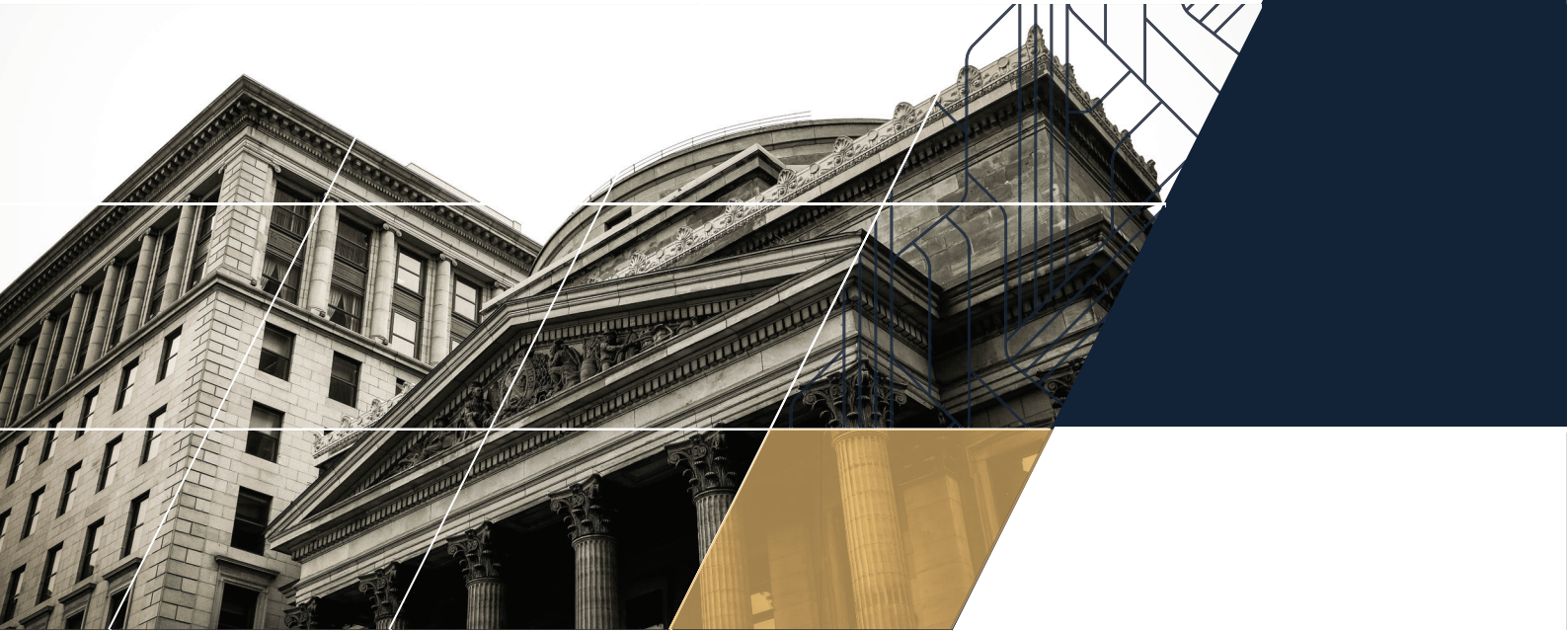


EAST GATE
ECONOMIC RESEARCH
& MARKET STUDIES



بوابة الشرق
للبحوث الاقتصادية
ودراسات السوق

▶ The Reality of Private Banks in Iraq



PREPARING

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EDITION

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▶ **The Reality of Private Banks
in Iraq**

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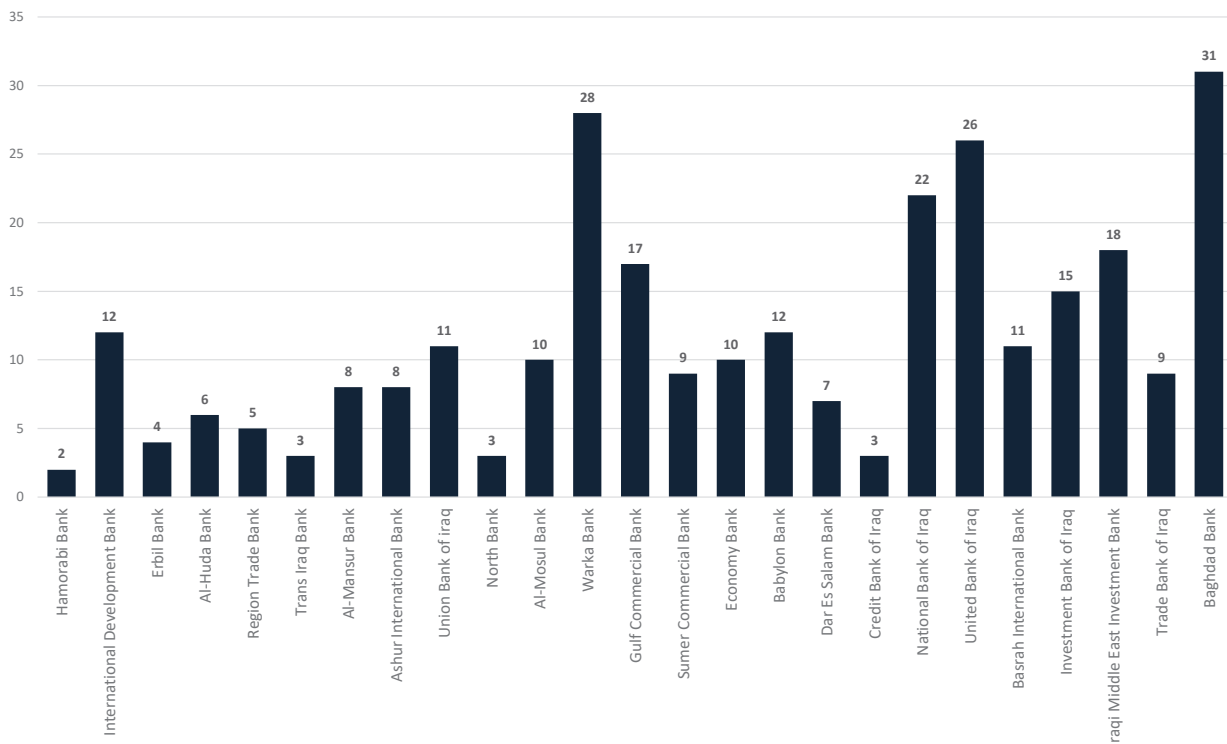
The reality of private banks in Iraq

Since the promulgation of the Banking Law No. 94 of 2004, private banking activity has begun to spread after the state dominated most aspects of economic life, including the financial and banking sector. The aim of legislating this law was to transform the economic system in Iraq from central planning to the market mechanism, as the law included allowing the local and foreign private sector to establish private banks after obtaining a license from the Central Bank of Iraq, and the Central Bank did not specify the minimum capital of the local private bank at (250) billion and foreign Iraqi dinars (after it was (100) billion dinars), as for branches of foreign banks, the minimum capital of the branch is 50 million Dinar (Central Bank of Iraq, [Link](#)).

The spread of private banks in Iraq

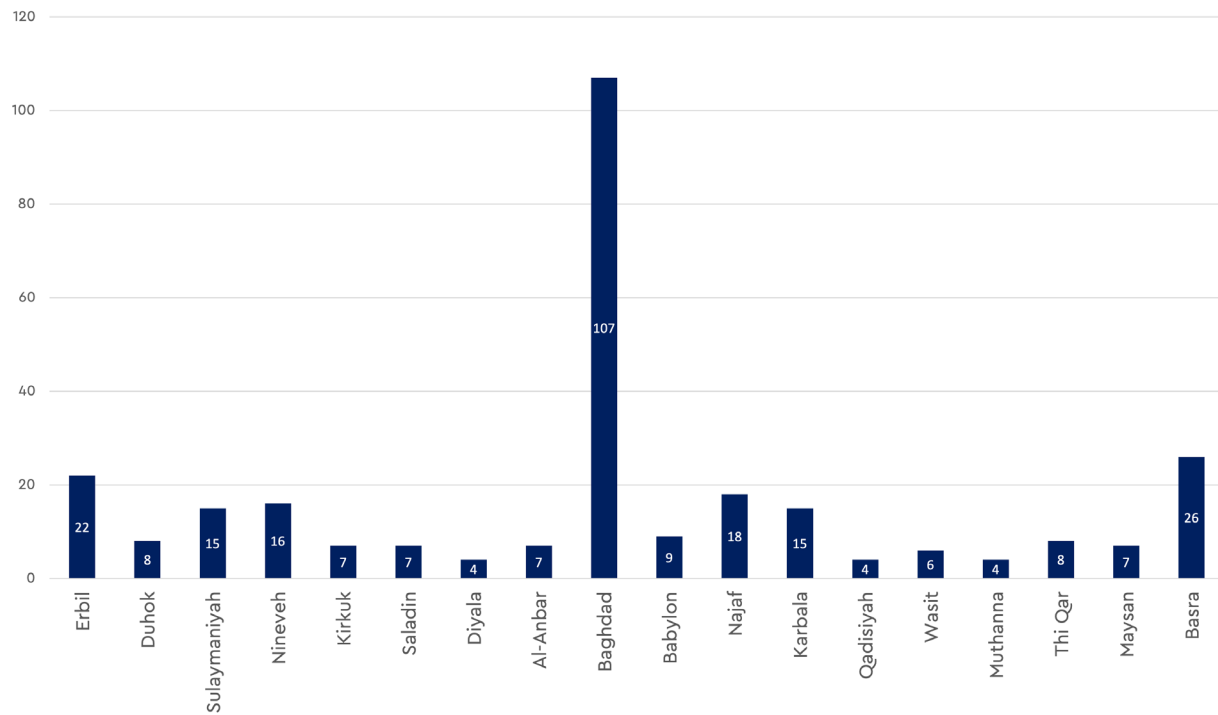
About 71 private banks have been established (25 local commercial, 28 local Islamic, 16 foreign commercial and 2 foreign Islamic) and the number of branches of these banks in all governorates of Iraq has reached about 470 branches, mainly in the capital Baghdad, and to a lesser extent in Basra and Erbil, then in Najaf, Nineveh, Karbala and Sulaymaniyah.

Figure 1: Total branches per bank:



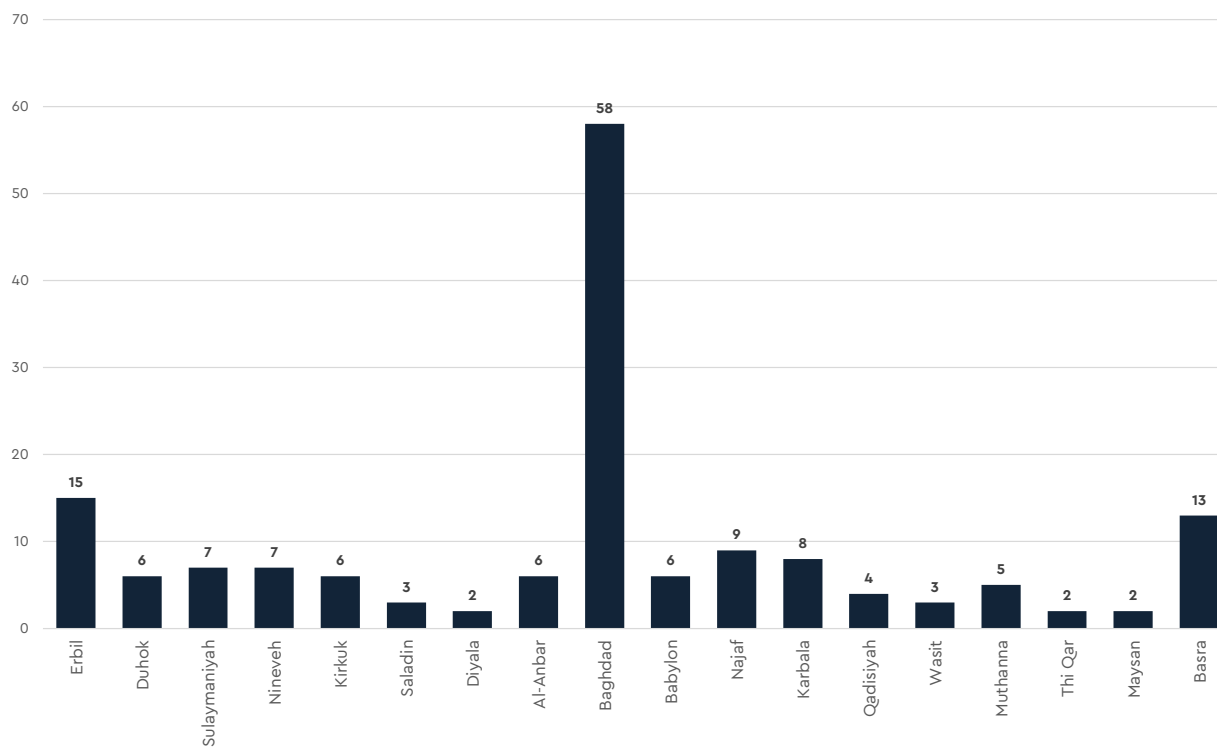
*Figure(1) prepared by the center based on data published on the official pages of banks on the Internet.

Figure 2: Branches of Commercial Banks by Governorate



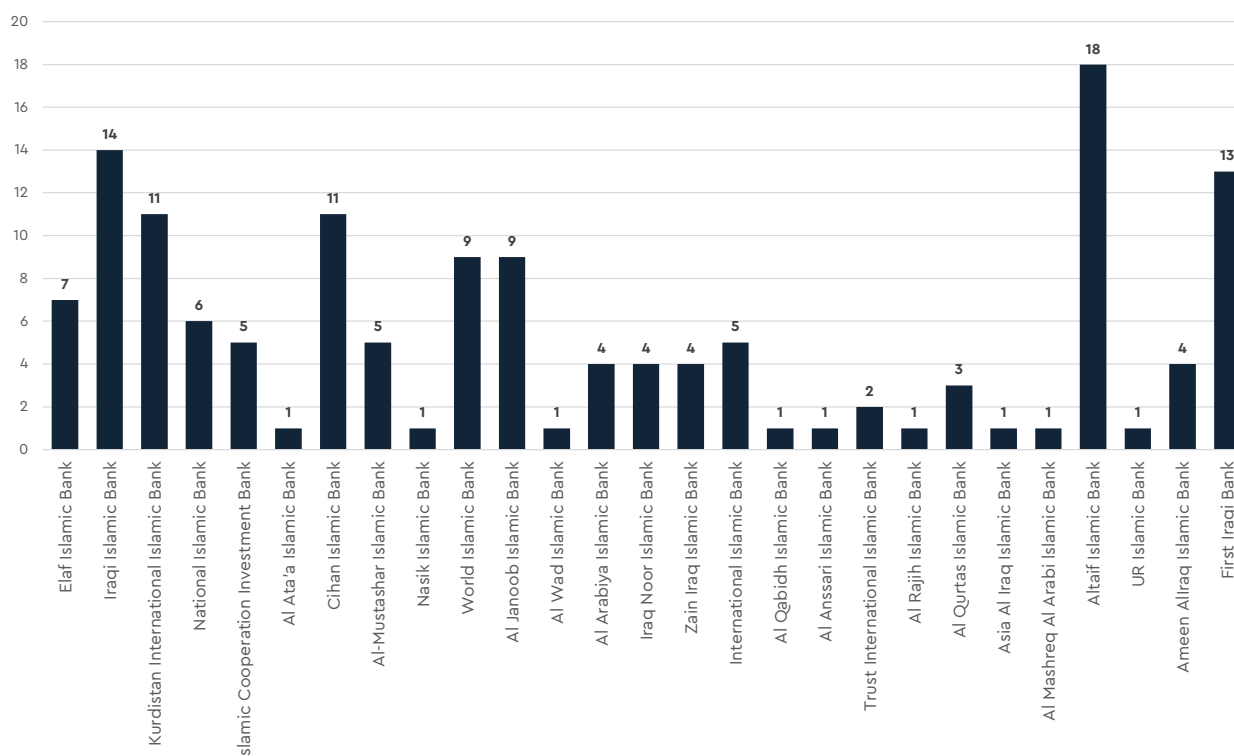
*Figure(2) prepared by the center based on data published on the official pages of banks on the Internet.

Figure 3: Branches of Islamic Banks by Governorate:



*Figure(3) prepared by the center based on data published on the official pages of banks on the Internet.

Figure 4: Total branches per Islamic Bank:



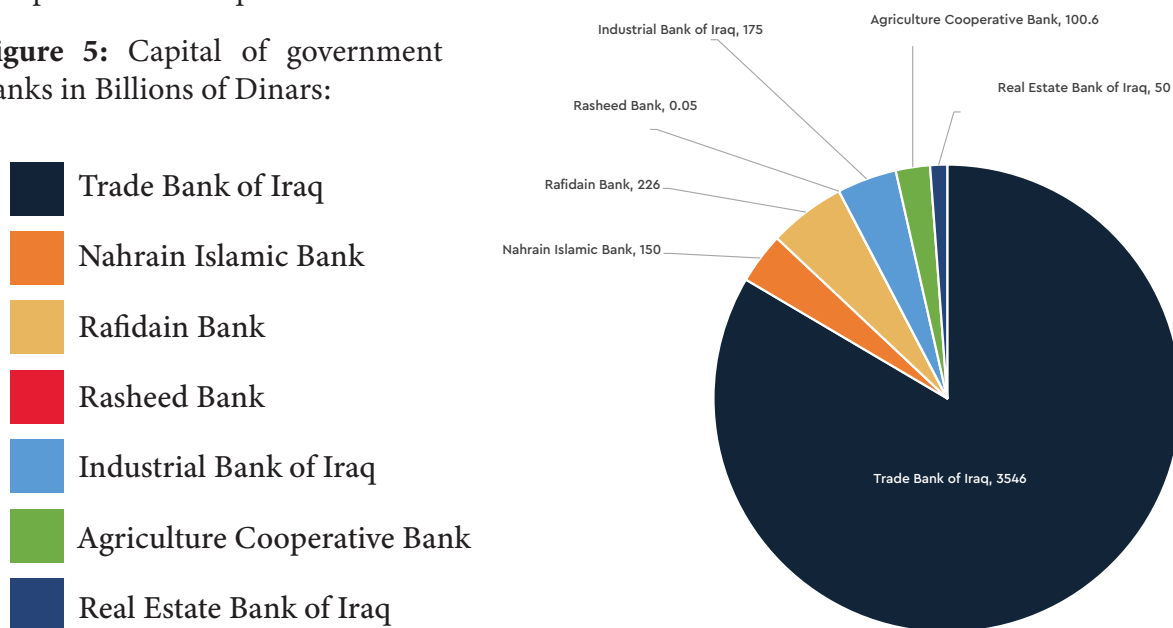
*Figure(4) prepared by the center based on data published on the official pages of banks on the Internet.

06

Capital of Iraqi banks

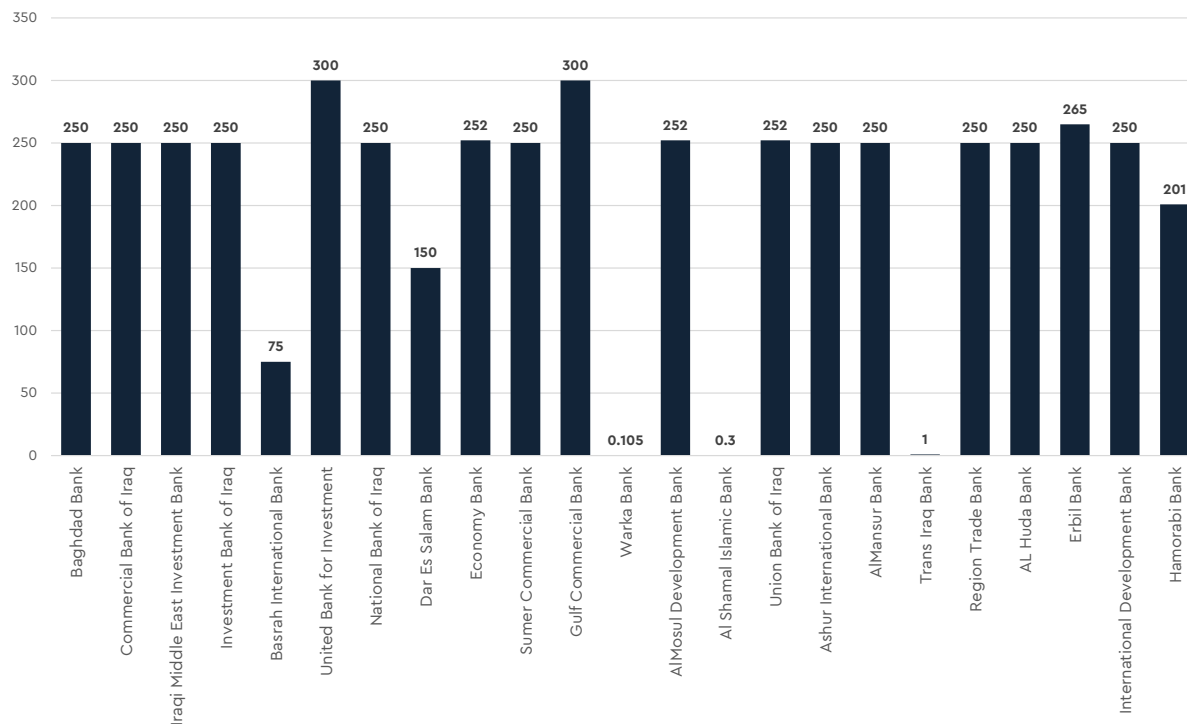
Most private banks did not exceed the minimum capital set by the banking bank of 250 billion dinars (with the exception of the Kurdistan International Islamic Bank), as did foreign banks, while government banks are mostly below the minimum capital of private banks, with the exception of the Iraqi Trade Bank.

Figure 5: Capital of government banks in Billions of Dinars:



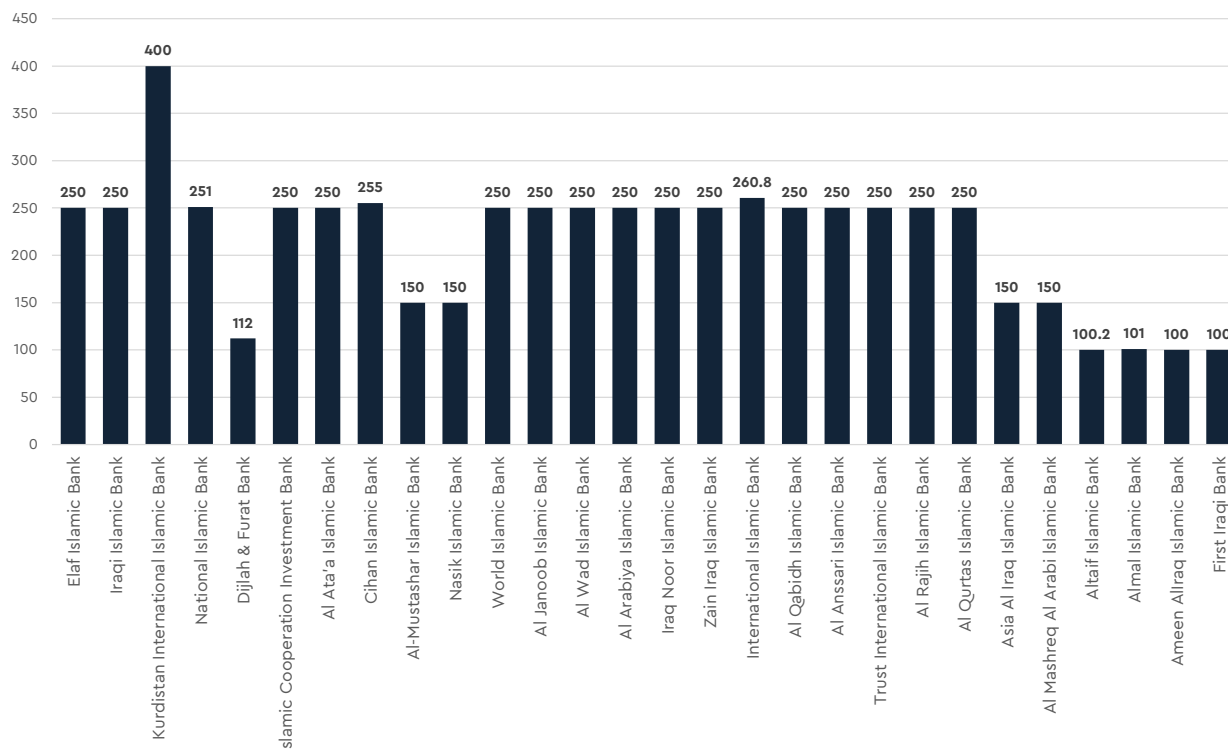
*Figure(5) prepared by the center based on the data of the Central Bank of Iraq

Figure 6: Capital of commercial banks in Billions of Dinars:



*Figure(6) prepared by the center based on the data of the Central Bank of Iraq

Figure 6: Capital of islamic banks in Billions of Dinars:



*Figure(6) prepared by the center based on data published on the official pages of banks on the Internet.

The most prominent activities of Iraqi private banks

The follower of the financial reports of private commercial and investment banks can notice that the activities practiced by these banks are closer to ex-change companies than to the banking business represented by mediation between lenders and borrowers, as banking services represented in facilitating payments and financial transfers against commissions or fees are the most prominent activity of private banks, followed by foreign currency sales, and then interest lending operations.

Figure 7: Revenues of the most prominent banking activities of commercial banks in billions of iraqi dinars for the year 2020

*Figure(7) prepared by the center based on the financial reports of commercial banks published in the Iraqi Securities Commission

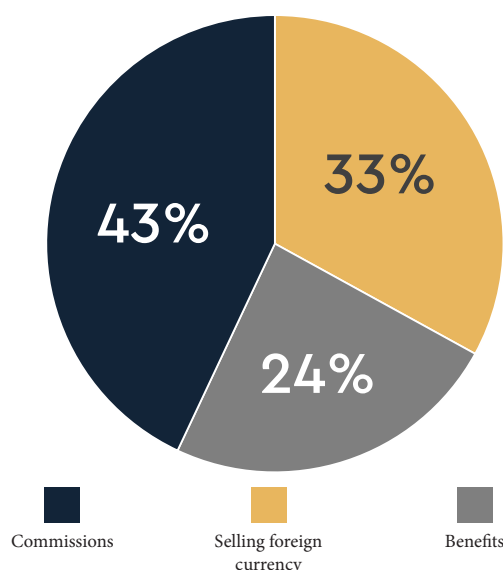
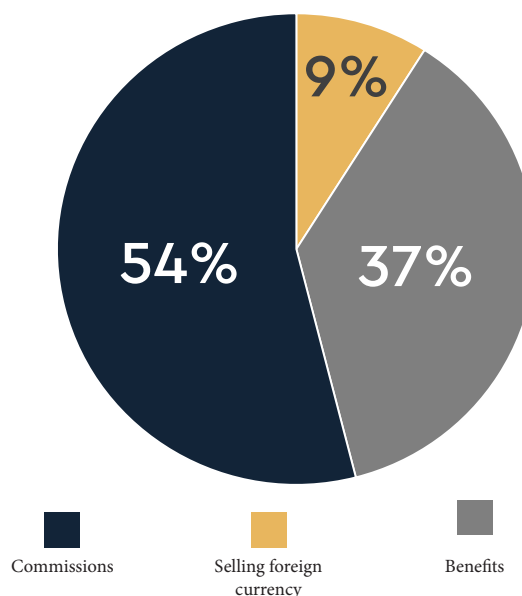


Figure 8: Revenues of the most prominent banking activities of commercial banks in billions of iraqi dinars for the year 2021

*Figure(8) prepared by the center based on the financial reports of commercial banks published in the Iraqi Securities Commission



As for Islamic banks, the sale of foreign currency and banking services for fees or currencies are the most prominent activities, followed by Islamic banking operations such as Murabaha and Ijarah, and long-term investments.

Figure 9: Revenues of the most prominent banking activities of islamic banks in billions of iraqi dinars for the year 2020

***Figure(9)** prepared by the center based on the financial reports of commercial banks published in the Iraqi Securities Commission

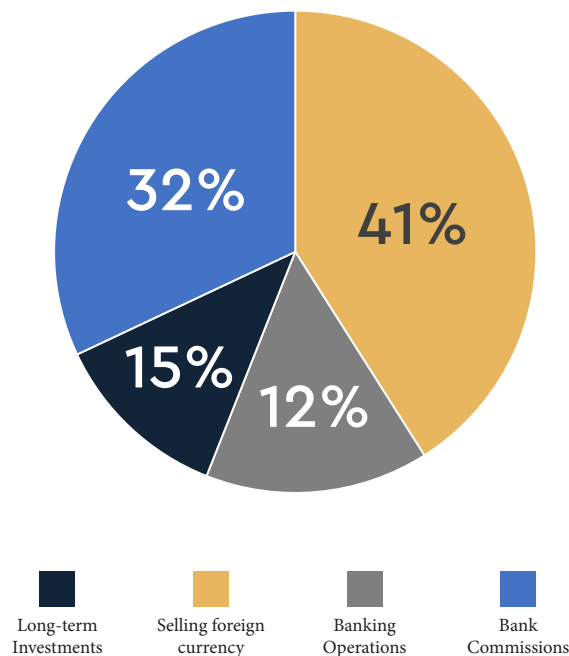
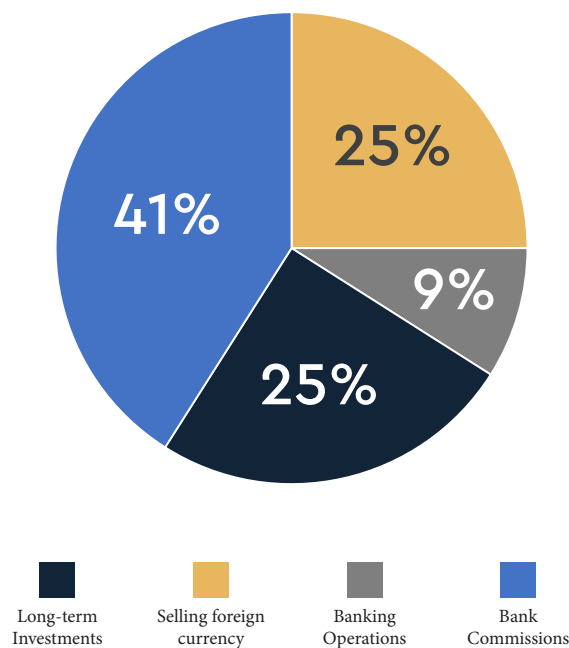


Figure 10: Revenues of the most prominent banking activities of islamic banks in billions of iraqi dinars for the year 2021

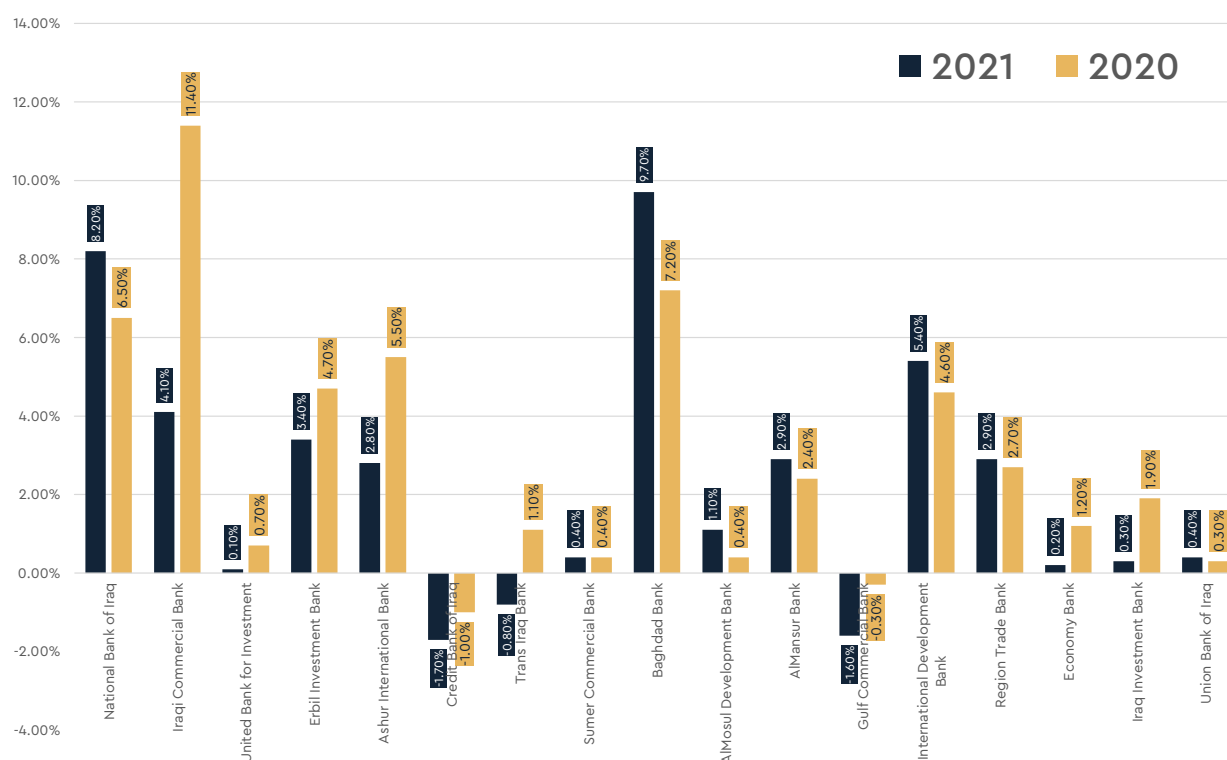
***Figure(10)** prepared by the center based on the financial reports of commercial banks published in the Iraqi Securities Commission



Profits of Commercial Banks

The profits of commercial banks during the years 2020 and 2021 ranged between 11.4% and -1.7%, but they did not exceed an average of 2.9% in 2020 and 2.2% in 2021, and by conducting a regression analysis to show the impact of the volume of revenues of basic activities on the amounts of profits of commercial banks, it is clear that the most influential activities in the amount of profits in 2020 is interest income, followed by foreign currency sales income, where the coefficient of the impact of interest income on the amount of profit is 0.9 The impact of the income from the sale of the currency was 0.4, while the impact of the income of commissions was not significant, but in the year 2021, the impact of the income of the sale of the currency in profits was the strongest, reaching 0.8, followed by the strength of the effect, interest income, which amounted to 0.4, and finally, the currency income had a positive impact of 0.3 as shown in [Table\(1\)](#).

Figure 11: Earnings per share:



*Figure(11) prepared by the center based on the financial reports of commercial banks published in the Iraqi Securities Commission

Table 1

Results of the analysis of the decline of banks < profits on the revenues of commercial banks > activities (Dependent variable: Net profit)

Explanatory variables	Transactions Year 2020	Transactions Year 2021
Intrest income	0.09***	0.41***
Commission income	-0.12	0.26**
Revenue from the sale of the business	0.45***	0.77**
Fixed limit	0.37	-1.76***
Determination coefficient A D J - R 2	86%	86%
F-Statistics	34.5***	34.24***

*Table(1) prepared by the center using the STATA program, represents the level of morality 1%, ** level of morality 5%and * level of morality 10%

Profits of Islamic Banks

The profits of Islamic banks during 2020 and 2021 ranged between 1 and 3. 2% and0. 4%, but it did not exceed an average of 4.7% in 2020 and 4% in 2021, and by conducting a regression analysis to show the impact of the volume of revenues of basic activities on the amounts of profits of commercial banks, it is clear that the most influential activity in the amount of profits is the revenues of the sale of foreign currency, as the factor of its impact on net profits was 1.01 in 2020 and 0.35 The year 2021, followed by the year 2020 is the income of Islamic banking operations, whose impact factor on net profits was 0.81, then the commission income, whose impact factor on net profits was 0.56, while in 2021, the impact of commission income was higher than the impact of Islamic banking operations, with an impact factor on net profits of 0.21 compared to 0.16 As for the coefficient of impact of Islamic banking operations on net profits, the impact of long-term investments on net profits was inverse in 2020 and insignificant in 2021as shown in **Table (2)**.

Figure 12: Profit Rate of Islamic Banks:

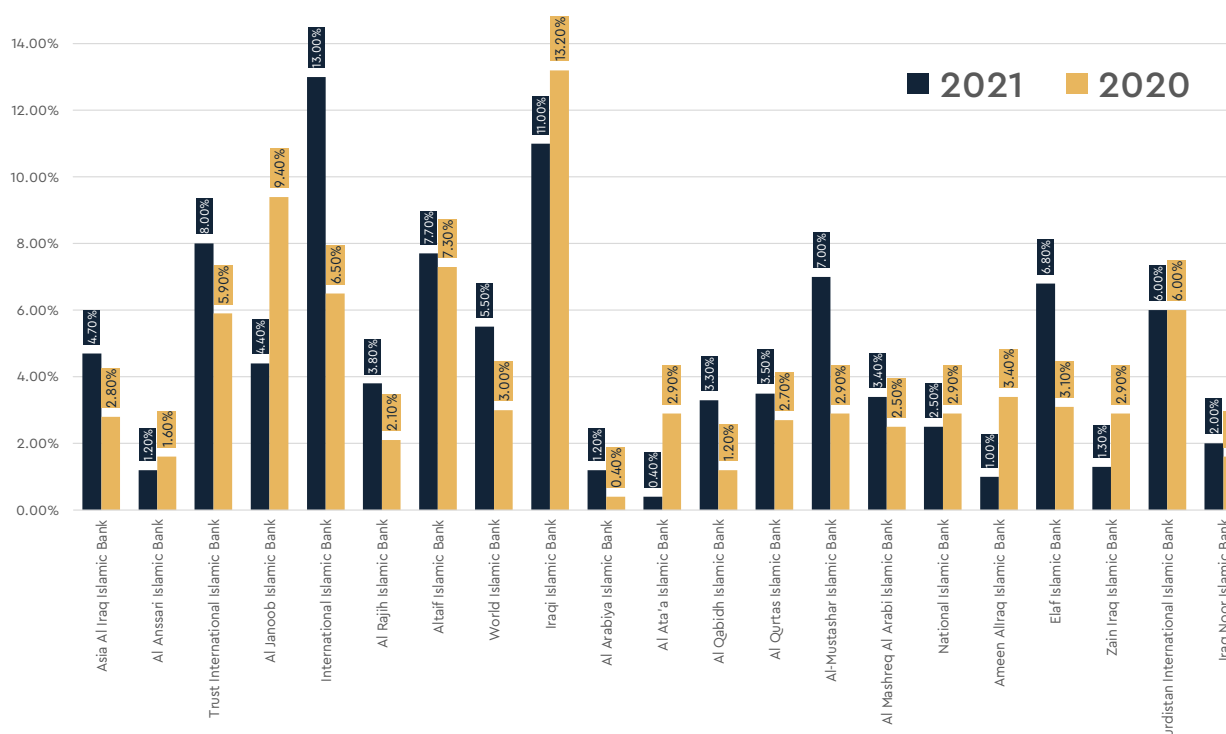


Table 2

Results of the analysis of the decline of banks < profits on the revenues of commercial banks > activities (Dependent variable: Net profit)

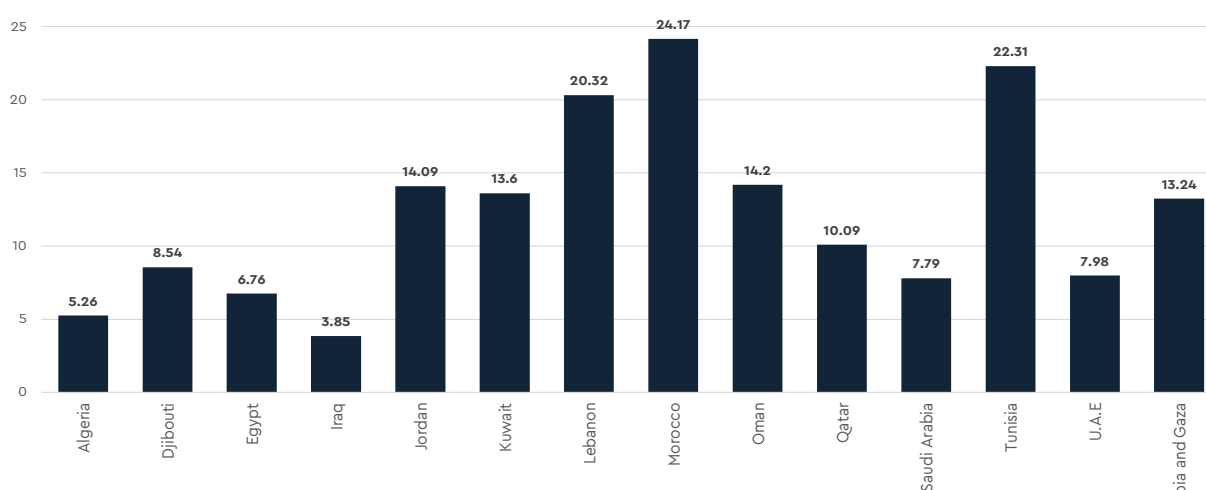
Explanatory variables	Transactions Year 2020	Transactions Year 2021
Revenue from the Islamic Banking Operations	0.81***	0.16***
Commission income	0.56***	0.21***
Revenue from the sale of the business	1.01***	0.35***
Long-term investments	-0.66***	0.23
Fixed limit	-3.61***	-0.86*
Determination coefficient A D J - R 2	78%	81%
F-Statistics	19.01***	22.68***

*Table(2) prepared by the center using the STATA program, represents the level of morality 1%, ** level of morality 5%and * level of morality 10%

Some indicators about the backwardness of the banking sector in Iraq:

Iraq is one of the weakest countries in terms of financial indicators in the world and the Arab world, according to the World Bank database The Global Findex Database and according to the indicators of the year 2020, Iraq is one of the lowest Arab countries in terms of the number of commercial banks relative to the population, as the number of commercial bank branches per 100 thousand inhabitants is less than 4, and the number of ATMs, if there are about five ATMs per 100 thousand inhabitants, The number of credit cards out of every 1,000 adults there are less than two people who have a credit card, and in terms of debit cards it is better off than Algeria and Tunisia, where there are 112 people who have a debit card out of every 1,000 adults, due to the Iraqi governments > reliance on debit cards in distributing employees > salaries, and in terms of the number of online and mobile banking transactions. Fewer than one in 1,000 people have had an online and mobile banking transaction, and finally less than 20 per 100,000 adults.

Figure 13: Number of commercial bank branches per 100,000 adults:



Data Source Figures 1320 - World Bank: The Global Findex Database 2021

Figure 14: Number of commercial bank branches per 1,000 km²:

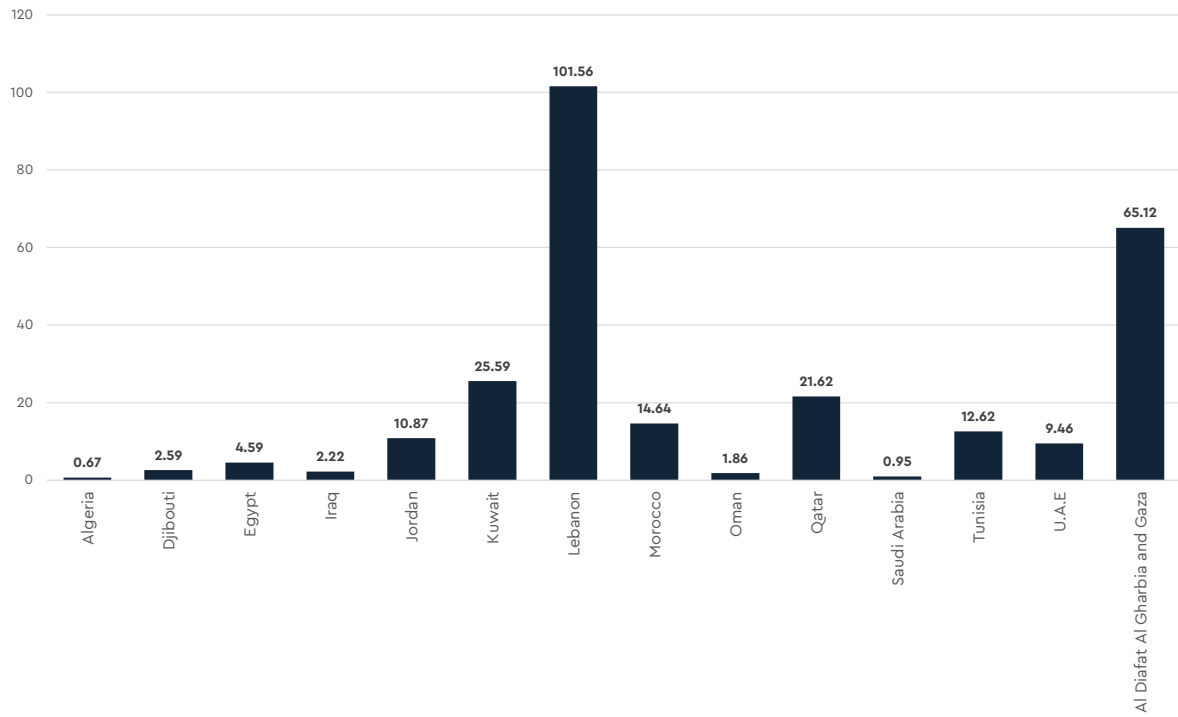


Figure 15: Number of ATMs per 100,000 adults:

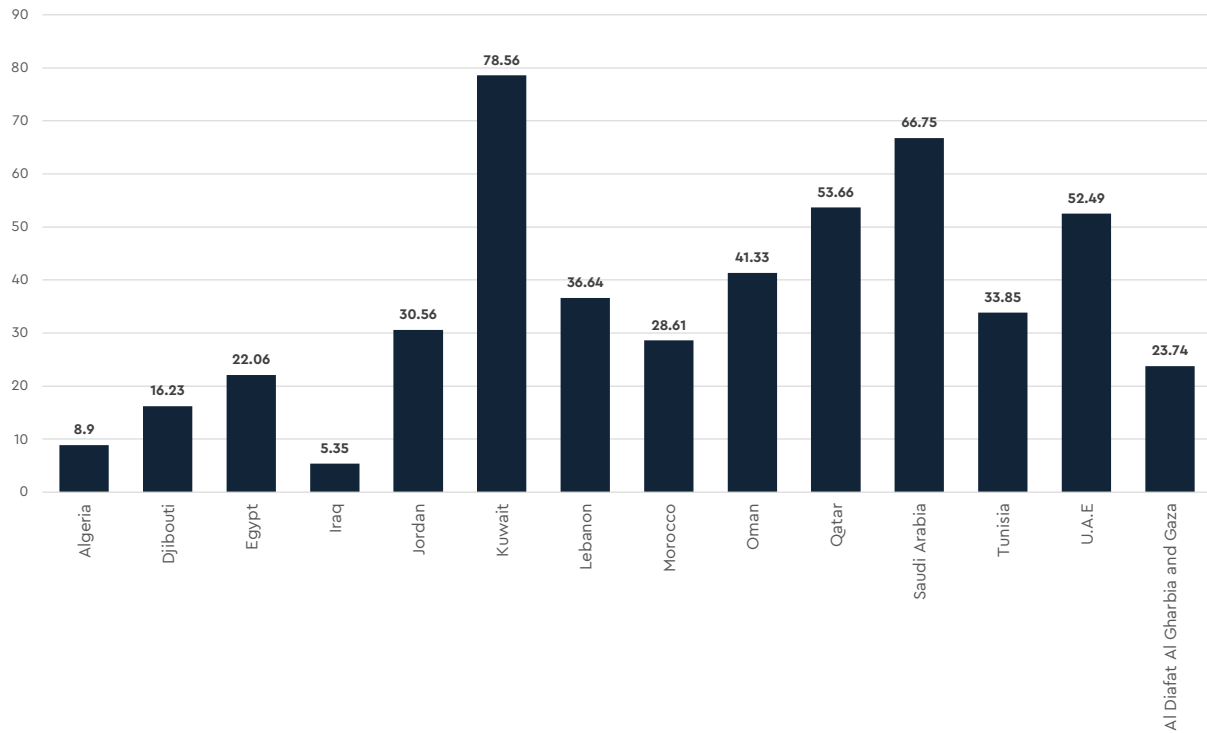


Figure 16: Number of ATMs per 1,000 km²:

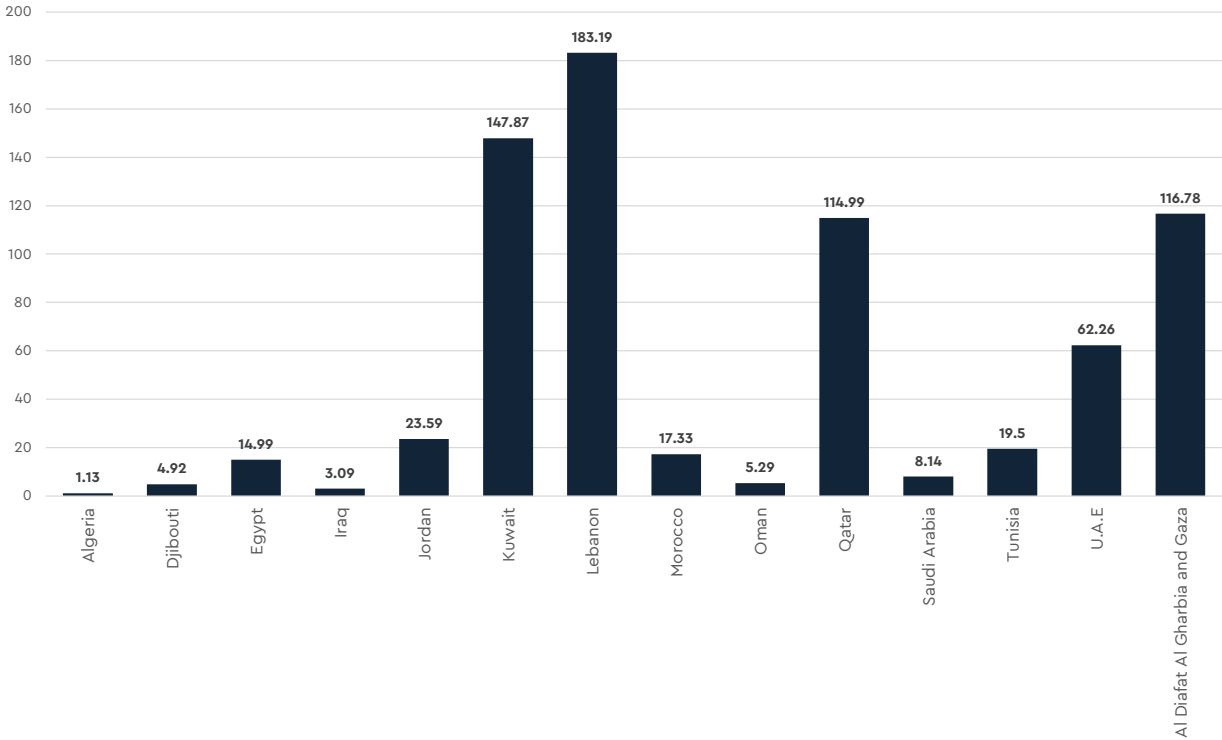


Figure 17: Number of Credit Cards per 1,000 adults:

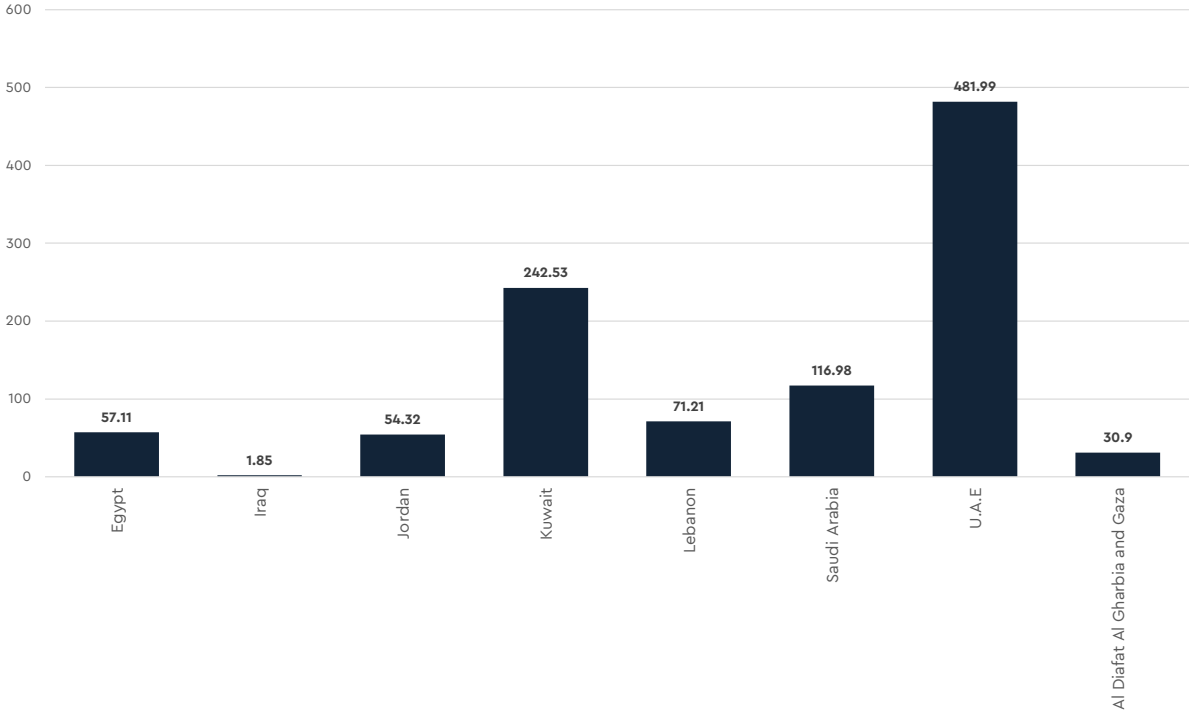


Figure 19: Number of debit cards per 1,000 adults:

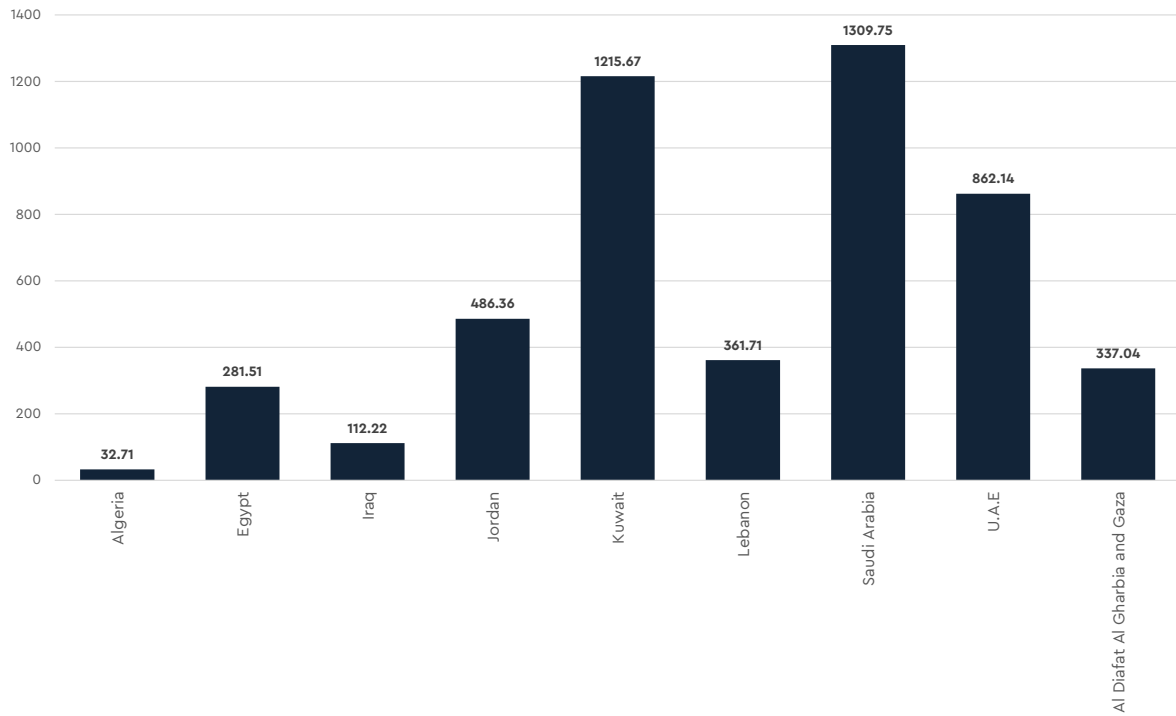


Figure 19: Number of online and mobile banking transactions (during reference year) per 1,000 adults:

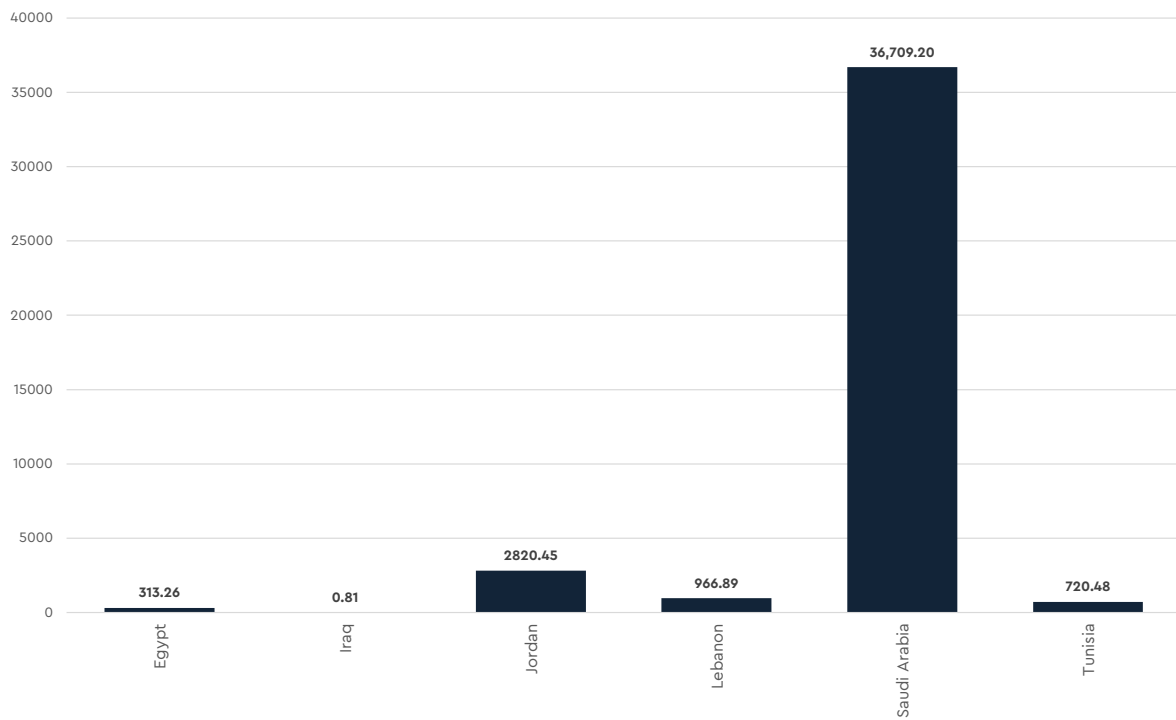
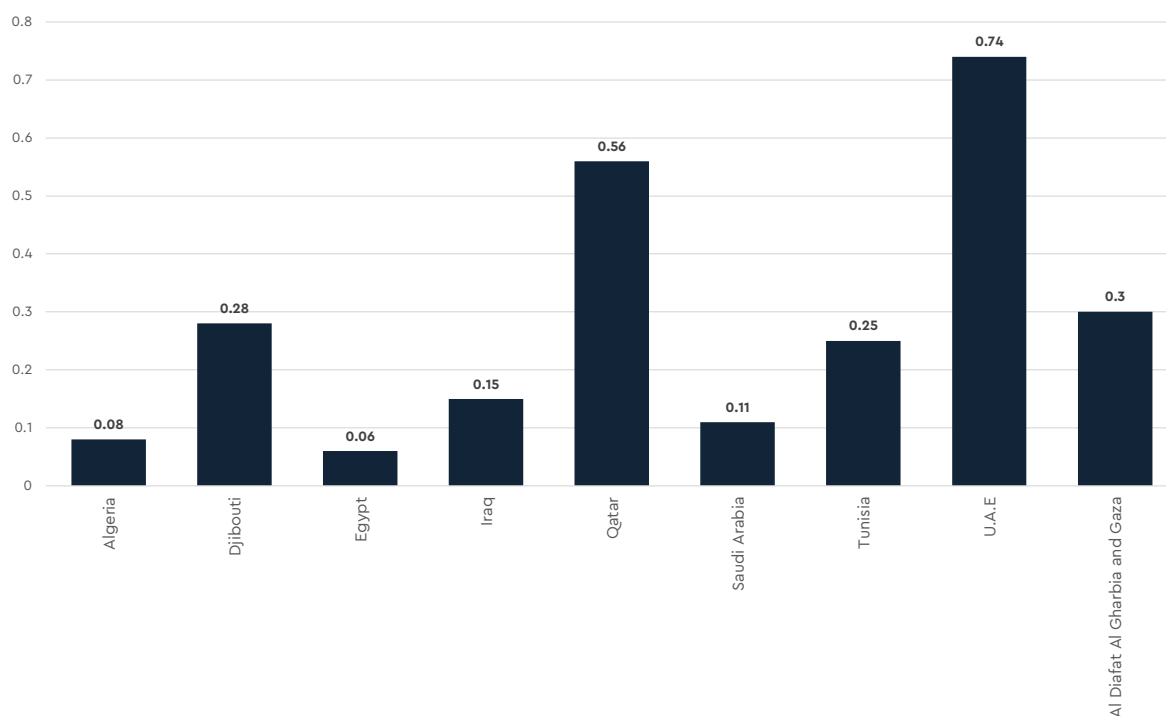


Figure 16: Number of ATMs per 1,000 km²:



Directions of the Central Bank of Iraq to develop banking work in Iraq:

Within the framework of the Central Bank of Iraq's endeavor to develop its infrastructure, a future vision is being developed to develop the payment system by operating systems compatible with international best practices with the aim of enhancing financial inclusion and electronic automation through several procedures that he worked on as projects for the Payments Department in the Central Bank of Iraq, and (The meeting of the Governor of the Central Bank of Iraq with the Iraqi News Agency on 14/9/2022):

- A.** Activating the electronic collection of billers.
- B.** Project of automating the work of ministries and government institutions.
- C.** Project to establish a fast payment system.
- D.** E-learning digitization project in Iraq.
- E.** Implementation of the electronic Know Your Customer (K-KYC) project, which provides a unified database to facilitate the process of customer identification.
- F.** Application of digital financial services.
- G.** Developing the real-time gross settlement system (RTGS) to work in accordance with a unified database to facilitate the customer identification process.

H. Participation of the Iraqi banking system in the regional clearing system and the clearing and settlement system of inter-Arab payments.

J. Preparing the national strategy for financial inclusion and delivering electronic payment services to all segments of society.

K. Contracting with consulting companies to draw up the payment strategy and develop the structure of payment systems.

L. Contracting with external audit companies to audit the work of electronic payment service providers in terms of financial and technical aspects and the extent to which they conform to international standards and the instructions of this bank.



Supplements

Appendix-A: Distribution of Commercial Banks by Iraqi Governorates

Bank Name	Erbil	Duhok	Sulaymaniyah	Nineveh	Kirkuk	Salads	Diyala	Al-Anbar	Baghdad	Babylon	Najaf	Karbala	Qadisiyah	Wasit	Muthanna	Thi Qar	May-san	Basra	Total
Baghdad	2	1	1	1	1	1	1	1	11	1	1	1	1	1	1	1	1	3	31
Iraqi Commercial Bank									6		1							2	9
Iraqi Middle East Investment	1	2	1	2	1	1			5	1	1	1		1				1	18
Iraqi Investment	1		2						6	1	1	1		1	1			1	15
Basra International Investment Corporation									5		2							4	11
United Investment	1	1	1	1	1	2	1	2	9	1	1	1	1		1	1		1	26
Iraqi National Bank	2		2	1				1	9	1	2	1						3	22
Iraqi Credit	1								1									1	3
Dar es Salaam for Investment	1								1			3						2	7
Babylon Bank				1					3	1	3	1				1		1	12
Economy, investment and financing							1		5	1				1		1	1		10
Sumer Commercial	1								6		1							1	9
Business Bay	1	1				1		1	4	1	1	1	1	1	1	1	1	1	17
Marka Investment & Finance	1		1	4	2			1	15		1					1	1	1	28
Mosul Development and Investment	1	1	1	4	1	1			1										10
Al Shamal Finance & Investment	1		1						1										3
Iraqi Federation	1						1	1	1		1	1	1	1		1	1	1	11
Ashur International Investment	1		1	1		1			2			1						1	8
Al Mansour for Investment	1		1						2	1	1	1						1	8
Via Iraq	1								2										3
TradeZone Investment	1	1	1		1				1							1			5
Al, Huda									4			1							6
Erbil Investment & Finance	1	1	1						1										4
International Development for Investment and Finance	1		1	1					5		1	1					1	1	12
Hammurabi	1								1										2
Total Bank Branches	22	8	15	16	7	7	4	7	107	9	18	15	4	6	4	8	7	26	290

Appendix-B: Distribution of Commercial Banks by Iraqi Governorates

Bank Name	Erbil	Duhok	Sulaymani- yah	Nineveh	Kirkuk	Salads	Diyala	Al, Anbar	Baghdad	Babylon	Najaf	Karbala	Qadisiyah	Wasit	Muthanna	Thi'Qar	Maysan	Basra	Total Branch- es
Elaf Al , Islami			1						3	1					1			1	7
Iraqi Islamic Invest- ment and Develop- ment	1			1	1	1		2	3	1	1		1		1			1	14
Kurdistan Inter- national Islamic Investment and Development			1						1										11
National Islamic Bank									2		1	1					1	1	6
Tigris and Euphra- tes Development and Investment	1		1	1					1										4
Islamic Coopera- tion for Investment	1								1		1	1						1	5
Islamic Giving In- vestment & Fund- ing									1										1
Jehan Investment Islamic Finance	1	2	1	1	2		1		1		1							1	11
Islamic Investment & Finance Advisor									2		1	1						1	5
Islamic Hermit Investment & Finance									1										1
Islamic World						1			3	1	1	1				1		1	9
Islamic South				1					4				1	1	1			1	9

Islamic friendliness For Investment & Funding																				1	
Arab Islamic	1				1															2	
Noor Iraq Islamic Investment & Finance																				4	
Zain Islamic Iraq For Investment & Funding																				3	
International Islamic Bank																				2	
Bank Name	Erbil	Duhok	Sulaymaniyah	Nineveh	Kirkuk	Salads	Di- yala	Al, Anbar	Baghdad	Babylon	Najaf	Karbala	Qadisiyah	Wasit	Muthanna	Thi Qar	May- san	Basra	1	Total Branches	5
Islamic Holding For Finance & Investment									1											1	1
Al Ansari Islamic Investment & Finance									1											1	1
International Islamic Trust	1		2	1	1		1	1	4	1	1	1		1	1					1	17
Al, Rajeh Al, Islami Investmentand Finance									1												1
Alqirtas Al, Islami For Investment & Funding	1								2											2	3
Asian Islamic Iraq									1											1	1
Arab Islamic Mashreq Investment									1												1
Islamic Spectrum For Investment & Funding	2		1	1					5	1	1	1	1	1		1				2	18
Islamic your									1												1
Amn Islamic Iraq For Investment & Funding								1	3												4
First Islamic Iraq for Investment and Finance	1			1	1	1	2	2	3	1			1		1					1	13
Total	15	6	7	7	6	3	2	6	58	6	9	8	4	3	5	2	2	13			162

Appendix C: Revenues and profits of commercial banks for the years 2020 and 2021

Bank	Net interest income (in billions of dinars)		Net Commission Income (Billions of dinars)		Foreign Exchange Earnings (Billions of dinars)		Revenue (Billions of dinars)		Net profit after tax (Billions of dinars)		Shareholders' Rights (Billions of dinars)		Profit Rate Revenue/(Sharehold-) (ers' Equity)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Iraqi National Bank	46	20	30	26	5	7	83	54	26	20	316	307	8.2%	6.5%
Iraqi Commercial Bank	17	14	2	1	2	41	29	57	13	35	314	308	4.1%	11.4%
United Investment	11	4	5	6	-0.31		15	9	0.45	2	304	303	0.1%	0.7%
Erbil Investment & Finance	8	7	5	4	4	4	18	15	9	13	267	276	3.4%	4.7%
Ashur International Investment	1	2	16	30	0.2	48	22	79	8	15	281	273	2.8%	5.5%
Iraqi Credit	1	1	3	2	0.3	0.6	5	5	-5	-3	289	293	-1.7%	-1.0%
Via Iraq	4	4	3	3	2	2	9	10	-2	3	265	268	-0.8%	1.1%
Sumer Commercial	1	0.5	0.2	0.05	2	3	6	8	1	1	264	263	0.4%	0.4%
Baghdad	14	11	47	29	18	20	83	60	30	20	309	278	9.7%	7.2%
Mosul Development and Investment	0.15	0.8	9	5			10	6	3	1	271	270	1.1%	0.4%
Al Mansour Investment	11	12	5	3	0.4	0.4	17	16	8	7	280	286	2.9%	2.4%
Business Bay	0.3	3	6	8	0.4	0.2	9	12	-5	-1	304	307	-1.6%	-0.3%
International Development	22	20	28	21	50	41	16	13	298	282	5.4%	4.6%
Commercial Territory for Investment and Finance	3	2	25	21	3	14	36	43	9	8	307	298	2.9%	2.7%
Economy for Investment & Finance	-0.7	0.5	16	13	0.5	0.5	18	15	0.6	3	259	259	0.2%	1.2%
Iraqi Investment	4	2	3	2	0.4	1	14	16	0.9	5	263	265	0.3%	1.9%
Iraq Federation	2	-0.4	8	9	-0.4	-2	10	8	1	0.8	265	263	0.4%	0.3%
Total	144.75	103.4	211.2	183.05	37.49	139.7	434	454	113.95	142.8	4856	4799	2.3%	3.0%

Appendix D- Revenues and profits of Islamic banks for the years 2020 and 2021

Bank	Net Banking Operations (Billions of) (dinars)		Net Commission Income (Billions of) (dinars)		Foreign Exchange Earnings (Billions of) (dinars)		Long Investments & Subsidiaries (Billions of) (dinars)		Revenue (Billions of) (dinars)		Net profit after tax (Billions of) (dinars)		Shareholders' Rights (Billions of) (dinars)		Profit Rate Revenue/ Shareholders' (Equity)	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Asia Islamic Iraq	3	2	1	0.4	3	5	0	0	7	7	-1	0.7	248	149	2.8%	4.7%
Al , Ansari Al , Islami	3	-5	0.04	0.03	1	8	0	0	4	3	0.3	0.4	245	243	1.6%	1.2%
Islamic Trust	2	1	7	6	2	9	3	3	15	20	2	8	253	251	5.9%	8.0%
Islamic South	11	4	10	2	4	3	0	1	24	11	5	0.5	256	251	9.4%	4.4%
International Islamic Bank	11	6	1	0.3	0.4	3	4	4	17	13	2	1	260	100	6.5%	13.0%
Al , Rajeh Al , Islami	2	5	0.4	0.3	3	4	0	0	5	9	1	10	238	236	2.1%	3.8%
Islamic Spectrum	-2	-1	15	14	0	0	1	0	15	12	1	2	205	156	7.3%	7.7%
Islamic World	0.4	0.7	4	4	3	6	0	4	8	14	1	1	265	253	3.0%	5.5%
Iraqi Islamic	12	6	19	15	2	7	3	4	36	32	7	15	272	290		11.0%
Arab Islamic	0	0	0.3	0.1	1	4	0	0	1	4	3	0.6	268	339	0.4%	1.2%
Islamic Giving	-1	-0.4	8	1	0	0	0	0	7	1	2	-2	242	242	2.9%	0.4%
Islamic Clutch	0	0	0	0	3	8	0	0	3	8	0.04	4	245	245	1.2%	3.3%
Alqitas	3	3	0.4	0	4	5	0	0	7	9	0.6	2	256	255	2.7%	3.5%
Islamic Advisor	3	3	1	3	2	5	0	0	6	11	0.2	5	208	157	2.9%	7.0%
Arab Islamic Mashreq	2	0.4	3	2	0.4	3	0	0	5	5	0.5	2	199	149	2.5%	3.4%
National Islamic Bank	2	-2	2	5	3	4	0	0	8	7	0.6	2	274	275	2.9%	2.5%
Secretary of Islamic Iraq	0	0	1	0	2	1	1	0	5	1	0.02	-2	148	97	3.4%	1.0%
Elat Islamic	-0.2	-0.4	6	7	2	7	0	3	8	18	0.7	7	256	265	3.1%	6.8%
Zain Islamic Iraq	1	0.2	3	1	2	1	0	0	7	3	0.1	-1	244	231	2.9%	1.3%
Islamic International Kurdistan	0	0	10	11	19	9	8	15	37	36	10	2	613	602	6.0%	6.0%
Islamic Light of Iraq	4	5	0	0	0	0	0	0	4	5	-1	0	249	254	1.6%	2.0%
Total	56.2	27.5	92.14	72.13	56.8	92	20	34	229	229	35.06	58.2	5444	5040	4.2%	4.5%

This report provides an in-depth analysis of the distribution and performance of commercial and Islamic banks across various governorates in Iraq. The data used in this report is sourced from the Central Bank of Iraq and the financial reports of commercial banks published in the Iraqi Securities Commission.

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