

Trade Bank of Iraq (TBI): An Analytical Study



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About Al-Rafidain Center for Dialogue

Al-Rafidain Center for Dialogue is one of the qualitative centers in Iraq, which brings together political, economic and academic elites which are active in guiding visions and influences in decision-making and public opinion.

It is an independent think tank, which promotes dialogues in political, cultural and economic affairs among Iraqi elites, with the aim of promoting democratic experience and achieving community peace, and helping state institutions develop themselves, by providing strategic expertise and insights, the center is a salon for dialogue that is objective and neutral which employs its outputs to pressure decision makers and direct public opinion towards building a state of institutions, within the framework of democratic system, the rule of law, and respect for human rights.

The center was established on February 1, 2014 in Najaf city in the form of a virtual group in cyberspace comprising a limited number of politicians, academics and intellectuals, and the idea developed later, to be legalized by registering the center in the NGO department of General Secretariat of the Iraqi Council of Ministers.

Today, the Rafidain Center for Dialogue brings together more than 700 Iraqi members from all political orientations, academic disciplines and religious denominations, as it can be likened to a "mini-Iraq" in which everyone agreed to adopt dialogue as a key pillar for addressing problems and producing strategic solutions, in harmony with the center's vision of building a prosperous nation. The administrative center also has 30 employees from different disciplines.

In a short time, the Center has been able to achieve a range of achievements by harnessing different energies and employing its outputs for the benefit of the Iraqi cause, taking advantage of modern technologies in electronic communication with the elites at the decision-making center and overcoming the barriers of geography, time and security imperatives, which may hinder direct dialogue.

The Centre not only engaged in electronic communication, but also set up a range of activities on the ground, including a number of seminars, conferences, workshops and specialized interactive sessions, including, but not limited to: The development of the banking sector and the

stock market, the ripening of national reconciliation projects, the mediation between the Government of the Centre and the government of the region during crises, the improvement of the service sectors, the elimination of administrative bureaucracy and routine, the achievement of water and food security, as well as the extrapolation of many thorny problems, such as the Constitution, petroleum, foreign relations, popular mobilization, border crossing points, investment, social welfare and others.

The Forum for Dialogue is a milestone in the Centre's activities, which is the first of its kind in Iraq, and the most extensive and structured, aimed at enriching dialogue among decision makers on issues of concern to the country, promoting discussions on them and exchanging experiences, experts and academics.

The vision of the center:

The center is the station at which the views of elites and decision makers converge in its entire political, religious and national spectrum, providing a positive interactive environment that improves the creation of common spaces and contributes to the building of a thriving country.

The message of the center:

Promoting and developing substantive and serious dialogues between ethnic elites and decision makers that enhance democratic experience, and achieve community peace and sustainable development in Iraq.

Objectives of the Centre:

The Center seeks to achieve a number of objectives, including:

- Achieving and sustaining social peace by promoting constructive dialogue and intellectual exchange among Iraqi elites within comprehensive national rules and frameworks.
- To promote a sense of national responsibility in society by making a public view towards sustaining democratic experience and maintaining a balanced relationship and mutual trust between elites on one hand and state organs and institutions on the other.
- Assist State institutions and bodies develop solutions to the problems facing their work by providing strategic studies, consultations and insights by specialized researchers.

- Expanding the base of commons between political and social entities by providing a neutral and objective dialogue environment that guides dialogue in the public interest of the nation and the citizen.

Means:

In order to achieve its objectives, the Centre uses the following methods:

- Holding conferences, seminars and specialized meetings in the political, social, economic and cultural fields, providing appropriate media coverage and following up on its outcomes.
- producing composed and translated books, magazines, newspapers, publications and research in Arabic or other languages, and publishing them in paper or electronically.
- Conclusion of agreements and partnerships for cooperation and the signing of memorandums of understanding with local and international institutions, organizations and centers with orientations and objectives similar to the center's.

- Concluding agreements with high-level universities and colleges in Iraq and abroad to hold joint scientific events that contribute to achieving the center's objectives.
- The establishment of scientific, intellectual and cultural research and studies departments, and the formation of specialized permanent or temporary committees, which strengthen the scientific research movement to contribute to achieving the center's objectives in issues concerning Iraq and the Middle East region.
- Holding dialogue and understanding sessions between different people whether they engage in ethnic, racial or political differences, to develop mechanisms for understanding the other as a prelude to discovering national commons and making them the starting point for a creative constructive dialogue for social integration.

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Executive Summary

The Iraqi Trade Bank was established to carry out the financial transactions resulting from imports and exports in the foreign trade of Iraq under Coalition Authority Order No. (20) in 2003. The bank took over the management of transactions with foreign companies from the financial aspects, as well as opening credits and following up the completion of the disbursement from the Development Fund for Iraq (DFI) based on its founding order. It is necessary to pass on the international support that came from more than (134) international banks to form a network of financial relations with the world. Among the major international banks that has correspondence with it are JP Morgan Chase and Standard Chartered.

These financial relations facilitated the bank to obtain many credit facilities despite all the circumstances that were surrounding Iraq and the security and political conditions that it is going through. The bank's business was not limited to foreign trade, but it successfully practiced banking business as an independent local commercial bank, and it took its position not only among local banks, but even among Arab and among

international banks. It has delivered its services to the various governorates of the country through its various branches and offices to provide its services to government institutions, companies and individuals.

The bank is managed by a board of directors consisting of five members who are the Chairman of the Board and representatives from the Council of Ministers and the ministries of finance, oil and trade. The bank offers many banking services to its customers, foremost of which is the use of electronic payment cards, which was a forerunner in dealing with them at the local level compared to Iraqi commercial banks, in addition to the tasks of servicing money transfers issued to and from abroad. It also provides credit facilities, letters of guarantee, documentary credits, opening current and savings accounts. It also works to contribute to the resettlement of the salaries of employees of government and private institutions to contribute to the implementation of the Central Bank of Iraq's plan to expand banking coverage and expand the scope of banking transactions to reach the various segments of Iraqi society. The bank also offers many other services to its customers.

It should be noted that, with the increase in its activities, the bank has worked to increase its capital several times to strengthen its financial position and give confidence to its external and internal dealings, as well as the supporting reserves that it maintains from undistributed profits. It expanded by increasing its capital from \$100 million upon incorporation to reach \$1 billion in 2014, to \$1.75 billion in 2018, and then to \$3 billion in March 2020.

The aspects of evaluating the bank's performance have shown that it has high liquidity ratios, which indicates a line of guarantee for depositors and the fulfillment of their requests in current and savings accounts, and it can be seen as a decline in lending and the granting of credit by it. As well as with regard to the profitability indicator, it was high compared to the capital, as its average for the period 2014-2019 was about 20.6%, as well as in the scale of the average rate of return on deposits which reached 2.05% and the rate of return on investments by 4.53%.

The percentage of revenues was also acceptable, as it amounted to about (8.23%) compared to investments and loans, and compared to deposits. (3.57%). The low

ratio of investments to deposits can be attributed to the large volume of deposits, in addition to the fact that the revenues were not very high due to the lack of credit granted, which can be attributed to the problems of fear of non-payment and the risks that surround it.

As for the placement of funds indicator, the average of the five criteria used for the studied period amounted to (31.1%), which indicates that placement can be better despite the expansion that the bank is trying to reap returns from. It is necessary to focus on the capital strength index, which came high compared to cash credit, which averaged (42.06%) and also compared to deposits (13.75%), which exceeded international standards. Two systems of (UBPR) and (CRAFTE) has been applied to evaluating the performance of the Trade Bank of Iraq, and their results were satisfactory in most of the criteria.

It must be pointed out that the bank, as part of the banking sector, has suffered from many problems. Foremost of which were the lack of supporting banking institutions, poor banking density, legal problems, restrictions and high guarantees that must be imposed on lenders, problems of non-payment and reluctance

suffered by banks and the existence of the competitor sector of the informal institutions and offices that take over huge banking operations. As well as the problem of financial and administrative corruption that affected high-level administrations in the bank, in addition to the widespread problem of weak banking awareness among citizens.

Based on the foregoing, the study, and in light of the aforementioned criteria, proposes expanding credit and granting loans to companies and individuals for production projects, in order to overcome the stagnant economic situation that the country is going through as a result of the Corona crisis, low oil prices and other problems that the Iraqi economy suffers from.

It is necessary to get rid of the accumulated liquidities of the bank, which referred to its existence by the studied criteria. It is also essential to expand its banking branches to reach most of the important cities and districts in which it does not have branches, in order to deliver its banking services to citizens and achieve the greatest degree of financial inclusion, to compete with government and private banks there, where branches extend to the most remote areas, especially Al-Rafidain

and Al-Rasheed. This is also to accommodate the largest number of employees and workers to reduce unemployment and to reach these areas to help government and private sector employees in resettling their salaries on it. It is necessary to work on deploying ATMs in important government institutions to facilitate the employees' receipt of their salaries from them and the returns that this brings to the bank.

Introduction

Commercial banks operating in Iraq are among the oldest in the region. Its beginnings go back to 1982, and thus its history goes back to before the emergence of the modern Iraqi state, as well as the history of banking, which goes back to ancient times from the days of the Babylonians and the civilizations between Mesopotamia. Therefore, it is not surprising to find that this activity is renewed whenever circumstances narrow it down.

The government controlled commercial banking for nearly two decades, beginning with the 1964 nationalizations that restricted the work of private commercial banking and eliminated it permanently in 1974, as the government sector monopolized the commercial banking sector and handed it over to the Rafidain Bank. However, in the nineties and the beginning of the new millennium and after the change of 2003, the private commercial sector started to become active. Among the banks that took their role in this field, even if it was a governmental bank, is the Iraqi Trade Bank. It took upon itself to carry out the external financial operations as well as the internal ones away from the financial problems that the Rafidain and Al-

Rasheed Banks were suffering from, which they inherited from the previous regime and the debt that burdens them.

This bank is the nucleus of modern Iraqi commercial banking due to partnership with large international financial institutions that have an impact on the global banking market and for international support, especially at the beginning of establishment.

This study, in light of the information and data obtained, will focus on the bank's activity despite its modernity and on its strengths and weaknesses using various criteria for evaluating banking performance to give a clear picture of its performance and activities. It will show also its relations with international banks, its structure, its branches, and its position among local governmental and private banks.

The First Topic: Commercial Banking and Trade Bank of Iraq¹ (TBI)

First: Establishment Phase (Foreign, government and private banks)

The Ottoman Bank was established in Baghdad in the year 1892 as the core structure of Iraqi banking activity, despite its British capital. This was followed by the opening of the British Bank of the Middle East in 1912 and the Shahshahi Bank of Iran in 1916. In 1935, the first specialized Iraqi government bank was established, the Agricultural and Industrial Bank, which branched in 1946 into two banks, the first is the Agricultural Bank and the second is the Industrial Bank. By 1941, the first Iraqi governmental commercial bank was established, Al-Rafidain Bank, with a founding capital of (half a million dinars), followed in 1954 by the establishment of the first Iraqi private bank, the Credit Bank.

¹ See:

Dr. Abdul-Hussein Al-Ghalbi and Dr. Kazem Al-Araji, Fundamentals of Money and Banks, Al-Nibras Press, Najaf, 0241.

Dr. Falah Hassan Thuwaini, Summary of the Development of Money and Banks in Iraq from the Third Millennium BC to the Third Millennium AD, 1st Edition, Dar Al-Rafa for Printing and Publishing, Baghdad, 2010, p. 191

Second: The phase of the government's monopoly on banking activity in Iraq.

After the growth of the public sector because of the increasing economic activity of the state and after 1958 and the subsequent coups, the authority took a decision to expand the public sector at the expense of the private sector. In the middle of the year 1964, the banks in Iraq underwent a comprehensive change through the nationalization of commercial banks. In this direction, it came among the objectives of the nationalization to grant the broad powers of the Central Bank to dominate the banking sector with the aim of controlling private banks, especially foreign ones. The Banking Control Law No. (197) for the year 1964 was promulgated on the day before the nationalization, and among the objectives of the nationalization of commercial banks in Iraq was the formation of large banking units. Here, the General Corporation for Banks, which assumed the task of supervising and regulating the activity of commercial banks, along with the Central Bank of Iraq, was

authorized to conduct a process of (Bank Merger)², where this period witnessed an increase in the number of commercial and specialized banks. However, in the year 1967, the number of banks after the first merger became four banks: Al-Rafidain Bank, the Commercial Bank of Iraq, the Credit Bank of Iraq and the Bank of Baghdad. Commercial banks also underwent another merger process, as well as the specialized banks in the year 1970, so the number of commercial banks operating in Iraq became only two: Al-Rafidain Bank and the Commercial Bank.

The last merger process witnessed by the banking system was the merger of Rafidain Bank and Commercial Bank into one bank in 1974, and the bank became working under the name of Al-Rafidain Bank, with a capital of 30 million dinars. In 1988, a new government bank, Al-Rasheed Bank, was established, which was split off from Rafidain Bank in terms of branches and associate to keep it away from the government's debt

² Bank Merger: It is the process of uniting two or more banks under one management by transferring shares or purchasing assets and assuming obligations.

abroad, which was weighed down by the Rafidain Bank as the only government bank.

Third: The phase of growth of private banking activity again.

The principle of privatization re-emerged at the beginning of the nineties of the twentieth century. As a result, Law No. (12) of 1991 was issued to amend Central Bank of Iraq Law No. 64 of 1976, according to which establishment licenses were granted to private banks in the form of private joint stock companies, which started with two banks in 1992 and reached (19) banks in 2003.

Fourth: Post-2003 Banking Liberalization

At this phase, the work of private banks has developed, as it witnessed the issuance of new laws to regulate banking work, as well as the issuance of a new law for the Central Bank of Iraq. The number of private banks increased at the end of 2006 to reach (25) private banks with capitals that amounted with government banks to nearly (1) trillion dinars, some of them with foreign participation because some of these banks were branches of foreign banks. For the purpose of shedding light on the structure of the banking system and the

location of the Trade Bank of Iraq in it, the focus has been on the period 2014-2018. We note that the bank has occupied an important percentage of the number of branches of government banks in its short life compared to other well-established government banks and also compared to private banks, the ratio ranged between (4-5.8). It employed an important percentage of the workers, which reached (7.1%) in the year 2018 of the number of employees in government banks as a whole (14.3%) compared to the number of employees in all private banks. As for the ratio of its capital to the capital ratio of government banks, the ratio reached (80.8%) in 2018, which is a very high ratio that reflects the strength and robustness of its financial position, and it reached (14.3%) compared to all banks. In terms of assets, it constituted (28.8%) of the assets of the entire government banking system and more than 100% of the assets of all private banks. This position in the number of branches, number of employees, capital and assets is a strong point for this bank as it occupied a prominent position in the Iraqi monetary market and a significant market share during a short period of its establishment.

Table (1) The structure of the Iraqi banking system with a focus on the Trade Bank of Iraq for the years 2014-2018

Years		2014	2015	2016	2017	2018
No. of Banks	Government	6	7	7	7	7
	Private	50	50	58	62	64
No. of Branches	Government	424	405	413	430	431
	Private	524	425	453	413	433
	Trade Bank of Iraq	21	21	23	24	25
Ratio of Trade Bank of Iraq / Governmental Banks		5	5.1	5.6	5.6	5.8
Ratio of Trade Bank of Iraq / Private Banks		4	4.9	5.1	5.8	5.8
Number of Employees	Government	18987	20603	20765	20792	19677
	Private	9742	9289	9397	9715	9898
	TBI	1016	1019	1055	1256	1415
Ratio of Trade Bank of Iraq / Governmental Banks		5.4	4.9	5.1	6	7.1
Ratio of Trade Bank of Iraq / Private Banks		10.4	11	11.2	12.9	14.3

Capital (billion dinars)	Governm ent	1501.6	2251.6	2301.6	3376.6	3401. 6
	Private	7604.2	7920.8	9525.3	11097. 9	11749 .7
	TBI	1000	1750	1750	2750	2750
Ratio of Trade Bank of Iraq / Governmental Banks		66.6	77.7	76	81.4	80.8
Ratio of Trade Bank of Iraq / Private Banks		13.2	22.1	18.4	24.8	23.4
Asset (Billion Dinars)	Governm ent	204547 .3	200537 .3	197603 .9	131354 .9	95061 .6
	Private	22274. 5	22461. 2	23758. 7	25039. 3	28109 .6
	TBI	37145. 9	28957. 5	24970. 9	25336. 2	27366 .7
Ratio of Trade Bank of Iraq / Governmental Banks		18.2	14.4	12.6	19.3	28.8
Ratio of Trade Bank of Iraq / Private Banks		166.8	128.9	105.1	101.2	97.4

Source: The Central Bank, Annual Statistical Bulletin, for
the years 2014-2018

Percentages calculated by researchers

The Second Topic: Trade Bank of Iraq..

Incorporation and Activities

First: Incorporation:

The Trade Bank of Iraq was established in 2003. It is an independent government bank established in 17/07/2003 under Coalition Provisional Authority Order No. 20 of 2003. The bank obtained a license to practice banking work by the Central Bank of Iraq on January 18, 2004, and its head office is in the city of Baghdad.³ It aimed at facilitating Iraq's foreign trade operations with a paid-up capital of \$100 million to play a role that the Central Bank of Iraq played before the year 2003, according to the Memorandum of Understanding, which is to manage the financial affairs of contracts concluded by state institutions and ministries when carrying out the import process with international companies. After the

³ See:

- Trade Bank of Iraq consolidated financial statements, January 31, 2019, p. 5.
- Trade Bank of Iraq is the first Iraqi bank to issue a Visa card in Iraq, 2009.
- Towards an advanced banking system, an interview with the Director General of the Trade Bank of Iraq, Al-Sabah newspaper, issue (498), March 2005.

establishment of the bank, it took upon itself to manage transactions with foreign companies from a financial point of view, open credits to pay the value of contracts for institutions and ministries from their allocations, and follow up on the completion of the exchange from the Development Fund for Iraq (DFI), in which Iraqi financial revenues are collected.

The establishment of the bank was with international backing and support. Close relationships were built with a banking consortium consisting of more than 134 major banks covering 63 cities in 39 countries in the world to form a strong foundation for the correspondent-banking network. At the beginning of the incorporation, ten international financial institutions agreed as an operational banking association to provide the required support and help in starting the operation of the Trade Bank of Iraq to be able to be self-reliant. The main role of this group of banks was to issue letters of credit on behalf of the Trade Bank of Iraq to international exporters as well as equipping the bank with the latest banking and financial technologies. This group of financial institutions represented by:

1. JP Morgan Chase – NY.
2. Standard Chartered – Dubai.
3. (Australia and New Zealand Banking Group).
4. National bank of Kuwait NBK.
5. INJbank – Amsterdam.
6. Bank of Tokyo - Mitsubishi YWI LIMITED – TOKYO.
7. Paris Caleon.
8. Perchehaybo - & Ferienbank AG – Munich.
9. Intesia San Paolo ESPY-Tort.

It has partnered with a group of other banks, namely: City Bank – NY, Bank Austria – Vienna, Deutsche Bank – Frankfurt, TurkiyeFinans – Istanbul, BNP Paribas Fortis – Brussels, Arab Banking Corporation – Bahrain, Mashreq Bank – Dubai.

Despite the difficult security and political conditions in that period, the Trade Bank of Iraq was the first Iraqi bank to obtain credit facilities from international financial institutions, and it was one of the first banks to issue credit cards (international visa) and ATM services. In mid-2006, the bank, for the first time in Iraq, introduced Midas Plus system for electronic banking operations from Misys Company. The total value of letters of credit for the private sector amounted to 210

million dollars in 2007, which constitutes 31% of the total issued letters of credit.

In 2004, the bank's net profit amounted to \$5.4 million, which had risen to \$255.5 million at the end of 2007. About 80% of the trade finance business in Iraq is from the share of the Trade Bank of Iraq and it ranks first among Arab banks in terms of cost-to-income ratio and 332 globally in terms of first-class capital. The bank has established 28 branches throughout Iraq offering a wide range of banking services to all customers, including companies, individuals and government institutions. As part of its continuous endeavors to broaden its customer base and expand into new markets, the Trade Bank of Iraq has increased its capital from 2.3 billion US dollars (2.7 trillion Iraqi dinars) to 3 billion US dollars (3.5 trillion Iraqi dinars), in light of its business results for the year 2019, after being audited by the international auditing firm Ernst & Young (Y&E) and based on the approval of the Iraqi Prime Minister.

Second: The Bank's Organizational Structure:

The following chart shows the organizational structure of the Trade Bank of Iraq, which consists of several related departments and directorates:

1. **Board of Directors:** The Board of Directors of the Trade Bank of Iraq consists of (5) members, President of the board and the membership of the General Secretariat of the Council of Ministers, the Ministry of Oil, the Ministry of Finance and the Ministry of Trade.
2. **Departments and Divisions:** Many departments and divisions perform their activities in the Bank, which are Management Services, International Banking Operations, Trade Finance, Legal Affairs and Recovery of Funds, Accounts and Operations, Debt and Risk Management, Planning and Development, Monitoring Compliance, Treasury and Investments, Services and Information Technology.

Chart (1) Organizational Structure for Iraqi Commercial Bank
Board of Directors
Secretary of the Board
General Manager and Chairman of the Board of Directors

International Banking Operations	Trade Finance
Participating Banks Relationship Management	import department
financial institutions	export department
Relationship Management (ACA)	External remittances and settlement of financial matters
Business Development	Guarantees
	Compliance Monitor Customer Service
Legal Affairs and Recovery of Funds	Debt and risk management
Drafting and reviewing bank documents	Government loans and business loans
Representing the Trade Bank of Iraq in the courts	consumer loans
Loan Refund	Risk Management
	Compliance Monitor
Accounts and Operations	Administration
Accounts	Human Resources Department
Branch operations Administration	Public Administration
Budget accounts and statements of accounts	Maintaining records and maintaining safety
tax calculation	Public Relations and Communication

monitor compliance with	Office tools and maintenance
Planning and development	monitor compliance with
Local branch Administration	KYC- Anti money laundering
production development	monitor compliance with
Customer Service Department	Dealing with legal and external auditors
Deposit management and legal issues	Internal audit and inspection
Project management office Research	Assessment of security and emergency methods
Treasury and Investments	Services and Information Technology
Treasury	Technical information
Investments	Electronic payments
monitor compliance with	Security ATM Technical support monitor compliance with

Source: Trade Bank of Iraq, the first Iraqi bank to issue visa card in Iraq, 2009

Third: Branches and Offices:

The bank includes 27 branch, as well as the Public Administration in Baghdad until the year 2019 and these branches are: The main branch, the Iraqi Red Crescent Society, Parliament, Al-Masbah, (International) Green Zone, Baghdad Airport, Tahrir, Zayouna Mall, Ministry of Oil, Erbil, Majdi Mall / Erbil, Sulaymaniyah, Basra, Najaf, Najaf International Airport, Karbala, Nasiriyah, Tikrit, Ramadi, Hilla, Kut, Amara, Majdi Mall / Sulaymaniyah, Maysan Oil Company, Babel Mall, Hebat Khatun, Representative Office at Abu Dhabi International Financial Market, Kingdom of Saudi Arabia Branch.

In March 2019, a subsidiary company of the bank was registered, and the Iraqi Trade Bank owns (99.88%) of it, which is (Information Windows Company for Electronic Payment and Information Technology Ltd.) and its activity is focused on electronic payment services.⁴

⁴ TBI, Official Website www.tbi.com.iq

Fourth: Bank business and activities:

The Trade Bank of Iraq provides 12 banking services to its customers, as follows:

1. Electronic payment cards: The bank offers several payment cards for financial transactions, whether internally or externally to its customers, including: MasterCard, Visa Platinum Card, Visa Classic Card, Visa Gold Card, Gift Card and Points of Direct Sale.
2. Remittances: The Trade Bank of Iraq executes outgoing transfers abroad and incoming transfers from abroad from the rest of the local banks with several privileges, namely:
 - A. The possibility of executing and receiving remittances from and to all parts of the world and receiving remittances according to the controls of the Central Bank and the Money Laundering Act.
 - B. Restricting outward remittances from our customers' account abroad to the beneficiary's account on the same day of execution.
 - C. The possibility of executing transfers in (dollar - euro - pound - Swiss franc - Japanese yen - UAE dirham) currencies.

- D. The possibility of carrying out transfers from any branch of the bank in Iraq with ONLINE banking system.
 - E. The possibility of issuing the bills of exchange to official bodies according to requests submitted by parties outside Iraq and according to an agreed upon mechanism.
3. Credit facilities: The credit policy of the bank and the services provided by the bank are as follows:
- A. The bank grants banking facilities of all kinds (debit current account, loans, credits, and letters of guarantee).
 - B. Financing projects required by infrastructure (electricity, bridges, water, hospitals, etc.), tourism and industrial projects.
 - C. Financing the import of Iraqi merchants of the necessary materials.
 - D. Participation with banks operating in Iraq, whether governmental or private, in financing huge loans that the bank cannot fully finance.
 - E. Granting soft loans to small and medium enterprises.

-
4. Letters of guarantee: Bank guarantees are the most important means to protect companies against non-performance of contracts or to ensure the ability of the third party to meet its financial obligations. Guarantees can be used for various purposes.
 5. Documentary Credits: It is the best way to guarantee payment in international trade with independent credit support and to provide buyers and sellers with a degree of security from commercial risks.
 6. Saving account: It is a contract between the customer (the first party) and the bank (the second party), whereby the second party opens a savings account for the first party who deposits an amount of money in the account opened in the currency of the dinar or the account opened in the currency of the dollar. (The customer can open two saving accounts, one of them in the currency of the dinar the other is in the dollar currency) in return for an annual interest that is added at the end of the fiscal year or when the account is closed. It is calculated according to the bank's

instructions and the table of banking operations rates.

7. Current account: It is the account in which the deposited amounts are paid upon demand, and the checkbook is used to withdraw the deposited funds. It is called a current account because it is moving up and down by its nature according to the nature of the work and this movement reflects the activity of the account and from which it is called the current account.
8. Jumar: The management of the Trade Bank of Iraq chose and called this name (Jumar) on the new service provided by the bank. It helps customers who need special services from the bank to “be distinguished” more with its bank account and give it multiple jobs in the course of its daily life full of business, which needs a unique partner to provide him new ways to help him.
9. Pasmaya loans: The Trade Bank of Iraq announces the granting of loans to citizens wishing to purchase housing units in the city of Pasmaya.
10. Resettlement of Salaries: Services offered to employees to settle their salaries in the bank.

11. Jumana Center: The Trade Bank of Iraq offers a distinctive and comprehensive package of high-level banking services for women through the opening of the Jumana Banking Center in the Najaf Governorate and with trained and specialized women banking cadres for this center.

The Third Topic: Trade Bank of Iraq: Financial Situation and Performance and Obstacles Evaluation

First: The financial position of the Trade Bank of Iraq (2014-2019).⁵

The budget of the Trade Bank of Iraq is in dollars and not in dinars due to the establishment of this bank for the purposes of financing private sector imports (documentary credit, letters of guarantee). These two activities are the main focus of the bank's business. In view of the availability of information about the mentioned period, it has been focused on in analyzing the financial position of the bank, as shown in the table and figure (1):

1. 2014: Total assets and liabilities at the end of 2014 amounted to \$37.1 billion. The cash clause in the Fund and with banks accounted for approximately 80% of the total assets, and the remaining 20% was distributed between cash credit 2.7 billion dollars for cash credit, 2.5 billion dollars for the

⁵ TBI, Official Website www.tbi.com.iq

debtors clause, 1.1 billion dollars for investments and 92.8 million dollars for fixed assets. As for the bank's liabilities, the current accounts and deposits clause occupied the greatest relative importance from the total liabilities, as it amounted to 88.7%, with an amount of \$32.9 billion, one billion dollars for the paid-up capital and 2.7 billion dollars for reserves.

2. In 2015: As a result of the decline in oil revenues and the aggression of (ISIS), the total assets and liabilities tended to decrease, reaching \$29 billion, with a decrease of (-8.1) compared to the year 2014. The bank's capital has been increased this year to \$1.750 billion.
3. In 2016 and 2017, total assets and liabilities tended to decline, reaching \$19.7 billion and \$19.5 billion respectively. The bank's capital was increased to \$1.5 billion in 2016 and \$2.3 billion in year 2017. The relative importance was concentrated on the liabilities side for the two years mentioned in the deposits clause, as it amounted to more than 98% of the liabilities and nearly 82% of the total liabilities and equity.

4. In 2018 and 2019, total assets and liabilities increased proportionately, reaching \$21.1 billion and \$28.8 billion, respectively. The clause due from banks and other financial institutions was of the most relative importance on the assets side in the two mentioned years, as it amounted to 35% in 2018 and 41.3% in 2019. As for the liabilities side, the relative importance of deposits was the largest in relation to the total liabilities, reaching 42.8% in 2018 and 42.2% in 2019.
5. There has been a significant development with regard to the increase in the paid-up capital of the bank, as it rose from 100 million dollars in the year of establishment in 2003 to one billion dollars in 2014 and to 2.3 billion dollars in 2019 and then to 3 billion dollars in March 2020.

Table (2): Total assets, liabilities and capital of the Trade Bank of Iraq for the period (2014-2019) (Billion Dollar)

Year	2014	2015	2016	2017	2018	2019
Total assets & liabilities	37.1	29	19.7	19.5	21.1	28.8
Capital	1	1.7	1.5	2.3	2.3	2.3

Source: Prepared by researchers based on the reports of the financial position of the Trade Bank of Iraq

Total Assets and Liabilities TBI

Second: Evaluating the performance of the Trade Bank of Iraq.

The banking performance is evaluated by many indicators and financial ratios, including:⁶

1. Liquidity ratios:

The increase in the liquidity ratio of more than 30%, which is the standard ratio of liquidity, means that there are many idle and untapped cash balances, despite the fact that the increase in this ratio gives greater confidence and security for depositors. The liquidity ratio was measured by the following indicator:

Liquidity ratio = (Cash on hand and at banks / current accounts and deposits)*100.

The calculated results for the years 2014-2019 were as shown in the table and figure (3).

⁶ See:

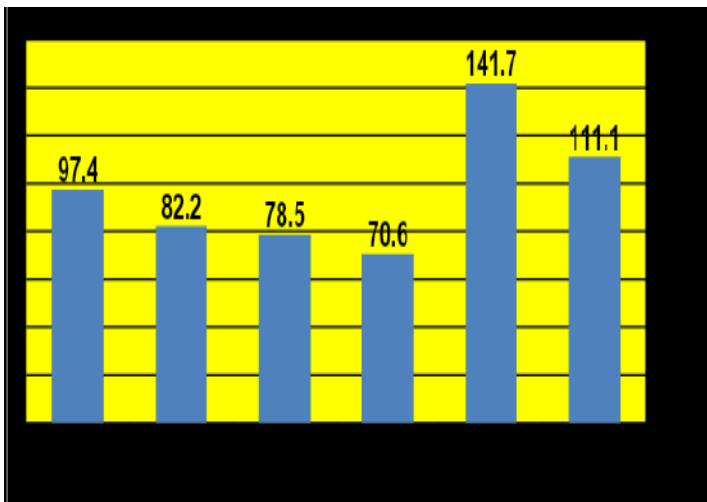
- Ministry of Finance, the bureau of financial auditing year 1989 p.6.
- Dr.. Freddy Baz, Financial Analysis of the Bank. Financial Ratios in Asset and Liability Management, Journal of Arab Banks, Issue (164) Volume 14 August \ 1994, p. 16.
- Muhammad Ibrahim Al-Tawaiseh, Analysis and Discussion of Financial Statements - Tariq Center for University Services, Jordan, first edition 1989, p. 95.

Table (3), The liquidity ratio of the Trade Bank of Iraq for the years 2014-2019 (%)

Years	Ratio %	Years	Ratio %
2014	97.40	2017	70.62
2015	82.21	2018	141.65
2016	78.49	2019	111.06
Average			96.9

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq

The liquidity ratio in TBI



It is noted from the table that the years, especially 2015-2017, had low liquidity ratios compared to other years, and this could be attributed to government lending or banks purchasing government securities during the period in which the general budget suffered from a deficit.

2. Return on Investment:

Returns on investments were measured for the studied period through the following indicator, the results of which are shown in the table (4).

Return on investment = (Investment benefits/total investment)*100.

Table (4): Return on investment in Trade Bank of Iraq for the period 2014-2019 (%)

Year	investment returns	Year	investment returns
2014	5.03	2017	4.08
2015	4.10	2018	5.53
2016	3.99	2019	4.47
Average			4.53

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq

It is noted from the table that the rates of returns are similar during the studied years. Their average was (4.53%), and the highest value was 5.53% and the lowest value was 3.99% in the years 2018 and 2016. This low return on investments is due to the weakness of financial investments as a result of the economic environment that suffers from stagnation.

3. Revenues

These are other ratios besides the ratios in the previous two indicators showing the returns obtained as a result of the bank's financial activities, as shown in Table (5), which was calculated according to the following equations:

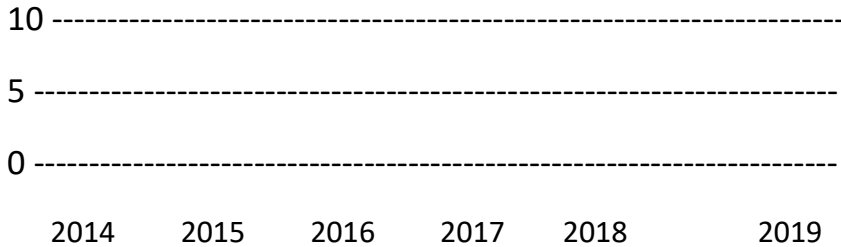
- The ratio of income from investments and loans = $(\text{Revenues} / \text{Investments and loans}) * 100$
- Deposit Income Ratio = $(\text{Revenues} / \text{Deposits}) * 100$.

Table (5): Revenue ratio in Trade Bank of Iraq for the period 2014-2019 (%)

Year	The ratio of revenue from investments and loans	Deposit revenue Ratio
2014	11.72	1.54
2015	9.07	2.75
2016	8.46	3.38
2017	6.24	3.00
2018	7.72	6.43
2019	6.17	4.33
Average	8.23	3.57

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

Revenue ratios for deposits, investments and loans



Deposit Income Ratio The Ratio of revenue from
investments and loans

4. Investing funds

The investment of the bank's funds was measured through five indicators to obtain a clear picture of the employment, as follows:

- Placement of funds into credit = $(\text{cash credit} / \text{total assets}) * 100$
- Placement of funds into investment = $(\text{investment} / \text{total assets}) * 100$.
- Placement of funds compared to capital and deposits = $(\text{cash credit} + \text{investment} / \text{deposit} + \text{capital}) * 100$.

- Placement of funds compared to funding sources = (cash credit / funding sources (capital + reserves + deposits))*100
- Placement of funds compared to deposits = (Loans and advances / Total current accounts and deposits)*100

Table (6) Placement of funds in Trade Bank of Iraq for the period 2014-2019 (%)

Year	Placemen t of funds into credit	Placement of funds into investmen t	Placemen t of funds compare d to capital and deposits	Placemen t of funds compare d to funding sources	Placemen t of funds compare d to deposits
2014	8.99	11.85	12.81	9.63	10.01
2015	18.60	26.30	28.12	19.68	21.36
2016	24.00	33.29	36.63	26.12	28.81
2017	26.29	39.32	41.92	27.76	32.17
2018	24.38	36.17	67.48	44.76	57.37
2019	23.25	37.92	68.27	41.40	49.05
Average	20.9	30.8	42.5	28.2	33.1

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

Placement of funds into credit		80
		70
Placement of funds into investment		60
		50
Placement of funds compared to capital and deposits		40
		30
Placement of funds compared to funding sources		20
		10
Placement of funds compared to deposits		0
	2019 2018 2017 2016 2015 2014	

It is noted from the various indicators in the previous table and figure and with a variety of indications that there is an expansion in the placement during the studied period and this reflects the activity that the bank is trying to reap returns by the placement of its funds in the sections of granting loans, advances and investments.

5. Capital Robustness

Capital robustness was calculated based on several indicators based on the comparison between capital and reserves with cash credit and investment, as well as customer deposits as follows:

- Robustness of Capital Compared to Credit and Investments = $(\text{Capital} + \text{Reserve} / \text{Cash Credit} + \text{Investment}) * 100$
- Robustness of Capital Compared to deposits = $(\text{capital} + \text{Reserve} / \text{Total current accounts and deposits}) * 100$
- Robustness of Capital Compared to cash credit = $(\text{Capital} + \text{reserve} / \text{cash credit}) * 100$

The following table and figure shows the results of these indicators:

Table (7) Robustness of Capital of Trade Bank of Iraq for the period 2014-2019 (%)

Year	Robustness of Capital Compared to Credit and Investments	Robustness of Capital Compared to deposits	Robustness of Capital Compared to cash credit
2014	30.78	4.06	40.58
2015	28.37	8.57	40.10
2016	25.78	10.31	35.77
2017	32.99	15.87	49.34
2018	33.00	27.52	48.95
2019	23.09	16.19	37.67
Average	29.00	13.75	42.06

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

Robustness of Capital Compared to Credit and Investments		60
		50
Robustness of Capital Compared to deposits		40
		30
Robustness of Capital Compared to cash credit		20
		10
		0
	2019 2018 2017 2016 2015 2014	

It is noted from the previous table that the capital robustness index compared to credit and investment was high, with an average of (29%), while the robustness of capital against deposits was low at the beginning of the period and began to rise gradually, and its average was 13.75%. When comparing the robustness with cash credit, it showed high rates, with an average of (42.06%).

The rise in the ratios of indicators in general is due to the increases in capital and reserves, the conservatism in granting loans and investments, and the preference for maintaining a high liquidity ratio, as we have seen previously.

Third: The application of (CRAFTE & UBPR) systems to the performance of the Trade Bank of Iraq (TBI) for the period 2014-2019.

1- Uniform Bank Performance Report (UBPR):

Among a large set of criteria for measuring banking performance that many academics and experts have used alike are the traditional measures of (the rate of return on assets, the rate of return on equity, and the rate of cost to income).⁷

1. Return On Assets: It is the net income for the year divided by total assets and usually the average value during the year.

Return On Assets = Net Profit / Total Assets.

⁷ REPORT EUROPEAN CENTRAL BANK , HOW TO MEASURE BANK PERFORMANCE , SEPTEMBER , 2010, P8-9 .

2. Return On Equity: It is the measurement of the internal performance of the value of equity and the most common in measuring the performance of banks.

Return On Equity = Net Profit / Total Equity.

3. Cost to Income: The ability of banks to generate profits through the revenue stream available in the bank.
4. Cost to Income = Operating revenue / Operating expenses.

When applying these indicators to the Trade Bank of Iraq according to the Uniform Bank Performance Report for the period 2014-2019, the results were as shown in the following table.

Table (8) Indicators for evaluating the banking performance of the Trade Bank of Iraq for the period 2014-2019 (%)

Indicators	2014	2015	2016	2017	2018	2019	Average
Return On Assets	0.01	0.005	0.02	0.02	0.008	0.02	0.014
Return On Equity	0.12	0.04	0.15	0.11	0.06	0.15	0.11
Cost to Income	0.15	0.13	12.4	8.08	8.08	5.70	5.8

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

A- The highest rate of return on assets was (0,008) in 2018, due to the increase in the fair value of the assets of the Trade Bank of Iraq compared to the rest of the same years of the study. This indicates the concentration on risk-weighted assets that

reduce the value of assets, which amounted in 2018 (17%) of the total Assets, and the average for the period 2014-2019 was 0.014.

- B- The highest rate of return on equity was in the two years (2016, 2019) compared to the rest of the same years of the study due to the directives of the Central Bank of Iraq to banks towards the rise in the equity of all banks due to the achievement of financial security and banking stability for customers, as well as keeping pace with global banking developments according to Basel 3 standards towards an increase of equity or shareholders that achieve the solvency of the banking sector in general and the Trade Bank of Iraq in particular. The average duration of the above indicator was 0.11.
- C- The highest rate of cost to income was in 2016 due to the reduction of operating expenses after excluding unnecessary expenses towards achieving a high level of operating revenue. This indicator achieved the highest average for the mentioned period among the three indicators, which is (5.8).

2- Performance Appraisal System CRAFTTE:

Banking control systems depend on basic elements in the nature of banking work and the policies of its operation and management for the purpose of evaluating the efficiency of the performance of these banks in order to protect the banking and financial system of the country. This system, whose first letters refer to the word (CRAFTTE), as each letter indicates a different element. It determines the evaluation, degree of risk and overall quality of banks through its six elements that refer to:⁸

- 1. Corporate Governance:** The concept of governance, and in particular corporate governance, came to the conclusion that it represents a level of dealing with problems arising from the separation between private ownership and management. The most extreme models of governance in government administration that illustrate the separation of public ownership from the government administrative apparatus are represented (as well as public companies or the

⁸ www.frsglobal.com

public sector) by the independence of central banks in the countries of the world today and the way in which public rights and responsibilities are managed in terms of the power of dealing with influential groups and affected by the work of the Monetary Authority. We mean here the public stakeholders of government decision-makers by making independence an act that achieves harmony and communication in achieving the monetary policy objectives as a result of separating the management of the monetary authority from public ownership, and among these countries is the Central Bank of Iraq in accordance with its Law No. 56 of 2004.⁹

2. **Risk Management:** The issue of risk management has become the focus of many supervisory authorities or monetary authorities, but has also captured the attention of financial institutions (IMF) (WB) and the Group of Ten, which is the primary organization for financial globalization and its main supporter, especially the Basel

⁹ Dr.. Mazhar Muhammad Salih, Monetary Policy of Iraq, Building Macroeconomic Stability and Maintaining a Sound Financial System, Bait Al-Hekma, First Edition, 2012, p. 17.

Committee on Financial Supervision. Therefore, banking risk management has become one of the main topics that stakeholders from bankers and regulatory authorities have focused on. Thus, the aforementioned committee has studied and analyzed the causes of banking crises that afflicted most countries of the world, and it became clear that among the most important causes of these crises are:

- A-** The inability of these institutions to manage the banking risks to which they are exposed.
 - B-** Weak internal and external control (national regulatory authorities).¹⁰
3. **Asset Quality:** The quality of the bank's assets is based on the effectiveness of asset management, in particular the management of credit facilities. The assets quality can be realized through the application of the following measures:¹¹

¹⁰ Frihan Abdel Hafeez Yousef, Banking Risk Management, research published in the College of Administrative and Financial Sciences, Al-Isra University, 2011, p. 2.

¹¹ Salah al-Din Muhammad Amin al-Imam, Sadiq Rashid al-Shammari, activating banking control systems in light of international standards CRAFTE as a model 4, research published in the Journal of Administration and Economy, 34th year, issue ninety, 2011, p. 367.

- A- Adopting appropriate strategies and policies for spreading and distributing risks.
 - B- Evaluation of components and trends for asset portfolios.
 - C- Measuring asset concentration, especially credit concentration.
 - D- Evaluating the classification of assets and allocate sufficient provisions for them.
4. **Financial Leverage – Capital and Liquidity:**
Financial leverage means the change that occurs in the net profit available to the owners as a result of a specific change in the net profit of operations. Financial leverage arises from the presence of fixed financial costs, with other factors held constant. The term liquidity expresses those ratios that measure the bank's ability to meet short-term obligations (current liabilities) from its cash and other assets that can be converted into cash in a relatively short period of time (current assets).¹²
The bank capital reflects the net assets of the bank

¹² Munir Ibrahim Hindi, Financial Management, a Contemporary Analytical Introduction, Modern Arab Office, Sixth Edition, 2011, p. 614 - p.74.

and includes investments in addition to gains and profits.¹³

5. **Transparency:** The concept of transparency appeared and spread as a result of the crises that afflicted some countries of the world, whether these crises were financial, political or social, as some researchers believe that any financial crisis begins with its responsibilities through a significant weakness in transparency. Transparency in its general meaning represents granting citizens all their rights to participate and influence the decision-making process by allowing them to exercise the right of access. As for the banking concept, it means the system and practical procedures to provide the requirements for disclosing the activities, procedures, objectives and results of the banking sector.¹⁴
6. **Earning:** Every economic activity practiced by humans has risks, and whenever there are risks, there must also be equal and completely

¹³ Sadiq Rashid Al-Shammari, *Banking Administration, Reality and Scientific Applications*, Al-Farah Press, first edition, 2008, p. 170.

¹⁴ Salem Mohamed Abboud, *The global financial crisis between the principle of disclosure and transparency*, *Journal of Baghdad College of Economic Sciences*, Volume Two, Issue 20, p. 14, 2009.

equivalent profits according to the famous equation, which includes profitability = Risk. Thus, the bank that grants bank credit bears a set of risks and therefore it must make profits to cover them. In addition, the nature of banking activity requires that these profits be higher in their rates and values than the rates and values of costs related to managing the banking activity.¹⁵

¹⁵ Sadiq Rashid Al-Shammari, a former source, p. 41.

3- The application of the performance appraisal system (CRAFTE) to the Trade Bank of Iraq for the period 2014-2019.

- 1. Bank Governance C:** Management is responsible for the preparation and fair presentation of the consolidated financial statements, in addition to determining the system of internal control necessary to prepare financial statements that are free from material misstatement, whether resulting from fraud or error. The management is also responsible for evaluating the bank's ability to continue as a going concern and to disclose matters related to the principle of continuity. This includes the use of the principle of continuity in accountability when preparing the consolidated financial statements, unless the management intends to liquidate the bank or stop its operations, or there is no other realistic alternative other than doing that. Those charged with governance are responsible for overseeing the bank's financial reporting process.¹⁶

¹⁶ Trade Bank of Iraq, financial statements for the year 2019, p. 3.

2. Risk Management R:

A- Credit Risk:

B-

Table (9) Credit risk in the Trade Bank of Iraq (TBI) for the period 2014-2019

Kind of a Risk	2014	2015	2016	2017	2018	2019	Average %
Balances with the Central Bank of Iraq and other banks	26195271	16331803	12656599	238.10948	5323016	5.332987	12.78
Investment securities	861606	1791462	1834789	2534939	2466082	2051036	9.83
Customer loans and advances	2721658	4336761	5912278	6517908	5157252	6695654	5.22
Other assets	181881	410516	205406	261831	348576	511900	1.49

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

-
- C- Market Risk:** Market risk is represented by changes that may arise in market prices such as interest rates, stock prices, foreign exchange rates that may affect the bank's revenues or its financial instruments. The goal of market risk management is to manage and control market risk systems within acceptable limits while maintaining the effectiveness of the level of risk return.
- D- Liquidity Risk:** Represented by the difficulties that the bank may encounter to meet its obligations related to financial liabilities that are settled by delivering cash or other financial assets.
- E- Operational risks:** It is the risk of direct or indirect loss resulting from the spread of securities from insufficient or negligent internal operations, human error, system failure, or due to external events other than those related to credit risk, liquidity and market, as well as risks arising from legal and regulatory requirements and general standards of conduct for companies.

3. **Asset Quality:** This indicator is measured through three ratios as follows:

A- Non-performing loan ratio / Total loans.

B- Non-performing loan ratio / Total asset.

C- Net Non-performing loan ratio / Capital.

Table (10) Asset Quality in Trade Bank of Iraq for the period 2014-2019 %

Ratio/Year	2014	2015	2016	2017	2018	2019	Average
Non-performing loan ratio / Total loans	0.33	0.39	0.57	0.51	0.48	0.41	0.45
Non-performing loan ratio / Total asset	0.001	0.003	0.007	0.009	0.004	0.007	0.005
Net Non-performing loan ratio / Capital	0.02	0.06	0.04	0.03	0.01	0.01	0.03

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

4. Financial Leverage

Financial Leverage is measured by two indicators:

Financial Leverage according to the total deposits = (Total current accounts and deposits / paid-up capital)*100

Financial Leverage according to the asset = (Total assets / paid-up capital)*100

The results were as follows:

Table (11) Financial Leverage of Trade Bank of Iraq for the period 2014-2019 %

Indicator/Year	2014	2015	2016	2017	2018	2019	Average
Financial Leverage according to the deposits	3170	1352	1095	677	383	581	1.20
Financial Leverage according to the asset	3535	1552	1314	822	901	1226	1.56

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

It is noted that the two indicators had a high percentage at the beginning of the studied period, whether those that were calculated based on deposits or assets compared to the capital, and the average for them was (1209.66%) and (1558.33%) respectively.

5. **Transparency T:** Transparency in the bank represents the important and main element in providing data and information and following up on all financial developments issued by the Central Bank of Iraq, as well as international standards such as the Basel Committee and the Bank for Settlements, as well as the International Electronic Payments Corporation.
6. **Earning:** The profit ratio was measured by two indicators, capital profitability rate or the return on invested capital, which expresses the measurement of profit and operating efficiency. It can be described as the initial test of administrative efficiency and it was measured by the following indicator:

Capital Profitability Rate = (Net Profit / Invested Capital)*100.

The second indicator is the rate of return on deposits, which indicates the profit returns from deposits and the extent of their investment in the bank's activities as follows:

Rate of return on deposit = (Net profit / Total Deposits)*100.

The following table shows the results of the two indicators.

Table (12) Profitability in Trade Bank of Iraq for the period 2014-2019 %

Indicator/Year	2014	2015	2016	2017	2018	2019	Average
Net Profit / Invested Capital *100	38.34	8.23	30.24	15.44	7.67	23.71	20.6
Net profit / Total Deposits *100	1.2	0.6	2.7	2.27	1.96	3.57	2.0

Source: They were calculated by researchers based on the reports of the financial position of the Trade Bank of Iraq.

<p>Net Profit / Invested Capital *100</p> <p>Net profit / Total Deposits *100</p>					50.0				
					40.0				
					30.0				
					20.0				
					10.0				
				0.0					
				2019	2018	2017	2016	2015	2014

The clear decrease on the first criterion is observed in 2015 and 2017, due to increases in the bank's capital in these two years, as well as a decrease in the profits earned compared to other years, and this is what the second criterion showed. It is also noted that the rate of return on capital is good, as its rate was (20.6%), while the return on deposits was low, as its average during the studied period was (2.05%).

Fourth: Banking sector problems and obstacles

Evaluating the performance of any Iraqi bank requires giving a clear picture of the problems faced by the Iraqi banking sector as a whole, because it is part of it and falls within the economic and social environment with which it deals. Here, it is necessary to mention a summary of these problems and obstacles, as follows:¹⁷

- 1- The banking density is approximately (35000) people per branch, which is a high percentage compared to the normal ratio of (10000) people, which means that it is difficult for the citizen to obtain sufficient banking transactions easily and conveniently.
- 2- One of the main problems that the Iraqi commercial banking system suffers from is the lack of supporting banking institutions, such as

¹⁷ See:

- Dr. Haider Tohme, The banking sector in Iraq and the challenges of reform and development, Al-Furat Center for Development and Strategic Studies, 2015.
- Muwaffaq Hassan Mahmoud, The Banking Sector: Its Reality and How to Promote It, Civilized Dialogue, 2015.
- Union of Arab Banks, Iraqi banking sector, www.uabonline.org.

deposit insurance companies, loan insurance, risk assessment and credit rating institutions.

- 3- Providing banking service is the most important feature that commercial banks should have. It should be noted that the Banking Law No. 94 of 2004 allowed commercial banks to provide more than (50) services in Article 27 of it, noting that Iraqi banks provide only about (20) services, which are few compared to the services required by the Iraqi economy.
- 4- Government institutions are biased against private banks and work to monopolize banking business within government banks, except rarely, which limits the expansion of those banks because most activities are government activities that depend on the state's general budget.
- 5- The complex procedures followed by banks in granting loans. They impose guarantees, security measures, mortgages, guarantees, and great restrictions on borrowers, which limits their access to loans, especially those who do not have access to those required guarantees, and this has resulted in a decrease in loans granted. The ratio

of credit granted to GDP does not exceed (10%), which is a very low percentage compared to the countries of the Middle East and North Africa, as this percentage exceeds (55%).

- 6- The great underdevelopment in banking work, the small number of banking branches, and the lack of use of ATMs and electronic bank websites in Iraq. This is combined with the lack of banking awareness among the Iraqi citizen to create a complex problem that is difficult to get rid of, as the percentage of those who do not have bank accounts reaches (80%) of the country's population.
- 7- Banks wasting promising investment opportunities in the Iraqi economy by accumulating liquidity and not going to lend it, due to excessive hedging against the risks of non-payment and the many limitations of guarantees that we mentioned above.
- 8- The big difference between the deposit interest rate and the lending rate, which is called Spread Ratio, as it reaches (10%) which increases the profitability of banks instead of reducing it to

encourage lending. Here, it must be noted that this ratio is very low in developed countries, and sometimes it may reach one point, even if it is about (5%) in the countries of the Middle East and North Africa.

- 9- The problem of non-payment of debt installments and interest owed by debtors and borrowers from banks, which increases the burden of banks and their bearing great risks in this field and confuses their plans in the field of liquidity and others.
- 10-Slouching of the administrative organs of banks, especially government ones, and the presence of a large number of employees and workers who constitute a functional and financial burden on them, posing a hidden unemployment in their work.
- 11-Not taking serious steps in banking reform and only simple steps in this direction.
- 12-The presence of some legal restrictions that limit banking work, as well as the absence of strategic plans for banking development and transformation towards the private sector.

-
- 13-Many private banks are satisfied with the profits they obtain by participating in the sell dollar window in the Central Bank without seeking and progressing in banking work to provide their services to customers and institutions that can be described as the phenomenon of Lazy Banking.
 - 14-The weak link of most Iraqi banks to the global banking system.
 - 15-The existence of a parallel unregistered financial and monetary sector that competes with banks represented by cambists who grant loans and large financial operations (internal, external and banking transfers) that take place outside the official framework and result in huge commissions under weak oversight that weaken the official banking work.
 - 16-Financial and administrative corruption that pervades government institutions, including banks, which may sometimes reach high levels in some banks, hindering the work of banks and diverting them from their course and generating more financial and administrative problems.

17-The Trade Bank of Iraq has not been spared the problems of corruption, as there are corruption charges against its previous senior management and the presence of investigations from multiple sides, among the complainants, the bank itself against the former President of its board. These problems cause fear, anxiety and distrust towards the bank, especially from the outside world.¹⁸

¹⁸ Faisal Al-Haymes, Trade Bank of Iraq, a financial strength that has weight, Al-Mada newspaper, issue (4027), September 26, 2017.

Conclusion

The Trade Bank of Iraq was established to implement the financial operations resulting from imports and exports in Iraq's foreign trade in the year 2003. The bank is managed by a board of directors consisting of five members who are the President of the board and representatives from the Council of Ministers and the Ministries of Finance, Oil and Trade, and it offers many banking services to its customers. The aspects of evaluating the bank's performance have shown that it has high liquidity ratios, which indicates a line of guarantee for depositors and the fulfillment of their requests in current and savings accounts, which can be seen as a decline in lending and the granting of credit by it. In addition, and with regard to the profitability index, it was high compared to the capital, as its average for the period 2014-2019 was about (20.6%), as well as in the rate of return on deposits, which averaged (2.05%) and the rate of return on investments by (4.53%). The ratio of revenues was also acceptable, as it amounted to about (8.23%) compared to investments and loans, and (3.57%) compared to deposits. As for the placement of funds index, the average of the five criteria used for the

studied period amounted to (31.1%), which indicates that the placement of funds can be better despite the expansion that the bank is trying to reap returns from. It is necessary to focus on the Capital Robustness index, which was high compared to cash credit, which averaged (42.06%) and also compared to deposits (13.75%), which exceeded international standards. The two systems (UBPR) and (CRAFTE) have been applied to performance evaluation on the Trade Bank of Iraq and their results were satisfactory in most of the criteria.

Based on the foregoing, the study, and in light of the aforementioned criteria, proposes expanding credit and granting loans to companies and individuals, in order to overcome the stagnant economic situation that the country is going through as a result of the Corona crisis, low oil prices and other problems that the Iraqi economy suffers from. It is necessary to get rid of the accumulated liquidities of the bank, which referred to its existence by the studied criteria. It is also essential to expand its banking branches to reach most of the important cities and districts in which it does not have branches in order to deliver its banking services to citizens to compete with government and private banks there, where their

branches extend to the most remote areas, especially Al-Rafidain and Al-Rasheed. This is also to accommodate the largest number of employees and workers to reduce unemployment and to reach these areas to help government and private sector employees in resettling their salaries on it. It is necessary to work on deploying ATMs in important government institutions to facilitate the employees' receipt of their salaries from them and the returns that this brings to the bank.

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