



CREDIT PROCEDURES MANUAL



USAID | Iraq Economic Governance II

DATE: 16 APRIL 05

PROCEDURE	No of the procedure	SECTION	AUTHORITY
<u>Loan application</u> Receive request from client with documents. Verify eligibility.	CR 1	Branch Network	Branch Manager
<u>Registration</u> Register credit file - make inventory of documents	CR 2	Credit assessment	Head of department
<u>Credit assessment</u> Assess and analyze loan request - make recommendations to Credit Committee	CR 3	Credit assessment	Head of section
<u>Presentation to Credit Committee</u> Prepare summary of loan for presentation to Credit Committee	CR 4	Credit assessment	Head of section
<u>Credit Committee Meeting</u> Approval of loan requests	CR 5	Secretary of Credit Committee	Chairman of Credit Committee
<u>Committee decision</u> Actions to take when loan has been approved	CR 6	Credit Assessment	
<u>Loan agreement</u> Preparation of loan agreement	CR 7	Credit assessment	Head of department
<u>Collateral agreement</u> Preparation of collateral agreement	CR 8	Credit assessment	Head of department
<u>Acceptance of a guaranty</u> Acceptance by Bank of a guaranty from third party	CR 9	Credit assessment	Head of department
<u>Safekeeping of Documents</u> Put original documents in the vault	CR 10	Credit assessment	Head of department
<u>Overdue payment</u> Take action in case of overdue payment	CR 11	Monitoring	Head of department
<u>Semi Annual Loan review</u> Review the loans	CR 12	Monitoring	Head of department
<u>Annual Portfolio Review</u> Fill documents for semi-annual portfolio review	CR 13	Monitoring	Chairman of the Board

RAFIDAIN BANK	Credit Procedures Manual
Department: BRANCH NETWORK	Issue date
Section: Branch Lending	Procedure N° 1
Procedure: Receive loan application from client	Page N° 1 of 1

PURPOSE: to receive a loan application from a client, collect all information necessary for loan assessment, verify documents and eligibility of the request. Request a complete Business Plan for projects above IQ: XXXX

DEFINITIONS:

Business plan: a complete and comprehensive description of a business, with financial statements and assumptions.

Ledger: a book in which the loan applications are registered

REFERENCES:

1. Credit policies
2. Business plan guidelines

PROCEDURES:

- Receive from client a loan application
- Register the application in a ledger
- Check that all the necessary documents are attached
- Check the eligibility of the request
- Read the business plan to understand the purpose of the request and make sure that it includes all the information needed for the loan assessment
- Ask clients to provide more information or documents where necessary
- Have collateral appraised and registered
- Fill a transmission form for Credit Department with request for processing signed by the Branch Manager
- Send the request with the original documents and the loan application to the Head office's Credit Department for processing

RESPONSIBILITY: Branch's Lending officer

AUTHORITY: Branch manager

FORMS:

1. Loan application form
2. Transmission to Credit Department form

LOAN APPLICATION

Date: _____ **Bank Branch:** _____

CLIENT INFORMATION	Sole owner: <input type="checkbox"/>	Limited liability company: <input type="checkbox"/>	Joint liability company: <input type="checkbox"/>	Mixed company: <input type="checkbox"/>
	Individual: <input type="checkbox"/>			Partnership: <input type="checkbox"/>
	Other: <input type="checkbox"/>			

Name of Applicant: _____

Address: _____

Tel: _____ *Mobile* _____ *Fax:* _____ *E-mail:* _____

Type of business: _____

LOAN REQUEST	Loan <input type="checkbox"/>	Facility <input type="checkbox"/>	US\$ <input type="checkbox"/>	IQ <input type="checkbox"/>
Amount:	Requested repayment term:			
Purpose (be specific):				
Total project cost: _____		Borrower's contribution: _____		

COLLATERAL				
Description:				
Cost: _____	Date purchased: _____	Present market value: _____		
Guarantors (if applicable):				

ATTACHMENTS	(Check documents attached)			
<input type="checkbox"/> Business plan, including complete business description, date founded, number of employees <input type="checkbox"/> Balance sheet <input type="checkbox"/> Profit and loss statement <input type="checkbox"/> Personal financial statement <input type="checkbox"/> Guarantor's personal financial statement <input type="checkbox"/> Civil identity <input type="checkbox"/> National identity card <input type="checkbox"/> Professional identity <input type="checkbox"/> Certificate of incorporation <input type="checkbox"/> Housing certificate <input type="checkbox"/> Food supply card	<input type="checkbox"/> Names of main shareholders and percentage of ownership <input type="checkbox"/> Statute of the borrower <input type="checkbox"/> Corporate resolutions <input type="checkbox"/> Legal opinion <input type="checkbox"/> Collateral description and ownership documents <input type="checkbox"/> Insurance certificate <input type="checkbox"/> Invoices <input type="checkbox"/> Rental agreement <input type="checkbox"/> <input type="checkbox"/>			

 (Authorized signature of the applicant) (Date) (Seal of the Company)

FOR BANK USE ONLY	Existing / new client	Application number:
Date sent to Credit Department:		Branch Manager signature:

TRANSMISSION OF A LOAN APPLICATION

BRANCH:

TO: Credit Department

Please find enclosed the Loan Application Form from: (name of client)

We have read this request and checked the documents attached. To the best of our knowledge this application is in line with the standards of the Bank and complies with its Credit Policies.

Consequently we ask you to proceed with the assessment of this loan request for further presentation to, and approval by the Credit Committee.

This company is: a new client / has been a client of the Branch since:

This company has an excellent track record with the Bank. (If not explain)

Thank you.

Branch Manager:

Date:

Received at Credit Department:

By:

Date:

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT	Issue date
Section: Credit Assessment	Procedure N° 2
Procedure: Registration of credit files	Page N° 1 of 1

PURPOSE: To register all credit files, verify and make inventory of documents

DEFINITIONS:

Ledger: a book where credit files are registered and given a number

Registration form: a document listing the documents kept in the file (inventory)

REFERENCES:

PROCEDURES:

- Receive loan application and documents from branches
- Open new credit file
- Make the inventory of all the documents and list them on the registration form
- Register file in the ledger and give a serial number
- Keep file in a proper filing cabinet when not used

RESPONSIBILITY: Credit officer

AUTHORITY: Head of Credit Department

FORMS:

1. Credit registration form

CREDIT FILE REGISTRATION FORM

File number:

Date Open:

Name of Client:

List of Documents:

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT	Issue date
Section: Credit Assessment	Procedure N° 3
Procedure: Conduct risk assessment and credit analysis	Page N° 1 of 1

PURPOSE: To ensure that loan application meets the Bank's standards and requirements. To analyze the financial structure of the company. To assess the various risks and the ability of the company to repay The loan.

DEFINITIONS:

REFERENCES:

1. Credit policies and guidelines
2. Business plan
3. Loan application

PROCEDURES:

- Receive loan application from the branch
- Open a new file and register it
- Check the eligibility of the request
- Read the business plan and familiarize yourself with the documents
- Call or visit client (with branch officer) if more information is needed
- Conduct credit analysis and risks assessment according to guidelines
- Calculate ratios
- Prepare a comprehensive credit report with conclusions and recommendations
- Submit to head of Credit Department for signature an/or approval if within delegation limit

RESPONSIBILITY: Credit officer

AUTHORITY: Head of section

FORMS:

1. Loan Recommendation
2. Financial tables
3. Lending Guidelines

LOAN RECOMMENDATION

Borrower		Date		Number	
Address					
Business type					
Loan purpose					

LOAN AMOUNT			
New loan amount		Total Bank exposure	
Existing loans balance		Debt at other banks	
Existing facilities total		Total bank debt	
Funded			
Unfunded			

New Employment	Year 1	Year 2	Year 3	Total	Risk Rating	Borrower	Loan
						N/A	N/A

Term/Maturity		Client since	
Grace period		Ownership/percentage	
Interest rate		Repayment source	
Payments/Installments			
Collateral			
Guarantors			

<u>Loan officer's transaction summary</u>
<p>(Use additional pages if necessary)</p>

Approvals	Name	Signature	Date
Loan Officer			
Loan Analyst			
Head of Loan Department			
Head of Credit Department			
Credit Committee			

Financing sources and uses					
	Costs	Bank's loan	Internal Financing	New Equity	Other Financing
Equipment					
Total Equipment					
Buildings/real estate					
Total Buildings/Real estate					
Working Capital					
Total Working Capital					
TOTALS					

Collateral description	
Existing assets	Present Value
Total Existing Assets	
New Assets	
Total New Assets	
Total Collateral	

Description of the Borrower

Legal form: _____ Number of employees: _____

Ownership:

History:

Organization:

Existing relationship with the Bank:

Products:

Markets and Marketing:

Competition:

PRIMARY CUSTOMERS	CITY/COUNTRY	% of SALES

PRIMARY SUPPLIERS	CITY/COUNTRY	RAW MATERIALS

Management:

Key Management				
Name	Position	Age	Education	Years. in Industry / Company

Financial Analysis:

HISTORICAL

Personal Financial Statement (date: _____)

Comments:

Business Balance Sheet (date: _____)

Comments:

Risk and Mitigants:

Risk:

Mitigant:

Risk:

Mitigant:

Environmental Considerations:

Conditions Precedent:

- Standard Documents

Loan Covenants:

- Standard Documents

Income statement

Business Name:

	<input type="checkbox"/> Actual <input type="checkbox"/> Projected	<input type="checkbox"/> Actual <input type="checkbox"/> Projected	<input type="checkbox"/> Actual <input type="checkbox"/> Projected	<input type="checkbox"/> Actual <input type="checkbox"/> Projected
Period				
Period Ending Date				
1. Sales				
2. Cost of goods sold				
Beginning inventory				
+Purchases				
-Ending inventory				
Total cost of goods sold				
3. Gross profit (1-2)				
4. Operating expenses				
Wages				
Supplies				
Repairs/Maintenance				
Advertising				
Transportation/Travel				
Accounting /Legal				
Rent				
Telephone				
Utilities				
Insurance				
Taxes and duties				
Interest				
Depreciation				
Other expenses				
Total Expenses				
5. Net profit before taxes (3 – 4)				
6. Income taxes				
7. Net profit after taxes (5 – 6)				
8. Net profit distributed				
9. Addition to Retained Earnings (7 – 8)				

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT	Issue date
Section: Head of Credit Department	Procedure N° 4
Procedure: Head of Credit Department review and signature for presentation to the Credit Committee	Page N° 1 of 1

PURPOSE: To summarize credit report to the head of the Credit Department for review and signature, presentation to the Credit Committee.

DEFINITIONS:

Credit Committee: a part of the Bank's structure in charge of and authorized to give the final approval to a loan application

REFERENCES:

PROCEDURES:

- Receive a complete loan application and credit report file from credit officer
- Check the file and its documents
- Familiarize yourself with the credit application
- Ask questions where necessary
- If in agreement, sign and prepare a loan information summary for Credit Committee
- Pass on to the secretary of the Credit Committee, together with the complete loan assessment and analysis

RESPONSIBILITY: Head of the Credit Department

AUTHORITY: Head of the Credit Department

FORMS:

1. Summary Loan information

Summary Loan Information

Name of Client:

New Client or Client of the Bank since

Business:

Rating:

Experience and Relationship with the Bank:

Purpose of the loan:

Requested amount:

Present exposure to the Bank

Total exposure including this loan:

Loans in other banks:

Total exposure:

Main risks:

Risks mitigation: (guarantees, collateral, covenants and other elements which can reduce or mitigate the risks)

Ratios:

- Current
- Debt/equity
- Debt service ratio

Credit Department Recommendations:

Head of Credit Department

Date

RAFIDAIN BANK	Credit Procedures manual
Department: CREDIT	Issue date
Section: Secretary of Credit Committee	Procedure N° 5
Procedure: Conduct of Credit Committee Meeting	Page N° 1 of 1

PURPOSE: Credit Committee members duties and responsibilities

DEFINITIONS:

Summary Loan Information: A document that summarize the loan request

Loan recommendation: A document that describe in detail a loan request and include financial and risk

REFERENCES:

1. Credit Policies
2. List of Credit Committee members

PROCEDURES:

- Receive Summary Loan Information from Secretary of Credit Committee a least one day prior to Meeting
- Read carefully and familiarize yourself with the loan recommendations in the Summary
- If needed go to the complete Loan recommendation
- Ask the credit officer to present the requests
- Discuss requests with other members of the Committee
- Once decision has been made put the requests to vote. Decision is made at majority
- If loan over US\$ 150,000 is approved, send to Board of Director for final approval
- Decision of Credit Committee is signified by the Secretary of the Credit committee to Credit Department, for further processing

RESPONSIBILITY: Secretary of Credit Committee

AUTHORITY: Chairman of Credit Committee

FORMS:

1. Credit Committee minutes

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT DEPARTMENT	Issue date
Section:	Procedure N° 6
Procedure: Transmission of Credit Committee decision to client	Page N° 1 of 1

PURPOSE: To ensure that the client is officially informed of the decision of the Credit Committee

DEFINITIONS:

REFERENCES:

1. Credit Committee decision
2. Procedure #

PROCEDURES:

- Familiarize yourself with Credit Committee decision and possible restrictions or comments
- Prepare a letter of transmission of the decision for the client
- If the request has been declined ensure that you return to the client all documents he is entitled to the reasons for the refusal
- If the request has been approved inform him of conditions of acceptance and ask for further information Documents, where necessary
- Have the letter of transmission signed by the Head of the Credit Department
- Send the letter of transmission to the Branch, requesting the Branch Manager to sign it and remit

RESPONSIBILITY: Credit officer / Branch Manager

AUTHORITY: Head of the Credit Department

FORMS:

1. Standard letter of transmission to client

Letter of Transmission to Client

Date:

(Name and Address of client)

On (date of Credit Committee) the Credit committee of Rafidain Bank has met to decide on your loan request of (date of application) for an amount of (amount)

Your request has been:

- Approved
- Declined

Approved

Your request has been approved

(Indicate any special conditions)

The funds will be available when all the following documents have been furnished to the Bank:

and the following legal documents have been duly executed by the parties concerned:

and once the terms and conditions of the legal agreement have been fulfilled.

Declined

Your request has been declined for the following reasons:

We return herewith the following documents:

Head of Credit Department

Head of Branch

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT DEPARTMENT	Issue date
Section:	Procedure N° 7
Procedure: Preparation of Loan Agreement	Page N° 1 of 1

PURPOSE: To ensure completion of the Loan Agreement according to the Bank's standards and conditions of approval

DEFINITIONS:

Loan Agreement: Main legal document concluded between the Bank and the borrower, Which defines their relationship from approval of the loan to full repayment

Legal opinion: A legal document by which an independent lawyer attest that all the requirements for making a loan agreement valid are completed

REFERENCES:

PROCEDURES:

- Receive file
- Read conditions of credit application and approval
- Determine main provisions and conditions
- Determine covenants
- Prepare loan agreement
- Prepare any other documents mentioned in the agreement
- Agree documents with Bank's lawyer and Head of Credit Department
- Review agreement
- Submit agreement and attached documents to client for review
- If necessary ask for a legal opinion from an independent lawyer
- Invite client to sign the agreement
- Have the agreement signed by an authorized person of the Bank
- Send the original document for safekeeping

RESPONSIBILITY: Credit officer

AUTHORITY: Head of Credit Department

FORMS:

1. Standard loan agreement
2. Legal opinion

LOAN AGREEMENT

LEGAL OPINION

Legal opinion on the draft Credit Agreement
between: (name of the Company)
and: (name of the Bank)
concerning; (loan)

As an authorized lawyer of: (name of firm) duly empowered to act in (country),
I have carefully considered the draft Credit Agreement, together with all the documents necessary for
the signing of this Agreement, the relevant legal framework, regulations and other information, and I
have made such enquiries as I have deemed necessary or appropriate in formulating this opinion.
Based on the above, I confirm that:

- a) The Borrower was founded by a decision of the original founders, (or other decision) under the laws of (country) and registered (registration information).
- b) On (date), the main decisions of the Borrower taken at the Shareholders' meeting, in accordance with its responsibilities as defined in section (#) of the Borrower's statute, define the principal directions of the Borrower's business, approve its plans and agreements.
- c) the wording of the Credit Agreement was approved by the Borrower (minutes of shareholders' meeting).
- d) the implementation of the Credit agreement is authorized by the Borrower.
- e) the Credit Agreement shall be signed on behalf of the Borrower by (name of authorized person(s)).
- f) attached herewith is a copy of the minutes (details) which is a confirmation for all matters regarding the previous item.
- g) the following documents are issued as guarantees for the loan repayment:
 - 1.
 - 2.
 - 3.
 - 4.
 - etc.....

Based on the above mentioned, I consider that all necessary requirements for making the Credit Agreement valid and compulsory to the Borrower and the Bank, were completed in accordance with the terms and conditions of the draft Credit Agreement.

Lawyer

signature

date

RAFIDAIN BANK		Credit Procedures Manual
Department	CREDIT DEPARTMENT	Issue date
Section		Procedure N° 8
Procedure	Preparation of collateral agreement	Page N° 1 of 1

PURPOSE: To ensure completion of collateral agreement according to the Bank's standard

DEFINITIONS:

Collateral agreement: a legal document which confirms the pledging of certain assets to the Bank, and Gives the Bank the right to take and sale these assets in case of non fulfillment of commitments by the borrower

REFERENCES:

PROCEDURES:

- Receive the file
- Check credit application approval and conditions concerning the collateral
- Ensure that a person from the bank has verified the existence, and the value of the collateral
- Ensure that given collateral is free of any liens and other mortgages
- Prepare collateral agreement according to Bank's standard and conditions
- Get approval from
 - Bank's lawyer
 - Head of department
- Agree on documents with the client
- Transmit collateral agreement to authorized person for signature
- Have client execute the agreement
- Give agreement for registration with proper authorities
- Send the original document for safekeeping

RESPONSIBILITY: Credit officer

AUTHORITY: Head of the Credit department

FORMS:

1. Standard collateral agreement

COLLATERAL AGREEMENT

DATE: _____

_____ Place

_____ (The Bank),

Represented by _____, on one part, and _____ (The Pledger)

represented by _____, on the other part, have concluded the following agreement:

1. The Bank has granted to the Pledger, under the Loan Agreement No _____, dated _____, a credit facility (The Loan) in the amount of _____, maturing _____
2. As guarantee for full repayment of the Loan, when due, of both principal and interest, the Pledger hereby pledges to the bank certain property and assets (The Collateral), as described in the attached schedule, owned by the Pledger, which may be sold in accordance with existing laws of the republic of Iraq.
3. The attached schedule describing the nature of the Collateral constitutes an integral part of this agreement.
4. The value of the value of the collateral at the date of the execution of this agreement, is estimated at IQ _____.
5. The Pledger guarantees that the Collateral given as guarantee to the Loan, is free and clear of any liens, mortgages and other attachments.
6. The Pledger has the right to process the Collateral, where necessary, and in this case the the work in process, semi-finished or finished goods, resulting from the processing will become part of the collateral.
7. The Pledger hereby undertakes:
 - to ensure the safe storage and appropriate maintenance of the Collateral.
 - to insure the Collateral against all risks of destruction and/or deterioration, at its fair market value, and to assign the policy in favour of the Bank.
 - not to create any other liens on the Collateral until it has fulfilled all of its obligations under the Loan agreement.
 - not to sell the collateral without the previous agreement of the Bank except in the course of normal business transactions.
 - in the event of the sale of the Collateral, with the previous agreement of the Bank, to repay immediately to the Bank the Loan, principal and interest.
 - not to utilise the Collateral in barter transactions, nor as compensation in kind.
 - to give the Bank the right to inspect the Collateral, at the convenience of the Bank.
 - in case of sale, except in the course of normal business transactions, damage, deterioration, destruction of the Collateral, even with the consent of the Bank, to notify the Bank, within one business day, and to replace the collateral within seven days, with goods of the same value, or to reimburse the bank of an amount equivalent to value of the collateral affected, and to amend the Collateral Agreement or conclude a new one.

- to transfer to the Bank the rights under the Loan Agreement, to sell the Collateral, to repay the Loan, principal and interest, without arbitrage proceedings, in the event that the Pledger is unable to repay the Loan, when The Pledger confirms and acknowledges his responsibilities under article _____ of the Criminal Code of the Republic of _____ concerning this agreement.

9. The Bank reserves the right:

- to control the use of the collateral and its value. The inspection may be carried out in the form of an examination of documents, physical inspection, or inspection by experts where necessary.
- in the event the principal and interest of the Loan remaining unpaid when due, under the provisions of the Loan Agreement, to seize and sell the Collateral at the fair market value without recourse to arbitrage.
- to require from the Pledger compensation for any shortfall of the collateral value, where sale of the Collateral is insufficient to cover full repayment of the debt, including principal and interest.
- to recover the Loan prior to the final repayment date, without any arbitrage or courts decisions, in the event of breach of the Pledger commitments under this Agreement and other events, as provided under the current legislation of the Republic of _____.

10. This Agreement is cancelled or terminated in the event:

- of fulfillment of all commitments by the Pledger, and the full repayment of the Loan, principal and interest.
- of the expiration of the validity of the rights guaranteed by this Agreement.

11. In the event of reorganisation or liquidation of the Pledger, or the transfer of the rights to the Collateral, the Pledger undertakes to repay the loan, principal and interest, before the latest date of repayment of the Loan, as provided in the Loan Agreement.

12. This Agreement becomes effective from the date of registration and is binding until the full repayment of the Loan, principal and interest, and/or the validity of the rights guaranteed by his Agreement.

13. This Agreement has been executed in three (3) copies: two (2) for the Bank and one (1) for the Pledger.

14. This Collateral agreement is subject to registration with the _____ office

BANK

PLEDGER (Authorised signature)

_____ **19** _____

BY _____

RAFIDAIN BANK	Credit Procedures Manual
Department CREDIT	Issue date
Section:	Procedure N° 9
Procedure: Acceptance of a guarantee as security for a loan	Page N° 1 of 1

PURPOSE: To ensure proper completion of letter of guarantee given to the Bank as security for a loan

DEFINITIONS:

Letter of guarantee: a legal document executed by a guarantor, accepting to pay a debt to a third party Under certain conditions

REFERENCES:

1. Loan agreement

PROCEDURES:

- Receive the file
- Study conditions to be included in the guarantee in accordance with loan approval
- If personal Guarantee, ask for personal financial statement of the guarantor and assess his net worth
- If corporate guarantee assess the creditworthiness of the Guarantor. Ask for financial statements
And proceed to credit analysis
- Submit to the borrower the draft of the letter of guarantee
- Submit document to if personal Guarantee, assess the net worth of the guarantor
 - Bank's lawyer
 - Head of the Credit Department
- Receive comments from lawyer and make changes where necessary
- Submit final document to borrower
- Submit final document to authorized person of the Bank for signature
- Request the guarantor to sign acceptance
- Register documents in credit ledger
- Send original letter of Guarantee for safekeeping

RESPONSIBILITY: Credit Officer

AUTHORITY: Head of the Credit Department

FORMS:

1. Standard letter of guarantee
2. Personal financial statement of guarantor

PERSONAL FINANCIAL STATEMENT

If you are applying for a loan or credit facility in your own name, or in the name of a business or other legal entity or if you are providing your guarantee for the payment of that loan or any other existing or future indebtedness to this bank, please complete this form. If you are presently a guarantor of the indebtedness of another person, business or entity, please provide the details in the section titled "Guarantees".

Personal financial statement as of _____, 20__.

PERSONAL INFORMATION	EMPLOYMENT INFORMATION
Name:	Company Name:
Address:	Company Address:
City or Town:	City or Town:
Age:	Type of Company:
Telephone:	Years in this Business:

Currency: () Iraqi Dinars () U.S. Dollars			
Assets		Liabilities	
Cash on hand		Accounts and bills payable	
Cash in banks			
Receivables due from family		Notes payable to banks	
Receivables due from others			
		Facilities payable to banks	
Real estate – residences		Mortgages payable	
Other real estate			
Businesses owned		Taxes payable	
Vehicles			
Other assets – please list		Other liabilities – please list	
Total Assets		Total Liabilities	
Total Assets – Total Liabilities = Net Worth			

Are any of the above assets jointly owned? Yes / No

Do you guarantee other debt? Yes / No Total amount:
 For whom?

Are you involved in any pending legal actions? Yes / No

Annual income		Annual Expenses	
Salary, bonus, commissions _____		Family expenses _____	
Withdrawals from business _____		Mortgage payments _____	
Rental income _____		Loan payments _____	
Investment income _____		Taxes _____	
Other income _____		Other expenses _____	
Total Annual Income		Total Annual Expenses	

My signature below indicates that all of the information that I have provided on this application for credit is true and correct to the best of my knowledge and belief. I authorize the bank to investigate and verify all of the information provided and to exchange credit-related information and experience with others. A photocopy of this document authorizes others to release to this bank information about their credit experience with me.

Signature: _____ Date: _____

For bank use only – Verification of Identity:
<u>Documents presented:</u>

GUARANTY AGREEMENT

_____ (Guarantor) _____
hereby unconditionally guarantees to _____ (Bank), the prompt and complete payment and performance when due, whether by acceleration or otherwise, of the obligations and liabilities of _____ (Borrower), as evidenced in the Loan Agreement between the Bank and the Borrower, executed on _____

This guaranty is one of payment and not of collection.

The Guarantor hereby waives notice of acceptance of this Guaranty and notice of any obligation or liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonour or non-payment of any such obligation or liability, suit or the taking of other action by Bank against, and any other notice to, the Borrower, the Guarantor or others.

Bank may at any time and from time to time without notice to or consent of the Guarantor and without impairing or releasing the obligations of the Guarantor hereunder: (1) make any change in the terms of any obligation or liability of the Borrower to Bank, (2) take or fail to take any action of any kind in respect of any security for any obligation or liability of the Borrower to Bank, (3) exercise or refrain from exercising any rights against the Borrower or others, or (4) compromise or subordinate any obligation or liability of the Borrower to Bank including any security thereof. Any other suretyship defences are hereby waived by the Guarantor.

The Guarantor further agree to pay Bank, upon demand, all losses and reasonable costs and expenses, including attorneys' fees, that may be incurred by Bank in attempting to cause the Obligations to be satisfied or in attempting to cause satisfaction of Guarantor's liability under this Agreement . The Guarantor further agree to provide Bank detailed financial statements annually, or upon request.

This guaranty shall continue in full force and effect until the Borrower and/or the Guarantor have fulfilled their obligations under the Loan Agreement and/or the Guaranty. The Bank will notified the Borrower and the Guarantor of the termination of the Guaranty, by written notice delivered at their address, indicated in the Loan Agreement or otherwise.

This Guaranty is secured by a Deed of Trust and/or Security Agreement dated _____

made by Guarantors in favour of bank and covering the following property:

The obligations of the Guarantor under this Guaranty shall be without recourse to any partner, or any assignee of any partner, of the Guarantor, any controlling person thereof or any successor to any thereof, and no such person shall have any liability with respect thereto. The Guarantor may not assign its rights nor delegate its obligations under this Guaranty, in whole or in part, without prior written consent of the Bank, and any purported assignment or delegation absent such consent is void, except for an assignment and delegation of all of the Guarantor's rights and obligations hereunder in whatever form the Guarantor determines may be appropriate to a partnership, corporation trust of

other organisation in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise. Upon such delegation and assumption of obligations, the Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

This Guaranty shall be governed by and construed in accordance with the internal laws of the Republic of Iraq without giving effect to principles of conflicts of law. Guarantor and Bank jointly and severally agree to the exclusive jurisdiction of courts located in the Republic of Iraq over any disputes arising or relating to this guaranty.

Guarantor

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT	Issue date
Section: Monitoring	Procedure N° 10
Procedure: Safekeeping of original documents	Page N° 1 of 1
<p><u>PURPOSE:</u> to ensure that all original documents such as Guaranties, Loan Agreements, Collateral Agreements, Deeds, Letters of Credit, Security agreements, Certificate of trusts, and other important documents, legal or not....., are being kept in a vault or in a safe. It also includes any securities in kind such as gold, jewelry, paintings etc...</p> <p><u>DEFINITIONS:</u> <i>Vault-safe:</i> A place or cabinet which is safe and secured and is fire and water resistant</p> <p><u>REFERENCES:</u></p> <ol style="list-style-type: none"> 1. Bank's Safety and Security Guidelines <p><u>PROCEDURES:</u></p> <ul style="list-style-type: none"> • Bring each important original document to the vault for safekeeping • Fill a Vault Access Form and have it signed by the head of the department • Fill the Safe Keeping Form which is in the credit file, indicating the document left in or taken from the • Give the Safe Keeping Form to the vault keeper • Leave the document with or take the document from the vault keeper • Ask the vault keeper to sign the Safe Keeping Form, to acknowledge taking or giving the document • Place the Safe Keeping Form back in the file where it belongs • At all time keep the original documents in a safe place, when using it away from the vault <p><u>RESPONSIBILITY:</u> Credit Officer</p> <p><u>AUTHORITY:</u> Head of the Credit Department</p> <p><u>FORMS:</u></p> <ol style="list-style-type: none"> 1. Vault Access Form 2. Safekeeping Form 	

Safekeeping Form

File No _____

Name of client: _____

Description of document	Date in	Date out	Name of Person giving or retrieving the document	Signature of vault keeper

Vault Access Authorization

Mr. _____

Date _____

Department _____

is authorised to access the Vault, in order to deposit / retrieve, the following document(s):

Description of document(s)	File number

Authorised signature:

This document is to be kept by the Vault Keeper

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT DEPARTMENT	Issue date
Section: Monitoring	Procedure N° 11
Procedure: Overdue Payment	Page N° 1 of 1
<p><u>PURPOSE:</u> To ensure that all necessary actions are taken when a principal or interest loan payment is overdue</p> <p><u>DEFINITIONS:</u></p> <p><u>REFERENCES:</u></p> <ol style="list-style-type: none"> 1. Loan agreement 2. Standard Terms and Conditions 3. Repayment schedule <p><u>PROCEDURES:</u></p> <ul style="list-style-type: none"> • Inform the Loan Assessment section of the overdue payment • Inform the client of his liabilities under the Standard Terms and Conditions and the Loan agreement • Find out the reasons for the non payment • Consult with Head of the Department for measures to be taken • For principal overdue, discuss the possibility of rescheduling the reimbursement • If the loan is being reschedule ask the approval from Credit Committee • Inform the Back Office and the Operation Department <p><u>RESPONSIBILITY:</u></p> <p><u>AUTHORITY:</u> Head of the Credit Department</p> <p><u>FORMS:</u></p> <ol style="list-style-type: none"> 1. Standard letter to client 	

Letter heading of the Bank

Name and address of client

Date

Ref.: Loan No

RE: Overdue payment

Dear Sir,

We confirm that (name of company) (The Borrower) has failed to pay to (The Bank) (Amount of Interest or Principal) due on (date) as per the conditions of the above mentioned loan agreement between the Bank and the Borrower.

In accordance with section of the Loan Agreement between we inform you that the overdue amount bears a penalty interest of per cent (%) per annum above the agreed margin.

This penalty shall accrue from day to day from the due date of actual payment and is payable upon demand.

Yours faithfully,

Agreed to and accepted by:

Date:

Letter Heading of the Bank

Name and address of client

Date

Ref. Loan No.

Re: Payment 60 days Overdue

Dear Sir:

We confirm that (name of company) (The Borrower) is now 60 days past due in making required payment in the amount of ____ (plus any penalties that may accrue according to the loan contract) on its/his loan. This is a serious matter and requires the borrower to immediately remedy the situation by making payment. Please contact the Bank to make arrangements for payment.

Please be advised that if the payment is not made the Bank may demand full payment of the loan, and proceed with further collection action. Also delinquencies on the loan may result in damaging the borrower's ability to get future extensions of credit from the Bank. It is in the borrower's best interest to resolve this delinquency.

Sincerely,

Letter Heading of the Bank

Name and address of client

Date

Ref. Loan No.

Re: Payment 90 days Overdue

Dear Sir:

We confirm that (name of company) (The Borrower) is now 90 days past due in making required payment in the amount of ____ (plus any penalties that may accrue according to the loan contract) on its/his loan. This is a serious default on the loan and the Bank demands full payment of the loan within the next ten days.

Failure to pay the full amount of the loan (including all principal, interest, and penalties) within the stated ten day period will result in the Bank instituting further collection action which may include enforcement against collateral, legal action against the primary borrower and guarantors, and any other legal means to collect the debt. This is a serious matter and immediate payment is required to remedy the matter.

Sincerely,

RAFIDAIN BANK	Credit Procedures Manual
Department: CREDIT DEPARTMENT	Issue date
Section: Monitoring	Procedure N° 12
Procedure: Loan reviews.	Page N° 1of 1

PURPOSE: to perform (semi annually) loan reviews in order to assess interim financial condition of the borrower, and be kept informed on a permanent basis of any positive or negative changes

DEFINITIONS:

REFERENCES:

1. Client financial information
2. Collateral agreement
3. Loan agreement
4. Rating guidelines

PROCEDURES:

- Receive from client interim financial information and statement of changes
- Proceed to a brief analysis of financial conditions
- Compare actual figures with projections
- If necessary pay a visit to the borrower
- Ask client reasons for changes, if any
- Check if client complies with conditions of the loan and collateral agreements
- Check collateral value and condition
- Assert if any changes in the company might affect the quality of the loan
- Review a credit rating
- Fill up loan monitoring form

RESPONSIBILITY:

AUTHORITY: Head of the Credit Department

FORMS:

1. Monitoring form

Loan Control Form and Company assessment

Company _____

Date _____

1. Loan information:	Principal outstanding	Past due interest
2. Financial information	Current period	Previous period
Total assets		
Total liabilities		
Net worth		
Sales		
Gross profit		
Operating profit		
Net profit after tax		
3. Key ratios and margins		
Current ratio		
Leverage ratio		
Gross profit margin		
Operating margin		
Debt service coverage ratio		

4. Comments/ description of significant changes in the financial condition of the company

5. Assessment of collateral	Yes	No
Is there any change in the collateral condition Is there a risk of deterioration of the collateral		
Value of the collateral Loan coverage %	Current period	Previous period
6. Assessment of subjective factors		
<u>Describe any changes in collateral condition.</u>		
<u>Describe changes in Management and key personnel. Evaluation.</u>		
<u>Describe any important changes in the company. Progress. Difficulties.</u>		
7. Loan Rating	Current period	Previous period
Pass/watch/substandard/doubtful/loss		

Notes to Loan Control Form

1) Loan Information: Indicate the amount of principal still due and the amount of interest due but not paid

2) Financial information: Ask the client to provide interim financial documents for the period reported. Balance sheet, income statement.

3) Ratios:

Current ratio: Current Assets / Current liabilities

A ratio greater than 1 indicates that the Company is able to meet its current obligations. Nevertheless one has to consider the quality of the assets. The more liquid the current assets, the lower the current ratio is permitted to be. In any case it should be greater than 1.

Leverage ratio: Debt / Net worth (shareholder equity)

This ration indicate the ST+LT debt of the company vis a vis its book value.
The higher the leverage ratio, the greater the financial risk.

Gross margin: Gross profit / Net sales

Operating margin: Operating profit / Net sales

Debt service coverage: Cash flow / Principal + interest

4) Comments: Indicate all important changes in the financial condition of the Company that may increase or decrease the risk, and how it can affect the loan.

5) Assessment of collateral: Indicate the value of the collateral and the % of coverage vis a vis the loan, for the reported period and the previous period.

6) Assessment of subjective factors:

Collateral - This should be filled if you have answered yes at the previous questions

Management - Explain any important changes in management and key personnel.

Describe changes - Give information on important changes, of any nature, that might affect the Company, positively or negatively, and its potential effect on the loan.

7) Loan classification: To be completed by Credit Department's Management (refer to Credit Policies)

RAFIDAIN BANK	Credit procedures Manual
Department: CREDIT DEPARTMENT	Issue date
Section: Monitoring	Procedure N° 13
Procedure: Loan Portfolio review	Page N° 1 of 1

PURPOSE: To prepare an annual Loan portfolio review. This review will entitle the management and the shareholders are kept aware of the Bank's global risk and industry exposure. The review will be performed in co-operation with the Loan Assessment section.

DEFINITIONS:

Industry exposure: the risk of the Bank towards each particular industry financed

Global exposure: the total risk to which the Bank is exposed at one given time, measured not only by the total commitments, but also by the industry exposure and the total loans amount in comparison to the Bank's Equity.

REFERENCES:

1. Lending policies
2. Loans review guidelines

PROCEDURES:

- Each lending officer is to provide the Monitoring Section with information pertaining to the semi-annual review, as requested.
- Section staff to fill the various forms provided for the review, with all the information requested
- Make comments for management on the changes in the portfolio situation, and make recommendations
- Send the documents to the Chairman of the Board for presentation to the Credit Committee, meeting for the sole purpose of this review
- Chairman of the Board to make recommendations to the Board, as far as lending strategy is concerned
- Credit Committee to make decisions as far as changes in strategy, policies or other guidelines are concerned
- Publish a minute of the discussions and decisions which took place during the Committee, for distribution to all the management and the Credit Department staff

RESPONSIBILITY: Head of the Credit Department

AUTHORITY: Chairman of the Board

FORMS:

1. Semi-annual loan portfolio review cover form
2. Loan portfolio breakdown table
3. Non-performing loans table
4. Watch list

Annual Loan Portfolio Review

Date:

A) Total number of loans:

		Long term			Short term		
		Amount	%	#	Amount	%	#
Total commitments							
Total outstanding							
Total principal overdue							
Total interest overdue							

- Indicate % to total commitments
- Indicate numbers (#) of loans in each category

B) Contingent liabilities:

Total amount of contingent liabilities (Guaranties, Letters of Credit etc....) :

Total number of contingent liabilities files:

C) Loans, which have defaulted during last semester

Amount:

Number of files:

% of the total loan portfolio:

D) Loans, which had to be rescheduled during last semester:

Amount:

Number of files:

% of total loan portfolio

E) Ratios:

Total commitments/Equity:

Total commitments/Assets

F) Comments:

LOAN PORTFOLIO BREAKDOWN

Industry	Number of files	Total amount	% of total portfolio	Amount of largest loan in industry	% of total industry	Ratio total industry to Bank equity
Total						

NON-PERFORMING LOANS

Industry	Number of loans	Amount outstanding	% of industry	% of total loans
Total				