and on time, which can affect confidence in the financial statements (Grosu & Hlaciuc, 2018

2. Opportunities :a. Improved transparency: IFRS 16 : The clear inclusion of obligations related to lease contracts achieves transparency in the financial statements, which increases the confidence of the users of those statements and leads to a better assessment of the bank’s performance (Morales-Diaz & Zamora-Ramìrez, 2018).

b. Standardization and improved financial comparisons: The standard achieves comparability by unifying the way banks’ leases are disclosed. This makes it easier for users of financial statements to make accurate comparisons between banks’ performance, and enhances the effectiveness of investment decisions (Grosu & Hlaciuc, 2018).

c. Better debt management: With the inclusion of lease obligations as debt under the standard, banks improve their debt management more effectively, better financial planning and more efficient management of assets and liabilities, which enhances the bank’s competitiveness in the long term (Morales-Diaz & Zamora-Ramìrez, 2018).

Tenth. The impact of the implementation of IFRS 16 on the efficiency of the financial performance of banks

1. Impact on financial ratios:When leases are recorded as assets and liabilities in the financial position according to the standard, it clearly affects financial ratios, such as the return on assets (ROA) ratio, and the debt-to-equity ratio. Since an increase in the amount of debt recorded in the list above negatively affects the financial performance of banks in front of users of the financial statements (Nwaogwugwu, 2020; Morales-Diaz & Zamora-Ramìrez, 2018).

2. Reclassification of expenses: Under IFRS 16, these expenses are divided into depreciation expense and interest expense, and this division affects profits as well as a change in operating activities by converting part of operating expenses into financing costs in the income statement. Instead of including rental expenses in full in the operating accounts, (Nwaogwugwu, 2020; Morales-Diaz & Zamora-Ramìrez, 2018).

3. Improving transparency and disclosure: The application of the standard achieves clarity in the financial statements, as all obligations related to lease contracts are disclosed, which helps users of the financial statements to obtain a more accurate reading, and leads to improving investor confidence and increasing financing opportunities (Morales-Diaz & Zamora-Ramìrez, 2018).

4. Better cash flow management: By reclassifying cash flows associated with leases, banks can improve the presentation of operating cash flows in their financial reports. This can be useful in improving the bank’s ability to manage its liquidity and increase the efficiency of resource use (Nwaogwugwu, 2020).

Third axis: The practical aspect

First. A historical overview of Al-Mansour Investment Bank

The bank was established in 2006 in Iraq with a capital of 55 billion Iraqi dinars. It will reach 250 billion Iraqi dinars in 2024, in addition to solid assets and provisions. It is affiliated with the "Qatar National Bank Group", the largest financial institution in the Middle East and Africa, with a 54% stake owned by the group. In a very short period, it was able to achieve clear and tangible progress in practicing its banking activities locally and internationally, with the support and backing of its main partner, "Qatar National Bank". Its banking services included accepting deposits of all kinds, granting loans and advances, opening documentary credits and letters of guarantee, and local and international financial transfer operations. It applied Financial Reporting Standard No. 16 "Leases", where leases were classified into two types: financing leases, with leases recorded as assets in the statement of financial position, and the recognition of obligations related to those contracts on the liabilities side. Depreciation expense and interest expense were also approved in the income statement.

Second. Measuring the efficiency of the bank's financial performance according to financial indicators before and after applying the IFRS-16 standard

The bank began applying the standard in 2020, and in order to know the impact of applying the standard, the years 2017-2023 were approved, choosing three years before and three years after the application The standard helps to compare the impact of the standard on financial performance in a complete and accurate manner. The following is an analysis according to the financial indicators of the bank’s performance.

1. Debt to equity ratio

IFRS 16 affects how some liabilities are classified, as long-term leases are now considered as liabilities, increasing total debt.

Total liabilities including lease obligations) (÷ Owner's equity	Total Liabilities ÷) (Equity	Equation

Table (1) Equivalent amounts of debt to equity ratio for the research sample bank for the years 2017-2023 (amounts in Iraqi dinars)

Copyright	Lease obligations	Long term liabilities	Year
290,096,763,451		1,026,354,746,006	2017
297,286,553,972		1,269,081,403,330	2018
279,661,254,738		1,181,817,654,830	2019
286,554,793,106	550,258,549	1,000,864,267,745	2020
280,081,281,992	1,006,032,681	417,836,147,563	2021
283,054,974,054	1,329,668,632	453,784,562,847	2022
311,845,607,215	3,315,481,030	823,511,700,068	2023

Source: Research preparation based on the financial statements of the research sample bank.

Table (2) Results and interpretation Debt to equity ratio for the research sample bank for the years 2017-2023

Interpretation of results	after	Befo re	the details
The ratio indicates an increase in the bank's debt compared to equity from 2017 to 2019, which may reflect an increased reliance on debt to finance operations or growth		3,54	2017
		4,27	2018
		4,23	2019
Indicates that the bank has maintained a similar leve of debt to equity compared to previous years.	3,49		2020
The ratio has decreased significantly indicating a significant reduction in long-term liabilities or an increase in equity.	1,49		2021
The ratio improved slightly, reflecting relative stability in the financial structure.	1,60		2022
The ratio increased, indicating an increase in debt or a decrease in equity compared to the previous year.	2,64		2023

1. Increase in debt: Including lease liabilities as part of debt increases the total debt included, making the ratio more reflective of actual liabilities. 1. Debt analysis: Banks should carefully analyze the impact of lease liabilities on the capital structure after implementing IFRS 16. 2. Management strategies: Develop debt management strategies that take into account the impact of the standard to ensure financial balance and sustainability. Conclusion: 5.IFRS 16 brings significant changes to the presentation of debt and liabilities, affecting key financial indicators. It is essential to understand .these changes to make informed financial strategic decisions	Conclusion

Source: Research preparation based on the financial statements of the research sample bank.

2. Fixed assets to equity ratio

The equation for calculating the fixed assets to equity ratio does not differ before and after applying IFRS 16. What differs is the content of fixed assets due to the reclassification of lease contracts.

(Fixed assets ÷ Equity)	The equation

Only fixed assets amounts will be included, and equity amounts were mentioned previously

Table (3) Fixed assets amounts for the research sample bank (amounts in Iraqi dinars)

Fixed assets	Year
26,572,139,820	2017
29,737,601,382	2018
29,040,435,227	2019
28,688,233,938	2020
26,985,603,817	2021
27,572,390,397	2022
27,336,802,393	2023

Source: Research preparation based on the financial statements of the research sample bank. Table (4) Results and interpretation of the ratio of fixed assets to equity of the research sample bank for the years 2017-2023

Interpretation of results	After	Before	the details
The ratios gradually increase from 0.0916 to 0.1038, indicating a relative stability in fixed assets compared to equity. This reflects an efficient use of equity in financing fixed assets		0,0916	2017
		0,1000	2018
		0,1038	2019

Indicates stability in the ratio of fixed assets to equity after the implementation of IFRS 16	0,1001		2020
The ratio has decreased, which may reflect an improvement in equity or a reduction in fixed assets	0,0963		2021
The ratio improved slightly, indicating financial stability	0,0974		2022
The ratio decreased, reflecting an increase in equity compared to fixed assets	0,0877		2023
Impact of IFRS 16: • Balance of assets The application of IFRS 16 did not significantly affect the fixed assets to equity ratio, as the figures show relative stability before and after the application of the standard. • Asset management The slight decrease in the ratio in some years indicates an improvement in the management of equity and its increase, reflecting the bank's ability to finance its fixed assets efficiently. The ratio shows relative financial stability for the bank before and after the application of IFRS 16, reflecting the bank's ability to manage its fixed assets efficiently. The application of the standard did not significantly affect the ratio, indicating that Egypt was able to adapt to accounting changes without a significant impact on the capital structure			Conclusion

Source: Research preparation based on the financial statements of the research sample bank.

3. Net income to revenue ratio

The equation before and after applying IFRS 16 does not differ. What may change is the content of "net income" due to the reclassification of some costs related to leases. Before applying the standard, rental costs were included in operating expenses, which affected operating profit and net profit. After applying the standard, rental costs are reclassified so that interest costs and depreciation of leased assets are separated, which may affect operating profit and net profit.

(Net Income ÷ Revenue)	The equation

Only net income amounts will be included, and revenue amounts were mentioned in the research

Table (5) Net income amounts for the research sample bank (amounts in Iraqi dinars)

Net icome	year
17,219,420,505	2017
24,622,787,989	2018

8,146,870,751	2019
6,803,294,527	2020
8,526,488,886	2021
12,955,457,699	2022
39,415,633,161	2023

Source: Research preparation based on the financial statements of the research sample bank. Table (6) Results and interpretation of the ratio of net income to revenues for the research sample bank for the years 2017-2023

Interpretation of results	After	Before	the details
The ratios indicate a high net profit ratio compared to revenues, which reflects high efficiency in converting revenues into net profits, but in a year it decreased, which may indicate financial challenges or increased costs		0,6675	2017
		0,7376	2018
		0,4585	2019
The ratio reflects a slight decrease compared to the previous year, which may be due to accounting changes due to the implementation of IFRS 16	0,4316		2020
The ratio increased, indicating an improvement in net profitability	0,4950		2021
The ratio decreased slightly, reflecting relative stability in financial performance	0,4802		2022
The ratio has increased significantly, reflecting a significant improvement in the efficiency of converting revenues into net profits	0,6007		2023
Conclusion Impact of IFRS 16: 1. Change in accounting classification: The implementation of IFRS 16 may result in minor changes in interest costs and depreciation of leased assets, affecting net income. 2. Stability of ratios: The ratios show relative stability in net profitability after the implementation of the standard, with some improvements in some years, reflecting good cost management and improvements in operational efficiency. As a result, the ratio shows the bank's efficiency in converting revenues into net profits before and after the implementation of IFRS 16. Therefore, the standard did not significantly affect the ratios, indicating that the bank was able to adapt to the accounting changes without a significant impact on its financial performance			Conclusion

Source: Research preparation based on the financial statements of the research sample bank.

4. Return on assets ratio

The equation for the return on assets ratio (ROA) does not differ before and after the application of IFRS 16. What may change is the content of total assets due to the inclusion of leased assets in the financial position. Before the application of IFRS 16, leased assets were not included in total assets. After the application of IFRS 16, leased assets are included in total assets, which increases the value of assets

(Net income ÷ Total assets)	The equation

Only the total assets amounts will be included, and the net income amounts were mentioned in the research. Table (7) Total assets amounts for the research sample bank (amounts in Iraqi din

Total Assets	**Year**
1,316,451,509,457	**2017**
1,566,367,957,302	**2018**
1,461,478,909,568	**2019**
1,287,419,060,851	**2020**
697,917,429,555	**2021**
736,839,536,901	**2022**
1,135,357,307,283	**2023**

Source: Research preparation based on the financial statements of the research sample bank. Table (8) Results and interpretation Return on assets ratio for the research sample bank for the years 2017-2023

interpretation of results	after	before	Details
The ratios indicate the bank's efficiency in achieving returns on total assets with a slight improvement. In 2019, the ratio decreased, indicating financial challenges or an increase in total assets without achieving appropriate returns		0,0131	2017
		0,0157	2018
		0,0056	2019
Reflects slight stability but still lower than previous years	0,0053		2020
The ratio increased, indicating an improvement in returns on total assets	0,0122		2021
The ratio has improved, reflecting better efficiency in generating returns	0,0176		2022
The ratio has increased significantly, indicating a significant improvement in financial performance and good returns on assets	0,0347		2023
Conclusion IFRS 16:			Conclusion

1. Inclusion of leased assets: Increases total assets, which may lead to a slight decrease in the ROA ratio if net income does not increase at the same rate. 2. Improved performance: The ratios show a relative improvement in financial performance after applying the standard, reflecting the bank's ability to keep pace with accounting changes and achieve good returns. The ROA ratio shows the bank's efficiency in achieving returns on total assets before and after applying IFRS 16. The application leads to an increase in total assets, which indirectly affects the ratio. Financial performance shows stability and improvement in recent years, reflecting effective asset management and the ability to achieve good returns	

Source: Research preparation based on the financial statements of the research sample bank.

5. Operating expenses to revenue ratio

Before applying IFRS 16, lease payments were considered part of operating expenses, and therefore included operating cash flows. After applying IFRS 16, lease payments are reclassified to be part of financing cash flows instead of operating. This means that operating cash flows will increase by the amount of lease payments that were considered operating expenses before the standard.

÷ (Operating expenses + rent payments (revenues	(Operating expenses ÷ (Revenue	The equation

Table (9) Amounts of operating expenses and revenues for the research sample bank for the years 2017-2023 (amounts in Iraqi dinars)

Revenue	(rent payments revenues	Operating expenses	year
25,795,117,768		218,923,520,698	2017
33,382,864,503		261,593,695,459	2018
17,767,025,128		-43,045,709,395	2019
15,764,219,673	257,040,000	-172,256,096,397	2020
17,225,182,237	43,800,000	-553,666,157,437	2021
26,980,574,187	70,080,000	-73,288,908,768	2022
65,610,814,532	445,400,000	371,990,726,863	2023

Source: Research preparation based on the financial statements of the research sample bank.

Table (10) Results and interpretation of the ratio of operating expenses and revenues for the research sample bank for the years 2017-2023

Interpretation of results	After	Before	the details
During this period, lease payments were considered part of operating expenses and included in operating cash flows. The ratios show the bank's operating capacity without adjusting for the effect of lease payments.		8,49	2017
		7,49	2018
		2,42	2019
A large negative ratio indicates that the bank is experiencing significantly negative operating cash flows relative to its revenues. This may be due to the significant impact of the COVID-19 pandemic on operations, which has led to a significant decline in revenues and an increase in operating costs. This indicates significant financial pressures on the bank during this year.	10,91-	10,93-	2020
A very high negative ratio indicates a significant deterioration in the bank's financial position. This could be the result of the continued negative effects of the pandemic, and an increase in operating costs without a sufficient increase in revenues to cover these costs. This ratio reflects the need to re-evaluate operations and take corrective action.	32,14-	32,14-	2021
The negative ratio has improved significantly compared to previous years, but it is still negative. This indicates an improvement in the bank's financial position, perhaps as a result of restructuring efforts or operational improvements. Despite the improvement, the bank still faces challenges in converting its revenues into positive operating cash flows.	2,71-	2,72-	2022
The positive ratio indicates a significant shift in the bank's financial performance. This reflects success in improving operational efficiency and increasing revenues. It may be the result of effective strategies in managing operations and costs, and the economic recovery after the pandemic.	5,68	5,67	2023
1. Challenges and adaptation: The large negative ratios in 2020 and 2021 reflect the significant impact of the COVID-19 pandemic on operational activities, emphasizing the importance of crisis preparedness. 2. Improvement and recovery: The significant improvement in 2022 and the return to positive ratios in 2023 indicate the effectiveness of the recovery and restructuring strategies adopted by the company. 3.Financial planning and its importance: The results show that financial planning is important in effectively managing costs to ensure financial sustainability, especially during periods of economic crises.			Conclusion

Source: Research preparation based on the financial statements of the research sample bank.

6. Return on equity ratio (ROE)

The equation for calculating the return on equity (ROE) does not differ previously and subsequently after applying IFRS 16. However, the impact of applying IFRS 16 may appear in the content of net income or equity due to reclassifying rental costs as interest costs and depreciation of leased assets.

(Net Income ÷ Equity)	The equation

Table (11) Results and Interpretation Return on Equity (ROE) ratio for the research sample bank for the years 2017-2023

Interpretation of results	After	Before	the details
The ratios indicate a good return on equity, with improvement, but in 2019 the ratio decreased, indicating financial challenges or an increase in equity without achieving appropriate returns		0,0594	2017
		0,0828	2018
		0,0291	2019
Reflects slight stability but still lower than previous years	0,0237		2020
.Indicates an improvement in returns on equity	0,0304		2021
The ratio has improved, reflecting better efficiency in .generating returns	0,0458		2022
The ratio has increased significantly, indicating a significant improvement in financial performance .and good returns on equity	0,1264		2023
IFRS 16: 1. Inclusion of leased assets: Increases total assets, which may indirectly affect equity and net income. 2. Improved performance: The ratios show a relative improvement in financial performance after implementing the standard, reflecting the bank's ability to keep up with changes in accounting and achieve good returns. The ROE ratio shows the bank's efficiency in achieving returns on equity before and after implementing IFRS 16. The implementation has minor impacts on the ratios, but financial performance has shown stability and improvement in recent years, reflecting effective asset management and the ability to achieve good returns.			Conclusion

Source: Research preparation based on the financial statements of the research sample bank.

The evaluation of the bank's overall performance upon applying IFRS 16 led to significant changes in how debts and assets are presented, which indirectly affected financial performance. Despite initial challenges, especially due to the COVID-19 pandemic, the bank was able to adapt to the changes and significantly improve the efficiency of financial performance. The bank's effective management of assets and debts helped achieve financial stability and continuous improvement in returns.

Fourth axis: Conclusions and recommendations

First Conclusions

. The application of IFRS 16 faces major practical challenges in the research sample bank that owns a number of lease contracts, and this difficulty is evident in collecting the necessary data and processing it accurately, which may lead to delays or errors in preparing the financial statements.

2. The application of IFRS 16 significantly affects the efficiency of financial performance measured according to financial ratios due to the inclusion of lease obligations in the financial position.

3. The application of IFRS 16 requires banks to update their accounting information systems and develop continuing education programs for employees, which increases operating costs, which affects the bank's profitability.

4. The application of IFRS 16 faces compliance problems due to the difficulty of interpreting some accounting paragraphs related to lease contracts. Which leads to differences in application between banks, making it difficult to make the required comparisons.

5. Under the standard, assets and liabilities are re-evaluated and greatly affects the reality of the financial position. This is reflected in the development of investment and financing strategies in banks, and the efficiency of financial planning.

Second: Recommendations

1. The need to organize continuous training programs for accountants in order to raise awareness and bridge the knowledge gap to accurately apply the standard. This enhances the quality of accounting disclosure and the information content of financial statements.

2. The need to build an integrated relationship between the availability of an infrastructure represented by the use of advanced technology in order to improve the efficiency of financial performance and achieve the requirements of applying international accounting standards, including IFRS 16, in providing complex data related to lease contracts.

3. The need for the bank to link the results of financial analysis according to financial ratios and strategic planning helps improve understanding of the

potential impacts of applying IFRS 16 and developing strategies to deal with them.

4. The need to enhance cooperation between banks and regulatory authorities in Iraq to interpret the provisions of the standard in a unified manner. This achieves the correct application of the standard, which helps in making comparisons between banks and serves users of financial statements in order to make the appropriate decision for available opportunities.

5. The need for the bank to monitor the size of assets formed as a result of applying the standard and the obligations related to it in order to achieve accuracy and reliability in presenting accounting information to users of financial statements.

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