



Merger plan guidelines

Applicable for banks on the Merge Pathway

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1. Introduction

The Central Bank of Iraq (CBI) has launched a binding, multi-year banking reform initiative to modernize Iraq's financial sector, enforce rigorous supervisory standards, and align with international best practices. Effective September 2025, the program mandates strict compliance in governance, financial soundness, and risk management, introducing clear regulatory pathways for all private banks (Commercial and Islamic). This initiative aims to enhance stability, safeguard depositor interests, and foster a resilient, transparent, and credible banking environment, supporting sustainable economic growth and ensuring that all private banks operate under robust, enforceable standards and close Central Bank of Iraq (CBI) supervision.

As part of this reform, each bank is required to select one of three strategic pathways— Stay, Merge, or Exit. Banks opting for the Merge Pathway must submit a formal request for merger approval to the Central Bank of Iraq (CBI) in line with specified timelines. The request must include, among other supporting documents, a merger plan (referred to as the Economic and Technical Feasibility Study under the Merger and Consolidation of Banks Decree 2024). The Central Bank of Iraq (CBI) will evaluate all submissions and will issue a formal approval or rejection to the merger.

The merger plan should outline how the proposed transaction will be structured, how the merged entity will remain financially and operationally sound, and how governance, compliance, and integration will be managed throughout the process. All merger plan components must be supported by due diligence conducted by the bank(s) appointed advisors. The bank(s) must inform and obtain a non-objection from the Central Bank of Iraq for any appointed advisor prior to appointment.

To support banks and their appointed advisors in preparing and submitting merger plans, these guidelines set out:

- The key components and essential information a merger plan must include to ensure it is complete, actionable, and aligned with regulatory expectations
- The Central Bank of Iraq (CBI) approach and criteria for reviewing, assessing, and approving merger plans, as well as the framework to monitor the merger and integration process between banks

These guidelines apply to all licensed private banks (Commercial and Islamic) on the Merge Pathway of the Reform. They are issued pursuant to, and should be read in conjunction with:

- Companies Law of 1997;
- Banking Law of 2004;
- Competition and Antitrust Law of 2010;
- Merger and Consolidation of Banks Decree 2024;
- CBI Standards Booklet 2025;
- CBI Detailed Assessment Guidelines for the 2025 Standards;
- CBI Pathways Circular 2025;
- Any other instructions or publications issued by the other relevant authorities relating to mergers.



2. Key Definitions

This section defines key terms used throughout the guideline to ensure consistent interpretation and application by all stakeholders. All terms should be interpreted in line with the Banking Law and instructions issued by the Central Bank of Iraq.

Appointed advisors: Independent third-party firms, with key relevant experience, formally engaged by the bank(s) to provide specialized expertise and support throughout the transaction, including financial, legal, strategic/commercial, or other areas

Merge Pathway: One of the regulatory pathway banks can take to navigate through the Reform – where banks transition into a single license by joining a Stay bank or a newly formed entity, resulting in one merged entity

CBI Pathways Circular 2025: An official document issued by the Central Bank of Iraq (CBI) outlining the three regulatory pathways (Stay, Merge, or Exit) and their respective requirements, processes, and timelines

Banking Law: Iraqi Banking Law No. 94 of 2004

Banking Sector Reform: Binding, multi-year program launched by the Central Bank of Iraq (CBI) to modernize the financial sector, enforce rigorous standards, and align the sector with international best practices

CBI Standards Booklet 2025: An official document issued by the Central Bank of Iraq (CBI) outlining the licensing standards under the 2025 Banking Reform Initiative

Merger and Consolidation of Banks Decree 2024: An official decree issued by the Central Bank of Iraq (CBI) establishing the regulatory requirements, procedures, and eligibility criteria governing bank mergers and consolidations in Iraq

Economic and Technical Feasibility Study: Requirement set out in the Merger and Consolidation of Banks Decree 2024 that merge banks must prepare, with the support of the appointed advisor, referred to in these guidelines as the merger plan

Cycle 1: The first assessment period during which banks are evaluated for compliance with the reform standards as defined in the CBI Pathways Circular 2025

Legal Merger Agreement: The legally binding document that formalizes the terms and conditions under which two or more entities agree to merge

Capital Adequacy Ratio (CAR): Regulatory measure expressed as the ratio of a bank's total regulatory capital to its risk-weighted assets, as defined under CBI Standards Booklet 2025

Liquidity Ratios: Financial metrics defined under the Banking Law and Central Bank of Iraq (CBI) regulations that measure a bank's ability to meet its obligations by maintaining adequate liquid assets

Internal Controls: Systems and processes to manage risk, safeguard assets and operational integrity, ensure accurate reporting, and comply with applicable law, regulations issued by the Central Bank of Iraq (CBI), and anti-money laundering/financial crime requirements







3. Overview of the Merger Plan

A merger plan is a forward-looking document outlining how two or more banks will combine into a single merged entity. The plan should clearly explain how the merger will be structured, executed, and sustained, ensuring the transaction proceeds in a controlled manner that minimizes disruption, protects stakeholders, and complies with all regulatory requirements.

The merger plan must present a complete and evidence-based case for the proposed transaction, demonstrating that the merger is strategically justified, financially sound, aligned with regulatory requirements, and operationally feasible. It serves both as a regulatory submission and as a comprehensive strategic roadmap outlining the merged entity’s strategy, execution timeline, business plan, and integration approach ensuring operational and business continuity and effective coordination with the Central Bank of Iraq (CBI).

The merger plan must follow a consistent structure covering six components (as outlined in Exhibit 1) and must be fully consistent with the terms of the legal merger agreement.

Exhibit 1: Merger plan components

	Deal structure and strategic rationale Defines the transaction form, ownership structure and articulates the merger’s strategic objectives
	Financial viability and business plan Demonstrates financial soundness, adequate capital and liquidity, and a credible business plan
	Governance, risk, and compliance Explains how the merged entity will be governed and managed, ensuring effective oversight, control, and compliance
	Continuity and operational integration readiness Describes how the merger will be executed safely, with minimal disruption to operations and high level integration roadmap
	Due diligence summary Summarizes the key findings from the due-diligence reports prepared by the appointed advisors
	Legal, regulatory, and transaction closure Confirms legal soundness, procedural completeness, and formal approvals from relevant stakeholders

The sections that follow provide additional guidance on each of these components, including the minimum information that should be addressed in the merger plan.

4. Merger Plan Components

4.1 Deal structure and strategic rationale

The first component of the merger plan is the deal structure and strategic rationale, which defines how the merger will be executed and how it is expected to create value for shareholders, customers, employees, and the wider financial system. This section should clearly present the proposed transaction structure, the resulting ownership structure supported by valuations of the merging entities, and a strategic rationale demonstrating that the merger is financially sound and aligned with sector priorities.

At a minimum, this component of the merger plan must cover the following elements:

- Transaction structure describing the merger form as set out in the CBI Pathways Circular 2025 (merger by union or absorption), the banking license to be held upon completion (Commercial or Islamic), and the high-level execution timeline
- Ownership structure listing all shareholders and Ultimate Beneficiary Owners (UBO) after the merger, including their names, associated number of shares, ownership percentage and voting rights. It must consider all classes of capital (e.g. ordinary shares, warrants, or other instruments) and highlight the associated control arrangements that may influence the appointment of directors and governance structure of the merged bank
- Valuation summary supporting the proposed ownership structure of the merged entity. It must be prepared by the appointed advisors, using recognized valuation methodologies and be fully consistent with the valuation report referenced in section 4.5
- Strategic rationale outlining the business case, merger objectives, and the intended positioning across key business lines, customer segments, and geographies. It must also specify any required adjustments to products or services to align with the target banking license (Commercial or Islamic), and present credible financial and operational benefits

4.2 Financial viability and business plan

The second component of the merger plan is the financial viability and business plan, which explains the historical financial position of each merging entity and how the merged entity will remain financially sound and capable of delivering its strategic and operational objectives. This section must demonstrate that the merged entity is adequately capitalized, supported by a credible five-year business plan, and resilient under both normal and adverse conditions.

At a minimum, this component of the merger plan must cover the following elements:

- Financial statements of each merging bank for the last three years, including:
 - Audited financial statements (balance sheet, income statement and cash flow statement) for each merging bank, with supporting breakdowns and explanations of significant trends and underlying drivers

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- Consolidated historical financial statements (income statement, balance sheet, and cashflow statement) for the merged entity with supporting breakdowns for each line item. It must include key regulatory and performance metrics (including, but not limited to, Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding Ratio, with supporting breakdowns as outlined at the end of this section)
- Five years business plan and financial forecasts for the merged entity including:
 - Consolidated forecasted financial statements (income statement, balance sheet, and cash flow statement) for the merged entity with supporting breakdowns as outlined at the end of this section. The consolidated forecasted financial statements must clearly support the strategic rationale of the merger and demonstrate how the merged entity business model and risk profile will be sustainable over the next five years. Additionally, it must consider the latest consolidated historical financials as base for the projections, reflect any merger accounting adjustments (e.g. goodwill), be prepared with harmonized accounting standards and policies (e.g. IFRS9), and be consistent with the target license (Commercial or Islamic)
 - Liquidity and funding plan showing projected Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) with supporting breakdown as outlined at the end of this section. It must reflect a credible funding structure and plan that is consistent with the merged entity's business model, risk appetite and maintains all liquidity ratios above regulatory thresholds
 - Capital adequacy projections covering Capital Adequacy Ratio (CAR), paid-up capital and any planned capital actions or sources of capital over the forecast period with supporting breakdown as outlined at the end of this section. It must reflect a credible capital plan consistent with the merged entity's business model and risk appetite, and maintain capital above regulatory thresholds
 - Key performance ratios for the merged entity over the forecasted period, including, but not limited to, Loan-to-Deposit Ratio, Cost-to-Income Ratio, Net Interest Margin, Return on Assets, Return on Equity, Non-Performing Loan Ratio, Provisions Ratio for Total Nonperforming Loans, Provisions Coverage Ratio with underlying calculations
 - Underlying relevant business plan assumptions, the expected synergies and financial benefits of the merger, and one-off integration costs with supporting breakdowns as outlined at the end of this section
 - It must ensure all business plan assumptions, synergies and integration costs are plausible, well-justified, data-driven, and consistent with macroeconomic and microeconomic conditions. The plan must maintain a realistic balance sheet trajectory, avoiding reliance on aggressive lending growth or overly optimistic cross-selling assumptions, and ensure profitability drivers remain well-diversified and not dependent on non-recurring or volatile income sources
 - It must account for all costs necessary to ensure full compliance with the licensing standards as outlined in the CBI Standards Booklet 2025 and the CBI Pathways Circular 2025 under the Merge Pathway
 - Stress testing of business plan assumptions under at least three scenarios (base as most likely or management expected scenario reflecting defined integration strategy under normal operating and macroeconomic conditions; downside as an adverse but plausible scenario where macroeconomic and idiosyncratic conditions deteriorate, and reflect lower synergies realization, delays in integration, slower loan growth, deterioration in asset quality and funding conditions; upside as a favourable scenario that reflects stronger integration performance,

faster synergies realization and improved macroeconomic conditions), showing the resulting impact on the merged entity's financial performance, capital, and liquidity position over the forecast period. It must demonstrate that capital and liquidity ratios will be maintained above regulatory thresholds under all scenarios for the forecasted period

- Material risk assessment over the forecast period, (including, but not limited, to credit, market, liquidity, operational, legal, compliance, and reputational risks), describing the expected impact on the merged entity's financial performance, capital, and liquidity, and outline mitigation measures
- Supporting breakdowns for the last three years financial statements and next five years business plan above includes, but are not limited, to:
 - Income statement detailing revenue lines (including interest/returns income, interest/returns expense, net interest/returns income, fees and commissions income, foreign exchange income, investment income and other non-interest income), expense lines (including operating expenses, loan loss provisions and impairment charges, other provisions, and tax expense), and net profit or loss
 - Balance sheet disclosing all assets (including cash and cash equivalents, balances with central banks, interbank and money market placements, investment securities, gross loans and advances to customers, loan loss provisions and allowances for credit losses, fixed and intangible assets, deferred tax assets, other assets, etc.), all liabilities (including customer deposits, interbank deposits, debt borrowings, debt securities issued, trading liabilities, deferred tax liabilities, other liabilities, etc.), and all components of equity (including paid-up capital, share premium, other comprehensive income, mandatory and voluntary reserves, minority / non-controlling interest, hybrid capital instruments, etc.)
 - Cash flow statement highlighting net increase or decrease in cash and cash equivalents due to cash flows from operating activities (including net profit adjustments for non-cash items, changes in working capital and core banking balances), cash flows from investing activities (including purchases and sales of securities, fixed and intangible assets, and other investments) and cash flows from financing activities (including issuance and repayment of debt and equity instruments, dividend payments, and capital injections)
 - Business plan assumptions outlining the customer evolution (including number of total customers by segment, product and service), balance sheet evolution (including loan portfolio and investments growth rate, deposits growth rate, mix and pricing), asset quality (including Non-Performing Loans Ratio, Provisions Coverage Ratio and recovery rate), revenue (including net interest/returns margin on loans by product and segment, expected returns from securities and investments and non-interest income to total income), operating expenses (including personnel salaries growth, depreciation and amortization rates and any other growth rate used to project operating costs), effective tax rate and macroeconomic assumptions (including inflation, GDP growth and exchange rates)
 - Synergies and financial benefits of the merger detailing the category (e.g. cost, revenue, funding, operational), the description, the expected financial impact and realization period
 - One-off integration costs highlighting the category (e.g. Human capital, advisory, IT and systems, branding), the description, the expected financial impact, timing, and duration

- Liquidity Coverage Ratio (LCR) including the composition of High-Quality Liquid Assets (HQLA) by category (Level 1, 2A, 2B), total HQLA value, and projected net cash outflows over the 30-day horizon
- Net Stable Funding Ratio (NSFR) including available and required stable funding, maturity breakdowns of assets and liabilities by category, and funding stability assumptions
- Capital Adequacy Ratio (CAR) including the breakdown of regulatory capital components (Paid-up Capital, Tier 1, Tier 2), total Risk-Weighted Assets (RWA) by credit, market, and operational risk, and the resulting CAR

4.3 Governance, risk, and compliance

The third component of the merger plan is the governance, risk and compliance which outlines how the merged entity will be directed, managed, and supervised. This section must demonstrate that the governance and organizational structure of the merged entity is effective, responsibilities and reporting lines are clear, and that risk management and internal controls enable safe, compliant, and sustainable business operations.

At a minimum, this component of the merger plan must cover the following elements:

- Governance structure describing the proposed board and committees' composition, decision-making responsibilities, and reporting lines. It must demonstrate adequate independence, effective oversight of key functions, relevant expertise and a fit and proper leadership team capable of overseeing all products and services and delivering the mergers strategic objectives
- Organizational structure (N-2 level) outlining the merged entity's divisions, business units, and core functions (e.g., retail, treasury, risk, operations, IT). It must complement the governance structure defined above, be realistic and proportionate to the merged entity's size, complexity, and risk profile
- Regulatory compliance and operational continuity outlining the merged entity's internal control systems, AML/CFT framework, and compliance and internal audit policies. It must demonstrate that these control functions are structured, monitored, and documented to ensure full compliance with applicable laws and regulations

4.4 Continuity and operational integration readiness

The fourth component of the merger plan is continuity and operational integration readiness, which outlines how the merging banks will transition into a single entity while ensuring uninterrupted operations and full regulatory compliance. This section must present a high-level integration roadmap, demonstrate business continuity, and confirm readiness to transition all core functions.

At a minimum, this component of the merger plan must cover the following elements:

- High level integration roadmap outlining key phases, major milestones, and sequencing of activities required to complete the merger in a controlled and compliant manner with all applicable laws and regulations.

- Plan to maintain business continuity during the merger, covering:
 - Continuity of products and services, including how customer relationships, deposits, and ongoing services will be maintained or transitioned without disruption
 - Continuity of critical systems during transition including approach to technology integration and data migration. It must ensure a secure, controlled, and phased technology integration that maintains service continuity and safeguards data
 - Continuity of core functions and personnel during the merger, outlining how roles and reporting lines will operate without disruption while transitioning to the merged entity
 - Identification of any products, services, systems (e.g., core banking), or operations (if any) to be decommissioned with timelines and target dates
- Set of contingency plans and measures to address potential operational, financial, and regulatory challenges during the integration, including credible contingency arrangements and mitigations to ensure business resilience under both normal and adverse conditions.
- Communication plan detailing how each bank and the merged entity will inform and engage with all internal and external stakeholders (including, but not limited, employees, customers, regulators, investors, and vendors) throughout the whole merger and integration, specifying messaging, and timing. It must demonstrate a stakeholder and communication approach, ensuring timely, transparent, and consistent engagement to maintain confidence and operational stability
- Plan on how the merged entity will achieve compliance with all the standards set for the Banking Reform, in the CBI Standards Booklet 2025

4.5 Due Diligence summary

The fifth component of the merger plan is the due diligence summary, which confirms that the merger is grounded in thorough, objective, and independent assessments. This section must consolidate the findings of all due diligence reviews conducted by the merging banks and their appointed advisors, demonstrating that the merger is sound, executable, and supported by expert evaluation.

At a minimum, this component of the merger plan must cover the following elements:

- Scope and credentials of the appointed advisors, detailing the due-diligence scope (including financial/tax, legal, commercial/strategic and operations/IT), and the list of third-party advisors involved in the transaction, along with their contact information. It must demonstrate that the due diligence exercise was conducted by reputable, independent firms with proven expertise in the banking sector and mergers
- Due Diligence summary presenting the key findings of the due diligences and their implications for the merger components including, but not limited, to valuation and financial health, legal and regulatory risks, operational and technological assessment. It must be comprehensive, well-structured, traceable, and supported by credible data validated by independent advisors
- Full due diligence reports prepared by the banks' appointed advisors (including financial/tax, legal, commercial/strategic, and operations/IT), which must be consistent with the information presented in the merger plan

4.6 Legal, regulatory and transaction closure

The sixth component of the merger plan is the legal, corporate and regulatory approvals, which confirm that the transaction is legally sound, identifies material legal risks with mitigants, and ensures all necessary approvals have been secured in accordance with applicable laws and Central Bank of Iraq (CBI) requirements. The plan must provide a clear and actionable path to closing the merger from a legal perspective, including the sequence of approvals and critical milestones.

At a minimum, this component of the merger plan must cover the following elements:

- Legal and compliance report including:
 - Assessment identifying all material legal risks and potential obstacles to the merger (including, but not limited, to litigation exposure, contractual disputes, regulatory investigations, contingent liabilities) along with proposed mitigation measures
 - Compliance of the proposed transaction with all applicable Iraqi laws, Central Bank of Iraq (CBI) regulations and any other relevant statutory requirements including corporate, competition, tax, labor, and securities laws where applicable
 - Compliance with the legal transferability of all assets, liabilities, rights, contracts, and obligations of the merging banks, with confirmation that the merged entity will assume them in full accordance with Iraqi law, including for example, ongoing contracts, collateral arrangements, legal claims, and employment relationships
- General Assembly decision for each bank confirming its commitment to merge and with supporting copies or certified extracts of the resolutions
- Roadmap for the legal completion of the merger, setting out the timelines and sequencing of the procedural and administrative steps, regulatory filings, and notifications required after the Central Bank of Iraq (CBI) approval to complete the legal merger process in accordance with Iraqi laws

5. Regulatory Expectations

5.1 Review and Assessment

Upon submission, the merger plan will undergo a structured review and assessment process by the Central Bank of Iraq (CBI) to ensure that it is complete, credible, and aligned with supervisory expectations. The review will evaluate both the substance and feasibility of the merger plan.

The Central Bank of Iraq (CBI) will evaluate submissions and issue a formal approval or rejection. The assessments will be based on predefined criteria, including but not limited to:

- Clarity and completeness across all components of the merger plan
- Soundness of strategic rationale demonstrating that the merger strengthens market positioning, enhances competitiveness, and contributes to long-term sustainability
- Financial viability of the merged entity, including ongoing compliance with capital and liquidity requirements under both normal and stressed conditions
- Credibility of the business plan underlying assumptions, aligned with realistic market conditions and validated by appointed advisors
- Robustness of governance arrangements, including clear roles, responsibilities, and oversight mechanisms
- Continuity and integration plan, ensuring uninterrupted service delivery and operations throughout the transition
- Legal soundness of the transaction, ensuring full compliance with all applicable laws and Central Bank of Iraq (CBI) requirements
- Identification and mitigation of key risks and constraints that could hinder execution

The Central Bank of Iraq may request clarifications, revisions, or additional information from the bank during the review process. Formal approval from the Central Bank of Iraq is required before the execution and will only be granted once all material gaps have been addressed in line with supervisory expectations.

5.2 Oversight and Reporting

Effective supervision of the merger process requires ongoing visibility into the execution of the plan. Accordingly, banks must put in place a structured reporting framework to provide Central Bank of Iraq (CBI) with regular updates on progress, key developments, and any emerging risks or deviations from the plan.

Formal progress reports must be submitted to the Central Bank of Iraq (CBI) monthly throughout the duration of the merger process, or more frequently as requested. Each monthly report must include, at a minimum:

- Summary of governance actions, highlighting key meetings, board or committee decisions, and resolutions related to the merger

- Progress report on integration activities (across all functions), outlining achievements against the approved roadmap and milestones, specifying any updated timelines to complete the integration, and disclosing any emerging challenges and mitigation measures
- Quarterly financial statements (balance sheet, income statement, cash flow statement) and regulatory capital and liquidity ratios, showing variances from the approved business plan projections and corresponding corrective actions
- Report on significant issues and incidents (e.g., material financial risks, regulatory breaches, operational disruptions, substantial delays), detailing their impact and corrective measures undertaken

The Central Bank of Iraq reserves the right to request additional information, conduct follow-up reviews, or instruct changes to the plan or execution approach where necessary.

5.3 Documentation and Record Keeping

Banks must maintain a complete and well-organized record of all documentation relevant to the preparation, approval, and execution of the merger plan.

In accordance with the Article 38 (Record) of the Banking Law of 2004, Banks must securely keep on file in Iraq and in an accessible format, the pertinent documents for each one of their transactions, throughout the merger process and for at least seven years thereafter.



6. Conclusion and Ongoing Support

The Central Bank of Iraq is committed to supporting all banks throughout the reform process — not only through regulation and enforcement, but by providing clear, structured guidance at every stage of the reform process.

For all reform-related inquiries, clarifications, and official submissions, banks may contact the Central Bank of Iraq’s reform team directly on the Central Bank of Iraq reform email address: bankingreform@cbi.iq