Rabee Securities

Member of the Iraq Stock Exchange

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# BANKS | IRAQ

March 11th, 2011

## SECTOR REVIEW

- Although growing fast, the number of clients in the private banking sector compared to the Iraqi population is low due to the short history of the sector.

- All of the listed 21 banks on the ISX are private banks. Total deposits of the listed banks increased at a rather impressive CAGR of 42% from the end of 2007 to the end of 2009. On the other hand, their total market share in Iraq banking deposits was only 11.5% in 2009. Iraq is planning to pass an act to develop and organize the work of private banks.

- In October 2010, the CBI issued new instructions for the capitalization of banks, with a minimum required capital of ID250 bln ($213 mn) by June 30, 2013, with two intermediate steps; ID100 bln ($85mn) by mid- 2011, and ID150 bln ($128mn) by mid-2012. As a result, we expect to witness mergers between Iraqi private banks and between Iraqi banks and foreign banks in order for banks, especially those not able to generate sufficient capital internally, to be able to meet this deadline. Banks with strong local or foreign shareholders would seem to have an advantage.

- We have used a Dupont analysis to compare the financial performance of the seven largest listed private banks on the ISX ranked by deposits (excluding Warka Bank).

- As policy interest rates have declined since 2008, net banking income as a percentage of total assets has declined markedly. With operating expenses to assets rising as a result of inflation and network expansion, cost to income ratios have risen for most banks. As a result, returns on assets have declined.

- The banks that have managed to minimize erosion in return on assets have been those that have either grown their deposit bases or increased their lending activity. To maintain profitability, Iraqi banks have to expose themselves to conventional credit risk. This has led to a change in the relative pecking order at banks, sometimes dramatically.

- All large banks, except Dar Es Salam Bank, have reached CBI's first capital target of ID100bln. We believe some banks, such as North Bank and United Bank, will be able to reach the ID250bln target by mid-2013 with only minimal rights issues, if any. In contrast, with very low levels of current profitability, we believe Dar Es Salam Bank will need to raise the difference almost entirely through rights issues.

- Aside from looking at the usual P/E, P/BV and MCap/Deposit multiples to determine relative value, we believe that banks in Iraq should also be ranked by the size of their deposit franchise and the growth of that franchise over the past two years. With Dar Es Salam trading on the highest P/B (7.2x), P/E (333x) and MCap/Deposit (125%) multiples but low deposit growth, it is clearly the outlier in terms of valuation. At the other of the spectrum, with the lowest P/B (1.1x), P/E (10.6x) and MCap/Deposit (42%) ratios and strong deposit growth, Kurdistan Bank is the outlier at the other end of the valuation range.

### THE SEVEN LARGEST LISTED PRIVATE BANKS*

| Bank Name | ISX Code | Last Price** | Paid-in Capital | Deposits | Mcap | Mcap | MCap/ Deps | P/E | P/BV | ROE |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (ID) | (ID bln) | (Last) | (ID bln) | ($ mn) | (Last) | (Last) | (Last) | (Last) |
| Bank of Baghdad | BBOB | 3.03 | 100.0 | 710.1 | 303.0 | 259.0 | 43% | 19.2 | 2.6 | 14% |
| North Bank | BNOR | 3.06 | 125.0 | 641.3 | 382.5 | 326.9 | 60% | 14.4 | 2.3 | 19% |
| Middle East B. | BIME | 1.70 | 100.0 | 463.3 | 170.0 | 145.3 | 37% | 16.2 | 1.4 | 13% |
| Dar Es Salam B. | BDSI | 6.75 | 72.0 | 388.2 | 486.0 | 415.4 | 125% | 332.5 | 7.2 | 2% |
| United Bank | BUND | 2.83 | 150.0 | 358.4 | 424.5 | 362.8 | 118% | 11.1 | 2.4 | 30% |
| Kurdistan Int. B. | BKUI | 1.52 | 100.0 | 358.2 | 152.0 | 129.9 | 42% | 10.6 | 1.1 | 18% |
| Credit Bank | BROI | 2.90 | 100.0 | 313.0 | 290.0 | 247.9 | 93% | 40.8 | 2.2 | 6% |

** Refer to Table (1.2) - We ranked the listed banks according to their deposits in last financials.*

*** As of 10 March 2011, ***Annualized*


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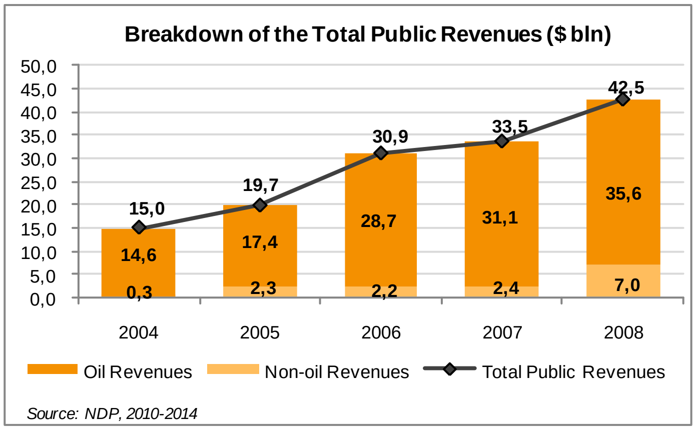
## MACRO VIEW OF IRAQ

Iraq has the 4th[(a)] largest oil reserves in the world while it ranks 12th[(a)] in terms of oil production. Furthermore, it has the world's 11th[(a)] largest reserves of natural gas while it ranks 58th[(a)] in terms of natural gas production. In 2008, 84% of its total public revenue was obtained from oil revenues, down from 93% in 2006 and 2007 (refer to Graph – (1.1)) . Since 2003, revenues have exceeded government expenditures allowing the government to accumulate foreign reserves of $50bln[(b)]. Daily crude oil production is expected to rise from c.2.5mn bpd today to 3.5-4.0mn bpd over the next two years.

**Graph - (1.1)**




Years of conflict have prevented Iraq from reaping the benefits of its vast natural wealth. Investments to increase oil production capacity, led by foreign multinational oil companies, and the recent improvements in the security situation will lead to an acceleration in the economic growth rate. According to IMF forecasts, Iraq's nominal GDP will grow at an average rate of 14% per annum for the next five years.

## ROLE OF THE CENTRAL BANK IN IRAQ AND THE MONETARY POLICY

**Central Bank has used interest rates, reserve requirements and the exchange rate to bring down inflation**

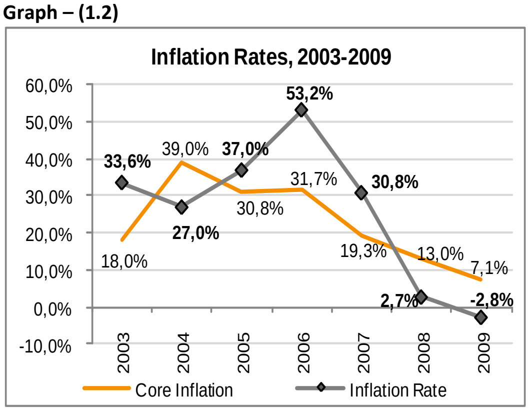
The Policy Rate/Base Rate reached a peak of 20% in 2007 in an attempt to curtail inflationary pressures. In 2008, the Central Bank of Iraq (CBI) began to lower this rate step by step, reaching 6% in April 2010 and remaining at that level since that time.

In April 2010, the CBI cut reserve requirements at banks from 25% to 20% and in September 2010, the CBI cut reserve requirement further to 15%

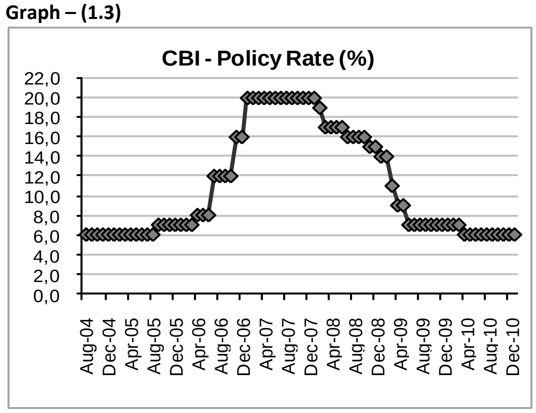
The Central Bank also allowed the Iraqi Dinar (ID) to appreciate against the dollar until early 2009, when it was fixed at ID 1170 / USD.

According to CBI figures, headline inflation in January 2011 was 5.84% while core inflation was 5.26%.

**Graph – (1.2)**




**Graph – (1.3)**




[(a)] *CIA World Factbook (www.cia.gov)*
[(a)] *Central Bank of Iraq (CBI)*

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## IRAQI BANKING SECTOR

In Iraq, private banks only began to become active from 2007/8, as a result of an improvement in security situation in the country. Today, Iraq is still a cash economy and the Iraqi banking sector, especially the private banks, remain very small compared to the size of the Iraq economy, and especially its potential. Total banking sector credit to GDP was 4.1% at the end of 2009, while total deposits to GDP ratio was 27.7%. (Refer to Table (1.1))

However, many banks have not brought their infrastructure up to the standards of the modern era and many of the owner-managers in the sector are elderly and do not currently reside in the country, limiting their growth potential.

Although growing fast, the number of clients in the private banking sector compared to the Iraqi population is low due to the short history of the sector. For example, North Bank, one of the largest private banks has approximately 5,000 clients.

Total deposits of commercial banks (including both private and state banks) grew significantly from $5.9bln (ID8.6trln) in 2004 to $33.0bln (ID38.6trln) in 2009 representing a CAGR of 41%. Over the same period, credit provided by commercial banks has increased from $0.56bln (ID0.82trln) in 2004 to $4.86bln (ID5.69trln) in 2009, representing a CAGR of 54%.

**Table (1.1)**

**Commercial Banks in Iraq (includes both private and state banks) (USD bln)**

| Years | # of Banks | # of Branches | Total Capital | Total Assets* | Total Deposits | Total Credits | Nominal GDP | Total Deposits/ Nominal GDP | Total Credits/ Nominal GDP |
|---|---|---|---|---|---|---|---|---|---|
| 2004 | 26 | n.a. | n.a. | 113.26 | 5.90 | 0.56 | 36.63 | 16.1% | 1.5% |
| 2005 | 27 | n.a. | n.a. | 140.27 | 7.31 | 1.17 | 50.06 | 14.6% | 2.3% |
| 2006 | 29 | 542 | 0.65 | 176.25 | 12.17 | 1.92 | 65.16 | 18.7% | 2.9% |
| 2007 | 35 | 549 | 0.99 | 219.40 | 21.52 | 2.84 | 88.81 | 24.2% | 3.2% |
| 2008 | 42 | 560 | 1.64 | 247.93 | 29.45 | 3.91 | 130.75 | 22.5% | 3.0% |
| 2009 | 43 | 774 | 2.08 | 264.54 | 32.97 | 4.86 | 119.09 | 27.7% | 4.1% |
| CAGR (2004-2009) | | | | 18% | 41% | 54% | 27% | | |

*Source: CBI 2009 Annual Report*
**Consolidated*

There are 43 local and foreign banks in Iraq operating with around 780[c] branches. Seven of the banks are state banks, and six are operating as foreign banks through a branch in Iraq. Of the remaining 30 banks, foreigners have a significant stake in eight. The average number of branches per private bank in 2009 was 11 while this number was 58 for state banks. Many private banks have focused on expanding their branch networks, with Bank of Baghdad and Middle East Bank having the largest networks (36 and 19 branches respectively). The state banks, Rafidain Bank (165 branches[c]) and Rasheed Bank (137 branches[c]) have the widest network according to their number of branches. Trade Bank has a quasi-monopoly on foreign trade, a state of affairs that is not expected to be sustained going forward.

All of the listed 21 banks on the ISX are private banks. Total Mcap of listed banks as of March 11th, 2011 was $2.7bln (72.5% of total ISX Mcap).

Total deposits of the 21 listed banks increased at a rather impressive CAGR of 42% from the end of 2007 to the end of 2009. On the other hand, their total market share in Iraq banking deposits was only 11.5% in 2009. In Iraq, ministries are not allowed to deposit their funds to private banks. Iraq is planning to pass an act to develop and organize the work of private banks.

In October 2010, the CBI issued new instructions for the capitalization of banks, with a minimum required capital of ID250 bln ($213 mn) by June 30, 2013, with two intermediate steps; ID100 bln ($85mn) by mid- 2011, and ID150 bln ($128mn) by mid-2012. As a result, we expect to witness mergers between Iraqi private banks and between Iraqi banks and foreign banks in order for banks, especially those not able to generate sufficient capital internally, to be able to meet this deadline. Banks with strong local or foreign shareholders would seem to have an advantage.

[c] *Central Bank of Iraq – 2009 Annual Report*

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## COMPARATIVE PERFORMANCE OF THE SEVEN LARGEST LISTED PRIVATE BANKS

We have used a Dupont analysis (refer to Table (1.2)) to compare the financial performance of the seven largest listed private banks on the ISX ranked by deposits (excluding Warka Bank). In the Dupont analysis, we look at the various lines in the income statement as a percentage of assets, starting with net banking income/assets working our way down to return on assets. By multiplying the return on assets by the leverage in a bank (assets to equity), we arrive at the return on equity.

As policy interest rates have declined since 2008, net banking income as a percentage of total assets has declined markedly from a range of 5.4% to 9.0% (ex- United Bank which was a start-up in 2008) to a range of 3.7% to 8.3% in 2010. With operating expenses rising as a result of inflation and network expansion, cost to income ratios have risen for most banks. While in 2008, cost to income ratios ranged from 26% to 44% (again excluding United Bank), in 2010, they ranged from 45% to 92%, with the exception of United Bank, North Bank and Kurdistan Bank. As a result, returns on assets have declined from a range of 2.9% to 5.9% in 2008 (ex-United Bank) to a range of 0.3% to 3.6% in 2010 (ex-United Bank).

The banks that have managed to minimize erosion in return on assets have been those that have either grown their deposit bases or increased their lending activity. Willingness to lend and deposit growth have been related because those that banks that have been willing to lend have been able to pay higher interest rates on deposits thereby generating deposit growth. The fall in policy interest rates has meant that a business model of collecting deposits and then placing at the Central Bank is no longer a profitable business model. To maintain profitability, Iraqi banks have to expose themselves to conventional credit risk. This has led to a change in the relative pecking order at banks, sometimes dramatically; with United Bank and North Bank seeming to come away better than Dar Es Salam Bank.

Leverage has risen at some banks, allowing them to mitigate the impact of a decline in RoA. However, by emerging market standards, leverage remains low at most banks leaving scope to increase RoE or compensate for further falls in RoA.

## VALUATION

All large banks, except Dar Es Salam Bank, have reached CBI's first capital target of ID100bln. United Bank has already reached the second target capital for mid-2012 of ID150bln. We believe some banks, such as North Bank and United Bank, will be able to reach the ID250bln target by mid-2013 with only minimal rights issues, if any. In contrast, with very low levels of current profitability, we believe Dar Es Salam Bank will need to raise the difference almost entirely through rights issues.

Aside from looking at the usual P/E, P/BV and MCap/Deposit multiples to determine relative value, we believe that banks in Iraq should also be ranked by the size of their deposit franchise and the growth of that franchise over the past two years. (refer to Table (1.3))

With Dar Es Salam trading on the highest P/B (7.2x), P/E (333x) and MCap/Deposit (125%) multiples but low deposit growth, it is clearly the outlier in terms of valuation. At the other of the spectrum, with the lowest P/B (1.1x), P/E (10.6x) and MCap/Deposit (42%) ratios and strong deposit growth, Kurdistan Bank is the outlier at the other end of the valuation range. Middle East Bank is also at the low end of the range (P/B (1.4x), P/E (16.2x), MCap/Deposit (37%)) but this is partly justified by a low deposit growth rate. Despite their recent run-ups, North Bank (P/B (2.3x), P/E (14.4x) and MCap/Deposit (60%)) and Bank of Baghdad (P/B (2.6x), P/E (19.2x) and MCap/Deposit (43%)) look to be reasonably valued while Credit Bank looks expensive on P/E and MCap/Deposit measures (P/B (2.2x) , P/E (40.8x), MCap/Deposit (93%)). United Bank looks reasonably valued on a P/B (2.4) and especially P/E measure (11.1) but looks expensive on a MCap to Deposits measure (118%).

## Table (1.2) - Seven Largest Listed Private Banks

| | BNOR - North Bank | | | BBOB - Bank of Baghdad | | | BIME - Middle East Bank | | | BDSI - Dar Es Salam Bank | | | BUND - United Bank | | | BKUI - Kurdistan Int. Bank | | | BROI - Credit Bank | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 9M10 | 2008 | 2009 | 2010 | 2008 | 2009 | 9M10 | 2008 | 2009 | 9M10 | 2008 | 2009 | 9M10 | 2008 | 2009 | 9M10 |
| **P&L (USD mn)** | | | | | | | | | | | | | | | | | | | | | |
| **Net Banking Income** | **20.7** | **26.0** | **34.8** | **28.3** | **27.9** | **19.6** | **21.5** | **19.3** | **17.9** | **24.6** | **21.4** | **12.0** | **0.6** | **16.5** | **26.5** | **14.3** | **19.1** | **12.3** | **21.8** | **14.2** | **10.3** |
| OPEX | -5.7 | -7.0 | -6.3 | -7.6 | -11.5 | -9.2 | -8.3 | -9.3 | -9.3 | -10.7 | -13.1 | -11.0 | -1.0 | -2.3 | -2.3 | -4.3 | -5.0 | -3.2 | -5.6 | -6.4 | -4.7 |
| **Operating Profit** | **15.0** | **19.0** | **28.5** | **20.6** | **16.4** | **10.3** | **13.1** | **10.0** | **8.6** | **13.9** | **8.3** | **1.0** | **-0.3** | **14.2** | **24.2** | **10.0** | **14.1** | **9.2** | **16.2** | **7.7** | **5.6** |
| Exceptional Inc. /Exp. | -0.6 | -0.6 | -1.2 | -2.2 | -0.5 | -0.2 | -1.4 | 0.5 | 0.3 | 1.8 | 0.9 | 0.0 | -0.3 | -0.1 | 0.3 | 1.2 | -0.8 | 0.1 | -0.7 | -0.1 | -1.1 |
| Tax | -2.4 | -3.1 | -4.7 | -0.4 | -2.4 | 0.0 | -0.1 | -0.4 | 0.0 | -1.3 | -0.8 | 0.0 | 0.0 | -2.2 | 0.0 | -1.7 | -2.0 | 0.0 | -1.1 | -1.2 | 0.0 |
| **Net Income** | **12.0** | **15.2** | **22.6** | **18.0** | **13.5** | **10.1** | **11.7** | **10.0** | **9.0** | **14.4** | **8.4** | **0.9** | **-0.6** | **12.0** | **24.5** | **9.5** | **11.3** | **9.2** | **14.4** | **6.5** | **4.6** |
| **B/S (USD mn)** | | | | | | | | | | | | | | | | | | | | | |
| TA - (end of period) | 296 | 431 | 700 | 463 | 686 | 739 | 486 | 477 | 497 | 390 | 349 | 398 | 53 | 376 | 501 | 215 | 303 | 397 | 288 | 311 | 393 |
| TA* | 326 | 402 | 647 | 368 | 573 | 678 | 408 | 482 | 487 | 333 | 405 | 377 | 38 | 207 | 426 | 162 | 259 | 343 | 297 | 310 | 344 |
| BV (end of period) | 101 | 108 | 136 | 80 | 93 | 100 | 54 | 65 | 73 | 51 | 56 | 58 | 20 | 96 | 121 | 57 | 67 | 72 | 79 | 96 | 100 |
| Deposits - (end of period) | 191 | 312 | 548 | 345 | 565 | 607 | 368 | 387 | 396 | 333 | 288 | 332 | 26 | 198 | 306 | 142 | 217 | 306 | 180 | 190 | 268 |
| Loans - (end of period) | 48 | 91 | 190 | 39 | 66 | 130* | 13 | 55 | 121* | 9 | 7 | 7 | 1 | 94 | 185* | - | - | - | 4 | 9 | 11 |
| **Performance Ratios** | | | | | | | | | | | | | | | | | | | | | |
| **Net Banking Inc. (NBI) / TA**** | **6.5%** | **6.5%** | **5.4%** | **7.8%** | **4.9%** | **3.8%** | **5.4%** | **4.0%** | **3.7%** | **7.5%** | **5.3%** | **4.3%** | **1.7%** | **8.0%** | **8.3%** | **9.0%** | **7.4%** | **4.8%** | **7.5%** | **4.6%** | **4.0%** |
| Opex / TA** | -1.8% | -1.7% | -1.0% | -2.1% | -2.0% | -1.8% | -2.1% | -1.9% | -1.9% | -3.3% | -3.2% | -3.9% | -2.6% | -1.1% | -0.7% | -2.7% | -1.9% | -1.2% | -1.9% | -2.1% | -1.8% |
| Opex / NBI | -27.5% | -26.8% | -18.1% | -27.0% | -41.3% | -47.2% | -38.9% | -48.3% | -51.9% | -43.5% | -61.2% | -91.9% | -153.1% | -13.8% | -8.6% | -30.4% | -26.3% | -25.7% | -25.6% | -45.3% | -45.4% |
| Exceptional Inc./Exp. / NBI | -2.7% | -2.5% | -3.4% | -8.0% | -1.7% | -1.1% | -6.3% | 2.6% | 1.9% | 7.1% | 4.1% | -0.3% | -41.8% | -0.4% | 1.0% | 8.3% | -4.1% | 0.5% | -3.3% | -0.6% | -10.5% |
| Tax / NBI | -11.5% | -12.1% | -13.4% | -1.6% | -8.6% | 0.0% | -0.3% | -2.3% | 0.0% | -5.1% | -3.5% | 0.0% | 0.0% | -13.3% | 0.0% | -11.7% | -10.4% | 0.0% | -4.9% | -8.2% | 0.0% |
| Net Income (NI) / TA (ROA)** | 3.8% | 3.8% | 3.5% | 5.0% | 2.4% | 2.0% | 2.9% | 2.1% | 1.8% | 4.4% | 2.1% | 0.3% | n.v. | 5.8% | 7.7% | 5.9% | 4.4% | 3.6% | 4.9% | 2.1% | 1.8% |
| L/D (end of period) | 25.0% | 29.0% | 34.7% | 11.3% | 11.7% | 21.3%* | 3.6% | 14.1% | 30.5%* | 2.6% | 2.5% | 2.2% | 2.8% | 47.2% | 60.4%* | - | - | - | 2.3% | 5.0% | 4.1% |
| L/D (average) | 40.4% | 40.8% | 31.1% | 15.6% | 10.1% | 18.5%* | 4.2% | 8.5% | 20.9%* | 3.4% | 2.4% | 2.5% | 3.6% | 38.4% | 53.6%* | - | - | - | 5.1% | 2.4% | 4.9% |
| Loans/TA (end of period) | 16.1% | 21.0% | 27.2% | 8.4% | 9.7% | 17.5%* | 2.7% | 11.4% | 24.3%* | 2.2% | 2.0% | 1.9% | 1.3% | 24.9% | 36.9%* | - | - | - | 1.4% | 3.0% | 2.8% |
| Deposits/TA (end of period) | 64.4% | 72.5% | 78.4% | 74.4% | 82.5% | 82.1% | 75.7% | 81.2% | 79.6% | 85.3% | 82.7% | 83.4% | 48.3% | 52.7% | 61.1% | 66.1% | 71.5% | 77.2% | 62.4% | 61.2% | 68.0% |
| Leverage (end of period) | 2.9 | 4.0 | 5.2 | 5.8 | 7.3 | 7.4 | 8.9 | 7.4 | 6.8 | 7.6 | 6.3 | 6.9 | 2.6 | 3.9 | 4.1 | 3.8 | 4.6 | 5.5 | 3.6 | 3.3 | 3.9 |
| Leverage (average) | 3.3 | 3.9 | 5.3 | 5.1 | 6.6 | 6.9 | 8.1 | 8.0 | 7.1 | 6.7 | 6.4 | 7.3 | 3.9 | 3.5 | 3.9 | 3.1 | 4.2 | 5.0 | 4.1 | 3.6 | 351% |
| ROE = ROA X Lev. (average) | 12.4% | 14.7% | 18.5% | 25.4% | 15.6% | 13.7% | 23.7% | 16.6% | 13.1% | 29.7% | 13.4% | 2.4% | n.v. | 20.0% | 29.7% | 18.5% | 18.3% | 17.8% | 20.1% | 7.5% | 6.2% |
| **Growth Rates** | | | | | | | | | | | | | | | | | | | | | |
| Deposit Growth (annualized) | 62% | 64% | 75% | 58% | 64% | 10% | 29% | 5% | 2% | 56% | -14% | 20% | 51% | 669% | 73% | 188% | 52% | 55% | -17% | 5% | 54% |
| Deposit Rates - Aug. 2010 | | | | | | | | | | | | | | | | | | | | | |
| (ID-Saving Deposits) | | | 7.00% | | | 3.75% | | | 4.00% | | | 1.25% | | | 6.00% | | | - | | | 3.25% |
| (USD-Saving Deposits) | | | 7.00% | | | 1.50% | | | 2.00% | | | 0.13% | | | 3.50% | | | - | | | 1.50% |
| Loan Growth (annualized) | -32% | 90% | 110% | -13% | 70% | 127%* | -8% | 311% | 121%* | -8% | -19% | 6% | 17% | m.d. | 130%* | - | - | - | -74% | 132% | 20% |
| Loan Rates - Aug 2010 | | | | | | | | | | | | | | | | | | | | | |
| (ID-Short Term Loans) | | | 13.00% | | | 11.00% | | | 13.00% | | | 18.00% | | | 12.00% | | | - | | | n.a. |
| (USD-Short Term Loans) | | | 13.00% | | | 12.00% | | | n.a. | | | n.a. | | | 15.00% | | | - | | | n.a. |
| Number of Branches | | | 14 | | | 36 | | | 19 | | | 14 | | | 6 | | | 6 | | | 15 |

** RS loan estimate: We multiply "monetary credit" with "loans/monetary credit ratio in 2009".*

***Interim period income statement (I/S) lines as a percentage of assets: We divide annualized I/S data to average assets.*

*Source: Iraq Stock Exchange, Iraq Securities Commission, Central Bank of Iraq, Company websites*

*"n.v.": negative value*

## Table (1.3) – 21 Listed Private Banks

| Bank Name | ISX Code | Last Price 10.Mar (ID) | Mcap (ID bln) | Mcap ($ mn) | Paid-in Capital Current (ID bln) | Last Financials(2) (Term) | Book Value Last(3) (ID bln) | Book Value Adj.(4) (ID bln) | Deps Last (ID bln) | Deposit Growth 2008 | Deposit Growth 2009 | Deposit Growth 2010 YTD (Annual.) | Dep Mkt Share(5) 2009 | M Cap/ Deps Last | P/BV Last(6) | P/BV Adj.(7) | P/E Last(8) | P/E Adj.(9) | RoE Last(10) | RoE Adj.(11) | RoA Last(12) | RoA Adj.(13) | Foreign Owner-ship (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Large Banks** | | | | | | | | | | | | | | | | | | | | | | | |
| Bank of Baghdad | BBOB | 3.03 | 303.0 | 259.0 | 100.0 | 9M10 | 116.9 | 150.0 | 710.1 | 58% | 64% | 10% | 1.7% | 43% | 2.6 | 2.2 | 19.2 | 19.2 | 14.0% | 11.9% | 1.9% | 2.0% | KIPCO-Burgan Bank (51%) |
| North Bank | BNOR | 3.06 | 382.5 | 326.9 | 125.0 | 2010 | 163.6 | 163.6 | 641.3 | 62% | 64% | 75% | 0.9% | 60% | 2.3 | 2.3 | 14.4 | 14.3 | 18.6% | 18.1% | 4.0% | 4.0% | - |
| Warka Bank(1) | BWAI | 1.26 | 94.5 | 80.8 | 75.0 | 9M10 | 131.1 | 150.0 | 537.7 | 115% | 0% | -34% | 1.9% | 18% | 0.7 | 0.8 | 6.4 | 7.2 | 13.1% | 12.0% | 1.7% | 1.8% | - |
| Middle East Bank | BIME | 1.70 | 170.0 | 145.3 | 100.0 | 2010 | 120.0 | 150.0 | 463.3 | 29% | 5% | 2% | 1.2% | 37% | 1.4 | 1.3 | 16.2 | 14.5 | 13.0% | 9.5% | 1.8% | 2.2% | - |
| Dar Es Salam Bank | BDSI | 6.75 | 486.0 | 415.4 | 72.0 | 9M10 | 67.7 | 150.0 | 388.2 | 56% | -14% | 20% | 0.9% | 125% | 7.2 | 3.8 | 332.5 | 100.4 | 2.2% | 3.8% | 0.3% | 1.1% | HSBC (70%) |
| United Bank | BUND | 2.83 | 424.5 | 362.8 | 150.0 | 9M10 | 179.4 | 179.4 | 358.4 | 51% | 669% | 73% | 0.6% | 118% | 2.4 | 2.4 | 11.1 | 10.6 | 30.1% | 24.3% | 7.5% | 7.3% | - |
| Kurdistan Int. Bank | BKUI | 1.52 | 152.0 | 129.9 | 100.0 | 9M10 | 134.6 | 150.0 | 358.2 | 188% | 52% | 55% | 0.7% | 42% | 1.1 | 1.1 | 10.6 | 9.5 | 17.7% | 12.1% | 3.5% | 3.7% | - |
| Credit Bank of Iraq | BROI | 2.90 | 290.0 | 247.9 | 100.0 | 9M10 | 132.2 | 150.0 | 313.0 | -17% | 5% | 54% | 0.6% | 93% | 2.2 | 2.1 | 40.8 | 35.1 | 6.2% | 6.0% | 1.7% | 2.0% | National B. of Kuwait (n.a.) |
| **Mid-Sized Banks** | | | | | | | | | | | | | | | | | | | | | | | |
| Gulf Commercial Bank | BGUC | 1.14 | 65.0 | 55.5 | 57.0 | 9M10 | 63.1 | 150.0 | 192.9 | 56% | 13% | 4% | 0.5% | 34% | 1.0 | 1.0 | 13.4 | 16.4 | 7.9% | 6.2% | 1.8% | 2.6% | - |
| Mosul Bank | BMFI | 1.28 | 64.0 | 54.7 | 50.0 | 9M10 | 60.7 | 150.0 | 188.1 | 69% | 18% | 16% | 0.4% | 34% | 1.1 | 1.0 | 8.3 | 12.5 | 12.9% | 8.2% | 3.2% | 3.7% | - |
| Babylon Bank | BBAY | 0.98 | 49.0 | 41.9 | 50.0 | 9M10 | 59.2 | 150.0 | 137.9 | 77% | 38% | 34% | 0.3% | 36% | 0.8 | 0.9 | 9.7 | 14.4 | 8.8% | 6.5% | 2.7% | 3.5% | - |
| Investment Bank of Iraq | BIBI | 1.19 | 89.3 | 76.3 | 75.0 | 2009 | 77.0 | 150.0 | 119.0 | 31% | 19% | n.a. | 0.3% | 75% | 1.2 | 1.1 | 19.4 | 18.0 | 7.3% | 6.0% | 2.4% | 3.2% | - |
| Economy Bank for Inv. | BEFI | 1.41 | 107.2 | 91.6 | 76.0 | 2009 | 84.6 | 150.0 | 116.1 | 223% | 11% | n.a. | 0.3% | 92% | 1.3 | 1.2 | 16.8 | 17.7 | 7.6% | 6.5% | 3.1% | 3.6% | A'ayan Comp. -Kuwait (n.a.) |
| **Small Banks** | | | | | | | | | | | | | | | | | | | | | | | |
| Commercial Bank(1) | BCOI | 1.39 | 83.4 | 71.3 | 60.0 | 2009 | 84.2 | 150.0 | 86.9 | -4% | -3% | n.a. | 0.2% | 96% | 1.0 | 1.0 | 21.8 | 20.8 | 4.6% | 4.8% | 1.8% | 2.6% | Ahli United B.-Bahrain (52%) |
| Al-Mansour Bank | BMNS | 1.74 | 130.5 | 111.5 | 75.0 | 2010 | 81.0 | 150.0 | 83.3 | 300% | 17% | 56% | 0.1% | 157% | 1.6 | 1.3 | 28.5 | 24.6 | 5.6% | 5.4% | 2.9% | 3.6% | Qatar National Bank (23%) |
| Union Bank of Iraq | BUOI | 0.96 | 48.0 | 41.0 | 50.0 | 3M10 | 55.7 | 150.0 | 64.5 | 220% | 399% | 8% | 0.2% | 74% | 0.9 | 0.9 | 7.1 | 12.3 | 12.3% | 7.8% | 5.5% | 5.3% | - |
| Dijla and Furat Bank | BDFD | 0.90 | 45.0 | 38.5 | 50.0 | 6M10 | 52.6 | 150.0 | 63.8 | n.a. | 40% | -57% | 0.2% | 71% | 0.9 | 0.9 | 13.2 | 17.0 | 6.3% | 5.5% | 1.1% | 2.0% | - |
| National Bank of Iraq(1) | BNOI | 0.91 | 45.5 | 38.9 | 50.0 | 3M10 | 53.1 | 150.0 | 50.3 | 72% | 7% | 99% | 0.1% | 90% | 0.9 | 0.9 | 8.6 | 13.9 | 10.1% | 6.9% | 5.3% | 5.2% | Capital Bank-Jordan (n.a.) |
| Sumer Commerical B.(1) | BSUC | 0.81 | 56.7 | 48.5 | 70.0 | 9M10 | 74.2 | 150.0 | 42.5 | 34% | 29% | 62% | 0.1% | 133% | 0.8 | 0.9 | 15.0 | 15.7 | 6.4% | 5.6% | 3.7% | 4.3% | - |
| Ashur Bank | BASH | 0.99 | 66.0 | 56.4 | 66.7 | 9M10 | 75.7 | 150.0 | 40.9 | 104% | -9% | -70% | 0.2% | 161% | 0.9 | 0.9 | 7.7 | 11.4 | 11.8% | 8.4% | 6.0% | 5.7% | - |
| Iraqi Islamic Bank | BIIB | 0.87 | 44.5 | 38.1 | 51.2 | 3M10 | 51.4 | 150.0 | 25.6 | 37% | 20% | -81% | 0.1% | 174% | 0.9 | 1.0 | - | 31.4 | n.v. | 3.0% | n.v. | 2.5% | - |
| Large Banks | | | 2,302.5 | 1,967.9 | 822.0 | | 1,045.4 | 1,243.0 | 3,770.3 | 57% | 19% | | 8.4% | 61% | 2.2 | 2.0 | 17.9 | 17.1 | 17.7% | 12.4% | 3.3% | 3.5% | |
| Mid-Sized Banks | | | 374.4 | 320.0 | 308.0 | | 344.6 | 750.0 | 754.0 | 72% | 18% | | 1.8% | 50% | 1.1 | 1.0 | 13.1 | 15.6 | 8.8% | 6.7% | 2.6% | 3.3% | |
| Small Banks | | | 519.7 | 444.2 | 472.9 | | 527.8 | 1,200.0 | 457.7 | 85% | 22% | | 1.2% | 114% | 1.0 | 1.0 | 14.6 | 16.8 | 7.0% | 5.9% | 2.9% | 3.7% | |
| Total / Average | | | 3,196.6 | 2,732.1 | 1,602.9 | | 1,917.8 | 3,193.0 | 4,981.9 | 63% | 19% | | 11.5% | 64% | 1.7 | 1.4 | 16.6 | 16.8 | 12.4% | 8.5% | 3.1% | 3.5% | |

*(1) Banks that are suspended trading*

*(2) The date of the most recent financial statements*

*(3) BV (Last): We add the proceeds of a capital increase that occured after the latest financial statements.*

*(4) BV (Adj.): We add the estimated equity needing to be raised to arrive at a BV of ID150 billion.*

*(5) Dep Mkt Share: Deposit As a % of total deposits of the Iraqi banking sector as of the end of 2009.*

*(6) P/BV (Last): Calculated by dividing current Mcap by BV (Last).*

*(7) P/BV(Adj.): We divide "Mcap (Adj. (15))" to BV(Adj. (4))*

*(8) PE (Last): We divide "Current MCap" to "annualized YTD profit".*

*(9) PE (Adj.): We divide "Mcap (Adj. (15))" to "YTD Annualized Net Profit(Adj. (16))".*

*(10) ROE (Last): We divide "Annualized YTD net profit" by "average BV".*

*(11) ROE (Adj.): We divide "YTD Annualized Net Profit(Adj. (16))" to "average BV (Adj.)".*

*(12) ROA (Last): We divide "YTD annualized earnings" to "average Total Assets(TA)".*

*(13) ROA (Adj.): We divide "YTD Annualized Net Profit(Adj.)" to "average TA (Adj. (17))".*

*(14) Planned capital increase (if required): Difference between current BV (Last) and ID150bln capital target set for mid-2012.*

*(15) Mcap (Adj.): We add "Planned capital increase (14)" to "Current Mcap".*

*(16) YTD annualized Net Profit (Adj.): We added estimated increase in net income resulting from additional equity resulting from capital increase to net income.*

*(17) TA (Adj.) was calculated by adding "planned capital increase (14)" to TA.*

*"n.v.": negative value*

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