COMMERCIAL BANK OF IRAQ
(PRIVATE SHAREHOLDING COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

No: 5/1/169
Date: 12 March 2020

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 2019, and the consolidated statement of income, 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 2019, 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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><td colspan="2">1. Expected credit losses (ECL) for credit facilities
Refer to note (5) to the consolidated financial statements</td></tr>
<tr><td>Key audit matter:

This is considered as a key audit matter as the Bank exercises significant judgement to determine when and how much to record ECL on credit facilities.

There is a risk that inappropriate allowance for ECL are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related allowance requirements, this audit area is considered a key audit risk.

As at 31 December 2019, the Bank's gross credit facilities amounted to IQD 32,150,410 thousand and the related allowance for ECL amounted to IQD 9,971,176 thousand. The allowance for ECL policy is presented in the accounting policies in (2) to the consolidated financial statements.</td><td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• We gained an understanding of the Bank's key credit processes comprising granting and recording; and tested the operating effectiveness of key controls over these processes.

• We read the Bank's ECL provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements.

• We assessed the Bank's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9.

• We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following:

o Appropriateness of the Bank's staging.
o Appropriateness of determining Exposure at Default, including the consideration of</td></tr>
</table>

	repayments in the cash flows and the resultant arithmetical calculations. o Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages. o Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise. o Soundness and mathematical integrity of the ECL Model. o For exposures moved between stages we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. o For exposures determined to be individually impaired we re-preformed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements. • For forward looking assumptions used by the Bank in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. • We assessed the consolidated financial statements disclosures to ensure compliance with IFRS 7. • We assessed the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (2) and (5) to the consolidated financial statements.

Other information included in the Bank's 2019 annual report

Other information consists of the information included in the Bank's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The annual report was prepared in accordance with Companies Law number 21 of 1997 and its amendments.

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 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 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.

- 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 subsidiary or business activities within the Bank 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.

Muhannad Fadhel Al-Assaf and partners
Chartered Accountants & Auditors
(ember of the Iraqi Association of Certified Public Accountants)

Firas I. Korban Ali & Co.

شركة فراس اسماعيل قربان علي وشريكه
لمراقبة وتدقيق الحسابات (تضامنية)

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 529,2%

3. Currency auction operations that the Bank has entered for the benefit of the Bank's customers during 2019 were in line with Central Bank of Iraq instructions in that regards. The Bank sold an amount of USD 12,910,960 through currency auction with an average exchange rate of IQD 1,197.97 IQD for every USD during the year. Also, we have received confirmation from CBI regarding currency auction operations that were conducted by the Bank during 2019.

4. We reviewed the internal audit reports; we did not note any major issues.

5. 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.

6. We observed the physical cash count with management at the Main, Alwatheq, Al-Mansour, Al-Khulani, Al-Muaskar and Palestine Street branches and noted no issues. The management have conducted the physical count of the fixed assets and they have provided us with matched statements.

Muhannad Fadhel Al-Assaf
Chartered Public Accountant

Firas Ismael Korban Ali
Chartered Public Accountant

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019	2018
		IQD (000)	IQD (000)
ASSETS			
Cash and balances with Central Bank	3	202,968,845	145,389,874
Due from banks	4	35,368,994	10,428,425
Direct credit facilities, net	5	11,446,640	11,932,589
Financial assets at fair value through other comprehensive income	6	556,603	579,398
Financial assets at amortized cost	7	189,579,497	267,292,825
Property, equipment and right of use assets, net	8	3,168,293	1,780,443
Other assets	9	6,506,778	6,542,059
Total assets		449,595,650	443,945,613
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Due to banks	10	1,691	1,774
Customers' deposits	11	146,011,721	134,549,823
Current tax liability	12	73,665	887,686
Other liabilities	14	31,276,447	24,548,084
Total liabilities		177,363,524	159,987,367
SHAREHOLDERS' EQUITY			
Paid capital	15	250,000,000	250,000,000
Statutory reserve	15	15,689,715	15,035,389
Other reserves		149,163	149,163
Fair value reserve		81,348	104,143
Retained earnings		6,311,900	18,669,551
Total shareholders' equity		272,232,126	283,958,246
Total liabilities and shareholders' equity		449,595,650	443,945,613

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 5/1/169 and dated on 12 / 3 / 2020

Muhannad Fadhel Al-Assaf
Chartered Public Accountant

Firas I. Korban Ali
Chartered Public Accountant

شركة فراس اسماعيل قربان علي وشركاه لمراقبة وتدقيق الحسابات (تضامنية)
فراس قربان

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 2019

	Notes	2019	2018
		IQD (000)	IQD (000)
Interest income	17	17,056,851	18,318,116
Interest expense	18	(330,925)	(694,634)
Net interest income		16,725,926	17,623,482
Net fees and commissions	19	1,162,065	1,302,557
Gain from sale of financial assets at amortized cost		1,050,732	-
Other operating income	20	608,235	843,397
Total operating income		19,546,958	19,769,436
Employees' expenses	21	(4,221,662)	(3,396,287)
Depreciation of property, equipment and right of use assets	8	(559,220)	(280,081)
Other operating expenses	22	(7,747,045)	(5,334,506)
Total operating expenses		(12,527,927)	(9,010,874)
Operating profit before allowance for expected credit losses		7,019,031	10,758,562
Net (allowance) recovery of allowance for expected credit losses		(464,705)	925,356
Profit before income tax		6,554,326	11,683,918
Income tax expense	12	-	(819,535)
Net profit for the year		6,554,326	10,864,383
		IQD/Fils	IQD/Fils
Basic and diluted earnings per share	13	0/026	0/043

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 2019

	2019	2018
	IQD (000)	IQD (000)
Net profit for the year	6,554,326	10,864,383
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 (note 6)	(22,795)	114,561
Other comprehensive income for the year	(22,795)	114,561
Total comprehensive income for the year	6,531,531	10,978,944

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

2019	Paid capital IQD (000)	Statutory reserve IQD (000)	Other reserves IQD (000)	Fair value reserve IQD (000)	Retained earnings IQD (000)	Total IQD (000)
At 1 January 2019	250,000,000	15,035,389	149,163	104,143	18,669,551	283,958,246
Transition adjustment on adoption of IFRS 16	-	-	-	-	(7,651)	(7,651)
Restated balance at 1 January 2019	250,000,000	15,035,389	149,163	104,143	18,661,900	283,950,595
Total comprehensive income	-	-	-	(22,795)	6,554,326	6,531,531
Transfer to reserves	-	654,326	-	-	(654,326)	-
Dividends (note 16)	-	-	-	-	(18,250,000)	(18,250,000)
Balance at 31 December 2019	250,000,000	15,689,715	149,163	81,348	6,311,900	272,232,126

2018	Paid Capital IQD (000)	Statutory Reserve IQD (000)	Other reserves IQD (000)	Fair value Reserve IQD (000)	Retained earnings IQD (000)	Total 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 FA at FVTOCI	-	-	-	(1,463)	1,463	-
Dividends	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		IQD (000)	IQD (000)
OPERATING ACTIVITIES			
Profit before income tax		6,554,326	11,683,918
Adjustments for:			
Depreciation of property, equipment and right of use assets		559,220	280,081
Net allowance (recovery) of allowance for expected credit losses		464,705	(925,356)
Gain from sale of financial assets at amortized cost		(1,050,732)	-
Cash flow from operating activities before changes in operating assets and liabilities		6,527,519	11,038,643
Changes in operating assets and liabilities:			
Decrease (Increase) in direct facilities, net		1,561	(409,157)
Decrease (Increase) in other assets		18,651	(1,023,780)
Increase in customers' deposits		11,461,898	324,575
Increase (Decrease) in other liabilities		4,623,507	(9,184,073)
Increase in statutory reserve with CBI		(244,222)	(725,739)
(Increase) Decrease in LGs margin reserve with CBI		(198,425)	598,446
Deposits maturing more than 3 months		-	8,274,000
Net cash flows from operating activities before income tax		22,190,489	8,892,915
Income tax paid		(814,021)	(1,434,821)
Net cash flows from operating activities		21,376,468	7,458,094
INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost		(108,738,457)	(138,826,057)
Matured financial assets at amortized cost		146,040,000	188,209,799
Proceeds from sale of financial assets at amortized cost		41,467,692	-
Purchase of property and equipment		(967,220)	(298,273)
Sale of financial assets at fair value through other comprehensive income		-	2,615
Net cash flows from investing activities		77,802,015	49,088,084
FINANCING ACTIVITIES			
Dividends paid		(16,842,457)	(17,739,729)
Lease paid during the year		(272,902)	-
Net cash flows used in financing activities		(17,115,359)	(17,739,729)
Net increase in cash and cash equivalents		82,063,124	38,806,449
Cash and cash equivalents at beginning of the year	24	139,647,768	100,841,319
Cash and cash equivalents at end of the year	24	221,710,892	139,647,768

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 10 branches located in Baghdad, Basra and Najaf. 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 the Bank’s capital (2018: 75%). The consolidated financial statements of the Bank are consolidated with the parent’s consolidated financial statements.
The Bank has 100% (2018: 100%) ownership interest in a subsidiary, Ahli United Brokerage and investment Co. (”the Subsidiary”), which 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. BASIS OF PREPARATION AND CHANGES TO THE BANK’S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements. 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.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2019 and its Subsidiary (Ahli United Brokerage and Investment Co.) over which the Bank has the power to govern the financial and operating policies of the Subsidiary 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 (2018: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2019 (2018: 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. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (Continued)

2.3 New standards and interpretations 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 consolidated financial statements are disclosed below.

The Bank intends to adopt these standards, if applicable, when they become effective.

- Interest Rate Benchmark Reform (Amendments to IFRS 9 and IFRS 7) - effective for annual periods beginning on or after 1 January 2020.

  The current LIBOR linked interest rate benchmarks are expected to cease by the end of year 2021. In order to alleviate uncertainties that this change may have on the accounting of hedging relationships that are based on LIBOR benchmark rates, the IASB issued the Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7, that primarily includes a number of reliefs, which allows reporting entities to continue to account for hedging relationships on the basis of current LIBOR linked interest rate benchmarks.
- Definition of Material (Amendments to IAS 1 and IAS 8) - effective for annual periods beginning on or after 1 January 2020.
- Definition of a Business (Amendments to IFRS 3) - effective for annual periods beginning on or after 1 January 2020.

The Bank does not expect any significant impact on the Bank's financial position and results, arising from the adoption of above standards and amendments.

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 2018, except for the adoption of new standards and amendments effective as of 1 January 2019:

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (continued)

2.4 Changes in accounting policies (continued)

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.
Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.
Prior to the adoption of IFRS 16, the Bank accounted and classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease in accordance with IAS 17.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The bank recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has recorded right-of-use assets representing the right to use the underlying assets under 'Property, equipment and right of use assets, net' and the corresponding lease liabilities to make lease payments under 'Other liabilities'. The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to IQD 747,539 thousand and 738,560 thousand respectively, and the impact on retained earnings as at 1 January 2019 amounted to IQD 7,651 thousand. When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate of 8% at 1 January 2019. Lease costs for the year ended 31 December 2019 relating to right-of-use assets amount to IQD 224,838 thousand and are included under depreciation expense.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (continued)

2.4 Changes in accounting policies (continued)

IFRS 16 Leases (continued)

The effect of adopting IFRS 16 is as follows
Impact on the consolidated statement of financial position as at 1 January 2019:

	1 January 2019
	IQD (000)
Assets	
Property, Equipment and right of use assets	747,539
Other assets	(16,630)
Total assets	730,909
Liabilities	
Other liabilities	738,560
Total liabilities	738,560
Shareholders' equity	
Retained earnings	(7,651)
Total shareholders' equity	(7,651)
Total liabilities and shareholders' equity	730,909

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statement are set out below. These policies 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 consolidated 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. BASIS OF PREPARATION AND CHANGES TO THE BANK'S 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 expected 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 expected credit losses" and in an allowance for expected 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 consolidated statement of income.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S 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.

Impairment of financial assets

The Bank's allowances for expected 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 expected 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. Management overlays may be applied to the model outputs if consistent with the objective of a significant increase in the credit risk.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Financial instruments (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 expected 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 expected 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 expected 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. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Financial instruments (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.

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. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Financial instruments (Continued)

Determination of fair value

The fair value for financial instruments traded in active markets at the consolidated 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.

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 'Net allowance for expected credit losses'. 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.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

- Fees and commissions income

Credit origination fees are treated as an integral part of the effective interest rate of financial instruments and are recognised over their lives, except when the underlying risk is sold to a third party at which time it is recognised immediately. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling those obligations. Other fees and commission income are recognised when earned.

- 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.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Property and equipment (continued)

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.

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.

Leases

The accounting policies of the Bank upon adoption of IFRS 16 are as follows:
a) Right of use assets
The Bank recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognized under 'Property, equipment and right of use assets, net' in the consolidated statement of financial position.

2. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Leases (continued)

b) Lease liabilities
At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognized under other liabilities in the consolidated statement of financial position.

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, and in accordance with IAS 12.

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

Deferred tax

Deferred tax is provided on temporary differences at the consolidated 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.

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 reporting 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. BASIS OF PREPARATION AND CHANGES TO THE BANK'S ACCOUNTING POLICIES (CONTINUED)

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.

Measurement of the Expected Credit Loss (ECL) allowance

The measurement of the ECL for financial assets measured at amortized cost and debt instruments measured at 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

	2019 IQD (000)	2018 IQD (000)
Cash on hand*	8,753,805	7,401,075
Balances with Central Bank of Iraq:		
Current accounts	170,587,374	71,803,780
Time deposits	7,000,000	50,000,000
Statutory cash reserve **	15,381,708	15,137,486
LGs margin reserve ***	1,245,958	1,047,533
	194,215,040	137,988,799
	202,968,845	145,389,874

* Cash on hand includes foreign currency balances amounting to IQD 3,605,438 thousand as of 31 December 2019 (2018: 1,888,760 IQD thousand).

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

*** According to CBI Instructions dated 2 May 2018, a reserve against letters of guarantee was established. These amounts are held at CBI 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

	2019		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current accounts	96,566	554,925	651,491
Time deposits	-	34,719,913	34,719,913
Less: Allowance for ECL *	(2,410)	-	(2,410)
	94,156	35,274,838	35,368,994

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

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 35,275,641 thousand as of 31 December 2019 (2018: 10,254,593 IQD thousand). The above due from banks and other financial institutions balance does not include any past due or impaired balances as 31 December 2019 and 2018.

4. DUE FROM BANKS (CONTINUED)

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	35,371,404	-	-	35,371,404
	35,371,404	-	-	35,371,404
Less: allowance for ECL	(2,410)	-	-	(2,410)
	35,368,994	-	-	35,368,994

	31 December 2018 IQD (000)			
Due from banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	10,444,687	-	-	10,444,687
	10,444,687	-	-	10,444,687
Less: allowance for ECL	(16,262)	-	-	(16,262)
	10,428,425	-	-	10,428,425

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

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	16,262	-	-	16,262
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(13,852)	-	-	(13,852)
At Year end	2,410	-	-	2,410

4. DUE FROM BANKS (CONTINUED)

	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

	2019 IQD (000)	2018 IQD (000)
Retail	10,949,528	13,024,752
Corporate	21,200,882	18,217,323
Gross direct credit facilities	32,150,410	31,242,075
Less: suspended interest*	(10,732,594)	(9,848,221)
Less: allowance for ECL **	(9,971,176)	(9,461,265)
	11,446,640	11,932,589

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	9,025,123	272,841	-	9,297,964
Impaired (net of suspended interest)	-	-	12,119,852	12,119,852
	9,025,123	272,841	12,119,852	21,417,816
Less: allowance for ECL	(123,818)	(112,302)	(9,735,056)	(9,971,176)
	8,901,305	160,539	2,384,796	11,446,640

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	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 ECL	(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 2019 IQD (000)	31 December 2018 IQD (000)
At 1 January	9,848,221	9,947,626
Additions	981,912	953,091
Recoveries	(97,539)	(1,052,496)
	10,732,594	9,848,221

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

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	264,885	97,994	9,098,386	9,461,265
Transfer from stage 1	(56,098)	9,172	46,926	-
Transfer from stage 2	-	(89,490)	89,490	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(84,969)	94,626	474,731	484,388
Written-off during the year	-	-	(6,001)	(6,001)
Exchange adjustments	-	-	31,524	31,524
At Year end	123,818	112,302	9,735,056	9,971,176

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	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

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	IQD (000)	IQD (000)
Quoted equities	493,126	515,921
Unquoted equities	63,477	63,477
	556,603	579,398

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

	2019	2018
	IQD (000)	IQD (000)
At 1 January	579,398	467,452
Sold during the year	-	(2,615)
Change in fair value	(22,795)	114,561
At year end	556,603	579,398

7. FINANCIAL ASSETS AT AMORTIZED COST

	2019 IQD (000)	2018 IQD (000)
Treasury bills*	29,596,932	104,549,719
Government bonds**	160,205,023	162,970,739
Allowance for ECL ***	(222,458)	(227,633)
	189,579,497	267,292,825

Carrying amount of financial assets at amortized cost	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	189,801,955	-	-	189,801,955
Standard grade	-	-	-	-
	189,801,955	-	-	189,801,955
Less: allowance for ECL	(222,458)	-	-	(222,458)
	189,579,497	-	-	189,579,497

	31 December 2018 IQD (000)			
	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 ECL	(227,633)	-	-	(227,633)
	267,292,825	-	-	267,292,825

* Treasury bills are issued by Central Bank of Iraq (CBI) and Iraqi Ministry of Finance with an average interest rate 2.8% (2018: 2.85%) and are maturing within one year.

** Government bonds are issued by Iraq government with an average yield of 7.06% (2018: 7.84%) maturing in 2028.

7. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

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

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	227,633	-	-	227,633
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(5,175)	-	-	(5,175)
At Year end	222,458	-	-	222,458

	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, EQUIPMENT AND RIGHT OF USE ASSETS, NET

	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Total
2019	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost:									
At 1 January	274,022	4,466,913	702,646	115,958	1,212,200	946,312	4,371,384	-	12,089,435
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	-	-	747,539	747,539
At 1 January – restated	274,022	4,466,913	702,646	115,958	1,212,200	946,312	4,371,384	747,539	12,836,974
Additions	-	57,426	308,624	-	80,738	201,424	241,223	232,310	1,121,745
At 31 December	274,022	4,524,339	1,011,270	115,958	1,292,938	1,147,736	4,612,607	979,849	13,958,719
Accumulated depreciation:									
At 1 January	-	3,819,715	487,819	105,218	1,122,257	684,325	4,193,605	-	10,412,939
Charge of the year	-	61,672	71,578	6,555	30,483	87,821	76,273	224,838	559,220
At 31 December	-	3,881,387	559,397	111,773	1,152,740	772,146	4,269,878	224,838	10,972,159
Net book value at 31 December 2019	274,022	642,952	451,873	4,185	140,198	375,590	342,729	755,011	2,986,560
Work in progress*	-	181,733	-	-	-	-	-	-	181,733
Net book value at 31 December 2019 including Work in Progress	274,022	824,685	451,873	4,185	140,198	375,590	342,729	755,011	3,168,293

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

8. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET (CONTINUED)

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.

9. OTHER ASSETS

	2019	2018
	IQD (000)	IQD (000)
Inter branch balances *	6,999,815	6,999,815
Accrued interest	5,154,796	5,442,926
Advances	789,474	789,438
Repossessed assets **	355,826	-
Others	206,682	309,695
	13,506,593	13,541,874
Allowance for inter branch balances *	(6,999,815)	(6,999,815)
	6,506,778	6,542,059

* During 2011, the Bank booked an allowance of IQD 6,999,815 thousand (2018: IQD 6,999,815 thousand) against misappropriation detected in 2010.

** During the year, the Bank had taken possession over a collateral against credit facilities of one of its defaulted customers. According to Banks' Law in Iraq, this asset must be sold within two years from the date of possession.

10. DUE TO BANKS

	2019		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	377	1,314	1,691
	377	1,314	1,691

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

11. CUSTOMERS' DEPOSITS

	2019	2018
	IQD (000)	IQD (000)
Saving accounts	80,120,437	30,410,433
Current and call deposits	47,341,321	70,609,181
Cash margin	18,547,763	18,046,299
Term deposits	2,200	15,483,910
	146,011,721	134,549,823

12. CURRENT TAX LIABILITY

Income tax liability

The movement on income tax liability was as follows:

	2019	2018
	IQD (000)	IQD (000)
At January 1	887,686	1,502,972
Charge for the year	-	819,535
Paid during the year	(814,021)	(1,434,821)
At December 31	73,665	887,686

The Bank paid the tax liabilities up to year 2018; final tax clearances are not yet obtained.

The reconciliation between the tax profit and the accounting profit for the years ended 2019 and 2018 is as follows:

	2019	2018
	IQD (000)	IQD (000)
Accounting profit before income tax	6,554,326	11,683,918
Nontaxable income	(11,452,050)	(8,418,793)
Nondeductible expenses	4,730,919	2,198,441
Taxable (loss) profit	(166,805)	5,463,566
Current income tax at Iraqi statutory income tax rate of 15% (2018:15%)	-	819,535

The taxable profit subject to tax as of 31 December 2019 is Nil.

Effective income tax rate for 2019 is 0% (2018: 7.01%).

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.

	2019	2018
Profit for the year (IQD 000)	6,554,326	10,864,383
Weighted average number of shares during the year (thousand share)	250,000,000	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings per share	0/026	0/043

14. OTHER LIABILITIES

	2019	2018
	IQD (000)	IQD (000)
Miscellaneous accruals	12,840,375	16,419,849
Funds to be remitted abroad	7,125,000	-
Dividends payable	3,380,077	1,972,534
Dormant accounts	2,096,120	-
Lease liabilities *	749,034	-
Management fees payable to parent company	725,799	2,306,424
Allowance for indirect credit facilities **	27,892	28,548
Other credit balances	4,332,150	3,820,729
	31,276,447	24,548,084

* The movement of the lease liabilities as at 31 December 2019 is as follows:

	2019
	IQD (000)
At 1 January	-
Transition adjustment on adoption of IFRS 16	738,560
At 1 January - restated	738,560
Additions	232,311
Paid during the year	(272,902)
Unwind of discount	51,065
At Year end	749,034

14. OTHER LIABILITIES (CONTINUED)

Maturity analysis of undiscounted lease payments to be paid as at 31 December 2019:

	2019
	IQD (000)
1 year	148,822
2 years	200,104
3 years	200,104
> 3 years	210,000
	759,030

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

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	28,548	-	-	28,548
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(656)	-	-	(656)
At Year end	27,892	-	-	27,892

	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 (2018: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2018: 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 **
	2018	2017
	IQD (000)	IQD (000)
Cash dividend on the Ordinary shares	9,500,000	8,750,000
Dividend percentage of paid in capital	3.8%	3.5%

* On 2 October 2019, the General Assembly approved in its ordinary meeting the distribution of the cash dividends to the shareholders amounted to IQD 9.5 billion on 2018 profits. On 11 November 2019, the Bank received legal approvals to proceed with the dividends distribution in accordance with the prevailing laws in Iraq.

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

17. INTEREST INCOME

	2019	2018
	IQD (000)	IQD (000)
Financial assets at amortized cost	14,900,695	15,223,914
Direct credit facilities	1,620,324	1,746,425
Due from banks	535,832	1,347,777
	17,056,851	18,318,116

18. INTEREST EXPENSE

	2019	2018
	IQD (000)	IQD (000)
Saving accounts	236,911	586,152
Time deposits	42,949	108,482
Interest expense on lease	51,065	-
	330,925	694,634

19. NET FEES AND COMMISSIONS

	2019	2018
	IQD (000)	IQD (000)
Fees and commissions income	1,288,536	1,412,246
Fees and commissions expense	(126,471)	(109,689)
	1,162,065	1,302,557

20. OTHER OPERATING INCOME

	2019	2018
	IQD (000)	IQD (000)
Net gains from foreign exchange	236,961	185,338
Rental income	146,639	140,740
Gains from currency auction operations *	102,950	316,391
Dividend income	12,456	25,052
Other bank charges	109,229	175,876
	608,235	843,397

* During 2019, the Bank has purchased USD from CBI through currency auction for the benefit of the Bank's customers amounted to USD 12,910,960 on an exchange rate of 1,190 IQD/USD. The Bank sold USD to the currency auctions customers during 2019 on an average exchange rate of 1,197.97 IQD/USD.

21. EMPLOYEES' EXPENSES

	2019	2018
	IQD (000)	IQD (000)
Subject to personal income tax:		
Basic salary	2,076,670	1,869,180
Allowances	876,766	644,095
Transportation	363,355	349,996
	3,316,791	2,863,271
Not subject to personal income tax:		
Traveling	84,116	88,885
Benefits	432,239	78,044
Internal transportation fees	70,378	68,537
Training	9,350	31,676
Other allowances	67,175	50,055
	663,258	317,197
Social security	241,613	215,819
	4,221,662	3,396,287

22. OTHER OPERATING EXPENSES

	2019	2018
	IQD (000)	IQD (000)
General and administrative expenses	2,764,096	2,069,985
Miscellaneous accruals	2,300,844	1,550,564
Penalties imposed by CBI *	1,713,826	-
Professional fees	848,718	1,349,586
Rent	-	247,786
Insurance	55,061	52,085
Audit fees	60,500	59,500
Interim review fees	4,000	5,000
	7,747,045	5,334,506

* During 2019, CBI imposed two penalties relating to discrepancy and authenticity of import documents for transaction related to CBI's foreign currency selling window where customers demanded foreign currency to import goods through Northern Iraqi border for transactions conducted in 2012 and 2015. A provision of IQD 1,913,826 thousand was recognized in this regard during 2019 which was offset by recovery of fine from a customer amounting IQD 200,000 thousand.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

A. Fair value of financial assets and liabilities of the Bank measured in fair value continuously: The Bank is revaluing financial assets at fair value through other comprehensive income at the end of each reporting period and the table below shows information related to determining the fair value:

	Fair value IQD (000)			
	31 December 2019	31 December 2018	Fair value level	Method of valuation and observable inputs
Financial assets at fair value through other comprehensive income	493,126	515,921	Level 1	Based on price quotations in financial markets
Financial assets at fair value through other comprehensive income	63,477	63,477	Level 2	Through appropriate measurement methods

B. Fair value of financial assets and liabilities, other than those disclosed in the table below approximate their carrying values:

	31 December 2019		31 December 2018		
	Total carrying amount	Total fair value	Total carrying amount	Total fair value	Fair value level
	IQD (000)		IQD (000)		
Financial assets at amortized cost	189,579,497	197,549,753	267,292,825	267,915,676	Level 1 and 2

24. CASH AND CASH EQUIVALENTS

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

	2019	2018
	IQD (000)	IQD (000)
Cash and balances with Central Bank	202,968,845	145,389,874
Add: Due from banks	35,371,404	10,444,687
Less: Due to banks	(1,691)	(1,774)
Less: Statutory reserve with CBI	(15,381,708)	(15,137,486)
Less: LGs margin reserve	(1,245,958)	(1,047,533)
	221,710,892	139,647,768

25. RELATED PARTIES TRANSACTIONS

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

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

	2019	2018
	IQD (000)	IQD (000)
Consolidated statement of financial position:		
Due from banks	35,274,838	10,253,769
Due to banks	1,314	1,376
Other liabilities	7,850,799	2,306,424
Off balance items:		
Letters of guarantee	2,030,948	372,604
Consolidated statement of incomes items		
Interest and commission income	464,668	327,851
Management fees	725,799	1,203,749

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:

	2019	2018
	IQD (000)	IQD (000)
Executive management salaries & Benefits	479,728	459,973
	479,728	459,973

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	
	2019	2018
	IQD (000)	IQD (000)
Balances with CBI	194,215,040	137,988,799
Due from banks	35,368,994	10,428,425
Direct credit facilities, net	11,446,640	11,932,589
Financial assets at amortized cost	189,579,497	267,292,825
Other assets	5,166,120	5,548,029
Total	435,776,291	433,190,667
Contingent liabilities	23,424,847	20,119,834
Gross maximum credit risk exposure before consideration of credit risk mitigation	459,201,138	453,310,501
Gross maximum credit risk exposure after consideration of credit risk mitigation	426,496,093	417,619,756
Credit related commitments		
Letters of guarantee	23,424,847	20,119,834
	23,424,847	20,119,834
Credit risk mitigation		
Real estates	32,440,045	35,425,745
Pledged shares	265,000	265,000
	32,705,045	35,690,745

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

Financial assets neither past due nor impaired:

	2019		
	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	223,811,972	35,368,994	259,180,966
Government - public sector	160,205,024	-	160,205,024
	384,016,996	35,368,994	419,385,990

26. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (Continued)

Financial assets neither past due nor impaired:

	2018		
	High standard grade	Standard	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

Impaired financial assets

	2019		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	4,227,525	1,906,943	8,168,400
Corporate	7,892,327	7,828,113	707,000
	12,119,852	9,735,056	8,875,400

	2018		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	1,421,416	1,073,024	3,758,800
Corporate	8,089,576	8,025,362	1,157,000
	9,510,992	9,098,386	4,915,800

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)
2019					
Assets					
Cash and balances with Central Bank	7,000,000	-	-	195,968,845	202,968,845
Due from banks	34,719,914	-	-	649,080	35,368,994
Direct credit facilities, net	119,635	3,278,167	8,048,838	-	11,446,640
Financial assets at fair value through other comprehensive income	-	-	-	556,603	556,603
Financial assets at amortized cost		29,596,932	159,982,565	-	189,579,497
Property, equipment and right of use assets, net	-	-	-	3,168,293	3,168,293
Other assets	-	-	-	6,506,778	6,506,778
Total Assets	41,839,549	32,875,099	168,031,403	206,849,599	449,595,650
Liabilities					
Due to banks	1,691	-	-	-	1,691
Customers' deposits	80,120,437	2,200	-	65,889,084	146,011,721
Current tax liabilities	-	-	-	73,665	73,665
Other liabilities	-	-	-	31,276,447	31,276,447
Total Liabilities	80,122,128	2,200	-	97,239,196	177,363,524
Interest rate gap	(38,282,579)	32,872,899	168,031,403	109,610,403	272,232,126
2018					
Assets					
Cash and balances with Central Bank	52,491,984	-	-	92,897,890	145,389,874
Due from banks	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, equipment and right of use assets, 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	1,774	-	-	-	1,774
Customers' deposits	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

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 2019. 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 2019 Increase/(Decrease)	Effect on profit before tax for the year ended 31 December 2018 Increase/(Decrease)
	IQD (000)	IQD (000)
+5%	8,956,941	5,430,590
-5%	(8,956,941)	(5,430,590)

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 49,313 thousand (2018: IQD 51,592 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 consist of cash, short term deposit and liquid debt securities available for immediate sale, less deposits due to banks mature within three months.

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

2019	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	1,691	-	-	-	1,691
Customers' deposits	129,611,880	15,000,000	1,136,151	263,690	146,011,721
Total Liabilities	129,613,571	15,000,000	1,136,151	263,690	146,013,412

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	1,774	-	-	-	1,774
Customers' deposits	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

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.

2019	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	202,968,845	-	-	-	202,968,845
Due from banks	35,368,994	-	-	-	35,368,994
Direct credit facilities, net	119,635	331,048	2,947,120	8,048,837	11,446,640
Financial assets at fair value through other comprehensive income	-	-	-	556,603	556,603
Financial assets at amortized cost	-	1,024,622	39,267,435	149,287,440	189,579,497
Property, equipment and right of use assets, net	-	-	-	3,168,293	3,168,293
Other assets	2,001,918	3,001,908	1,502,952	-	6,506,778
Total assets	240,459,392	4,357,578	43,717,507	161,061,173	449,595,650
Liabilities and shareholders' equity					
Due to banks	1,691	-	-	-	1,691
Customers' deposits	129,611,882	15,000,000	1,136,146	263,693	146,011,721
Current tax liability	-	73,665	-	-	73,665
Other liabilities	19,272,070	-	11,255,344	749,033	31,276,447
Shareholders' Equity	-	-	-	272,232,126	272,232,126
Total liability and shareholders' equity	148,885,643	15,073,665	12,391,490	273,244,852	449,595,650
Net liquidity gap	91,573,749	(10,716,087)	31,326,017	(112,183,679)	

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

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	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, equipment and right of use assets, 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	1,774	-	-	-	1,774
Customers' deposits	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)	

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	2019	2018
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	2,689,209	4,612,955	12,244,794	19,546,958	19,769,436
Net (allowance) recovery of allowance for expected credit losses	-	-	(464,705)	(464,705)	925,356
Segment results	2,689,209	4,612,955	11,780,089	19,082,253	20,694,792
Unallocated expenses	(2,440,480)	(2,251,395)	(7,836,052)	(12,527,927)	(9,010,874)
Profit before tax	248,729	2,361,560	3,944,037	6,554,326	11,683,918
Income tax	-	-	-	-	(819,535)
Net profit	248,729	2,361,560	3,944,037	6,554,326	10,864,383
Other information					
Segment assets	8,507,858	2,938,782	428,473,939	439,920,579	435,623,111
Unallocated assets	-	-	9,675,071	9,675,071	8,322,502
Total Assets	8,507,858	2,938,782	438,149,010	449,595,650	443,945,613
Segment liabilities	42,942,218	103,069,503	1,691	146,013,412	134,551,597
Unallocated liabilities	-	-	31,350,112	31,350,112	25,435,770
Total Liabilities	42,942,218	103,069,503	31,351,803	177,363,524	159,987,367
Capital expenditure	-	-	967,220	967,220	298,273
Depreciation	-	-	559,220	559,220	280,081

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
2019	IQD (000)	IQD (000)	IQD (000)
Total Income	19,082,290	464,668	19,546,958
Total Assets	414,320,812	35,274,838	449,595,650
Total Liabilities	169,511,411	7,852,113	177,363,524

	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

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 2019 there were no changes in the Bank's policies and regulations, and the methods used to manage capital.

28. CAPITAL MANAGEMENT (CONTINUED)

	2019	2018
	IQD (000)	IQD (000)
Primary capital		
Paid capital	250,000,000	250,000,000
Statutory reserve	15,662,085	15,008,867
Other reserves	149,163	149,163
Retained earnings	6,118,006	7,685,737
Total Primary capital	271,929,254	272,843,767
Supplementary capital		
General provisions	15,931,349	18,837,289
Total Supplementary capital	15,931,349	18,837,289
Total primary and supplementary capital	287,860,603	291,681,056
Total risk weighted assets	54,399,099	44,353,558
Capital adequacy (%)	529.2%	657.6%

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

29. CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2019	2018
	IQD (000)	IQD (000)
Letters of guarantee	23,424,847	20,119,834
Irrevocable undrawn loan commitment	223,188	2,342,467
	23,648,035	22,462,301

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.