

## 4<sup>th</sup> Iraqi-German *Business* Forum

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Hotel Palace Berlin

# UniCredit for commercial business in Iraq



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# AGENDA

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- HISTORY OF UNICREDIT FOR IRAQ
- MAJOR FOCUS - PRODUCTS
- L/C PROCEDURE
- L/G PROCEDURE
- CURRENT CHALLENGES – MID- & LONG-TERM FINANCING
- PERSPECTIVES



## HISTORY OF UNICREDIT FOR IRAQ

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- Unicredit (HypoVereinsbank AG) joined the consortium of JP Morgan Chase to run TBI in 2007 already
- Personal contacts by regular meetings of the consortium members in London
- UniCredit was the only bank for I/c business in Germany and covering also the neighbouring European countries
- Very early account relationship with TBI
- UniCredit is nowadays one of the very active banks in Europe for Iraq business
- partners:
  - Trade Bank of Iraq
  - Kurdistan International Bank
  - Iraqi Islamic Bank

## MAJOR FOCUS - PRODUCTS

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- letter of credit business – confirmed and unconfirmed
- guarantee business for Iraq through TBI and other private banks
- Issuance of reimbursement undertakings for European banks
- account & clearing service in EUR
- deposit & treasury services
- significant deals:
  - EUR 1,2 bn for German Power company
  - EUR 1,8 bn for Italian Construction Company (EUR 185 mn in place)
  - several transactions ranging from EUR 50 mn to EUR 250mn

# LETTERS OF CREDIT PROCEDURE

## opening of letters of credits – TBI application form I

- Strictly recommended to be part of the contract
- Who will be opening bank ? As the case may be it could be one of the private banks.
- Avoid payment terms which are subject to "instruction of the applicant". However, 10-20 % of such retention-amounts are accepted market condition so far.
- Issuing of a performance bond at 5 - 10 % is requested → however also in addition to any retention !


*DRAFT COMMERCIAL IMPORT LETTER OF CREDIT*

Irrevocable Documentary Letter Of Credit			
1. Reference Number:-		2. Date:-	
3. Applicant: (For account of same party unless otherwise noted on the signature page).			
4. Issuing Bank: Trade Bank of Iraq, Baghdad - Iraq			
5. Advising Bank  <b>UniCredit Bank AG</b>			
6. <input type="checkbox"/> Credit is transferable. (Issuer Is Authorized To Include Its Standard Transfer Conditions And Is Authorized To Nominate A Transferring Bank)			
7. Partial Shipment <input type="checkbox"/> Allowed <input type="checkbox"/> Not Allowed		8. Trans Shipment <input type="checkbox"/> Allowed <input type="checkbox"/> Not Allowed	
9. Shipment From:  Not Later Than:			
10. Expiry Date:		Place of Expiry:	
11. Primary Beneficiary:			
12. Amount in figures and words:		Currency	
13. Credit available:			
<input type="checkbox"/> By Acceptance		<input checked="" type="checkbox"/> By Def Payment	
<input type="checkbox"/> By Mixed PYMT		<input type="checkbox"/> By Negotiation	
Terms the Payment:			

# LETTERS OF CREDIT PROCEDURE

## opening of letters of credits – TBI application form II

- Strictly discuss any shipments to Iraq with your forwarder !
- Several logistical challenges for transportation.
- Adjustment of "Incoterms" accordingly. **WHO** is paying **WHAT** cost and takes transportation risk to **WHERE** ?

15. Merchandise Description :		
		
Country Of Origin:		
16. Incoterms:		
<input type="checkbox"/> FAS _____	<input type="checkbox"/> FOB _____ (named port of shipment)	<input type="checkbox"/> CFR _____
<input type="checkbox"/> CIP _____	<input type="checkbox"/> FOT _____	<input type="checkbox"/> Other _____
Documents must be presented for payment, acceptance, negotiation within _____ days (unless otherwise specified 21 days will be stipulated) after the date of issuance of the transport documents (or in the case of a FCR 21 days after its date) but within the validity of the Credit.		
17. Charges		
<input type="checkbox"/> All Banking Charges Outside Iraq are For The Beneficiary's Account.		
<input type="checkbox"/> All Banking Charges Inside Iraq are For Credit Opener's Account.		
<input type="checkbox"/> All Baking Charges Inside and Outside Iraq are on Beneficiary's account.		
Unless otherwise stated herein, the negotiating/ nominated bank (if any) is authorized to send all documents to you in one airmail or courier service, if available		
This Credit is subject to the UCP (the Uniform Customs and Practice for Documentary Credits 1993 Revision, I.C.C. Publication No. 600) and any amendments thereto and revisions thereof		

\_\_\_\_\_  
(Applicant)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Authorized Signature) (Title)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Applicant)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Authorized Signature) (Title)

\_\_\_\_\_  
(Date)

Authorized Signature

Authorized Signature

NB. Please confirm date receiving the L/C by return E-Mail.



# LETTERS OF CREDIT PROCEDURE

## Zharko – Turkish / Iraqi border



with thanks provided by **M.G. International**

## LETTERS OF GUARANTEE PROCEDURE

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- all types of guarantees available / accepted in Iraqi banking market
- so far fair treatment of the banks, no complaints
- usually ministries / companies insist on local guarantees by Iraqi banks backed by our counter-guarantees (indirect guarantees), however, direct guarantees possible in general upon acceptance of beneficiary
- guarantees can be issued in IQD according to a set exchange rate while counter guarantees must be in USD, EUR, YEN or any international currency.
- TBI offers different pricing subject to amount, tenor and also beneficiaries



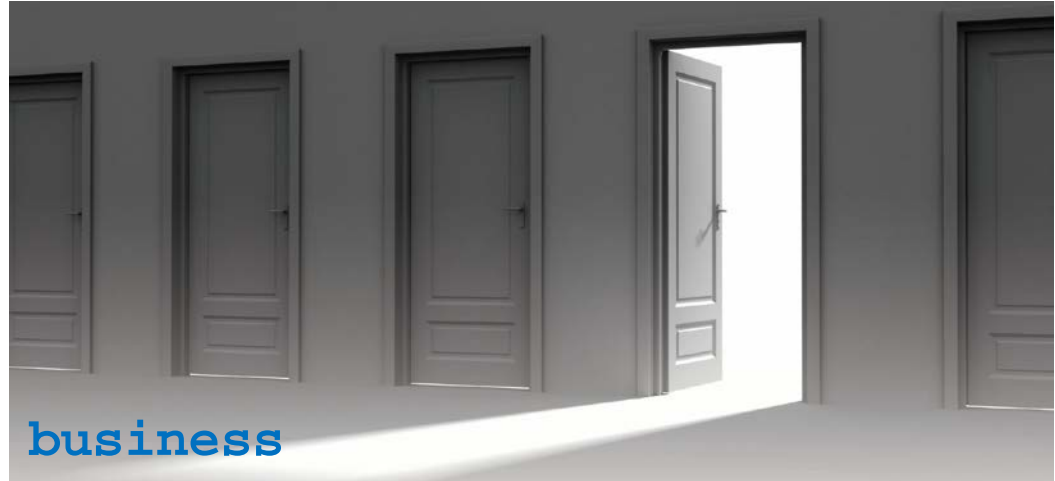
## CURRENT CHALLENGES – MID- & LONG-TERM FINANCING

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- By a very positive & favourable investment law paired with an enormous need in infrastructure, capital goods and reconstruction, Iraq is an attractive country for investments.
- Over the last 2-3 years we see an increased demand for mid- & long-term financing
- requested tenors 3-5 years, including bullet periods
- Many banks are currently not in a position to cover such tenors without any support by e.g. insurance markets (private and governmental / ECA's)

## PERSPECTIVES

- First country rating at B-
- In May 2017 Fitch improved from "negative outlook" to "stable"
- In August the country of Iraq set final terms to offer USD 1 bn of bonds due in 2023 (yield 6,75 % p.a.)
- This might be a signal to commercial transaction investors such as banks and insurance companies to follow



Iraq is open for business

# YOUR CONTACT

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