

To/ Izdihar Chief of Party

Greetings,

At first, pursuant to your letter dated on March 4<sup>th</sup>, 2007, I would like to offer my apology for being not able to attend the First Conference on Banking and Finance in Iraq to be held under the title (Banking in Iraq: the 21<sup>st</sup> Century Challenge). However, two persons from our bank, Mr. Tareq Al-Tukmachi and Mr. Adnan A. Kadhum Al- Jubory, will be in attendance at the conference.

Second, I would like to give my viewpoint on the banking-related issues as we all witness the beginning of the 21<sup>st</sup> Century.

Banks represent the vessel in which the depositors' funds gather to be operated later in pushing forward the economic wheel of any country.

The first method to operate funds would be through offering loans and banking credit of different types as to push forward the economic wheel in Iraq. The subject of session 5 is considered very important by Iraqi Middle East Investment Bank as building a vibrant SMEs lending industry definitely depends on the establishment of a solid lending system to be adopted by Iraqi private banks and puts them on the right path of two directions to follow:

1. Solid-based provisions for lending that apply to all borrowers from private banks should be established. Upon this, restriction on competition based on customer's satisfaction without paying attention to bank interest will be placed.
2. The essential change into Iraqi borrower's ideas and tendencies towards carelessness of loan use and repayment after providing the bank with the guarantee needed, inattention to the purpose of loan and the method of implementing business borrower received funding for, negligence of maturity dates, and enterprise cash flows submitted to the bank at the beginning to facilitate the process of credit approval only without being committed to them, should be made as these attributes are found among most of borrowers nowadays.

It is strongly recommended that this change should aim at achieving the following points:-

1. The purpose behind loan should be the funding of the economic enterprise.
2. The loan must be used in order to achieve this purpose.
3. The bank has to follow up the use of loan for the purpose borrower received for.
4. Dates of repayment will be defined in accordance with cash flows of the enterprise and its resources.
5. The borrower should comply with dates of repayment, and has no right to use the loans for purposes not stated. In addition he should commit to enterprise cash flows.

With regards,

Hikmat Garjis  
CEO  
Iraqi Middle East Investment Bank