

**Central Bank of Iraq**  
**Statistics and Research Department**  
**Macroeconomics Division**  
**Credit and Interest Rates Section**



## **Weighted Interest Rates Structure on Deposits and Credit of Commercial and Specialized Banks for H2 of 2024**

## **Introduction:**

The interest rate instrument is an important instrument in the banking system and monetary policy, due to its impact on economic growth, whether in terms of mobilizing savings or in terms of providing the necessary funding for investment and consumption. This report presents a new mechanism for calculating the weighted interest rate on deposits and credit, which is an indicator that was not calculated or adopted in monetary statistics in Iraq. It's worth mentioning that there is feedback between the weighted interest rate and the monetary policy rate, since the policy rate directly affects the interbank interest rates, which in turn affects the average interest rates on loans and deposits. The report also includes the calculation of risk premiums on deposits in dinars, in addition to stating the interest rate margin on deposits and credit (spread factor). It also addressed the differences of interest rates averages between deposits and credit in Iraqi dinar and US dollar for various terms during H2 of 2024.

### **First: The Possibility of Guidance Between the Weighted Interest Rate and the Monetary Policy Rate**

The weighted interest rate refers to the relationship between average market interest rates (weighed by deposits and credit per bank), and the policy rate, which is the rate that the central bank determines as part of its monetary policy in directing monetary policy and is used to influence interest rates in the market to withdraw liquidity. It is the reference rate determined by the central bank, such as the rediscount rate or the interest rate on interbank lending (the reference rate). The relationship between the two rates is considered an indicator of the effectiveness of monetary policy and their impact on the financial and banking market.

But how can the policy rate be guided by the weighted interest rate?

Indeed, this can be accomplished by the central bank adjusting its policy rate in alignment with fluctuations in weighted interest rates (on deposit and lending in the national and foreign currencies).

Meaning that, if the weighted interest rate changes because of fluctuations in interbank interest rates, the policy rate is expected to respond to these changes, but is the opposite true? (That is, can the policy rate be the cause of the weighted interest rate?), in fact, this is possible because monetary policy interest rates can exert their influence on the overall interest rates in the banking sector, however, it remains important for policy to be guided by a benchmark rate that expresses the cost of funds in the economy, which can be represented by the weighted interest rate. Guiding the weighted interest rate helps to adjust credit expansion and control the demand for money.

**Several factors influence the construction of the weighted interest rate:**

1. The degree of liquidity in the banking sector has a direct impact on its interest rates.
2. The level of competition among banks in highly competitive markets; interest rates may not rise easily.
3. Inflationary expectations: if inflationary expectations are high, weighted interest rates will move to meet those expectations.
4. The reciprocal relationship between the exchange rate gap and the real interest rate on national currency deposits and loans.

## **Second: The Development of Local Interest Rates on Deposits and Credit**

### **Central Bank of Iraq Interest Rates**

The Central Bank of Iraq adopts, in formulating its monetary policy in its current philosophy, on what are called the resulting rules on informatics, or signals to generate stability in the financial market. These indicative methods in the work of monetary policy start from the Central Bank's interest rate indicator (policy rate), which represents an indicative rate that helps to transmit signals that affect the trends and development of the interest rates structure and the time conditions of its components through the outstanding facilities in which the Central Bank of Iraq receives banks' deposits, under which it grants the required credit, even if it is limited. Central banks use interest rates to control inflation rates at the targeted range to withdraw surplus liquidity in line with macroeconomic needs.

#### **Box (1)**

Based on monetary policy directions to achieve stability in the general level of prices in a way that does not conflict with the expected economic growth, the Board of Directors of the Central Bank of Iraq decided the following: -

- 1- Reducing the monetary policy rate to (5.5%) instead of (7.5%).
- 2- Reactivating securities (Islamic certificates of deposit, traditional transfers under an annual plan and with two terms:
  - 14-day maturity with a return of (4%).
  - 182-day maturity with a return of (5.5%).

The Central Bank's policy rate was set at (7.5%) for the months (July, August, September) of 2024, then it was reduced for the months (October, November, December) of 2024 to record (5.5%), as a result of the decrease in the inflation rate by a greater percentage than the policy rate, while the real interest rate ranged between (1.1%, 4.4%). In contrast, the interest rate on lending facilities in Iraqi dinars was recorded at (9.5%) for primary credit, (10.5%) for secondary credit, and the last resort loan was recorded (11%) for the months (July, August, September) of 2024. In contrast, it was recorded (7.5%) for primary credit, (8.5%) for secondary credit, (9%) for the last resort loan for the months (October, November, December) of 2024.

<b>Table (1)</b> Central Bank of Iraq's Interest Rates Development for H2 of 2024 in Iraqi Dinar (%)						
Months				Lending Facility Interest Rates		
	Central Bank Short-Term Interest Rate	Inflation Rate	Real Interest Rate*	Primary Credit	Secondary Credit	Last Resort Loan
July	7.5	3.70	3.8	9.5	10.5	11
August	7.5	3.70	3.8	9.5	10.5	11
September	7.5	3.10	4.4	9.5	10.5	11
October	4	2.90	1.1	7.5	8.5	9
November	4	2.90	1.1	7.5	8.5	9
December	4	2.70	1.3	7.5	8.5	9

Source: Central Bank of Iraq, Statistical Website, [www.cbi.iq](http://www.cbi.iq)

\* The real interest rate was calculated under the following equation (the 14-day Central Bank product rate - inflation rate).

### **Third: Calculating Weighted Interest Rates for H2 of 2024**

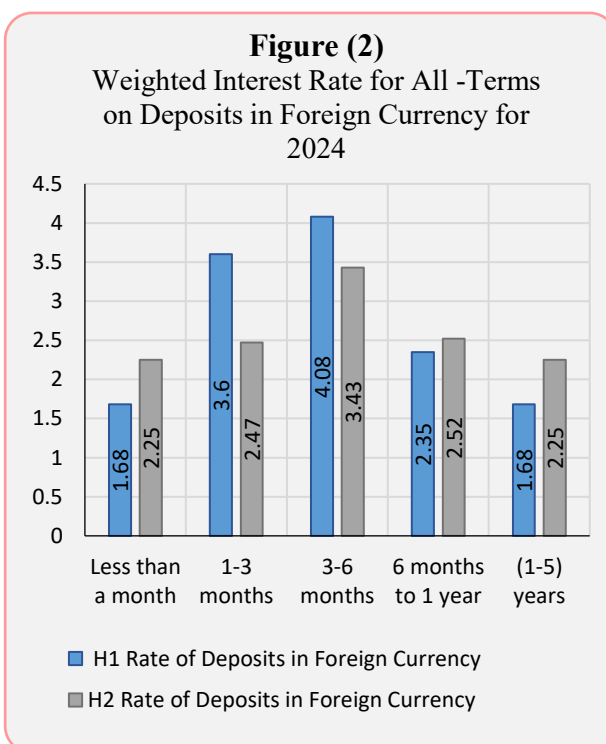
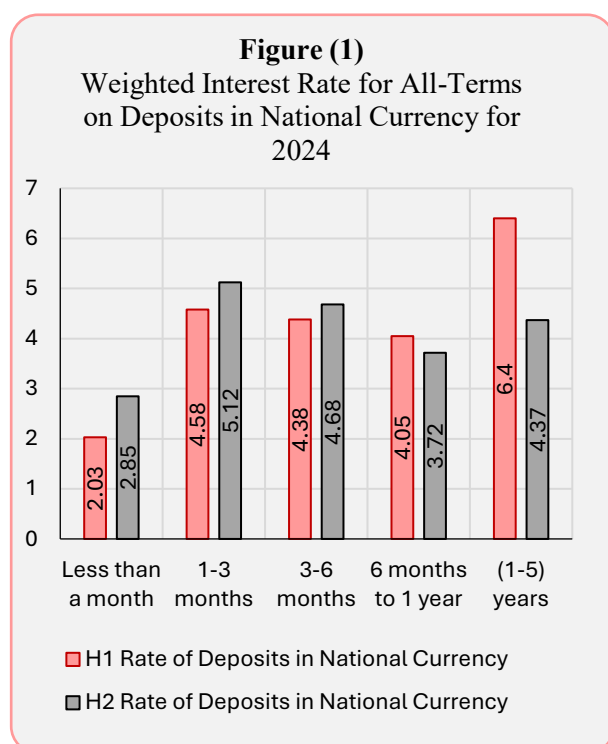
#### **1. Deposit-Weighted Interest Rate for H2 of 2024**

The general weighted interest rate on deposits for all terms in national currency for the second half of 2024 recorded a decrease of (2.8%) compared to the first half of the same year, recording (4.16%) in the second half after what it was (4.28%) during the first half. **Table (2)** shows the movement of the weighted interest rate on deposits in national currency for terms of less than a month, the period of (1-3) months, and the period of (3-6) months, a growth of (40.39%, 11.79%, 6.85%), respectively. In contrast, the rate witnessed weighted interest rates for the period (6-12) months, and the period (1-5) years decreased by (7.23%, 33.93%) respectively.

As for the general weighted interest rate on deposits for all terms in foreign currency during 2024, it recorded an increase of (2.3%) compared to the first half of the same year, to record (2.64%) in the second half after it was (2.58%) during the first half, and the weighted interest rate on deposits in foreign currency recorded for terms of the period less than a month, it grew by (33.93%). While the weighted interest rate for the period from (1-3) and (3-6) months recorded a decrease of (31.39%, 15.93%), respectively. The weighted interest rate for the period (6-12) months recorded a growth of (7.23%), while the weighted interest rate recorded a decrease of (33.93%) for a period of (1-5) years. From the above, it is noted that changes in the weighted interest rate on deposits fluctuate continuously for both currencies, dinar and dollar. In addition to the percentage of banks' contribution to attracting deposits that affect weighted interest rates and

various terms. As we notice an increase in the interest rate in the second half for short-term periods compared to a decrease in the medium and long term.

<b>Table (2) Weighted Interest Rate on Deposits for All Terms of 2024</b>						
Terms	First Half Rate for Deposits in National Currency	First Half Rate for Deposits in Foreign Currency	Second Half Rate for Deposits in National Currency	Second Half Rate for Deposits in Foreign Currency	Growth Rate of Deposits in National Currency	Growth Rate of Deposits in Foreign Currency
Less than a month	2.03	1.68	2.85	2.25	40.39	33.93
1-3 months	4.58	3.60	5.12	2.47	11.79	31.93-
3-6 months	4.38	4.08	4.48	3.43	6.85	15.93-
6 months to 1 year	4.05	2.35	3.72	2.52	8.15-	7.23
(1-5) years	6.40	1.68	4.37	2.25	31.72-	33.93



## 2. Weighted Interest Rate on Credit for H2 of 2024

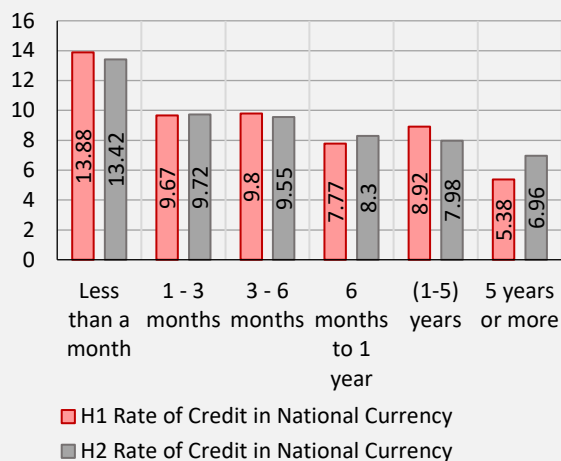
The general weighted interest rate on credit for all-term granted in national currency for the second half of 2024 recorded a growth of (18.3%) compared to the first half of the same year, recording (7.1%) after it was (6%). **Table (3)** shows the changes in the weighted interest rate on credit in national currency for terms

of (1-3) months, terms of (6-12) months, and terms of (5 years or more), a growth of (0.52%, 6.82%, 29.37%), respectively. On the other hand, the weighted interest rate for the period under one month, the period (3-6) months and the period (1-5) years witnessed a decrease of (3.31%, 2.55%, 10.54%) respectively.

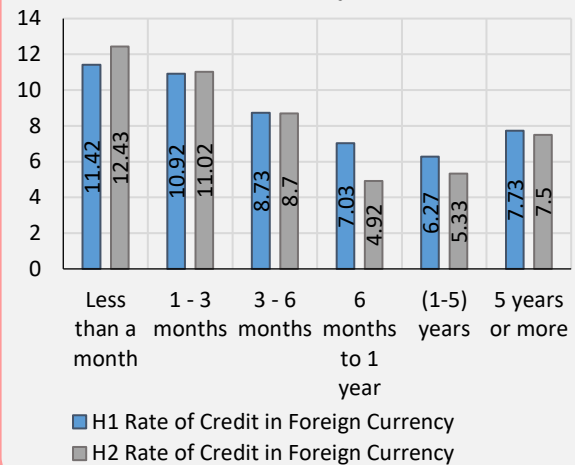
As for the general weighted interest rate on credit for all terms in foreign currency, it was stable and did not witness any change in its growth compared to the first half of 2024, as it was between (2.6%, 2.7%). The weighted interest rate on credit in foreign currency for terms less than a month and for a period of (1-3) months recorded a growth rate of (8.84%, 0.92%) respectively. On the other hand, the weighted interest rate for the period (3-6) months, the period (6-12) months, the period (1-5) years, and the period (5 years or more) recorded a decrease of (0.34%, 30.01%, 14.99% and 2.98%) respectively.

<b>Table (3)</b> General Weighted Interest Rate on Credit for All Terms at Banks for H2 of 2024						
Terms	First Half Rate for Credit in National Currency	First Half Rate for Credit in Foreign Currency	Second Half Rate for Credit in National Currency	Second Half Rate for Credit in Foreign Currency	Growth Rate of Credit in National Currency	Growth Rate of Credit in Foreign Currency
Less than a month	13.88	11.42	13.42	12.43	-3.31	8.84
1 - 3 months	9.67	10.92	9.72	11.02	0.52	0.92
3 - 6 months	9.80	8.73	9.55	8.70	-2.55	-0.34
6 months to 1 year	7.77	7.03	8.30	4.92	6.82	-30.01
(1-5) years	8.92	6.27	7.98	5.33	-10.54	-14.99
5 years or more	5.38	7.73	6.96	7.50	29.37	-2.98

**Figure (3)** Weighted Interest Rate on Credit in National Currency for All Terms of 2024



**Figure (4)** Weighted Interest Rate on Credit in Foreign Currency for All Terms of 2024

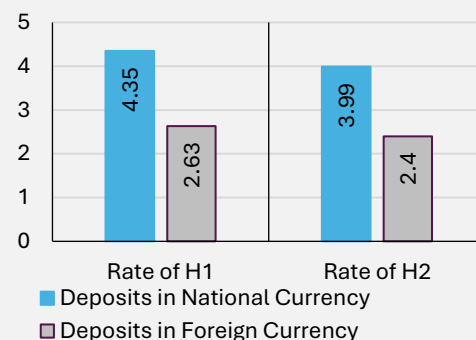


### 3. Weighted Interest Rate for State-Owned Banks (SOBs) and Private Banks for H2 of 2024

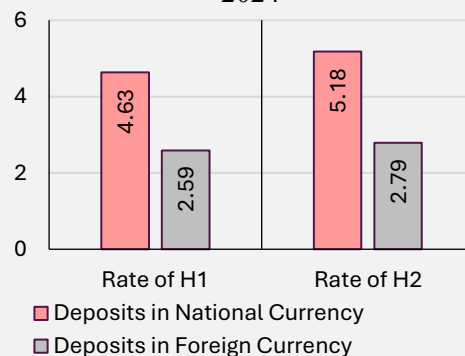
#### A. Weighted Interest Rate on Deposits:

The weighted interest rate on State-Owned Banks' deposits in national currency for H2 of 2024 recorded a decrease of (8.22%) to reach (3.99%) compared to the rate of H1 for the same year (4.35%). The weighted interest rate for SOBs' deposits in foreign currency also recorded a decrease of (9.02%) to record (2.40%) compared to the rate of H1 of the same year (2.63%).

**Figure (5)** Weighted Interest Rate on Deposits of SOBs for 2024



**Figure (6)** Weighted Interest Rate on Deposits of Private Banks for 2024



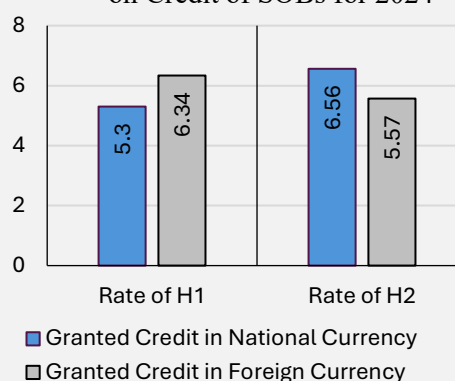
The weighted interest rate on private banks' deposits in national currency recorded a growth of (11.71%) reaching (5.18%) compared to the rate of H1 for the same year (4.63%), while the weighted interest rate of deposits in foreign currency recorded a growth of (7.7%) reaching (2.79%) compared to the rate for H1 of the same year reaching (2.59%). Noting that the weighted interest rate on deposits in private banks recorded growth in both: the national and foreign currencies, unlike SOBs which recorded a decline in both currencies.



### B. Weighted Interest Rate on Credit:

The weighted interest rate on credit of SOBs in national currency for H2 of 2024 recorded an increase of (23.92%) to record (6.56%) compared to the rate of H1 of the same year reaching (5.30%). While the weighted credit rate in foreign currency recorded a decrease of (12.18%) reaching (5.57%) compared to the rate of H1 of the same year (6.34%).

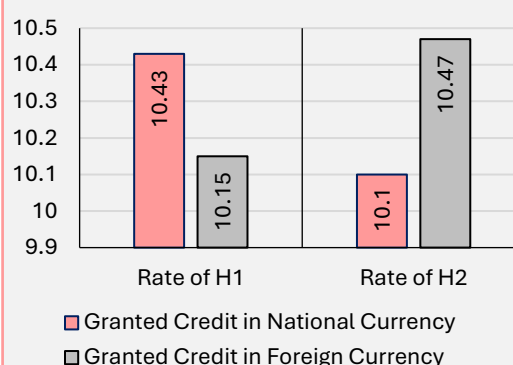
**Figure (7)** Weighted Interest Rate on Credit of SOBs for 2024



The weighted interest rate on credit of private banks in national currency recorded a decrease of (3.19%) reaching (10.10%) compared to the rate of H1 of the same year (10.43%), While the weighted interest rate on credit in foreign currency recorded a growth of (3.17%) reaching (10.47%) compared to the rate of H1 of the same year (10.15%).

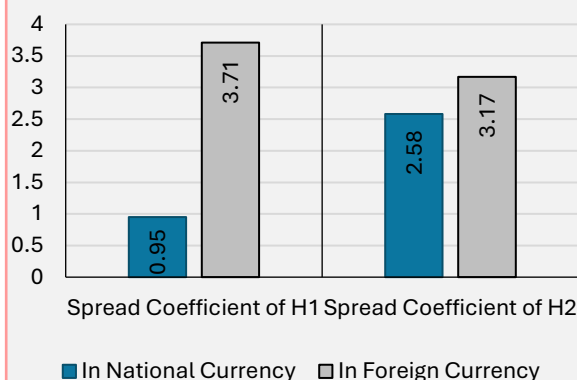
Noting that the weighted interest rate on credit in the national currency of SOBs increased during H2 of 2024, while it decreased in private banks. On the other hand, it is noted that the weighted interest rate in foreign currency decreased in SOBs during H2 of 2024 and increased in private banks due to the nature of SOBs operations and the facilities provided by them.

**Figure (8)** Weighted Interest Rate on Credit of Private Banks for 2024

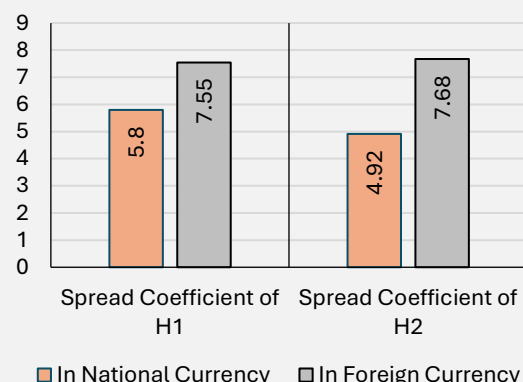


With reference to **Appendix (2)**, the spread coefficient of SOBs recorded (2.58%) in Iraqi dinar and (3.17%) in US dollar, while the spread coefficient of private banks recorded (4.92%) in Iraqi dinar and (7.68%) in US dollar.

**Figure (9) Spread Coefficient of SOBs for 2024**



**Figure (10) Spread Coefficient of Private Banks for 2024**



#### **Fourth: Calculating Risk Premium Under the Weighted Interest Rate**

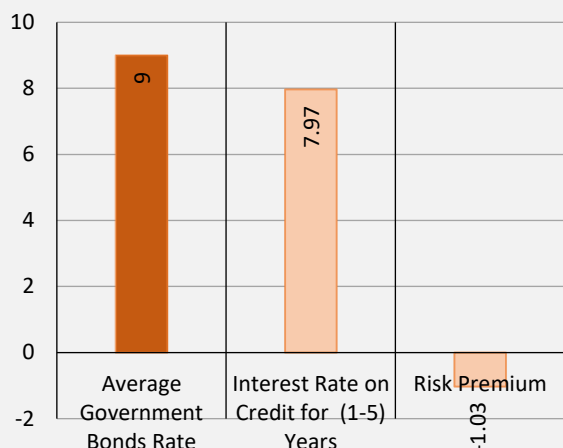
##### **1. Risk Premium on Credit:**

This was measured by the interest rates set by banks on credit granted and the policy interest rate via existing facilities. Here, it is noted that banks compare between the interest rates they earn from government bonds, which represent a risk-free investment opportunity for their operations and portfolio diversification and the interest rates they obtain from extending credit to individuals, which carry risks arising from individuals' failure to pay. It is noted here that the interest rate of government bonds<sup>1</sup> for the period of (1-5) years reached (9%) with an increase of (20%) over the previous issue, against the weighted interest rate on credit for H2 of 2024 reaching (7.97%) for the same period with a decrease of (10.44%) over H1 of 2024 reaching (8.9%), meaning there is a risk premium on credit by (-1.03%) as shown in **figure (11-A)**. It can be noted that the government crowding out the private sector in the use of financial institutions' and banks' savings. This is due to an increase in government bond issuances and rising bond prices on one hand, while the Central Bank simultaneously introduced its own products. This created an environment where banks directed their funds toward safe investments, reflected by a slowdown in growth rates not exceeding (1%) in monetary credit granted to the private sector during the second half of 2024.

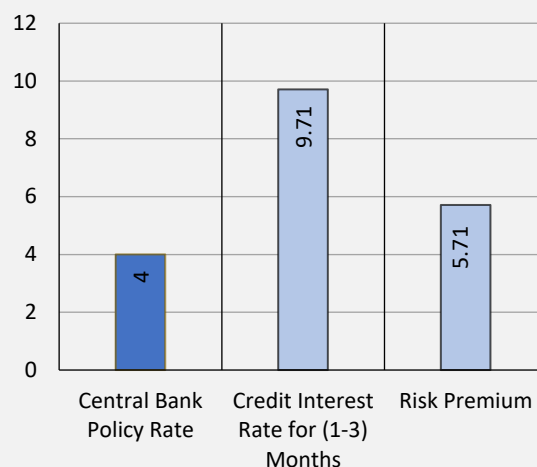
When comparing the interest rate on credit for (1-3) months with the central bank policy rate shown in **figure (11-B)**, it reflects banks' preferences in investing in central bank products at a lower price or raising interest rates on credit by the amount of the risk premium reaching (5.71%).

<sup>(1)</sup> The return on government bonds, specifically the National Bonds (Second Issuance), was used, as stipulated by the circular dated 23/3/2025.

**Figure (11-A)** Risk Premium on Credit with Government Bonds Rate for 2024 (in IQD)



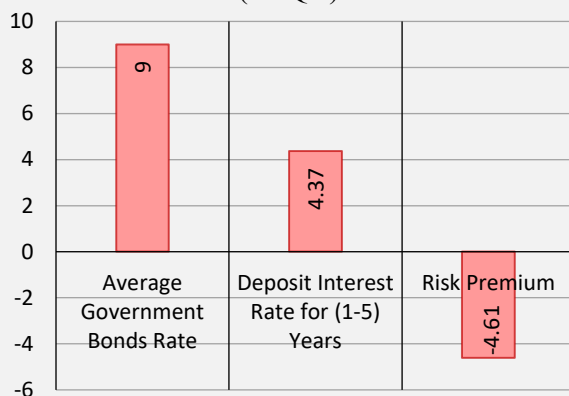
**Figure (11-B)** Risk Premium on Credit with Central Bank Policy Rate for 2024 (in IQD)



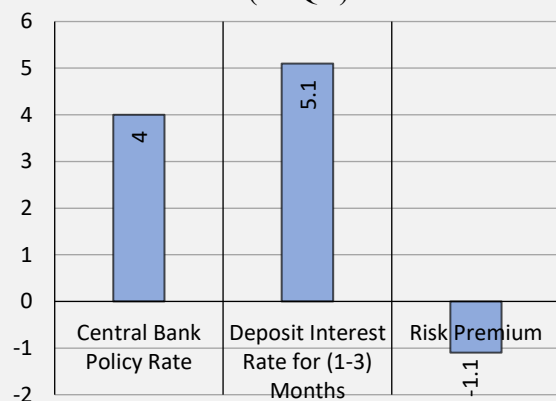
## 2. Risk Premium on Deposits:

This was measured by the difference between the interest rate set by banks on deposits and the interest rate on government bonds presented by the central bank in favor of Ministry of Finance, which is risk-free. Here, individuals will compare the returns they will earn on the investment in government bonds or by depositing with banks, from which the reserve requirement ratio set by the Central Bank is deducted, it affects the returns obtained by individuals, in addition to the risks associated with a default on interest payments or the loss of the principal deposit. Through comparison between the return rate of government bonds for (1-5) years, which increased by (20%) over the previous issue reaching (9%) against the weighted interest rate on domestic deposits during H2 of 2024 for (1-5) years, that decreased by (31.71%) to record (4.37%) compared to H1 of the same year reaching (6.40%). It is noted that the risk premium recorded a rate of (-4.61%) for H2 of 2024, as shown in figure (12-A), while it recorded (-1.1%) for H1 of the same year. Figure (12-B) shows the risk premium when comparing the term (1-3) months with the central bank monetary policy rate, as it recorded (-1.1%) due to the reduction of the monetary policy rate from (7.5%) to (5.5%) on one hand and the rise of government bond prices, on the other hand, which affects the bank's policy in drawing up credit and deposit policy, in addition to the competition with government bonds and their high returns in the second issue.

**Figure (12-A)** Deposit Risk Premium with Government Bonds Rate for 2024 (in IQD)



**Figure (12-B)** Deposit Risk Premium with Central Bank Policy Rate for 2024 (in IQD)

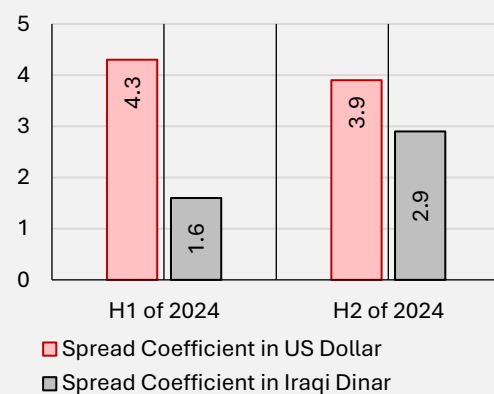


## Fifth: Interest Rate Margin on Deposits and Credit

### 1. Spread Coefficient or Interest Rate Gap:

The interest rate margin (spread coefficient or interest rate gap) is the difference between interest rates on deposits and credit, as it reflects the bank's efficiency to control the liquidity level. It is also considered a real standard to achieve optimal financial market competition through attracting as many customers as possible who are seeking to maximize profits on their deposits. Also, those who are looking for the lowest cost of loans to finance their projects to achieve the collective benefit of both sides of the equation (depositor and lender). This indicator reflects the difference between the interest rate on credit (loans) received in favor of the banks and deposit interest rate granted by the bank in favor of the customers. In some countries of the world, the interest rate margin varies, ranging between lending and deposits at a level of (2.5%); not exceeding (3%). It is noted through table (4) that the spread coefficient between received and paid interest rates by commercial banks is lower than the standard ratio of (3%), as it reached (2.9%) in Iraqi dinar. It can be noted that the increase of spread coefficient during H2, specifically for Q4 of 2024 due to the increase of credit rates during this period. It is possible that the reason for that is the acceleration of the government's internal debt through the issuance of bonds. The spread coefficient recorded (3.9%) in US dollar for H2 of 2024.

**Figure (13)** Spread Coefficient in Iraqi Dinar and US Dollar for 2024



**Table (4)** Spread Coefficient in Iraqi Dinar and US Dollar for H2 of 2024 (%)

Month	Weighted Interest Rate on Credit in Iraqi Dinar	Weighted Interest Rate on Deposits in Iraqi Dinar	Spread Coefficient in Iraqi Dinar
Jul	6.2	3.9	2.3
Aug	6.0	3.9	2.2
Sep	6.3	4.2	2.2
Oct	8.0	4.6	3.4
Nov	8.1	4.1	3.9
Dec	7.7	4.3	3.4
Average	7.1	4.2	2.9
Month	Weighted Interest Rate on Credit in US Dollar	Weighted Interest Rate on Deposits in US Dollar	Spread Coefficient in US Dollar
Jul	5.6	2.6	3.1
Aug	5.7	2.7	2.9
Sep	6.9	2.6	4.3
Oct	6.9	2.7	4.2
Nov	6.9	2.6	4.3
Dec	6.9	2.6	4.3
Average	6.5	2.6	3.9

Source: Official Letters of Operating Banks in Iraq Regarding Monthly Interest Rates For 2024.

## 2. Real Interest Rate:

The monetary policy rate serves as a key indicator for the structure and maturities of market interest rates. It provides strong signals to the financial market to adjust interest rates in a desirable manner within the term structure of interest rates, which must ensure positive real returns for savers within the banking system.

As shown in **Table (5)**, the low real interest rate on deposits is discouraging, failing to attract the savings of individuals hoarded outside the banking sector. Such a trend signifies a leakage of resources and a reduction in savings allocated towards investment. In contrast, the real interest rate on credit, which represents banks' investment portfolios, is high. The persistently low interest rate on deposits implicitly accounts for the high proportion of currency circulating outside banks, reaching (93%) of the issued currency by December 2024.

<b>Table (5) Real Interest Rate on Deposits &amp; Credit for H2 of 2024 (%) Iraqi Dinar</b>					
Months	Inflation Rate	Interest Rate on Deposits	Real Interest Rate on Deposits	Interest Rate on Credit	Real Interest Rate on Credit
July	3.7	3.9	0.2	6.2	2.5
August	3.7	3.9	0.2	6.0	2.3
Sept.	3.1	4.2	1.1	6.3	3.2
Oct.	2.9	4.6	1.7	8.0	5.1
Nov.	2.9	4.1	1.2	8.1	5.2
Dec.	2.7	4.3	1.6	7.7	5.0
Average of H2	3.17	4.16	0.99	7.05	3.88

Source: Official Letters of Operating Banks in Iraq regarding Monthly Interest Rates for 2024.

### **Sixth: Differences of Interest Rate Margins on Iraqi Dinar and US Dollar Deposits and Credit**

The margin difference in the deposit interest rate between the national currency and the foreign currency is used to indicate the strength of the national currency. A wider margin, relative to the foreign currency, suggests a decreased demand for the national currency, pushing its value downwards against other foreign currencies. Conversely, a narrower margin in favor of the national currency indicates its strength and increased demand.

As illustrated in **Table (6)**, the interest rate margins on deposits for different maturities fluctuated only slightly, not exceeding 3% in favor of the Iraqi Dinar. This is a small margin when compared to the inflation rates recorded during the second half of 2024, which reached (3.1%). Therefore, despite a positive margin for the Iraqi Dinar, it remains insufficient to attract deposits into the banking sector, compared to the opportunity cost (represented by the acquisition US Dollars instead of Iraqi Dinars, or bonds or investing in real estate).

<b>Table (6) Differences of Weighted Interest Rate Margin on Deposits for H2 2024</b>						
Interest Rates on Deposits in US Dollars %						
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	1.59	3.60	4.08	2.35	4.86	
Rate of H2	2.24	2.47	3.44	2.51	2.65	

Interest Rates on Deposits in Iraqi Dinar %						
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	2.04	4.60	4.39	4.04	6.39	
Rate of H2	2.85	5.10	4.68	3.72	4.38	
Differences of Interest Rate Margins %						
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	0.45	1.00	0.31	1.69	1.53	
Rate of H2	0.61	2.63	1.24	1.21	1.73	
Differences of Growth Rate	35.56	163.00	300.00	-28.40	13.07	

\* Differences of Weighted Interest Rate Margin on Deposits = Interest Rate on Deposits in Iraqi Dinar - Interest Rate on Deposits in US Dollar.

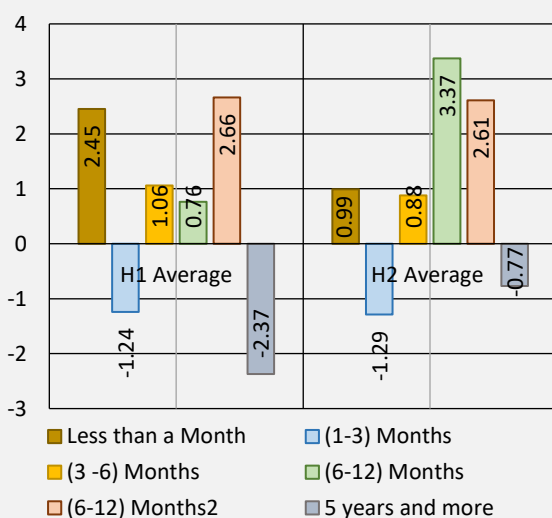
The differences in interest rate margins on credit during the second half of 2024 can be seen in Table (7). It would be expected that interest rates on credit in US dollars would be higher than those in Iraqi dinars to strengthen the dinar's role in the economy. However, the data shows that for most maturities, interest rates in dinars were lower than those in dollars, except for the (1-3) month and (5 years and more), where dollar rates were higher. This suggests either a decrease in credit activity or a shift in investment toward Central Bank products or government bonds, which are considered safer and more profitable.

<b>Table (7)</b> Differences of Weighted Interest Rate Margin on Credit for H2 2024						
Interest Rate on Credit in US Dollar %						
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	11.41	10.90	8.73	7.02	6.26	7.74
Rate of H2	12.42	11.01	8.68	4.92	5.36	7.51
Interest Rate on Credit in Iraqi Dinar %						
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	13.86	9.66	9.79	7.77	8.92	5.37
Rate of H2	13.41	9.71	9.56	8.29	7.97	6.74
Differences of Interest Rate Margins %						

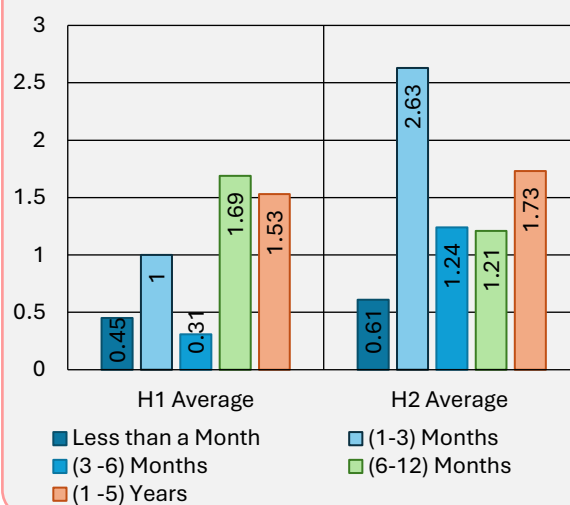
	Less Than a Month	(1-3) Months	(3 -6) Months	(6-12) Months	(1 -5) Years	5 years and more
Rate of H1	2.45	-1.24	1.06	0.76	2.66	-2.37
Rate of H2	0.99	-1.29	0.88	3.37	2.61	-0.77
Margins Growth Rate	-59.6	4.0	-17.0	343.4	-1.9	-67.5

Differences of Weighted Interest Rate Margin on Credit = Interest Rate on Credit in Iraqi Dinar - Interest Rate on Credit in US Dollar.

**Figure (15)** Differences of Weighted Interest Rate Margin on Credit 2024



**Figure (14)** Differences of Weighted Interest Rate Margin on Deposits 2024





## Summary:

- Changes in weighted interest rates on deposits and credit are continuous for both the Iraqi Dinar and US Dollar. This is due to the banks' contribution ratio to the weighted interest rate structure through granted credit and deposit acceptance. When comparing the weighted interest rate on deposits in Iraqi Dinar for different maturities (less than a month, 1-3, 3-6, 6-12 months, 1-5 years) for H2 of 2024, also noted a decrease in the weighted interest rate on deposits for maturities (6-12 months, 1-5 years), due to the decrease in total deposits for the banking sector.
- It was noted an increase in the private banks' spread coefficient in both Iraqi Dinar and US Dollar compared to SOBs.
- SOBs are more attractive for credit due to their lower interest rates compared to private banks. This is primarily because of their greater focus on salary domiciliation, furthermore, loans from state-owned banks are offered on favorable terms, which impacts credit pricing.
- The interest rate margins on deposits for different maturities showed slight fluctuations, not exceeding (3%) in favor of the Iraqi Dinar. However, this margin is relatively small when compared to the average inflation rate of (3.1%) recorded during H2 of 2024. Consequently, despite a positive margin for the Dinar, it's insufficient to attract deposits in the banking sector when weighed against the alternative opportunity cost (represented by acquiring US Dollars, bonds, or other investment opportunities).
- Through calculating the risk premium on credit, it is revealed that banks did not raise interest rates on (1-5 years) credit for domiciled individual customers. This is likely due to the relatively secure nature of these loans, intense competition among banks, and the fact that granting these loans is governed by specific regulations and guidelines. The risk premium for (1-3) months credit was observed to be high when compared to CBI's products and consistent with economic theory through elevating prices rate for this maturity and the assumption of high risks. This is particularly true given that the entities demanding this type of credit are primarily for commercial purposes rather than consumption and are outside of initiatives.
- The appearance of a negative risk premium between (1-5 years) credit and interest rates on bonds indicates a distortion and weakness in banking

culture on one hand, and a lack of information on the other. Whether in the options of opportunities available to depositors or investment portfolios of banks.

- The increase in the Iraqi Dinar's spread coefficient during H2 of 2024, particularly in Q4, is attributable to rising interest rates on credit during this period. This could potentially be a consequence of the acceleration in internal government debt due to bond issuance.
- The "crowding out" effect stemming from the issuance of government bonds, especially those with high yields, can signal to the credit market that banks are increasing interest rates on loans. This also has the potential to influence future decisions of depositors.
- Foreign currency deposits (US Dollar) for maturities under one month were higher than those for (1-5) years maturities during November and December 2024. Due to the volatility of the dollar globally and the difficulty of predicting in the long term.

**Appendix (1) Monthly Weighted Interest Rate by Maturity for Credit and Deposits at Banks for H2 of 2024**

**Table (1) July**

Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.4	10.0	9.5	8.2	8.8	5.6
Granted Credit in Foreign Currency	11.6	10.3	8.7	4.7	4.5	7.9
Deposits in National Currency	2.0	5.3	4.7	3.6	3.9	2.0
Deposits in Foreign Currency	1.5	2.8	4.4	2.6	2.8	

**Table (2) August**

Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 6Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.4	10.0	9.5	8.2	6.0	5.7
Granted Credit in Foreign Currency	11.7	10.1	7.9	5.4	4.5	7.9
Deposits in National Currency	2.5	5.2	4.5	3.7	3.9	2.0
Deposits in Foreign Currency	2.4	2.7	3.9	2.3	2.8	

**Table (3) September**

Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.0	10.4	9.4	8.3	8.6	5.8
Granted Credit in Foreign Currency	12.8	12.6	8.1	4.9	5.7	7.3
Deposits in National Currency	2.9	5.2	4.7	3.6	4.3	2.0
Deposits in Foreign Currency	2.1	2.1	3.2	2.1	3.1	

**Table (4) October**

Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.7	9.1	9.5	8.2	8.8	7.8
Granted Credit in Foreign Currency	13.0	11.7	9.0	4.8	5.7	7.3
Deposits in National Currency	3.9	5.0	4.9	4.1	5.0	2.0

Deposits in Foreign Currency	2.5	2.4	3.2	2.1	3.2	
<b>Table (5) November</b>						
Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.9	9.3	9.8	10.3	7.5	7.8
Granted Credit in Foreign Currency	12.8	10.7	9.4	4.9	5.8	7.3
Deposits in National Currency	2.9	5.0	5.0	3.7	4.6	5.3
Deposits in Foreign Currency	2.8	2.2	3.2	3.0	2.0	
<b>Table (6) December</b>						
Type of Credit & Deposits	Less Than a Month	(1-3) Months	(3-6) Months	(6 Months-1 Year)	(1-5) Years	(5 Years and More)
Granted Credit in National Currency	13.1	9.5	9.6	6.6	8.2	7.7
Granted Credit in Foreign Currency	12.7	10.7	9.1	4.8	5.8	7.3
Deposits in National Currency	2.9	5.0	4.3	3.6	4.5	5.3
Deposits in Foreign Currency	2.2	2.6	2.7	3.0	1.9	

**Appendix (2) Weighted Interest Rate on Credit & Deposits of Private Banks & SOBs for H2 of 2024**

Month	Granted Credit in National Currency		Granted Credit in Foreign Currency		Deposits in National Currency		Deposits in Foreign Currency		Spread Coefficient of National Currency		Spread Coefficient of Foreign Currency	
	SOBs	Private	SOBs	Private	SOBs	Private	SOBs	Private	SOBs	Private	SOBs	Private
July	5.6	9.6	4.7	10.4	3.7	5.2	2.4	2.7	1.9	4.4	2.3	7.7
August	5.9	10.6	4.2	10.3	3.5	5.3	1.6	3.1	2.4	5.4	2.5	7.2
Sept.	5.7	10.6	6.1	10.7	4.0	5.4	2.6	2.6	1.6	5.2	3.4	8.1
Oct.	7.4	10.4	6.1	10.5	4.5	5.3	2.7	2.7	2.9	5.1	3.4	7.8
Nov.	7.4	10.5	6.2	10.4	4.0	4.9	2.5	2.8	3.4	5.6	3.7	7.6
Dec.	7.4	8.9	6.2	10.4	4.2	5.0	2.5	2.8	3.2	3.9	3.7	7.6