

**TRADE BANK OF IRAQ (TBI)
AND DISTRIBUTION OF PUBLIC SALARIES
OF IRAQI KURDISTAN REGION (KRI)**

iNOV8 | June 2, 2024



As of May 8, 2024, the Trade Bank of Iraq (TBI) officially declared their approval to become one of the banks that engage in salary payments for KRI civil servants (via My Account) in addition to opening ATMs and issuing digital cards for the public sector.¹ In a statement provided by CHANNEL8, Iraqi Prime Minister, Mohammed Shia al-Sudani approves of TBI's support for distributing public wages because of its importance to the people of Iraqi Kurdistan Region. This brief is to shed light on TBI's history, its financial ratings and the possible reasons behind TBI to support government salary payments.

Prior to this announcement in 2024, the Prime Minister, Ministry of Finance, the Governor of the Central Bank of Iraq, the General Manager of the Bank and several advisors met to discuss and evaluate the performance of the Trade Bank of Iraq (TBI) and to address the problems and challenges it faces.² In this meeting a road map was confirmed to collect TBI's bad debts owed by its borrowers. Even though the details of this meeting and how the road map would work are not announced by the bank or any other financial or media entity, there is enough information and data from the international news on this bank, that its status and situation can be evaluated.

Fitch, a credit rating agency, shows the state of TBI and values key components that measure the management and operations of the bank. Generally, for a bank to be credit worthy and prove its standalone profile, it needs to receive a Viability Rating from a credit rating agency that is independent and international. On March 11, 2024, Fitch announced its withdrawal of the Viability Rating of Trade Bank of Iraq in addition to downgrading its key ratings. This decision was mainly because of TBI's dependency on the operations and transactions from the government, which had proven to be unreliable.

Reasons behind the Credit Rating Evaluation³:

- Liquidity trap at the Central Bank of Iraq (CBI) in the Kurdistan region; TBI has not been paid even a year after the Federal Budget was announced in June of 2023 that it allocated proceedings to TBI for these payments.
- The timeliness of financial reporting and auditing have not been consistent and on time.
- Overdue payments by the Ministry of Finance related to business and trade finance transactions.
- High unreserved impaired loans and other assets.
- Weak propensity from the Iraqi authorities to support TBI, prior to the above-mentioned meeting of May 8, 2024.

Fitch Ratings by Category	Score	Reason	Ratings by Fitch
Long-Term Issuer Default Rating	ccc+	Uncertainty of the fulfillment of an issuer's financial obligations as promised.	Negative
Government support rating	ccc+	Unreliable support for the bank	Negative
Operating-environment	ccc+	<ul style="list-style-type: none"> • The size and structure of the economy • Financial market development 	<ul style="list-style-type: none"> • Negative • Negative
Business Profile	ccc+	Management and governance	Negative
Earning & profitability	ccc+	Earnings stability Risk-weight calculation	Negative Negative
Capital and leverage	ccc+	<ul style="list-style-type: none"> • Reserve coverage 	<ul style="list-style-type: none"> • Negative • Negative

		<ul style="list-style-type: none"> Asset evaluation 	
Funding & liquidity	b-	Deposit structure	Negative
Viability rating	ccc+	Decrease in the overall business profile and financial metrics	Withdrawn

Table 1: Evaluation of Trade Bank of Iraq by Fitch in March 2024. Source: Fitch Ratings website

It is worth mentioning that according to the Iraqi Federal Budget 2024, there are two instalments to the TBI account by the Iraqi government which decreased reflecting the liquidity trap.⁴ One installment is interest paid on treasury transfers from the government expenses according to the Budget Law of 2024, worth 24.2 million U.S. Dollars. The same item on the 2023 Federal Budget was approximately 48.5 million U.S. Dollars. The second instalment is interest paid on treasury transfers to foreign oil companies collectively with Al-Rashid Bank, Al-Rafidain Bank and the Trade Bank of Iraq (TBI), worth approximately 9.8 million U.S. Dollars. The same item on the 2023 Federal Budget was approximately 18.9 million U.S. Dollars.

Trade Bank of Iraq (TBI) is 100% state owned and has been operating since July 2003 in order to facilitate trade finance, and it is dominating 20% of the market share in the banking sector. Since Trade Bank of Iraq (TBI) is a state-owned bank, it reflects the fluctuations in national revenue in the common pools (also known as national banks). The interest payments to the bank are not timely, therefore the bank is considered financially risky. There are usual liquidation traps due to internal political conflicts and the government needs to better manage the overall payments to the bank. The question at hand is not whether this bank supports “My Account” for distributing public wages in Iraqi Kurdistan Region (KRI), however,

it is whether this bank is financially safe for distributing public wages? It is likely, as some of the evidence points to, that the Government of Iraq is attempting to help raise TBI's credibility and rating to an acceptable level while using the bank to facilitate the distribution of salaries of civil servants in KRI.

References

1. Ahmed Mohammed, "TBI takes steps to localize salaries for Kurdistan Region employees," *CHANNEL8*, May 8, 2024, accessed June 3, 2024. Read more [here](#). ↵
2. "PM chairs a meeting to follow up on the work of the Trade Bank of Iraq (TBI)," Iraqi News Agency, May 5, 2024, accessed June 3, 2024. Read more [here](#). ↵
3. "Fitch Downgrades Trade Bank of Iraq to 'CCC+'; Withdraws VR," Fitch Ratings, March 11, 2024, accessed June 3, 2024. Read more [here](#). ↵
4. *CHANNEL8 Database*, "The Iraqi Federal Budget 2024," *CHANNEL8*, June 2024 accessed May 28, 2024. ↵



ABOUT

Nestled in the mountains of Sulaymaniyah, the Culture Capital of KRI, iNNOV8 Research Center pioneers cutting-edge research and innovation. We aspire for excellence as an independent research center by providing valid, valuable, and timely products to the public. We deliver impactful solutions and contribute to our industry's vibrant and forward-thinking community. As an affiliate of CHANNEL8 Media Corporation, iNNOV8 also serves as the in-house research and public relations hub for the channel.

TRADE BANK OF IRAQ (TBI) AND DISTRIBUTION OF PUBLIC SALARIES OF IRAQI KURDISTAN REGION (KRI)



CONTACT

CHANNEL8 BUILDING,
KURDSAT QTR, AS SULAYMANIYAH, IRAQ
+964 (0)770-608-8885
INNOV8@CHANNEL8.MEDIA