



الشركة العراقية للكفالات المصرفية / مساهمة خاصة  
The Iraqi Company For Bank Guarantees J.S.C.

## Iraqi Company for Bank Guarantees JSC

**With Our Guarantees You Guarantee the Future  
Doing the Right Things is Better than Doing things Right**

### Mission Statement

The Iraqi Company for Bank Guarantees (ICBG) mission is to enhance access To credit from formal sources for Small and Medium sized enterprises (SMEs) It does so by partially guaranteeing loans extended to SMEs by local private banks By partnering and risk sharing with Iraqi private banks, ICBG contributes to a sustainable economic growth in Iraq by supporting private sector development

### Company's Tasks

Facilitate SME lending activities of participating banks  
Create new opportunities to generate profits  
Help jobs creation and the development of the Iraqi economy



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## Who are we?



مصرف بغداد



مصرف الشرق الأوسط



مصرف الأستثمار



مصرف اشور



مصرف الخليج



مصرف عبر العراق



مصرف البصرة



مصرف سومر



مصرف الشمال



المصرف الأهلي



مصرف الأقتصاد



مصرف اميرالد



مصرف المتحد



مصرف الموصل



مصرف الهدي



مصرف المنصور



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## Summary

The Iraqi Company for Bank Guarantees is a non-banking financial services company.

The company was established in March 2006 as a limited liability company (LLC) owned by 11 private banks with license No. 9\3\3666 in 09\18\2008 issued by The Central Bank of Iraq to provide guarantees on up to 75% of the amount of loans submitted by the participating banks. The loans sizes granted by participating banks are in the ID equivalent range of \$5,000 to \$250,000.

Its guarantee fund has been strengthened by a grant from USAID amounting to USD 5 millions.

ICBG charges a 2% annual upfront fee on the outstanding amount of the loan, which represents the revenue from operating activities.

At the present time our main income comes from investing our guarantee fund in term deposits with our participating banks.

The main task of the company is to facilitate SME lending activities of participating banks, open new possibilities to generate profits, create jobs opportunities and develop the Iraqi economy.

The company has to deal with two different environments, Internal and External. The internal represented by the structure and the bylaws of the company is under control. The External environment pertains to the political and security situation and an economy which is beyond our control. This had a negative impact on our activities. Security and CBI regulations for overnight investment rates through the 2007-2008-2009 period encouraged the private banks to invest their liquidities instead of lending them

Despite these challenges we managed to build our structure and to maintain relationships with our partners' banks. The support of USAID with \$ 5 million grant for loan defaults encouraged banks to submit loans and helped ICBG to build a strong balance sheet.

The company headquarter is located in Iraq\ Baghdad\ Krada district\Nadhah Street\Mousel Bank-Baghdad Branch Building\ Second Floor.

By the recommendation of the general assembly, the approval of the Central Bank of Iraq (reference No.9/3/1974 dated 7 May 2009) and the approval of Ministry of Trade /Companies Registration Dated September, 16, 2009 the statutes were changed from LLC to JSC.



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## Significant Accounting Policies

Our financial statements comply with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and Iraqi Accounting Standards. They are audited by legal external auditor cooperating firm of Price Water House Coopers.

## Business Plan

We control our business by preparing a budget and comparing actual to plan. Our budget is an instrument of control and measure. For the past years our actual performance was more than 100% above planned using SWOT method: Strength, Weaknesses, Opportunities, and Threats.

## Investments

We carefully plan our investment policy which is based on:

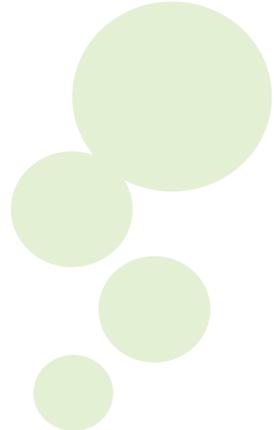
Investing our capital

Making interest on interest

Keeping investment in various banks (our participating banks)

Considering the interest rate

The investment policy is prepared and controlled by the financial committee of our board of directors, and is based on the CAMEL evaluation of CBI and through our participating banks.





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## Participating Bank Agreement

Operating guidelines and policies which rule the relationship between Banks and ICBG for the loan guarantees activity rely on international standards in lending and guarantees include:

- Eligibility criteria for bank
- Borrower eligibility
- Loan eligibility
- Prohibited loans
- Documentation requirements
- Continuing responsibilities of bank
- Guarantee fees
- Rescheduling and sale of loans
- Payment of guarantee
- Release of ICBG from liability on guarantee
- Confidentiality
- Marketing
- Bank reporting

## Guarantee Fund

ICBG received a \$ 5 million grant from the USAID to cover the guarantees defaults and to build a strong financial situation. The shareholders' equity will not be affected by any default payment

## Income and social security tax

The company follows all the Iraqi laws regarding:

- Income
- Withholding of employee's tax
- Social security



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## Revenues

Our main revenues come from:

- Operational Revenue - 2% fees taken from the guaranteed portion of loans
- Investment revenue - Interest on our deposits in our participating banks

Revenue is measured at the fair value, considering received or receivable

## Capital

The company started with 5,450 Iraqi Billion Dinars capital in year 2006, as an LLC. It was increased to 7,000 Iraqi Billion Dinars in year 2009, and its statute was changed into a JSC with shareholders comprising:

16 Banks

1 financial company

16 individuals

## Risk Management

Due the increase in the number of our guarantees and in order to keep up with risk management, we use the following procedures:

- Evaluate quality of loans guaranteed and assign risk ratings by assigning portfolios; scheduling, conducting and overseeing loan reviews; studying verification system information; generating reports.
- Develop loan documentation and tracking system.
- Keep ICBG management, board of directors informed by designing, generating and presenting reports regarding loans and loan guarantees that need special attention.
- Maintain loan guarantee policies and procedures by assessing lending practices; recommending changes.
- Reduce charge-offs, nonperforming assets, and delinquencies by identifying deteriorating credit situations; assessing action plans; evaluating loan documentation system, collateral and structure; providing



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technical advice to lending personnel in banks.

- Control guaranteed lending operations by conducting field audits on all guaranteed loans; reviewing reports on audit results; ensure participating banks maintain secured lending policies and procedures.
- Maintain customer confidence and protect operations by keeping information confidential.
- Complete guarantee applications by adhering to established Guarantee risk management standards.
- Determine degree of risk by examining application forms, inspection reports, and other reports.

## Governance

Our governance depends on policies approved by the Board which are our guidelines in our daily work. Policies determine the employee's activities and their rights:

- Management committee
- Human Resource
- Code of Ethics
- Treasury Management
- Procurement Policy
- Participating Bank Agreement
- Guarantee Agreement
- Environmental Policy
- Jobs Descriptions



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## Information by a participating bank

- How does a participating bank access the guarantee program?

The bank completes a participating bank agreement (PBA) with ICBG which defines the obligations of both ICBG and the bank. The bank must be licensed with the Central Bank of Iraq and be fully compliant with all CBI regulations.

- Does the ICBG deal directly with SME borrowers?

No, only with the banks.

- What type and terms of loans does the ICBG Guarantee?

- ICBG may guarantee eligible Loans for both working capital and fixed asset acquisition:
- Working capital loans may not exceed 360 days in tenor;
- Fixed asset loans may be from 1 year to 5 years in tenor;
- All loans should have monthly repayments.

- Is a grace period for repayment applicable?

Grace period is decided by the bank and subject to the borrower's cash flow projection.

- Does the applicant bank have to pay any loan guarantee fee?

A 2% loan guarantee fee is charged per annum on the guaranteed portion of the loan and the accrued interest. The fee is calculated and payable on the outstanding balance.

- What is the maximum loan guarantee coverage?

All guarantee applications submitted during the first year of operations may be granted guarantee coverage up to 75% of the approved loan. Accrued interest is guaranteed for a period not exceeding 180 days.

- What is the maximum amount of loans that can be guaranteed by ICBG?

ICBG will guarantee loans with volumes ranging between the ID equivalent of USD 5,000 and USD 250,000.

- Are personal guarantees and collateral required for loans guaranteed by ICBG?

The ICBG loan guarantee program supports cash flow based lending. However, the participating banks are authorized to require personal guarantees and suitable collateral.

- What sectors of the economy does the ICBG loan guarantee program support?

Manufacturing, services, tourism, construction, trade and agriculture.



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## Information by a SME borrower

- How does an SME borrower access the guarantee program?

The borrower requests a loan from its bank (which must be a participating bank with ICBG), the bank performs normal loan underwriting due diligence, and will then decide whether to present the application to ICBG for guarantee.

- Does the ICBG guarantee loans for start-up businesses?

Yes, start-up businesses are included in the ICBG loan guarantee program.

- What are the eligibility criteria governing an SME borrower?

Borrowers must satisfy the following:

- Be citizens of the Republic of Iraq and between the ages of 21 and 65;
- May be sole proprietorships, partnerships, limited liability companies, or joint stock companies;
- Enterprises must be registered with the appropriate Iraqi governmental authorities;
- The borrower must have at least 2 full-time employees and not more than 29 full time employees;
- The borrower must not be a subsidiary of, or affiliated through common ownership with, a company or branch of an enterprise that has more than 250 employees, nor can the enterprise hold a majority stake in larger companies;
- Have not defaulted under any payment obligation to financial institutions or other creditors;

• Owners and managers may not be related to members of the Bank's board of directors or senior management.

- What are the interest rates chargeable on ICBG guaranteed loans?

ICBG-guaranteed loans should bear market rates on interest.

- Where can I find technical assistance to help me with business plan?

The loan officers from the respective participating banks are trained and available to assist with the preparation of the borrower's loan application package.

- Do I have to pay any fee for obtaining the loan guarantee application form?

All applications forms are free of charge for ICBG first year of operations.

- How long does the application process take?

If all documentation is in order a decision to grant the guarantee can be made within one month from the submission date.

- Where and how can I get an application form?

Application forms can be obtained from any of the participating banks



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