



THE IRAQI COMPANY FOR BANK GUARANTEES, JSC.

Annual Report
2009

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الشركة العراقية لتكافيل القروض البنكية - مساهمة مغلقة
THE IRAQI COMPANY FOR BANK GUARANTEES, JSC

Mission Statement

The goal of the Iraqi Company for Bank Guarantees (ICBG) is to enhance small and medium sized enterprise (SME) access to formal sources of credit from financial institutions. It does so by partially guaranteeing loans that local private banks extend to SMEs.

By partnering and risk sharing with Iraqi private banks, ICBG facilitates greater loan origination in favor of SMEs which in turn directly supports Iraq's private sector development, economic growth, and job creation.

ICBG Member Banks

1- Shareholder Banks



Al Rafda Bank for Investment and Finance

Chairman: Saïd Al-Sayid



Ashar International Bank for Investment

Chairman: Wasim Hussain Al-Husseini



Basra International Bank for Investment

Chairman: Hassan Ghaddaf



Gulf Commercial Bank

Chairman: Abu Saleh Al-Husseini



Investment Bank of Iraq

Chairman: Tarek Al-Sayid



Iraq Middle East Investment Bank

Chairman: Maysoun Haddad



Misul Bank for Investment and Development

Chairman: Ghayth Faraj



National Bank of Iraq

Chairman: Saïd Al-Sayid



Suner Commercial Bank

Chairman: Muad Salim Al-Jumali



Al-Fuda Bank

Chairman: Hassan Wasim Al-Husseini



Bank of Baghdad

Chairman: Wasim Ghaddaf



Emerald Bank

Chairman: Ghayth Al-Husseini



Tarek Iraq Bank

Chairman: Dr. Saïd Wasim Al-Sayid



North Bank

Chairman: Ghayth Al-Sayid



United Bank for Investment

Chairman: Wasim Ghaddaf Al-Sayid



Economy Bank

Chairman: Hassan Ghaddaf



THE IRAQI COMPANY FOR BANK GUARANTEE, PLC
www.icbg.com



Bridge to the Future: The Al-Rasheed Bridge spans the Tigris River connecting downtown Iraq's new city with Baghdad's existing built environment. ICBG will help bring private and commercial banks into a new financial future.

The Contribution of SMEs to Economic Growth and Employment in Iraq

In most countries, economic growth and employment creation is driven by small and medium sized enterprises (SMEs). In lower middle income countries, such as Iraq, SMEs contribute over 70% to Gross Domestic Product (GDP), while they create 80% of all jobs in the private sector, according to the World Bank Institute.

SMEs also make a major contribution to economic growth in Iraq, contributing 80% of total private business sector productivity, according to the United Nations International Labor Organization (ILO) and UNAD estimates. And according to these same sources, Iraqi small businesses account for approximately four million jobs.

Clearly, SMEs are becoming the engine of the Iraqi economy. And, for SMEs to become engines of economic growth, robust bank credit is critical. Their fuel.

In Iraq, as in many developing economies, SMEs have great difficulty in securing bank credit. According to UNAD surveys, if a business owner has less than five percent of the country's SMEs have ever received a loan from a bank. Indeed, in its latest country report on Iraq, the International Monetary Fund (IMF) states that Iraq's banking system is weak. Bank credit to the overall economy adds up to only four percent of the GDP, compared to 20% in the rest of the Middle East.

The two largest state owned banks, Rafidain and Raedeed, dominate the banking sector, with over 90% of total assets. However, the large Iraq state owned banks are not positioned to serve SMEs and will require substantial operational and financial restructuring, a process which commenced just this year (2008).

ICBG loan guarantees serve as a tool that encourages private Iraq banks to lend to SMEs, and entices, to offer more innovative financing terms. Partial loan guarantees reduce market entry risks for the banks, that (reducing number of non-types of lending. ICBG's loan guarantees have proved to be an important catalyst increasing SME financing.

Chairman's Statement

Honorable shareholders:

On behalf of my fellow members of the Board of Directors allow me to present the results of The IBCQ Company for Bank Guarantees, JSC (ICBG) in 2008.



Mark A. Woodard
Chairman

Our company continues to make major breakthroughs in the fulfillment of its mission to bridge the gap between the small and medium sized enterprises and the financial markets.

During 2008, ICBG made a custom loan in its role as a counter between SMEs requiring loans at reasonable costs, and long banks requiring loan risk from applicants to the ICBG, which provides loan guarantees, and to ICBG's shareholders, less than three years after commencement of operations, the ICBG has now positioned itself as a respected and active partner in the long financial community.

As of 12 months ago, ICBG had guaranteed only 144 loans totaling \$21.8 billion. Now by the end of this year, guaranteed loans total \$280 million with a total amount of \$210 million.

During the same period, ICBG advised a number of key milestones. First, ICBG completed its conversion to a joint stock company in September 2008 to fit with the requirements of the Central Bank of Iraq (CBI).

Accordingly, the system was revised to reflect the new corporate structure.

Second, ICBG strengthened its combined share capital and generated funds raised from \$240 million to \$410 million. This was accomplished by adding new shareholders upon issuing new shares and by utilizing the \$2 million interest of USAID's \$5 million grant to ICBG. We are pleased to welcome three additional banks and a number of private individuals as new shareholders.

Third, we have strengthened our staff and IT capabilities so that we are more capable of processing more applications more quickly. By the end of next year (2009), we expect the processing capability to double through further improvements in our systems and recruitment of additional staff.

General conditions beyond increased SME lending. The security situation grew more stable and conducive for business compared to previous years, although it remains far from ideal. This is driven by the Government of Iraq's receipt of funds from the

obligation to provide loan loss (provisional) guaranteed portions of loans made. ICBG's services have attracted attention. The year 2009 will also pose new challenges and fresh opportunities for ICBG.

I would like to extend my sincere thanks to my fellow members of the Board of Directors, including M. Salami, manager of ICBS (Iraqi Commercial Bank) and to USAID. Your shared continued efforts contributed to this year's outstanding results. We will work together to meet the ambitious objectives of the ICBG going forward.

We rely on the continued support of all our valued colleagues, friends, and partners as we enter another challenging year.

Mark A. Woodard
Chairman



Management Report

Ladies and Gentlemen:

We present the third annual report of The Iraqi Company for Bank Guarantees, JSC to highlight our work and the results we achieved during the year 2009.

2009 was a challenging and yet a very successful year for ICBG. Despite continuing security concerns and uncertain economic conditions the company achieved outstanding results. Moreover ICBG has achieved greater acceptance and full

recognition from banks, government agencies and individuals.

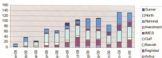
ICBG has succeeded in supporting Iraqi private banks in a very meaningful way both for them and their SME borrowers by helping to

increase the size of their bill/loan portfolios, as can be seen from the increasing number of loans granted by the participating banks with the guarantee coverage of ICBG.

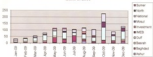
Guaranteed Loans Disbursed in 2009

In 2009, 963 guaranteed loans were disbursed by nine banks value of ID 15,277 billion or \$11,743,000.

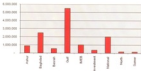
ICBG - Number of Guaranteed Loans Disbursed By Bank in 2009



ICBG Number of Submitted Loan Guarantee Applications By Bank in 2009



Disbursed Guaranteed Loans by Bank in 2009 (in IQ 000s)

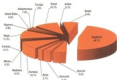


Geographical Coverage:

In 2009, ICBG's outreach grew from seven to sixteen provinces working through our partner bank branch networks. Of these, Baghdad, Najaf, Karbala and Wasit were the most active provinces.

Province	2009		2008		2007		2006		2005	
	Number of Loans	Value (Million USD)	Number of Loans	Value (Million USD)	Number of Loans	Value (Million USD)	Number of Loans	Value (Million USD)	Number of Loans	Value (Million USD)
Baghdad	1,050	1,200	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100
Najaf	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100
Karbala	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100
Wasit	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100
Other	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100	1,000	1,100
Total	5,050	5,600	5,000	5,500	5,000	5,500	5,000	5,500	5,000	5,500

ICBG Guaranteed Loans by Bank and by provinces in 2009



ICBG Ltd helps Finance New Medical Laboratory

After working for more than a decade at a government medical laboratory in Baghdad's Al-Farabiya Hospital, Sawsan Al-Sayid decided, at 50-year-old, to start her own business. She knew that Iraq's government-owned Al-Farabiya University Hospital was the best place to start her own business. Using her life savings, she bought new laboratory space in Al-Farabiya Hospital, a neighborhood in Baghdad's Al-Farabiya Hospital, a neighborhood in Baghdad's Al-Farabiya Hospital that is crowded with doctors' offices and medical clinics.

But operating a modern medical laboratory takes sophisticated equipment. For that she needed an \$2.15 million (\$2,150,000) loan from Gulf Commercial Bank that ICBG partly guaranteed. Once Sawsan received the money she began to turn her dream into reality. She purchased a new refrigeration, histology and centrifuge. She then ordered a sophisticated spectrophotometer and scanner that allow to measure spectrum absorbance and reflectance.

The ICBG loan allowed Sawsan to purchase the rest of equipment that will make her clinic one of the best.



Mrs. Sawsan Al-Sayid, Sawsan Al-Sayid Hospital, Baghdad, Al-Farabiya Hospital, Iraq.

Eventually planned in Baghdad since it is crowded and allow her to study the progress of hormones in blood and tissue samples. "The loan they granted me is for two employees," Sawsan continues with a smile, happy that she made the jump from employee to employer.

Making Summers Somewhat Cooler

Even summer temperatures that routinely soar to more than 50° C. (120° F.) are not the only concern for us. And it is for manufacturers who have access to a steady supply of clean water and electricity. Unfortunately, electricity is not a commodity throughout most of the country and water often is contaminated.

Making pure water especially challenging in Iraq, where most of the water comes from the Euphrates. Most factory owners in the north like Enad's Halim Kadhim, who has spent more than half his net worth refurbishing outdated ice factories bought from the government. For years Enad's largest factory pumped out 2,400 large blocks of ice per day. But the ice only could be used for food preservation because of the high rate of melting. If the water available is too hot, getting pure ice suitable for other uses would require reinvention and increase profitability, but this required a water desalination plant that cost \$24,000 and Enad's only had \$10,000.

In June 2009, I went to the Iraq branch of Gulf Commercial Bank, explained my situation and asked to borrow \$20,000 to purchase. The loan was approved almost immediately.

Today Enad sells pure, desalinated ice at a 50% premium. His profits have increased 20% because of the new equipment and he has hired six new employees to help his factory keep up with demand.



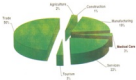
Mr. Halim Kadhim, Enad's Halim Kadhim, Iraq.

Economic Sectors:

Trade, Manufacturing and Services showed the greatest loan volumes in the ICBG portfolio.

ICBG Guaranteed Loans by Sector and Bank in 2008 (in \$-000s)									
Sector	Bank	2008	2007	2006	2005	2004	2003	2002	2001
Trade	Bank of America	1,200	1,100	1,000	900	800	700	600	500
	Wells Fargo	1,100	1,000	900	800	700	600	500	400
	Other	1,000	900	800	700	600	500	400	300
Manufacturing	Bank of America	800	750	700	650	600	550	500	450
	Wells Fargo	750	700	650	600	550	500	450	400
	Other	700	650	600	550	500	450	400	350
Services	Bank of America	600	550	500	450	400	350	300	250
	Wells Fargo	550	500	450	400	350	300	250	200
	Other	500	450	400	350	300	250	200	150
Agriculture	Bank of America	200	180	160	140	120	100	80	60
	Wells Fargo	180	160	140	120	100	80	60	40
	Other	160	140	120	100	80	60	40	20
Construction	Bank of America	150	140	130	120	110	100	90	80
	Wells Fargo	140	130	120	110	100	90	80	70
	Other	130	120	110	100	90	80	70	60
Medical Care	Bank of America	100	90	80	70	60	50	40	30
	Wells Fargo	90	80	70	60	50	40	30	20
	Other	80	70	60	50	40	30	20	10
Energy	Bank of America	50	45	40	35	30	25	20	15
	Wells Fargo	45	40	35	30	25	20	15	10
	Other	40	35	30	25	20	15	10	5
Total		5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500

ICBG Guaranteed Loans by Sector and Banks in 2008 (in \$-000s)



Gender:

Of the IBSG guaranteed loans extended in 2009, 50 were disbursed to businesses owned by women for a total amount of \$1,740 million or \$1,709,688. Most of the women-owned businesses were in Baghdad.

ICBG Guaranteed Loans by Gender and Government in 2009 (in \$'000)			
Government	Female Business	Male Business	Total
Baghdad	19,400	48,200	67,600
Basrah	18,000	1,486,000	1,504,000
Erbil	170,000	3,259,312	3,429,312
Iraq	14,000	255,312	269,312
Mustansiriyah	20,000	250,000	270,000
Salah Al Din	29,240	245,933	275,173
Sulaymaniyah	25,000	1,232,200	1,257,200
Tikrit	14,000	2,000	16,000
Wasit	15,000	20,000	35,000
Waqafyah	14,000	14,000	28,000
Yamut	20,000	1,464,000	1,484,000
Zakho	14,000	3,000	17,000
Yasruban	14,000	13,000	27,000
Yayzan	14,000	34,173	48,173
TOTAL	29,740	4,297,200	4,326,940
TOTAL	1,969,688	14,560,252	16,529,940

Guarantees Claimed and Paid:

No claims were made in 2009 from over IBSG guaranteed loans. In order to keep this high standard, ICBG is continuously strengthening its credit assessment and risk management functions.

Donations and Grants:

ICBG pleased to announce that ICBG has met all the terms and conditions of USAID's grant of \$5 million and the fourth and final tranche of \$2 million was released. ICBG also received a \$430,000 grant from the World Finance Reconstruction Team (WFT), with the aim of providing training and reducing the cost of work loans to SME's in the province of Wasit.

ICBG Direct Grant Results (in IQD Billions)

Year	Manufacturing	Services	Tourism	Total	Total
Registered	507,880	75,720	3,800	587,400	400,000
Cost	490,000	3,200		493,200	300,000
Total	997,880	78,920	3,800	1,080,600	700,000

Year	Grant Type	Number	Grant Amount	Amount disbursed
2011	Interest Free Loans	74	1,000,000	800,000
2012	Interest Free Loans	200	1,000,000	1,000,000
2013	Interest Free Loans	200	1,000,000	1,000,000
2014	Training for Entrepreneurs	700	100,000	100,000
2015	Reconstruction Loans		1,000,000	500,000
Total			4,000,000	3,400,000

ICBG issues Iraq Relief and Reconstruction Fund. The direct grant enabled banks to reduce interest rates from 16% to 10%.

We want to acknowledge the financial and technical assistance that ICBG has received from UNICEF and The World Bank, which has enabled us to reach our enviable growth record, and which has built a platform for future growth.

Enhancement of the Lending Capacity of Partner Banks:

Ten banks are actively engaged in the guarantee lending program, nine of them are also actively participating in the capacity building programs being implemented by ICBG and being implemented by UNICEF-Tigris, and are rapidly improving their lending techniques. The quality of applications received by ICBG has enhanced as well, which has contributed to the progress of the guarantee program.



Operating Results:

Reflecting the developing relationship between the Company and the participating banks, the Company was able to achieve again a positive net result in 2008.

Income

Loan guarantee fees increased from IQD 20.4 million to IQD 129.8 million, reflecting the increased guarantee activities. Income from invested funds rose to IQD 1,025.4 million, up 8 percent from 2008, which reflected a larger amount under investment, but reduced interest on our investments. Total income reached IQD 1,241.8 million, an increase of 26.2 % over last year's level.

Expenses

Total expenses increased from IQD 688.3 million to IQD 646.2 million, which is attributable to several developments: additional staff and payroll, a one time change in relation to the conversion of the Company from a Limited Liability Company to a Joint Stock Company, and the creation of additional provisions.

Net Income

Net income increased from IQD 563.4 million to IQD 595.6 million, as a result of the above mentioned increased fees and expense levels. The Company expects to continue to improve results as the level of activities increases and income from guarantee fees grows, coupled with the increase in interest income on investments of the full franchise (\$2 million) of USAID's \$5 million to grant the company.

We believe that ICBG will continue to experience robust growth as we enter 2010, and we are confident that the new year will bring a whole new level of ICBG development and guarantee activity. I would like to thank the shareholders, board members, partner banks, and the rest of the staff for their efforts to further the best interests of the company, for the benefit of the Iraqi economy. I would also like to thank USAID and the USAID-Tipsa project for their continuing support.

Steven Wood *Asst. CEO*
Chief Financial Officer

About our Company

Overview

ICBG guarantees Iraq bank loans to small and medium size enterprises (SMEs) for up to 75% of the loan.

ICBG charges a 2.0% up guarantee fee, paid up front annually on the guaranteed portion of the loan outstanding.

The main objectives of these guarantees are as follows:

- Enhance Iraq SME access to credit from private banks.
- Support modern credit methods and sound banking practices in banks providing loans to SMEs, and.
- Assist private banks in developing profitable new markets.

To utilize the guarantees, banks must enter into a Participating Bank Agreement with ICBG, and are bound to comply with ICBG's operating guidelines as well as performance benchmarks.

Further conditions on the (SME) borrower apply:

- The borrowing companies must have less than 20 employees, and must not be subsidiary of, or affiliated through common ownership with, a company or branch of an enterprise that has more than 200 employees, nor can the enterprise hold a majority stake in larger companies.
- No default (by the borrower, its main shareholders, or its guarantor if any) under any credit facility shall have occurred during not less than the 5 years prior to the date of the loan request.

ICBG-guaranteed loans have the following characteristics:

- Working capital loans from 1 to 3 years in term;
- Fixed asset loans from 1 year to 5 years in term;
- Repayments structured to match the borrower's cash flows;
- Value between \$5,000 and \$250,000, denominated in US dollars or equivalent;
- Market rates of interest.

The Company is considering a fee-for-fee scheme that would encourage banks to reduce the guarantee coverage for less risky customers. The lower the percentage of the loan covered by ICBG's guarantee, the lower the corresponding fee for that operation.

Board of Directors

The Board of Directors consists of five members elected by the General Assembly of ICBG, after incorporation as Joint Stock Company. At year-end 2008, an application for approval of the Board of Directors as listed below was submitted to The Central Bank of Iraq.

(Note: In July 2010, the Central Bank of Iraq and Ministry of Trade approved their nomination).

Board of Directors



Chairman, Wasim Al Hamdani

Chairman of the Arab International Bank for Investment and a prominent businessman with long business interests in the Gulf region. Also served as Chairman of the Foreign Investment Group based in the Gulf with offices in Syria, Jordan and Iraq.

Vice Chairman, Thamer Al-Shubayh

Chairman, Investment Bank of Iraq

Dr. Shubayh holds a Degree in Business Administration from an American University, Baghdad and a Master Administration with Honors of Iraq in Finance. He held the post of Minister of Finance in Iraq from 1979 to 1989. He previously served as Iraq's Representative to both the International Monetary Fund (IMF) and the Organization of Petroleum Exporting Countries (OPEC). He is a President of the Iraq Businessmen's Association and is the Secretary General of the Arab Economic Union (AEU).



Members



Asim Mohammed Al-Hassani

Holds a B.A. Degree in Economics & Financial sciences. He is a Certified Accountant and a holder of Iraqi Diploma of Chartered Accountants. He is a Member of Baghdad Bank Board of Directors. He was Deputy Chairman of Economic Sub-Committee (1979-1980). He was also Iraqi representative to the UN International Finance and Marketing Board (1981-2001).

Salem Ahmad Al-Jarrah

Holds a B.Sc. in Business Administration and a Master Degree in Economic Sciences. He has been a Member of National Bank Board of Director since 1999.



Abdul Muhsin Hashim Al-Hijawi

Holds a B.Sc. in Education from the University of Baghdad. He has been the Managing Director of an Italian Company for Cash-Grading since 2007 and is Member of the Board of Directors of Gulf Commercial Bank since 2003.