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# UTILISING TRADE TO REBUILD A NATION

*Trade Bank of Iraq is keen to open up to investment in the war-torn country and expand correspondent banking relationships.*

## WRITER

*Stephen Timewell*

As fighting in Iraq eases, the Trade Bank of Iraq (TBI) is making significant efforts to boost the volumes of trade and rebuild the banking sector. "Iraq needs a prosperous banking sector," said Hussein Al-Uzri, president and chairman of TBI in a recent interview with *The Banker* in London. Mr Al-Uzri explained that since December 2003, the volume of letters of credit had stretched beyond \$31bn, averaging \$6bn a year all through TBI.

Unlike previous eras, Iraq is keen to expand the banking sector and at present there are 33 private sector banks and seven state-owned banks with trade split of 35% to Europe, 25% to the Middle East (mainly Iran, Turkey, Egypt and the United Arab Emirates), 20% to the US and 20% to east Asia (mainly Japan and China). The letters of credit cover infrastructure projects, power projects, oil installations as well as food and medical equipment.

Iraq, which is the holder of the world's third largest oil reserves, and exports about 1.7 million barrels a day, derives 95% of its income from oil production and imports about \$3bn in oil products a year because of the lack of refineries and other downstream facilities, according to Mr Al-Uzri.

TBI is keen to open up to investment in Iraq and expand correspondent banking relationships. Mr Al-Uzri believes there are many opportunities among the 12 foreign-owned banks operating in Iraq. These include HSBC and Standard Chartered Bank as well as Turkey's Ziraat Bankasi.

TBI has been involved in major financings, including that of the 500-megawatt (MW) power plant in the northern Iraqi city



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*Hussein Al-Uzri* ●●

of Erbil, its first private sector power station. According to Mr Al-Uzri, Iraq, which has total power station capacity of 5000MW, needs total capacity to reach 20,000MW. He also said there are a lot of opportunities for investment in cement, with 19 new licences to modernise cement corporations. "Some 85% of the country is relatively safe," says Mr Al-Uzri. "There is cautious optimism about the future, security has improved."

Mr Al-Uzri is adamant about the lack of investment in Iraq and the need for investment in the oil sector if production is to be increased. Iraq has an estimated 115 million barrels of proven oil reserves, second to Saudi Arabia and Iran, according to BP figures, but Mr Al-Uzri said that there has not been any oil exploration for 20 years and if exploration occurred, reserves could exceed those of Saudi Arabia.

## GREATER REACH

The TBI branch network has been extended to eight, total staff to 450 people, with assets at the end of 2007 reaching \$6.1bn. According to Mr Al-Uzri, results in 2007 were "quite good", with net income reaching \$254m. Iraq's oil export revenues reached \$49bn in 2007, with 95% of oil revenues going into a specific account at the US Federal Reserve. He expects oil revenues could reach as much as \$70bn in 2008 but they may be hit by the lower prices of recent months.

TBI aims to issue at least \$7.5bn in letters of credit this year where the private sector is getting involved in infrastructure projects, import of food, cement and schools. Iraqi banks are also getting involved in repatriating capital back to Iraq, which is positive for the growth of the financial sector. **TD**