The Impact of IFRS 9 on Financial Reporting during Covid-19 from the Point of View of Experts in Europe

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Abstract

The present study aimed to clarify the risks that banks are exposed to in light of the Covid-19 pandemic, examine the impact of these risks on the quality of financial reports in banks, with an indication of how IFRS 9 can either exacerbate or mitigate these risk and its effects on the financial statements of banks. Finally, provide some solutions to maintain capital adequacy and minimize pandemic risks to which some banks may be exposed. This study used the descriptive and inferential statistics, as well as the questionnaire as a tool for collecting data. The analysis of data by using the statistical program SPSS 25 and Microsoft Excel. Three major findings are outlined in this study. First, there is a statistically significant relationship between Covid-19 pandemic and the increased risks to which banks are exposed based on the results of the tests of the hypotheses. Second, there is a statistically significant relationship between IFRS 9 and the quality of the financial statements. Finally, there is a statistically significant relationship between IFRS 9 and bank risks during of the Covid-19 pandemic. The findings of this study are important for bank executives, auditors, and bodies that set standards for accounting and auditing.

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1. Introduction

Banking The economic world has witnessed many recurring banking crises at the local and international levels over the past forty years like the global financial crisis, the European sovereign debt crisis, and the non-performing loan crisis, all these tough times in our recent financial history, indicate the essence of the nature of the risky business of banks (Bholat et al., 2018). The impact of these crises on the banking sector is exacerbated during of the ability of financial report preparers to use what they have of experience and accounting skills to deceive the users of financial statements by using profit management mechanisms, and the practical practices have proven that bank managers, in general, do not find better than loan provisions in managing their profits (Gornjak, 2019).

Amid all these previous crises, the Covid-19 pandemic crisis emerged, which dealt a strong blow to the economy in all countries of the world, has increased its severity on the banking sector compared to any other financial institution, as a result of its support for the traditional risks that banks usually face, such as (interest rate, liquidity, credit, market and reputation risks,… etc.) which is closely related to the daily activities of economic agents (individuals, companies, and governments), which has led to the intensification and deepening of those risks, the crises of credit liquidity risk, credit stress, increase in non-performing assets and default rates appeared, which reduces the return on loans and investments, and lowers interest rates in the market, and the matter is getting worse, especially in developing countries for which the Covid-19 pandemic will lead to a complex set of simultaneous outcomes; For example, loans default collectively, and recoveries become complex and difficult, savings devoured by customers to support daily life, reduced availability of loanable funds, and lower demand for new investment (Ariella, 2020).

As a result of these economic and moral crises and their impact on the banking sector and the forced digitalization of financial services sector in Europe (Farkas et al., 2022). Professional institutions tended to pay attention to the areas of accounting disclosure in financial reports, issuing standards for changing the regulation of basic products and financial instruments for financial institutions, including the International Accounting Standards Board (IASB), which was concerned with issuing standards for increasing transparency in financial institutions, and enabling the investor to understand the impact of subsequent implementation work, among those standards that the organization has issued to improve the transparency of financial statements is IFRS 9 which relates to the notes on the financial statement about early disclosures and serves to make it easier for investors and regulators to obtain information, which provides better analysis and comparability (Hewa et al., 2020). Which should smooth out fluctuations in bank lending during the economic cycle, which will have an impact on bank lending and capital distributions (Chawla, 2016). Therefore, the research questions focus on the following issues:

1. What are the risks facing banking banks in light of the successive crises that ended with the crisis of Covid-19 pandemic?
2. What is the impact of these risks on the quality of financial reports? How does IFRS 9 increase or reduce the severity of these effects on the financial statements?
3. How can banks maintain capital adequacy and reduce the severity of the risks they are exposed to under the conditions of Covid-19 pandemic?

The importance of the research stems from three main points: First, given the huge economic losses that the country and the world at large are going through as a result of Covid-19 conditions, the utmost importance appeared to preserve the economic capabilities of the country, the most important of which was the banks to preserve its capital. Second, the interest of banks in raising their value and confidence in their performance among investors was important to know the impact of IFRS 9, which relate to notes on the financial statement about early disclosures, to

make it easier for investors and regulators to obtain information and make it available to them, which provides better analysis and comparability. Finally, the importance of reaching fundamental solutions to the impact of the standard on the risks faced by banks during of Covid-19 crisis, which shows its consequences on capital adequacy.

2. Theoretical Framework

2.1 IFRS 9 – Financial Instruments

The As a result of the collapse of the largest international companies due to uncertainty and lack of transparency, and the emergence of the financial crisis that hit the world in 2008, the importance of highlight on the problem of income manipulation and the inevitability of preparing accounting and financial standards that manage and direct dealing with financial instruments, hedging against potential risks, and controlling the process of recognition of various profits and losses resulting from entering into transactions, has increased. To reduce the degree of expected risk by using various contemporary financial instruments (Hashim and O'Hanlon, 2016). This revealed a severe weakness in the financial adequacy of the bank, and most of these banks had high credit ratings because the standard of provisions that were formed to meet the weakness of assets was based on the actual losses, which means when a loan or a particular financial asset defaulted, the appropriate provision was formed. Therefore, the banks did not know the extent of the weakness of their assets and the problems that it could cause, and this was a main reason for the financial crisis that erupted in 2008. The conditions before 2008 were also incorrect, as the financial model was completely incorrect because banks and institutions do not have information about the adequacy of their capital to absorb future shocks (Prorokowski, 2018).

All of this led to the emergence of IFRS 9, where the project to develop the standard was started by the IASB in 2009, at the onset of the financial crisis and in July 2014 the final version of IFRS 9 for Financial Instruments has been issued, an alternative to IAS 39 Financial Instruments: Recognition and Measurement, was issued. The application of the new standard became mandatory since January 1, 2018, and is expected to have a significant impact on the balance sheet of banks, as it represents one of the central improvements undertaken by organizations to remove some central rules and prohibitions, it is based on recognizing the expected credit loss in a timely manner. The initial recognition of the instrument is done by weighting estimates of potential credit losses (i.e. the present value of the cash shortfall) computed as the value of the current differences between all contracts of cash flows owed to an entity according to the contractual terms of the financial instrument and all cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (Hashim, and O'Hanlon, 2016).

The standard is an alternative to IAS 39, where in the early years of the twenty-first century, the accounting for financial assets was still guided by IAS 39, which provides for the use of the actual loss model to recognize credit losses in profit and loss, when there is physical evidence that indicates that a loss has been incurred as a result of a decrease in the value of the loan, expected losses as a result of future events were not recognized, but in the wake of the financial crisis in the late first decade of the twenty-first century, concerns have been raised about this method, particularly about the timing of recognizing loan loss expenses, as it was considered too and too late, and therefore the IASB recommended and the Financial Accounting Standards Board (FASB) replacing the actual loss method for creating loan loss provisions with alternative approaches that include a broader set of available credit information, it is an expected loss method using statistical information to determine potential future losses, consistent with the needs of users of financial statements and transparency with regard to changes in credit trends and with safety and hedging

objectives (Hashim and O'Hanlon, 2016).

When analyzing the standard, we find that recognizing the provisions for losses that are expected and not actual, this leads to the imperative of classification, measurement and accounting evaluation of assets, liabilities and derivatives by forming precautionary provisions for expected losses on all credit operations upon their inception and during their various stages of life, where an accurate and unbiased expected amount is estimated after studying a range of possible outcomes, and taking into account the time value of money based on reliable and documented information on current conditions and expected economic events. It also requires when measuring a set of information, the most important of which are past events, such as the historical experience in estimating the losses of financial instruments, the following conditions and events, and expectations that affect the collection of expected future cash flows from financial assets, this affects profits and regular capital (Begoña and Mora, 2019).

2.2 The Relationship between the Quality of Information in Financial Reports and IFRS 9 during the Covid-19 Pandemic

At the end of 2019, the world was shocked by an unknown virus from Wuhan, China. This virus was finally named COVID-19, it was officially classified as a pandemic by the World Health Organization (WHO) due to its spread around the world, and to try to avoid these health risks, most governments have tried to contain the virus, by shutting down parts of the economy, with which the economic cost was enormous, as a result of losing many businesses have lost their jobs and destroyed trillions of dollars of stock market wealth, which led to a major economic recession, falling asset prices, and uncertain financial forecasts (Bipasha and Suborna, 2020). Consequently, some business sectors became indebted and unable to pay the installments of their main loans, or their interests as a result of being affected by Covid-19 virus, as they stopped corporate revenues, which affected the profits made, capital and ultimately the financial viability. Therefore, during this pandemic, banks have to be stricter in approving borrowers (el Barnoussi et al., 2020). As the pandemic has changed both sides of the equation, by slowing the pattern of credit growth as banks will not be comfortable lending in a time of crisis or demand for credit will decline when economic performance does not look like normal, on the other hand, stable banking systems are being challenged by the subsequent demand from borrowers to banks to reduce the interest rate of loans (Monica and Stefan, 2019). And bearing in mind that Covid-19 pandemic could significantly threaten the performance and survival of banks in developing countries, especially in those where banks play a dominant role in the economy.

One of the biggest problems faced by banks, which has been exacerbated by the pandemic, is loan losses. As the pandemic is likely to worsen the nonperforming loan (NPL) situation, the decline in the three dimensions (company value, capital adequacy, and interest income) is more likely when the NPL rate increases, and the increase in the NPL could force the capital adequacy of all Banks reduce the minimum requirements of Basel-III (Bolognesi, et al., 2020; Miu and Ozdemir, 2017). Thus, increasing the problems of internal credit management practices, and the ratio of provisions to loans shows a low level in the private banking system which is not subject to strict regulation. From the measurement of loan rating flexibility and provisioning guidance, it is clear that banks cannot manage the level of non-performing assets.

This can be seen from the increasing demand from borrowers to renegotiate credit as well as the weakening of various businesses resulting from the impact of the pandemic. Credit risk increases the cost of credit by affecting provisioning expenses (Oberson, 2021). Credit risk is the main source of financial crises facing banks at the global level.

Albrahimi (2019) when the accounting estimate is used to anticipate the deterioration of the loan in the future, fears are raised that the gains of the new expected credit loss model may be overshadowed by losses, which weakens the transparency of banks in the market, and here appears the ineffectiveness of credit risk management as a result of the increase in the percentage of provisions for doubtful debts, in addition to the losses resulting from non-payment of these debts affect the reserves and capital of the banks and their liquidity, which has a negative impact on the profits of the banks and weakens the ability of the banks to meet their various obligations, which may lead to the bankruptcy of the banks (Georgiou et al., 2021), and all customers will consider their situation critical and thus many are formed of the unreal loan allocations, which result in the formation of secret reserves, which weakens the efficiency of capital. This is the bleak perception of the consequences of the Covid-19 pandemic on banks.

During of Covid-19 pandemic, as previously mentioned that the value of loan losses increased, which is directly related to IFRS 9, which is concerned with loan loss provisions. Albrahimi (2019) discussed the impact of IFRS 9 on the predictability of loan loss provisions and the potential consequences on market discipline, and the relationship between recognized loan loss provisions and the objective determinants of the actual loss model (i.e. changes in non-performing loans and the level of non-performing loans) and the study concluded that the results empirical evidence indicates a decrease in the correlation between loan loss provisions and the determinants of the actual loss model, as a result of banks' tendency to manipulate their provisions regardless of the actual default on loans.

Since the bank administrations in general do not find better than the provisions of loans in the management of their profits (Krüger et al., 2018b). As a result of being subjected to pressure from some shareholders, which systematically await the results of the activity, if the actual performance rate of the bank does not live up to the ambitions of the shareholders in a way that decreases the dividends, the management does not find it inevitable to modify the profit number, by making the appropriate trade-off between the accounting profit and some of the variables associated with it, which ultimately leads to the disclosure of unreal profits, and this manipulation may be done by reducing the value of loan allocations, which are basically a burden on revenue, so the value of profits rises to the level that satisfies the ambitions of shareholders and does not expose the value of the establishment to decline in the business market, as a result of increasing the value of the stock exchange, or increasing it to reduce taxes, and thus increase the provisions of loan losses, which was demanded by the standard and pre-emptive, which as a result of the Covid-19 pandemic many investors and borrower s have defaulted on their debts, which may increase by the amount of provisions that will be formed for expected credit losses. Gomaa et al (2019) pointed out that the increase in loan loss provisions, is the best indicator of the failure of the bank due to the inclusion of reserves of loan losses in the bank's capital ratios, as an indicator of banks' failures in the future. They seek to limit the growth of loan losses on their balance sheets in order to maintain the minimum capital adequacy ratio required through the announced relief package, as commercial banks are allowed to reduce loan loss provisions and not suspend unrealized profit margin against restructured loans.

Banks have put in place several policies to deal with this epidemic. These policies include lowering interest rates to support the momentum of economic recovery, increasing the intensity of market interventions to stabilize the exchange rate, expanding instruments and transactions in the money market to encourage foreign investors to hedge more against exchange rate risks, and increasing the injection of liquidity into the money and banking market in order to encouraging financing for the business world and the economy, and facilitating the return of macro prudential policies to encourage banks to finance the business world and the economy with this policy, banks and companies must also comply with government policies (Ariella, 2020).

The role of the central bank as a lender, although it has a benefit in preventing banking and financial panic, has a cost, as if the financial institution knew that the central bank would provide it with reduced loans when it faced a problem, it would be willing to bear more losses, thus the central bank's role as a lender and haven for banks may create an illegal or ethical risk problem, especially for large commercial banks (Mechelli and Cimini, 2021). The self-interest of banks requires following a policy of leniency with borrowers who suffer from problems in order to avoid increasing their reserves from loan losses, as banks provide additional funds to troubled companies and families, and continue to set a profit margin on outstanding loans in order to defer insolvency, keep the loan regular, and the bank's balance sheet looks better. According to the standard, banks need to ensure effective implementation of their plans to meet their capital requirements (Prorokowski, 2018).

The use of several accounting methods can limit the impact of epidemics on corporate financial reporting such as fair value accounting, income adjustment, loss avoidance, profit management reduction, etc. Which enables us to say that accounting can play an important role in mitigating the impact of the pandemic on the performance of banks and the efficiency of financial statements.

By analyzing previous studies, we find that the reclassification of accounting information under the adoption of international financial reporting standards and the impact of the reclassification option of accounting information under these criteria on specific characteristics results in useful information for capital markets, which contributes to improving the specific characteristics of banks' financial statements. On the other hand, we find some negative aspects that show that the standard has an impact with the information made available on the statement of financial position, statement of changes in equity equity, and this has emerged before on the impact on the adequacy of capital and allocations, which may lead to the formation of secret reserves for the value of the endangered.

The debate over whether more or less information should be included in the financial statements also depends on the conflicting objectives between accounting standard makers on the one hand and banking institutions on the other, where professional institutions of accounting standards setters aim to provide information to investors, which is consistent with the view of investors wishing to maximize information, while on the other hand wanting the founders bbanking is making more material gains. However, when dealing with recognition and measurement, accountants tend to avoid adhering to the accounting standard if the resulting figures do not reflect financial statements in order to restrict profit management, in accordance with the hedging perspective (Bari and Mushajel, 2020). As banks seek to maintain sufficient capital to absorb unexpected losses and sufficient loan loss allocations to cover all types of expected losses, yet optimally loss allowances should converge loans from a hedging perspective on the balance sheet, because this imposes lower costs than adjustment afterwards.

We also consider that the use of loan loss provisions as a equivalent of impairment is not only inappropriate from an accounting perspective but also ineffective with regard to the bank's safety when recording significant value loss allocations, particularly since the decline in net income can affect dividend policy and risk exposure, and therefore accounting for loan losses will have an impact on financial stability.

3. Research Methodology

The study population it was the European experts in financial reporting standards and financial instruments at European banks, universities in five European countries (United Kingdom,

Germany, France, Italy, and Switzerland) to learn about their experiences in that area. The questionnaire was used as a tool for collecting data. The questionnaire was based on closed-ended questions. This study based on the statistical program (SPSS) in conducting statistical analysis of the study data, where the simple regression method was relied on to show the nature of the relationship between the study variables, to test the hypotheses based on the relationship between two variables only, with the aim of obtaining the determination coefficient "R2", which measures the percentage of difference of the dependent variable and which is explained by the independent variable, and the value of the coefficient of determination ranges between zero and one, and the greater the value of the coefficient of determination, the stronger the correlation between the dependent variable and independent variable, as the "alpha" coefficient was used to assess the reliability or credibility of the measures used in the study and to measure the degree of consistency of the measures based on the answers of the vocabulary of the sample, and the high coefficient of "alpha" means that there is no bias or distortion in the results when analyzed. Table 1 shows the sample construction, the number of questionnaires sent, the number of received and valid responses.

Table 1. Questionnaires sent and received and valid responses

	No. Questionnaires sent	No. Questionnaires received (%)	No. Valid responses (%)
Academics	50	45	90%
Auditors	50	36	72%
Bankers	50	39	78%
Total	150	120	80%

Source: Author's own

Based on the above, the total number of the valid responses 80%, and the academics in European universities it was 90% the highest rate. This study uses descriptive and inferential statistics (Simple regression model, correlations (r), variance, coefficients, and Cronbach's alpha) to test the hypotheses of study.

4. Discussion and Findings

Study variables and reliability assessment: We found that the values of the alpha coefficient ranged between (65% - 80%), which means an acceptable increase in the reliability enjoyed by each variable, as 50% represents the minimum acceptable limit for the "alpha" coefficient and the high reliability rates reflect the degree of internal consistency between the contents of the variables, and the possibility of their reliability, as we find that the independent variables represented in IFRS 9 (X1) amounted to 75%, the risks of Covid-19 pandemic (X2) amounted to 85%, and the dependent variables represented in the quality of financial statements (Y1) amounted to 66%,.The risks of banks (Y2) amounted to 80%, and the risks of banks during of Covid-19 pandemic (Y3) amounted to 65%.

Test the first hypothesis: There is no statistically significant relationship between Covid-19 pandemic and the increase in the risks to which banks are exposed, use the simple regression coefficient to measure the relationship between the independent variable Corona pandemic "X2", which symbolizes its terms by variables (X2.1 to X2.7) and the dependent variable risks to which banks are exposed (Y2), which is expressed in variables (Y2.1 to Y2.6) and the following table summarizes the results of the statistical analysis. Table 2. Shows the relationship between Covid-

19 pandemic and the increased risks faced by banks:

Table 2. Covid-19 pandemic and the increased risks faced by banks

Independent Variable	Beta	T	Sig
X2: The risks of Covid-19 pandemic	0.957	19.20	0.000
R = 0.9570			
R^2 = 0.870			
F = 366.801			
df = 1-119			

Source: Author's own

From the previous table it is clear that the explanatory strength of the model: The value of R = 0.9570 represents the coefficient of bilateral correlation between the two variables, which indicates that the relationship between Covid-19 pandemic and the increase in the risks to which banks are exposed, is a positive relationship in the sense that Covid-19 pandemic increases the risks to which banks are exposed, as calculated the value of R2, which indicates the strength of the relationship 87%, which is a strong correlation relationship. The significance of the model is inferred by the level of significant (F), which is equal to 0.000, which means that the error rate in accepting this model is equal to zero, and this indicates that the regression model is statistically significant and that Covid-19 pandemic contributes significantly to the risks to which banks are exposed, and this is also evidenced by the increase in the calculated value of F is 366.801 from the tabular value of F at degrees of freedom (1-119) and a significant level of 5%, which is equal to (3,90) as evidenced by the level of significant which shows that the independent variable of Covid-19 pandemic is meant to affect the risks to which banks are exposed, and this is also evidenced by the increase in the calculated value of (T) of 19.20. Therefore the null hypothesis is rejected and accepted the alternative hypothesis, which is "There is a statistically significant relationship between Covid-19 pandemic and the increase in risks to banks."

Second hypothesis test: there is no statistically significant relationship between IFRS 9 and the quality of banks' financial statements". The simple regression coefficient was used to measure the relationship between the first independent variable IFRS 9 (X1), whose terms are denoted by variables (X1.1 to X1.5), and the dependent variable is quality of financial statements (Y1), which is expressed in variables (Y1.1 to Y1.6) and the following table summarizes the results of the statistical analysis.

Table 3. IFRS 9 and the quality of financial statements

Independent Variable	Beta	T	Sig
X1: IFRS 9	0.8187	28.659	0.000
R = 0.8187			
R^2 = 75%			
F = 388,490			
df = 1-119			

Source: Author's own

From the previous table it is clear that the explanatory strength of the model: the value of R = 0.8187 represents the coefficient of binary correlation between the two variables, which indicates that the relationship between "IFRS 9 and the quality of the financial statements, is a positive

relationship, as the value of R2 is calculated, which indicates the strength of the relationship 75%, which is a strong correlation relationship. This indicates that the regression model is statistically significant and that it contributes significantly to the impact on the quality of the financial statements, as evidenced by the fact that the calculated value of F is 388,490 higher than the tabular value of F at degrees of freedom (1-119) and a significant level of 5%, which is equal to (3,90) as evidenced by the significant level (T), which shows that the independent variable is meant to affect the quality of the financial statements, and this is also evidenced by the increase in the calculated value of (T) of 28,659. Thus, the null hypothesis is rejected and accepted the alternative hypothesis. Which is "There is a statistically significant relationship between IFRS 9 and the quality of banks' financial statements.

Testing the third hypothesis: there is no statistically significant relationship between IFRS 9 and banking risks during of Covid-19 pandemic. The simple regression coefficient was used to measure the relationship between the first independent variable IFRS 9 (X1), whose expressions are symbolized by the variables (X1.1 to X1.5) and between the dependent variable “and the risks of banks during of Covid-19 pandemic (Y3), which is expressed by the variables (Y3.1 to Y3.4), and Table 4 summarizes the results of the statistical analysis.

Table 4. IFRS 9 and the quality of financial statements

Independent Variable	Beta	T	Sig
X1: IFRS 9	0.673	54,498	0.000
R = 0.673			
R^2 = 65%			
F = 1513.86			
df = 1-119			

Source: Author’s own

The explanatory strength of the model: the value of R = 0,673 represents the coefficient of binary correlation between the two variables, which indicates that the relationship between "IFRS 9 and the risk of banks under Covid-19 pandemic, is a positive relationship, as the value of R2, which indicates the strength of the relationship is 65%, which is a strong correlation relationship. The model is equal to zero and this indicates that the regression model is statistically significant and that it contributes morally to the impact on bank risk under Covid-19 pandemic, as evidenced by the increase in the value of F calculated 1513.86 from the value of the scheduled F at degrees of freedom (1-119) and a significant level of 5% which is equal (3.92) as evidenced by the level of morality (t) which shows that the independent variable is intended to affect the risks of banks under Covid-19 pandemic, as evidenced by the value (T) calculated at 54,498 and therefore the null hypothesis is rejected and accepted the alternative hypothesis, which is "there is a statistically significant relationship between the IFRS 9and the risks of banks under Covid-19 pandemic.

5. Summary and Conclusion

As a result of the economic and ethical crises and their impact on the banking sector, the financial services sector tended to pay attention to the areas of accounting disclosure in financial reports, and to issue standards for increasing transparency in financial institutions, which would have an impact on bank lending and capital distributions (Bert& Ben, 2019). Whereas, IFRS 9 appeared in 2008 as an alternative to IAS 39, which stipulates the use of the actual loss model to recognize credit losses in profit and loss, and expected losses as a result of future events are not recognized.

Therefore, the study attempted to analyze the standard, as it became clear that recognizing provisions for losses expected to occur, not actual, leads to the inevitability of classification, measurement and accounting evaluation of assets, liabilities and derivatives by forming precautionary provisions for expected losses on all credit operations at their inception and during their various stages of life, after studying a set of results likely to occur, taking into account the time value of money, and based on reliable information with documentary support on current conditions and economic events.

The standard achieves a set of advantages that appear in the transparency shown by the expanded disclosure requirements related to the standard model, and thus enhance financial stability (Albrahimi, 2019). The application of the standard also affects deposits by enhancing depositors' confidence in banks because it provides more guarantees and more protection, which enables banking institutions to provide liquidity and fulfillment of their obligations when they are due. It also contributes to promoting a sound study of the customer's credit capabilities, and thus represents a protection for banks from any risks related to borrowers' non-fulfillment of their financial obligations. The main advantages stem from the standard by comparing it with IAS 39, which resolved a group of criticisms of the standard. IAS 39 in the context of financial stability, where according to IAS 39 credit losses were recognized only as soon as they occur, as a result of which economic problems appear late and suddenly, so IFRS 9 is designed to mitigate this problem by applying a gradual approach, which gradually recognizes with expected credit losses, which maintains financial stability, and creates positive effects on financial stability and banking resilience (Moloney and Conac, 2020).

Despite all these advantages of the standard, the harmful effects of the COVID-19 pandemic on banks, which the study identified in three aspects, were represented in (company value, capital adequacy, and interest income), as the results indicate that all banks are likely to witness declining risk-weighted asset values, capital adequacy ratio, and interest income banks in many countries have already begun to waive late payment fees and increase credit card limits, in an effort to help their customers survive the pandemic, and for a reduction in weighted asset values will lead to an increase in non-performing loans, which in turn leads to a decrease in capital adequacy for banks, as capital adequacy is considered a protective barrier that prevents losses from leaking into deposits. Some banks will remain under tremendous pressure to maintain the required capital adequacy ratio due to the ongoing pandemic crisis (Sharif, 2020).

Which leads to an increase in the complexity of the liquidity problem when the percentage of loans in the bank's asset portfolio increases, and the most important problems left by Covid-19 pandemic on banks are increase the loan losses, as a result of low price levels, mass layoffs of workers and job cuts, and borrowers from banks - individuals and companies facing risks high default (Neisen and Schulte-Mattler, 2021).

The banking sector is witnessing an escalation in the risk of default on loans due to the low income of borrowers as a result of the economic slowdown and forced closure (Bipasha &, Suborna, 2020). Which forced us to link between IFRS 9, which is concerned with the formation of provisions for future loan losses, and the increase in loan losses. Banks during of the pandemic, where all clients consider their situation critical, and therefore many loan provisions are formed, some of which may be considered unreal, so the increase in loan loss provisions, which was called for by the standard in a proactive manner, which as a result of Covid-19 pandemic and the failure of many investors and borrower s by fulfilling their debts, the amount of provisions that will be formed for the expected debt losses may increase, which will result in the formation of secret reserves that weaken the efficiency of capital. This is the bleak perception of Corona's consequences for banks, but it is clear that adherence to the standard may affect capital adequacy.

As a result of the increase in allocations in times of crises, which was clearly evident in the presence of Covid-19 pandemic.

Accounting also plays a major role in avoiding those errors by increasing the efficiency of disclosures in financial reports, which play an important role in the stability of banks, and timely disclosure can lead to discipline of banks and provide incentives for banks to take corrective action early, which is consistent with IFRS 9 regarding future disclosures of losses (Krüger et al., 2018a; Peterson, 2020). Finally, it was important to know the impact of all of the above on the efficiency of financial statements, as an analysis of previous studies with regard to the efficiency of information in financial statements found a positive aspect of the formation of an integrated database that includes historical, current and future data related to customers, industry and economic activities as a whole (el Barnoussi et al., 2020). The results of the study consistent with him that the requirements of the standard help to form a clear and comprehensive picture of the lenders and thus the ability to make good decisions.

Gornjak (2019) this researcher demonstrated the impact of the standard on the processing of asymmetry information in the relationship between the bank and the borrower , the impact on the quality of accounting in terms of the increase in reservation, both conditional and unconditional as a result of the standard, as well as the impact on the efficiency of contracting and profit management, and that the information received limits ethical risks with depositors, which is consistent with (peterson, 2021) study of the role of the standard in reducing profit management. This illustrates the impact of the standard on the creation of highly efficient financial information that is reflected in financial statements, which are increasingly efficient due to reservation factors and reduced profit management capacity, which was the main source of loan allocations. It was also found through the analysis of the previous reviews that the reclassification of accounting information under the adoption of international financial reporting standards and the demonstration of the impact of the option of reclassification of accounting information under those standards on the qualitative characteristics, results in useful information for capital markets, which contributes to improving the qualitative characteristics of the financial statements of banks.

On the other hand, we find some negative aspects, which are clear that IFRS 9 has an impact on statement of financial position and total equity, and this has already been shown to affect the adequacy of capital and allocations that may lead to the formation of secret reserves (Hewa et al., 2020). The results of this study consistent with the results and theoretical conclusions, as the null hypothesis was rejected for the three hypotheses of the study and the alternative hypotheses were accepted, which are: There is a statistically significant relationship between Covid-19 pandemic and the increased risks to which banks are exposed. There is a statistically significant relationship between IFRS 9 and the quality of the financial statements. There is a statistically significant relationship between IFRS 9 and bank risks during of the Covid-19 pandemic.

Based on the above, the study recommends more research regarding Covid-19 pandemic, especially as it is emerging on the global scene, to know its various effects, especially on the accounting field, not only at the individual level, but attention should be at the academic level as universities through scientific conferences, as well as on level of professional organizations. Banking sector must also take into account this global development, and put in place appropriate support factors that help support and stabilize the country's economic situation, which has been greatly affected by the pandemic, not only the banking sector, but all sectors of the state to join together to overcome the consequences of this devastating epidemic.

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Appendix (A)

5 Strongly Agree
4: Agree
3: Neutral
2: Disagree
1: Strongly Disagree

Risk associated with the Covid-19 pandemic (X2)	**5**	**4**	**3**	**2**	**1**
1. Closing parts of the economy to try to contain the virus.					
2. The economic cost is huge, as a result of many losing their jobs.					
3. A major economic recession, falling asset prices, and an uncertain financial forecasts.					
4. Destroying trillions of dollars of stock exchange wealth,					
5. The Covid-19 pandemic threatens the performance, survival and growth of banks in European countries, especially in countries where banks play a dominant role in the economy.					
6. Some business sectors have become indebted and unable to pay the installments of their main loans, or their interests, as a result of being affected by the Corona virus, as companies' revenues have stopped, which has affected the realized profits, capital and ultimately the financial adequacy.					
7. The epidemic changed both sides of the equation, by slowing a growth pattern credit where banks will not be comfortable to lend at a time in the crisis, the demand for credit will decrease when economic performance does not appear as usual, and on the other hand, stable banking systems are challenged due to the subsequent demand from borrowers for banks to waive or lower the rate of loans.					
Banking Risks (Y2)	**5**	**4**	**3**	**2**	**1**
1. During the global financial crisis, as banks practiced many malpractices, which with time pushed financial institutions towards insolvency, as it was found that banks regulatory engage in accounting practices to facilitate income during recession periods.					
2. Low-liquid banks experienced inconsistent returns naturally higher than the most liquid banks, which reflected banks market expectations that low interest rates from it would increase liquidity in the financial system, and thus confirm the result is that interest rates policy has remained a major policy tool at the beginning of the crisis					
3. The lending policy is affected by the adequacy of the capital it is considered a protective barrier that prevents losses from leaking into deposits, the capital of the bank exceeds the minimum sufficiency the more it increases its ability to withstand losses and avoid financial crises. Regulators around the world confirms on the idea that banks must have large reserves in terms of capital and liquidity to survive during a dramatic downturn, as some banks will remain under tremendous pressure to maintain on the required capital adequacy ratio due to the epidemic crisis continuous.					
4. Significant increase in systemic risk during a pandemic, the increased vulnerabilities to systemic risk in the banking system are attributed to three reasons, liquidity risk due to					

economic slowdown, financial stress, and reduced access to capital markets due to possible credit rating downgrades.					
5. The NPL situation worsens, and declines in all three dimensions (company value, capital adequacy, and interest income) more when the NPL rate increases, and the results also show that increasing the NPL rate may force the capital adequacy of all banks to reduce the limit Minimum Requirements for Basel III.					
6. Increased loan repayment losses.					
IFRS 9 (X1)	**5**	**4**	**3**	**2**	**1**
1. Transparency shown by the expanded disclosure requirements related to the standard model.					
2. Strengthening financial stability, these are expected to help transparency and disclosure to support reports and disclosures the periodic combined control and the validity and adequacy of the amounts reported expected losses.					
3. The standard provides many valuable information for the external user of the financial statements and many parties other stakeholders, where this entry depends on present value calculations for expected future cash flows obtained from the borrower, if the loans are registered and potential credit losses based on economic values no provision for losses will be required loans and included in the budget, as the interest rates In this case, the contracted party will cover all losses expected over the life of the loan.					
4. IFRS 9 avoids criticism of IAS 39 by presenting a simple and comprehensive framework that clarifies requirements for classification and measurement of financial instruments, as well as options reduced based on the ability to hold assets instead of Intent to retain individual origin, also helped to take decisions by reversing the impact of risk management activities on the financial statements.					
5. IFRS 9 gradually recognizes expected credit losses, which maintains financial stability, as it must be taken into account IFRS 9 all relevant information, including historical data, current conditions as well as supporting expectations for future events and the economy aggregate, which creates positive effects on financial stability and banking flexibility.					
Quality of Financial Statements (Y1)	**5**	**4**	**3**	**2**	**1**
1. The credibility of the accounting information contained therein, and the benefits it achieves for users.					
2. It should be free from distortion and misleading, and should be prepared in light of a set of legal, regulatory, professional and technical standards in order to achieve the purpose of its use.					
3. The existence of an integrated database that includes historical, current and future data related to customers, the industry and economic activities as a whole.					
4. Changes in the quality of accounting in terms of the increase in reservation, both conditional and unconditional, caused by standards, as well as the impact on the efficiency of contracting and management profits, and provide information on the risks on loans as a means of increasing market discipline.					
5. Processing asymmetry information in the relationship between the bank and the borrower.					
6. Re-classification of accounting information under the					

adoption of IFRS Standards and the impact of the reinstatement option Classification of accounting information under these standards on qualitative characteristics, yielding useful information to the capital markets and we contributed to the improvement of qualitative characteristics of banks' financial statements.					
Risks of Banks During of Covid-19 Pandemic (Y3)	**5**	**4**	**3**	**2**	**1**
1. Capital adequacy - banks are under tremendous pressure to maintain on the capital adequacy ratio required due to the epidemic crisis continuous.					
2. The epidemic exacerbates the situation of non-performing loans, and thus increases the rate of loan losses.					
3. Low adherence to Basel III requirements, and also the results show increasing the non-performing loan rate may force the capital adequacy of all banks to reduce the limit minimum requirements.					
4. Formation of secret reserves as a result of rate increase loss provisions.					