COMMERCIAL BANK OF IRAQ
(PRIVATE SHAREHOLDING COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

شركة مصطفى فؤاد عباس وشريكه
للتدقيق ومراقبة الحسابات التضامنية
اعضاء الجمعية العراقية للمحاسبين القانونيين

Mustafa Fouad Abbas & Co.
Certified Public Accountants
Members of Iraqi ACA

شركة مهند فاضل العساف وشريكة لمراقبة
وتدقيق الحسابات
شركة تضامنية رأسمالها (٢٠٠٠٠٠٠) مليوني
دينار

Muhannad Fadhel Al-Assaf and partner
charter Accountants & Auditors

No: 6/1
Date: 25 March 2019

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Commercial Bank of Iraq
Baghdad – Iraq

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Iraq and its subsidiary (the Bank), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Iraqi Auditing Standards and International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iraq, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Iraqi Auditing standards and ISAs will always detect a material misstatement when it exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Iraqi Auditing Standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on regulatory requirements

We have the following comments and notes:

1. During the performance of our audit procedures and to the nature of the banking transactions, nothing has come to our attention for the existence of transaction related to money laundering or financing terrorism.
2. Capital adequacy stood at 657.63%
3. We reviewed the internal audit reports; we did not note any major issues.
4. The accounting records used by the Bank complied with the requirements of the book keeping regulations and comprised the assets, liabilities, the Bank's sources and uses of funds for the fiscal year.
5. We observed the physical cash count with management at the Main, Alwatheq, Al-Kadhmain, Al-Khulani and Al-Muaskar branches and noted no issues. The management have observed the physical count of the fixed assets and they have provided us with matched statements.
6. The annual report was prepared in accordance with Companies law number 21 of 1997 and its amendments.

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Azez Jafar Hassan

Chartered Public Accountant

Muhannad Fadhel Al-Assaf

Chartered Public Accountant

COMMERCIAL BANK OF IRAQ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018	2017
		IQD (000)	IQD (000)
ASSETS			
Cash and balances with Central Bank	3	145,389,874	83,598,660
Due from banks and other Financial Institutions	4	10,428,425	41,576,181
Direct credit facilities , net	5	11,932,589	10,789,288
Financial assets at fair value through other comprehensive income	6	579,398	467,452
Financial assets at amortized cost	7	267,292,825	316,904,200
Property and equipment, net	8	1,780,443	1,762,251
Other assets	9	6,542,059	5,518,279
Total assets		443,945,613	460,616,311
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Due to banks and other Financial Institutions	10	1,774	1,796
Customers' accounts	11	134,549,823	134,225,248
Current tax liability	12	887,686	1,502,972
Other liabilities	14	24,548,084	33,077,501
Total liabilities		159,987,367	168,807,517
SHAREHOLDERS' EQUITY			
Paid capital	15	250,000,000	250,000,000
Statutory reserve	15	15,035,389	13,950,483
Other reserves		149,163	149,163
Fair value reserve		104,143	(8,955)
Retained earnings		18,669,551	27,718,103
Total shareholders' equity		283,958,246	291,808,794
Total liabilities and shareholders' equity		443,945,613	460,616,311

For Commercial Bank of Iraq-PSC

Mohammed Hammeed Dragh Al-Dragh Chairman of the Board of Directors	Nouri Mizal Saadoun El-Dubaisi Chief Executive Officer	Mustafa Najm Kadhim Al-Furaiji Head of Finance

Subject to our report number 6/1 and dated on 25/3/2019

Azez Jafar Hassan Chartered Public Accountant	Muhannad Fadhel Al-Assaf Chartered Public Accountant

شركة مصطفى فؤاد عباس وشريكه
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The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		IQD (000)	IQD (000)
Interest income	17	18,318,116	20,751,400
Interest expense	18	(694,634)	(687,357)
Net interest income		17,623,482	20,064,043
Net fees and commissions	19	1,302,557	1,938,379
Other operating income	20	843,397	1,861,726
Total operating income		19,769,436	23,864,148
Employees' expenses	21	(3,396,287)	(3,023,915)
Depreciation of property and equipment	8	(280,081)	(156,072)
Other operating expenses	22	(5,334,506)	(9,439,796)
Total operating expenses		(9,010,874)	(12,619,783)
Operating profit before provision for credit losses		10,758,562	11,244,365
Net recovery of allowance for credit losses		925,356	262,959
Operating profit before tax		11,683,918	11,507,324
Income tax expense	12	(819,535)	(1,457,170)
Net profit for the year		10,864,383	10,050,154
		IQD/Fils	IQD/Fils
Basic and diluted earnings per share	13	0/043	0/040

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 IQD (000)	2017 IQD (000)
Net profit for the year	10,864,383	10,050,154
Items that will not be reclassified subsequently to Consolidated statement of income		
Change in fair value of financial assets at fair value through other comprehensive income	114,561	(182,413)
Other comprehensive income for the year	114,561	(182,413)
Total comprehensive income for the year	10,978,944	9,867,741

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid capital	Statutory reserve	Other reserves	Fair value reserve	Retained earnings	Total
2018	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
At 1 January 2018	250,000,000	13,950,483	149,163	(8,955)	27,718,103	291,808,794
Transition adjustment on adoption of IFRS 9	-	-	-	-	(454,492)	(454,492)
Restated balance at 1 January 2018	250,000,000	13,950,483	149,163	(8,955)	27,263,611	291,354,302
Total comprehensive income	-	-	-	114,561	10,864,383	10,978,944
Transfer to reserves	-	1,084,906	-	-	(1,084,906)	-
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	(1,463)	1,463	-
Dividends (note 16)	-	-	-	-	(18,375,000)	(18,375,000)
Balance at 31 December 2018	250,000,000	15,035,389	149,163	104,143	18,669,551	283,958,246
2017						
At 1 January 2017	250,000,000	12,933,142	149,163	173,458	18,685,290	281,941,053
Total comprehensive income for the year	-	-	-	(182,413)	10,050,154	9,867,741
Transfer to reserves	-	1,017,341	-	-	(1,017,341)	-
Balance at 31 December 2017	250,000,000	13,950,483	149,163	(8,955)	27,718,103	291,808,794

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		IQD (000)	IQD (000)
OPERATING ACTIVITIES			
Profit before income tax		11,683,918	11,507,324
Adjustments for:			
Depreciation of property and equipment		280,081	156,072
Net recovery of allowance for credit losses		(925,356)	(262,959)
Cash flow from operating activities before changes in operating assets and liabilities		11,038,643	11,400,437
Changes in operating assets and liabilities:			
Increase in direct credit facilities		(409,157)	(632,032)
Increase in other assets		(1,023,780)	(2,134,101)
Increase in Customers' accounts		324,575	16,487,400
(Decrease) Increase in other liabilities		(9,184,073)	13,801,858
Increase in statutory reserve with CBI		(725,739)	(2,746,456)
Decrease (Increase) in LGs margin reserve with CBI		598,446	(1,645,979)
Deposits maturing more than 3 months		8,274,000	(8,274,000)
Net cash flows from operating activities before income tax		8,892,915	26,257,127
Income tax paid		(1,434,821)	(921,929)
Net cash flows from operating activities		7,458,094	25,335,198
INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost		(138,826,057)	(161,331,644)
Matured financial assets at amortized cost		188,209,799	135,096,492
Purchase of property and equipment		(298,273)	(417,652)
Sale of financial assets at fair value through other comprehensive income		2,615	-
Net cash flows from (used in) investing activities		49,088,084	(26,652,804)
FINANCING ACTIVITIES			
Dividends paid		(17,739,729)	(403,355)
Net cash flows used in financing activities		(17,739,729)	(403,355)
Net increase (decrease) in cash and cash equivalents		38,806,449	(1,720,961)
Cash and cash equivalents at beginning of the year	24	100,841,319	102,562,280
Cash and cash equivalents at end of the year	24	139,647,768	100,841,319

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Commercial Bank of Iraq the ("Bank") is a private shareholding company offering retail and corporate banking services in Iraq. The Bank was incorporated on 11 February 1992 and conducts its operations through 11 branches located in Baghdad and Basra. The Bank's registered office is at Al-Sadoon Street, Baghdad, Iraq. The Bank is a subsidiary of Ahli United Bank (Bahrain) the ("Parent") which owns 75% of its capital (2017: 75%). The consolidated financial statements are consolidated with the parent's consolidated financial statements.
The Bank has 100% (2017: 100%) ownership interest in a subsidiary, Ahli United Brokerage and investment Co. The ("Subsidiary"), has been registered in Iraq on 3 July 2008. The principal activity of the subsidiary is brokerage. The Bank and its subsidiary are collectively known as the ("Bank").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value only through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements and financial assets at amortized cost. The consolidated financial statements are presented in Iraqi Dinars (IQD), rounded to the nearest thousand Dinars except otherwise indicated. IQD is the functional currency of the Bank and its subsidiary.

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2018 and its Subsidiary (Ahli United Brokerage and Investment Co.) over which the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All balances, transactions, income, and expenses between the Bank and the Subsidiary are eliminated in full upon consolidation. The financial statements of the Bank's subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies. The subsidiary paid-in capital is IQD 200,000 thousand (2017: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2018 (2017: 100%).
The subsidiary's main activity is investment brokerage. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues to be consolidated until the date that such control ceases.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The management is in the process to assess the impact of adoption of this standard.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's reported annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Bank adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Bank in relation to its contracts with customers. Further, adoption of IFRS 15 had no material impact on this consolidated financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)
2.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 (2014) Financial Instruments and IFRS 7 Financial Instruments: Disclosures

The Bank has adopted IFRS 9 as issued by the International Accounting Standards Board in July 2014 with a date of adoption being 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank had previously early adopted Phase 1 of IFRS 9 - 'classification IFRS 9 (2010) during 2012 and assessed the classification and measurement of its existing financial assets and financial liabilities as of that date.

Impairment of financial assets

IFRS 9 (2014) replaces the incurred loss model in IAS 39 Financial Instruments: Recognition and Measurement with an expected credit loss model.
The Bank applies a three-stage approach to measure allowances for credit loss, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss (FVTPL):

- Amortized cost financial assets;
- Debt securities classified as FVTOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts, letters of credit and acceptances.

Allowances for credit loss are recognized for financial instruments that are not measured at FVTPL and are reflected in allowance for credit losses. Equity investments are not subject to impairment assessments.

Expected credit loss impairment model

The Bank's expected allowances for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.
Expected credit losses are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is the expected amount of exposure at the point of default which is mainly determined by the current exposure value for funded exposures. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioural analysis and regulatory Credit Conversion Factors (CCF). The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc.

2. ACCOUNTING POLICIES (CONTINUED)
2.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The impairment model measures allowances for credit loss using a three-stage approach based on the extent of credit deterioration since origination as described below:

Stage 1 - Measures and recognizes allowance for credit loss equal to 12-month ECL for financial instruments for which credit risk has not significantly increased since initial recognition. All investment grade assets are deemed to be Stage 1 as per Bank's policy under the low credit risk presumption except in cases where there are past dues in excess of 30 days (rebuttable) or 60 days (non-rebuttable).

Stage 2 - If credit risk has increased significantly since initial recognition (whether assessed on an individual or collective basis), then measure and recognize allowance for credit loss at an amount equal to the lifetime ECL. The key drivers to consider an asset as Stage 2 as per Bank's policy are as follows:

- Movements in risk rating since origination. Where the rating movement has deteriorated by 50% or more, 'the amortized cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of IFRS 9 Bank's working committee (WC) decision; 60 days (non-rebuttable).
- Delays in credit reviews or resolving credit exceptions subject to WC decision.
- Sector or country specific weakness subject to WC decision.

Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, law suits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc. and the WC determines that this represents a significant deterioration in credit quality etc.

Stage 3 - Financial instruments where there is objective evidence of impairment are considered to be in credit impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Point-in-Time PD (PiT PD). The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses. The forecast economic variables are applied to established regression relationships to determine PiT PD. Macro-economic factors taken into consideration include oil related variables, gross domestic product, unemployment and real estate indices. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Definition of default

Financial assets that are subject to ECL measurement are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, indications that it is probable that the borrower will enter bankruptcy or other significant financial reorganisation, the disappearance of an active market, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank. The Bank continues its policy of treating financial instruments as credit impaired under Stage 3 category when the repayment of the principal or interest is overdue for 90 days or more.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

Impairment policy applicable up to 31 December 2017

The detailed accounting policies for impairment of financial assets under IAS 39 have been provided in the consolidated financial statements for the year ended 31 December 2017. The accounting policies up to 31 December 2017 followed under IAS 39 for impairment of financial assets which have changed pursuant to adoption of IFRS 9 are given below.

An assessment is made at each balance sheet date to determine whether there is any objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset or a group of financial assets is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the consolidated statement of income and credited to an allowance account.

Transition adjustment

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The impact of the adoption of IFRS 9 as at
1 January 2018 has been recognized in retained earnings. The new Standard eliminates the use of the existing IAS 39 incurred loss impairment model approach and replaces with a forward-looking expected credit loss (ECL) approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following table relates to the impact of impairment allowance for credit losses determined in accordance with IFRS 9 as at 1 January 2018:

	31 December 2017	Remeasurement	1 January 2018
	Carrying amount	Retained earnings	Carrying amount
	IQD (000)	IQD (000)	*IQD (000)*
Due from Banks	41,576,181	(36,017)	41,540,164
Direct credit facilities	10,789,288	(275,872)	10,513,416
Financial assets at amortized cost	316,904,200	(124,936)	316,779,264
Other liabilities			
- Off-balance sheet exposures	19,296,796	(17,667)	19,279,129
Total	388,566,465	(454,492)	388,111,973

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statement are set out below. These polices have been consistently applied to all year presented.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to 'Other operating income' in the consolidated statement of income.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus, for an item not recorded at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortised on a systematic basis to maturity using the effective interest rate method and taken to interest income or interest expense as appropriate.

a) Date of recognition

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Bank receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

b) Direct credit facilities

Direct credit facilities are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial recognition, these are subsequently measured at amortised cost using the effective interest rate method, less any amounts written off, allowance for credit losses and interest in suspense. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "allowance for credit losses" and in an allowance for credit losses account in the consolidated statement of financial position. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "interest income" in the consolidated statement of income.

Interest and commission arising on non-performing facilities are suspended when loans become impaired according to the Central Bank of Iraq regulations.

c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income consists equity investments that are not held for sale in the near future.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the statement of income.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

d) *Financial assets at amortized cost*

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely payment of principal and interest (SPPI) on the outstanding principal amount.

Debt instruments meeting these criteria are initially measured at fair value plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either:
  (a) the Bank has transferred substantially all the risks and rewards of the asset, or
  (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.
Where the fair values of financial instruments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models, the inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model input such as volatility for longer dated derivative and discount rates, prepayment rates and default rates for asset backed securities.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- *Interest and similar income and expense*

For all financial instruments measured at amortized cost, interest bearing financial instruments designated as fair value through other comprehensive income and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest method which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liability. Interest that is 90 days or more overdue is excluded from income interest on impaired direct credit facilities and other financial assets is not recognized in the consolidated statement of income.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of income and expenses (continued)

- *Fees and commissions income*

Fees and commissions income from providing transaction services are recognized on completion of the underlying service.

- *Dividend income*

Revenue is recognized when the Bank's right to receive the payment is established.

Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise of cash on hand, current accounts with central bank and amounts due from banks on demand or with an original maturity of three months or less.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment in value, if any. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Useful lives
	Years
Buildings	20
Equipment and machinery	5
Vehicles	5
Furniture	5
Computers / IT Software	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in 'Other operating income' or 'Other operating expenses' in the consolidated statement of income in the year the asset is derecognized.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other liabilities', being the commissions received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income in 'Credit loss expense'. The premium received is recognized in the consolidated statement of income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Bank expects to recover.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the for seeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes (continued)

Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain significant accounting judgments, estimates, and assumptions that affect the reported amount of assets and liabilities, it requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events.

The most significant uses of judgement and estimates are as follows:

Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.
In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio; and
- Management's strategy in terms of earning contractual interest revenues or generating capital gains.

2. ACCOUNTING POLICIES (CONTINUED)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Measurement of the Expected Credit Loss (ECL) allowance

The measurement of the ECL for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behavior (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns Probability of Defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Defaults (EADs) and Loss Given Defaults (LGDs);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing Banks of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

3. CASH AND BALANCES WITH CENTRAL BANK

	2018	2017
	IQD (000)	IQD (000)
Cash on hand*	7,401,075	5,826,516
Accounts with Central Bank of Iraq:		
Current accounts	71,803,780	41,714,418
Time deposits	50,000,000	20,000,000
Statutory cash reserve **	15,137,486	14,411,747
LGs margin reserve ***	1,047,533	1,645,979
	137,988,799	77,772,144
	145,389,874	83,598,660

* Cash on hand includes foreign currency balances amounting to IQD 1,888,760 thousand as of 31 December 2018 (2017: 2,458,856 IQD thousand).

** These amounts represent statutory cash reserve held by Central Bank of Iraq and are not available for use in the Bank's day-to-day operations.

*** According to Central Bank of Iraq Instructions dated 2 May 2017, a reserve against letters of guarantee was established. These amounts are held at Central Bank of Iraq to face any deficit in covering claims against unpaid letters of guarantee and are not available for use in Bank's day-to-day operations.

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	190,918	797,769	988,687
Time deposits	-	9,456,000	9,456,000
Less: Allowance for credit losses *	(16,262)	-	(16,262)
	174,656	10,253,769	10,428,425

	2017		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	296,468	14,651,033	14,947,501
Time deposits	-	26,628,680	26,628,680
	296,468	41,279,713	41,576,181

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 10,254,593 thousand as of 31 December 2018 (2017: 41,279,713 IQD thousand). The above due from banks and other financial institutions balance does not include any past due or impaired balances as 31 December 2018 and 2017.

* The movement of the allowance for credit losses of due from banks is as follows:

	31 December 2018 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	-	-	-	-
Transition adjustment on adoption of IFRS 9	36,017	-	-	36,017
At 1 January - restated	36,017	-	-	36,017
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(19,755)	-	-	(19,755)
At Year end	16,262	-	-	16,262

5. DIRECT CREDIT FACILITIES, NET

	2018 IQD (000)	2017 IQD (000)
Retail	13,024,752	7,986,765
Corporate	18,217,323	22,945,557
Gross loans and advances	31,242,075	30,932,322
Less: suspended interest*	(9,848,221)	(9,947,626)
Less: allowance for credit losses**	(9,461,265)	(10,195,408)
	11,932,589	10,789,288

	31 December 2018 IQD (000)			
Direct credit facilities, net	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High standard grade	-	-	-	-
Standard grade	11,594,843	288,019	-	11,882,862
Impaired (net of suspended interest)	-	-	9,510,992	9,510,992
	11,594,843	288,019	9,510,992	21,393,854
Less: allowance for credit losses	264,885	97,994	9,098,386	9,461,265
	11,329,958	190,025	412,606	11,932,589

* The movement of the suspended interest is as follows:

Suspended interest:	31 December 2018 IQD (000)	31 December 2017 IQD (000)
At 1 January	9,947,626	8,878,044
Additions	953,091	1,071,108
Recoveries	(1,052,496)	(1,526)
	9,848,221	9,947,626

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

** The movement of the allowance for credit losses of direct credit facilities is as follows:

	31 December 2018 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:				
Specific impairment provision	-	-	9,930,285	9,930,285
Collective impairment provision	219,062	46,061	-	265,123
Transition adjustment on adoption of IFRS 9	-	275,872	-	275,872
At 1 January - restated	219,062	321,933	9,930,285	10,471,280
Transfer from stage 1	(14,621)	3,688	10,933	-
Transfer from stage 2	31,170	(31,170)	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	29,274	(196,457)	(842,832)	(1,010,015)
At Year end	264,885	97,994	9,098,386	9,461,265

	2017 IQD (000)
Allowance for impairment losses:	
At 1 January	10,462,550
Charge for the year	325,445
Recoveries	(592,587)
At 31 December	10,195,408

Net recoveries for direct credit facilities amounted to IQD 267,142 thousand and net provision for indirect credit facilities amounted to IQD 4,183 thousand for the year 2017.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
	IQD (000)	IQD (000)
Quoted equities	515,921	422,452
Unquoted equities	63,477	45,000
	579,398	467,452

The movements of financial assets at fair value through other comprehensive income:

	2018	2017
	IQD (000)	IQD (000)
At 1 January	467,452	649,865
Additions	-	-
Sold during the year	(2,615)	-
Change in fair value	114,561	(182,413)
At 31 December	579,398	467,452

7. FINANCIAL ASSETS AT AMORTIZED COST

	2018	2017
	IQD (000)	IQD (000)
Treasury bills*	104,549,719	146,359,017
Government bonds**	162,970,739	170,545,183
Allowance for credit losses ***	(227,633)	-
	267,292,825	316,904,200

	31 December 2018 IQD (000)			
Carrying amount of financial assets at amortized cost	Stage 1	Stage 2	Stage 3	Total
High standard grade	267,520,458	-	-	267,520,458
Standard grade	-	-	-	-
	267,520,458	-	-	267,520,458
Less: allowance for credit losses	(227,633)	-	-	(227,633)
	267,292,825	-	-	267,292,825

* Treasury bills are issued by Central Bank of Iraq (CBI) and Ministry of Finance with an average interest rate 2.85% and are maturing within one year.

** Government bonds are issued by Iraq government with an average yield of 7.84% maturing between 2019 and 2028.

7. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

*** The movement of the allowance for credit losses of financial asset at amortized cost is as follows:

	31 December 2018 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	-	-	-	-
Transition adjustment on adoption of IFRS 9	124,936	-	-	124,936
At 1 January - restated	124,936	-	-	124,936
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	102,697	-	-	102,697
At Year end	227,633	-	-	227,633

8. PROPERTY AND EQUIPMENT, NET

2018	Land IQD (000)	Buildings IQD (000)	Equipment And Machinery IQD (000)	Vehicles IQD (000)	Furniture IQD (000)	Computers IQD (000)	IT software IQD (000)	Total IQD (000)
Cost:								
At 1 January	274,022	4,325,329	699,226	113,563	1,161,432	819,928	4,365,928	11,759,428
Additions	-	141,584	3,420	2,395	50,768	126,384	5,456	330,007
At 31 December	274,022	4,466,913	702,646	115,958	1,212,200	946,312	4,371,384	12,089,435
Accumulated depreciation:								
At 1 January	-	3,761,193	423,150	98,908	1,097,309	616,590	4,135,708	10,132,858
Charge of the year	-	58,522	64,669	6,310	24,948	67,735	57,897	280,081
At 31 December	-	3,819,715	487,819	105,218	1,122,257	684,325	4,193,605	10,412,939
Net book value at 31 December 2018	274,022	647,198	214,827	10,740	89,943	261,987	177,779	1,676,496
Work in Progress*	-	103,947	-	-	-	-	-	103,947
Net book value at 31 December 2018 including Work in Progress	274,022	751,145	214,827	10,740	89,943	261,987	177,779	1,780,443

* Work in Progress represents fixtures and fittings that will be transferred to property and equipment upon completion.

8. PROPERTY AND EQUIPMENT, NET (CONTINUED)

2017	Land IQD (000)	Buildings IQD (000)	Equipment And Machinery IQD (000)	Vehicles IQD (000)	Furniture IQD (000)	Computers IQD (000)	IT software IQD (000)	Total IQD (000)
Cost:								
At 1 January	274,022	4,113,916	659,593	113,563	1,135,887	763,515	4,313,812	11,374,308
Additions	-	211,413	39,633	-	25,545	56,413	52,116	385,120
At 31 December	274,022	4,325,329	699,226	113,563	1,161,432	819,928	4,365,928	11,759,428
Accumulated depreciation:								
At 1 January	-	3,719,664	388,252	92,476	1,085,380	583,804	4,107,210	9,976,786
Charge of the year	-	41,529	34,898	6,432	11,929	32,786	28,498	156,072
At 31 December	-	3,761,193	423,150	98,908	1,097,309	616,590	4,135,708	10,132,858
Net book value at 31 December 2017	274,022	564,136	276,076	14,655	64,123	203,338	230,220	1,626,570
Work in Progress*	-	135,681	-	-	-	-	-	135,681
Net book value at 31 December 2017 including Work in Progress	274,022	699,817	276,076	14,655	64,123	203,338	230,220	1,762,251

* Work in Progress represents fixtures and fittings that will be transferred to property and equipment upon completion.

9. OTHER ASSETS

	2018 IQD (000)	2017 IQD (000)
Inter branch balances *	6,999,815	6,999,815
Accrued interest	5,442,926	5,214,176
Advances	789,438	-
Others	309,695	304,103
	13,541,874	12,518,094
Provisions allowance for inter branch balances *	(6,999,815)	(6,999,815)
	6,542,059	5,518,279

* During 2011, the Bank booked a provision allowance of IQD 6,999,815 thousand (2017: IQD 6,999,815 thousand) against fraud detected in 2010.

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	398	1,376	1,774
	398	1,376	1,774

	2017		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	410	1,386	1,796
	410	1,386	1,796

11. CUSTOMERS' ACCOUNTS

	2018 IQD (000)	2017 IQD (000)
Current and call deposits	70,609,181	84,938,952
Saving accounts	30,410,433	31,789,428
Cash margin	18,046,299	16,390,369
Term deposits	15,483,910	1,106,499
	134,549,823	134,225,248

12. CURRENT TAX LIABILITY

Income tax liability

The movement on income tax liability was as follows:

	2018 IQD (000)	2017 IQD (000)
At January 1	1,502,972	967,731
Paid during the year	(1,434,821)	(921,929)
Charge for the year	819,535	1,457,170
At December 31	887,686	1,502,972

The Bank paid the tax liabilities up to year 2017; final tax clearances are not yet obtained.

The reconciliation between the tax profit and the accounting profit for the years ended 2018 and 2017 is as follows:

	2018 IQD (000)	2017 IQD (000)
Accounting profit before income tax	11,683,918	11,507,324
Nontaxable income	(8,418,793)	(7,663,820)
Nondeductible expenses	2,198,441	5,870,963
Taxable profit	5,463,566	9,714,467
Current income tax at Iraqi statutory income tax rate of 15% (2017:15%)	819,535	1,457,170

Effective income tax rate for 2018 is 7.01% (2017: 12.66%).

13. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	2018	2017
	IQD (000)	IQD (000)
Profit for the year	10,864,383	10,050,154
Weighted average number of shares during the year (thousand)	250,000,000	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings per share	0/043	0/040

14. OTHER LIABILITIES

	2018	2017
	IQD (000)	IQD (000)
Miscellaneous accruals	16,419,849	14,942,330
Management fees payable to parent company	2,306,424	2,848,312
Dividends payable	1,972,534	1,337,263
Allowance for indirect credit facilities *	28,548	9,164
Transfers for the purpose of currency auction	-	9,798,020
Other credit balances	3,820,729	4,142,412
	24,548,084	33,077,501

* The movement of the allowance for credit losses of indirect credit facilities is as follows:

	31 December 2018 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	9,164	-	-	9,164
Transition adjustment on adoption of IFRS 9	17,667			17,667
At 1 January - restated	26,831	-	-	26,831
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	1,717	-	-	1,717
At Year end	28,548	-	-	28,548

15. PAID IN CAPITAL AND STATUTORY RESERVES

Paid in capital

Paid in capital comprises of 250 billion shares (2017: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2017: 1 Iraqi Dinar per share).

Statutory reserve

The accumulated amount in this account represents 10% of the Bank's net income and 5% of its subsidiary's net income after income tax. This transfer will continue until the balance of this reserve equals to 50% of paid in share capital. The statutory reserve is not available for distribution to shareholders.

16. DIVIDENDS

	Declared and authorized for distribution *	Declared and authorized for distribution *
	2016	2015
	IQD (000)	IQD (000)
Cash dividend on the Ordinary shares	11,875,000	6,500,000
Dividend percentage of paid in capital	4.7%	2.6%

* On 6 February 2018 and 31 July 2018, the Bank has received legal approval on the General Assembly meeting to proceed with the dividends distribution of 2015 and 2016 profits respectively, in accordance with the prevailing laws in Iraq.

On 13 January 2019, the General Assembly on its ordinary meeting had approved the distribution of the cash dividends to the shareholders amounted to IQD 8.75 billion of 2017 profits.
On 13 February 2019, the Bank has received the legal approval to proceed with the dividends distribution in accordance with the prevailing laws in Iraq.

17. INTEREST INCOME

	2018	2017
	IQD (000)	IQD (000)
Financial assets at amortized cost	15,223,914	18,797,414
Direct credit facilities	1,746,425	1,489,373
Due from banks	1,347,777	464,613
	18,318,116	20,751,400

18. INTEREST EXPENSE

	2018	2017
	IQD (000)	IQD (000)
Saving accounts	586,152	662,109
Time deposits	108,482	25,248
	694,634	687,357

19. NET FEES AND COMMISSIONS

	2018	2017
	IQD (000)	IQD (000)
Fees and commissions income	1,412,246	2,167,635
Fees and commissions expense	(109,689)	(229,256)
	1,302,557	1,938,379

20. OTHER OPERATING INCOME

	2018	2017
	IQD (000)	IQD (000)
Gains from foreign exchange	501,729	1,750,203
Other bank charges	316,616	111,523
Dividend Income	25,052	-
	843,397	1,861,726

21. EMPLOYEES' EXPENSES

	2018	2017
	IQD (000)	IQD (000)
Subject to tax:		
Basic salary	1,869,180	1,605,611
Allowances	644,095	649,353
Transportation	349,996	357,162
	2,863,271	2,612,126
Not subject to tax:		
Traveling	88,885	78,892
Benefits	78,044	44,144
Internal transportation fees	68,537	59,620
Training	31,676	20,689
Other allowances	50,055	22,772
	317,197	226,117
Social security	215,819	185,672
	3,396,287	3,023,915

22. OTHER OPERATING EXPENSES

	2018	2017
	IQD (000)	IQD (000)
General and administrative expenses	2,069,985	2,819,244
Miscellaneous accruals	1,550,564	4,803,383
Professional fees	1,349,586	1,216,927
Rent	247,786	252,379
Insurance	52,085	87,318
Audit fees	59,500	62,200
Interim review fees	5,000	-
Penalties imposed by Central Bank of Iraq (CBI)	-	198,345
	5,334,506	9,439,796

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments, with the exception of non-trading investment that are carried at amortized cost, approximate their carrying values.

The Bank primary medium and long-term financial liabilities are the term debts and subordinated liabilities. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are re-priced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of cash flows consist of the following:

	2018	2017
	IQD (000)	IQD (000)
Cash and balances with Central Bank	145,389,874	83,598,660
Add: Due from banks	10,444,687	41,576,181
Less: Due to banks	(1,774)	(1,796)
Less: Statutory reserve with Central Bank	(15,137,486)	(14,411,747)
Less: LGs margin reserve	(1,047,533)	(1,645,979)
Less: Deposits maturing more than 3 months	-	(8,274,000)
	139,647,768	100,841,319

25. RELATED PARTIES TRANSACTIONS

The Bank enters into business transactions in the ordinary course of business with the parent bank. There are no loans and advances to related parties.

The following related party balances and transactions took place during the year:

	2018 IQD (000)	2017 IQD (000)
Statement of financial position:		
Due from banks and other financial Institutions	10,253,769	41,219,434
Due to banks and other financial institutions	1,376	1,386
Other liabilities	2,306,424	2,848,312
Off balance items:		
Letters of guarantee	372,604	2,448,211
Income statements items		
Interest and commission income	327,851	209,892
Management fees	1,203,749	1,102,675

All related parties transactions are with the major shareholder, and no transactions are with the members of the board of directors.

Compensation of the key management personnel is as follows:

	2018 IQD (000)	2017 IQD (000)
Executive management salaries	459,973	476,161
	459,973	476,161

26. RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The bank's policy is to monitor those business risks through the bank's strategic planning process.

A. Credit Risk

Credit risk is the risk that one party to the financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers and groups of borrowers and for geographical and industry segments in accordance with Central Bank of Iraq regulations. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, and limits the duration of exposure.

The Bank's risk management policy includes formation of a Credit Committee for reviewing the credit facilities.

This committee is responsible for the facilities control process that includes granting, classification and following up on the credit facilities.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

26. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (Continued)

	Gross maximum exposure	
	2018	2017
	IQD (000)	IQD (000)
Balances with Central Bank	137,988,799	77,772,144
Due from banks and other financial institutions	10,428,425	41,576,181
Direct credit facilities, net	11,932,589	10,789,288
Financial assets at amortized cost	267,292,825	316,904,200
Other assets	5,548,029	5,267,753
Total	433,190,667	452,309,566
Contingent liabilities	20,119,834	19,296,796
Gross maximum credit risk exposure before consideration of credit risk mitigation	453,310,501	471,606,362
Gross maximum credit risk exposure after consideration of credit risk mitigation	417,619,756	431,853,182
Credit related commitments		
Letters of guarantee	20,119,834	19,296,796
	20,119,834	19,296,796
Credit risk mitigation		
Real estates	35,425,745	39,488,180
Pledged shares	265,000	265,000
	35,690,745	39,753,180

- Credit quality by class of financial assets is as follows:

Financial assets neither past due nor impaired:

	2018		
	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	242,538,517	10,428,425	252,966,942
Government - public sector	162,970,739	-	162,970,739
	405,509,256	10,428,425	415,937,681

26. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (Continued)

Financial assets neither past due nor impaired:

	2017		
	High standard grade	Standard	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	224,131,161	41,576,181	265,707,342
Government - public sector	170,545,183	-	170,545,183
	394,676,344	41,576,181	436,252,525

Impaired financial assets

	2018		
	Total	Provision	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	8,287,742	7,875,136	4,465,800
Corporate	1,223,250	1,223,250	450,000
	9,510,992	9,098,386	4,915,800

	2017		
	Total	Provision	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	1,624,658	1,033,795	4,535,300
Corporate	8,991,576	8,954,243	1,157,000
	10,616,234	9,988,038	5,692,300

Collateral repossessed
During the year, the Bank did not take possession over any collateral against credit facilities.

B. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

26. RISK MANAGEMENT (CONTINUED)

C. Interest rate gap

The following analysis shows interest rate re-pricing or maturity dates; whichever is earlier:

	Up to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Carrying amount
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018					
Assets					
Cash and balances with Central Bank	52,491,984	-	-	92,897,890	145,389,874
Due from banks and other financial institutions	9,456,000	-	-	972,425	10,428,425
Direct credit facilities, net	405,765	2,034,332	9,492,492	-	11,932,589
Financial assets at fair value through other comprehensive income	-	-	-	579,398	579,398
Financial assets at amortized cost	19,718,921	124,830,798	122,743,106	-	267,292,825
Property and equipment, net	-	-	-	1,780,443	1,780,443
Other assets	-	-	-	6,542,059	6,542,059
Total Assets	82,072,670	126,865,130	132,235,598	102,772,215	443,945,613
Liabilities					
Due to banks and other financial institutions	1,774	-	-	-	1,774
Customers' accounts	45,592,633	301,710	-	88,655,480	134,549,823
Current tax liabilities	-	-	-	887,686	887,686
Other liabilities	-	-	-	24,548,084	24,548,084
Total Liabilities	45,594,407	301,710	-	114,091,250	159,987,367
Interest rate gap	36,478,263	126,563,420	132,235,598	(11,319,035)	283,958,246
2017					
Assets					
Cash and balances with Central Bank	20,000,000	-	-	63,598,660	83,598,660
Due from banks and other financial institutions	18,354,680	8,274,000	-	14,947,501	41,576,181
Direct credit facilities, net	1,058,416	1,968,340	7,762,532	-	10,789,288
Financial assets at fair value through other comprehensive income	-	-	-	467,452	467,452
Financial assets at amortized cost	105,099,771	85,618,648	126,185,781	-	316,904,200
Property and equipment, net	-	-	-	1,762,251	1,762,251
Other assets	-	-	-	5,518,279	5,518,279
Total Assets	144,512,867	95,860,988	133,948,313	86,294,143	460,616,311
Liabilities					
Due to banks and other financial institutions	1,796	-	-	-	1,796
Customers' accounts	32,569,804	326,123	-	101,329,321	134,225,248
Current tax liabilities	-	-	-	1,502,972	1,502,972
Other liabilities	-	-	-	33,077,501	33,077,501
Total Liabilities	32,571,600	326,123	-	135,909,794	168,807,517
Interest rate gap	111,941,267	95,534,865	133,948,313	(49,615,651)	291,808,794

26. RISK MANAGEMENT (CONTINUED)

D. Currency risk

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank did not have significant net currency exposure towards any other currencies, based on foreign currency assets and liabilities held at 31 December 2018. Hence, sensitivity of the Bank's consolidated statement of comprehensive income to a reasonably possible change in the exchange rate between the Iraqi Dinar and various other currencies were not significant.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Bank's profit before tax due to changes in the carrying value of monetary assets and liabilities. The impact on equity is the same as the impact on profit before tax

Increase/decrease foreign exchange rate	Effect on profit before tax for the year ended 31 December 2018 Increase/(Decrease)	Effect on profit before tax for the year ended 31 December 2017 Increase/(Decrease)
	IQD (000)	IQD (000)
+5%	5,430,590	6,111,316
-5%	(5,430,590)	(6,111,316)

E. Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. Most of the Bank's financial assets at fair value through other comprehensive income are listed on the Iraq Stock Exchange. The effect of a 10% increase or decrease in these shares will result in an IQD 57,940 thousand (2017: IQD 46,745 thousand) increase or decrease in the fair value reserve.

26. RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Bank has committed lines of credit that it can access to meet liquidity needs. In addition the Bank maintains a statutory deposit with the Central Bank of Iraq. Net liquid assets consists of cash, short term deposit and liquid debt securities available for immediate sale, less deposits due to banks and financial institutions mature within three months.

The table below shows an analysis of financial liabilities based on contractual undiscounted repayment obligations:

2018	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial liabilities					
Due to banks and other financial institutions	1,774	-	-	-	1,774
Customers' accounts	117,671,127	14,087,764	1,390,704	1,406,804	134,556,399
Total Liabilities	117,672,901	14,087,764	1,390,704	1,406,804	134,558,173

2017	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial liabilities					
Due to banks and other financial institutions	1,796	-	-	-	1,796
Customers' accounts	120,364,278	12,945,664	511,958	425,601	134,247,501
Total Liabilities	120,366,074	12,945,664	511,958	425,601	134,249,297

26. RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk (Continued)

The table below summarizes the expected maturity profile of the Bank's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled.

2018	Up to 3 months IQD (000)	3 to 6 months IQD (000)	6 to 12 months IQD (000)	More than 12 months IQD (000)	Total IQD (000)
Assets					
Cash and balances with central bank	145,389,874	-	-	-	145,389,874
Due from banks and other financial institutions	10,428,425	-	-	-	10,428,425
Direct credit facilities, net	405,765	465,128	1,569,204	9,492,492	11,932,589
Financial assets at fair value through other comprehensive income	-	-	-	579,398	579,398
Financial assets at amortized cost	19,718,921	84,130,945	40,699,853	122,743,106	267,292,825
Property and equipment, net	-	-	-	1,780,443	1,780,443
Other assets	197,718	5,245,443	1,098,898	-	6,542,059
Total assets	176,140,703	89,841,516	43,367,955	134,595,439	443,945,613
Liabilities and shareholders' equity					
Due to banks and other financial institutions	1,774	-	-	-	1,774
Customers' accounts	117,664,551	14,087,764	1,390,704	1,406,804	134,549,823
Current tax liability	-	887,686	-	-	887,686
Other liabilities	7,982,649	-	16,565,435	-	24,548,084
Shareholders' Equity	-	-	-	283,958,246	283,958,246
Total liability and shareholders' equity	125,648,974	14,975,450	17,956,139	285,365,050	443,945,613
Net liquidity gap	50,491,729	74,866,066	25,411,816	(150,769,611)	

26. RISK MANAGEMENT (CONTINUED)
F. Liquidity Risk (Continued)

2017	Up to 3 months IQD (000)	3 to 6 months IQD (000)	6 to 12 months IQD (000)	More than 12 months IQD (000)	Total IQD (000)
Assets					
Cash and balances with central bank	83,598,660	-	-	-	83,598,660
Due from banks and other financial institutions	33,302,181	8,274,000	-	-	41,576,181
Direct credit facilities, net	1,058,416	378,066	1,590,274	7,762,532	10,789,288
Financial assets at fair value through other comprehensive income	-	-	-	467,452	467,452
Financial assets at amortized cost	105,099,771	49,166,560	36,452,088	126,185,781	316,904,200
Property and equipment, net	-	-	-	1,762,251	1,762,251
Other assets	5,214,410	303,869	-	-	5,518,279
Total assets	228,273,438	58,122,495	38,042,362	136,178,016	460,616, 311
Liabilities and shareholders' equity					
Due to banks and other financial institutions	1,796	-	-	-	1,796
Customers' accounts	120,353,023	12,945,267	501,357	425,601	134,225,248
Current tax liability	-	1,502,972	-	-	1,502,972
Other liabilities	18,018,971	15,058,530	-	-	33,077,501
Shareholders' Equity	-	-	-	291,808,794	291,808,794
Total liability and shareholders' equity	138,373,790	29,506,769	501,357	292,234,395	460,616,311
Net liquidity gap	89,899,648	28,615,726	37,541,005	(156,056,379)	

G. Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited to: sovereign events such as defaults or restructuring; political events such as contested elections; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

H. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

27. SEGMENT INFORMATION

For management purposes, the Bank is organized into three major business segments as following:

Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

These segments are the basis on which the Bank reports its primary segment information.

				Total	
	Retail	Corporate	Treasury	2018	2017
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	3,695,662	3,198,784	12,874,990	19,769,436	23,864,148
Net recovery of allowance for credit losses	539,558	-	385,798	925,356	262,959
Segment results	4,235,220	3,198,784	13,260,788	20,694,792	24,127,107
Unallocated expenses	(1,743,707)	(1,804,291)	(5,462,876)	(9,010,874)	(12,619,783)
Profit before tax	2,491,513	1,394,493	7,797,912	11,683,918	11,507,324
Income tax	(165,113)	(92,413)	(562,009)	(819,535)	(1,457,170)
Net profit	2,326,400	1,302,080	7,235,903	10,864,383	10,050,154
Other information					
Segment assets	11,475,081	457,508	423,690,522	435,623,111	453,335,782
Unallocated assets	-	-	8,322,502	8,322,502	7,280,529
Total Assets	11,475,081	457,508	432,013,024	443,945,613	460,616,311
Segment liabilities	60,244,225	74,305,598	1,774	134,551,597	134,227,044
Unallocated liabilities	-	-	25,435,770	25,435,770	34,580,473
Total Liabilities	60,244,225	74,305,598	25,437,544	159,987,367	168,807,517
Capital expenditure	-	-	298,274	298,274	417,652
Depreciation	-	-	280,081	280,081	156,072

27. SEGMENT INFORMATION (CONTINUED)

Geographical Information

The following table shows the distribution of the Bank's operating income, assets and liabilities by geographic segment.

	Inside Iraq	Outside Iraq	Total
2018	IQD (000)	IQD (000)	IQD (000)
Total Income	19,441,585	327,851	19,769,436
Total Assets	433,691,843	10,253,770	443,945,613
Total Liabilities	157,679,567	2,307,800	159,987,367

	Inside Iraq	Outside Iraq	Total
2017	IQD (000)	IQD (000)	IQD (000)
Total Income	23,799,113	65,035	23,864,148
Total Assets	426,196,306	34,420,005	460,616,311
Total Liabilities	166,071,708	2,735,809	168,807,517

28. CAPITAL MANAGEMENT

The Bank manages its capital on a constant basis to cover the risks associated with its activities. This process includes measuring its capital adequacy according to the percentages set by the Central Bank of Iraq.

The main purpose of managing the Bank's capital is to ensure compliance with capital adequacy regulations and therefore, protect the shareholders' interests in the Bank's assets, and to support the operations of the Bank's various segments.

Central Bank of Iraq issued resolution number 9/3/1747 on 6 October 2010 which states that all banks operating in Iraq should increase their capital to be IQD 250 billion and is complied with by the Bank.

During the year 2018 there were no changes in the Bank's policies and regulations, and the methods used to manage capital.

28. CAPITAL MANAGEMENT (CONTINUED)

	2018 IQD (000)	2017 IQD (000)
Primary capital		
Paid capital	250,000,000	250,000,000
Statutory reserve	15,008,867	13,925,493
Other reserves	149,163	149,163
Retained earnings (excluding current year NPAT)	7,685,737	17,559,967
Total Primary capital	272,843,767	281,634,623
Supplementary capital		
General provisions	18,837,289	19,326,607
Total Supplementary capital	18,837,289	19,326,607
Total primary and supplementary capital	291,681,056	300,961,230
Total risk weighted assets	44,353,558	50,659,143
Capital adequacy (%)	657.6%	594.1%

The Bank computed the capital adequacy in accordance with Central Bank of Iraq regulations, which are in line with BASEL requirements.

The Bank is in the process of implementing BASEL III requirements as set by Central Bank of Iraq that will be implementing starting from 1 January 2019.

29. CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2018 IQD (000)	2017 IQD (000)
Letters of guarantee	20,119,834	19,296,796
Unused credit ceiling	2,342,467	957,934
	22,462,301	20,254,730

30. LAWSUITS

There is a lawsuit raised against the Bank in the normal course of business, and as a matter of prudence the Bank has booked a full provision for this lawsuit.