



مصرف التنمية الدولي
International Development Bank



عنوان للتميز

Title of excellence



Vision

Our ultimate goal is to become the most innovative and technologically advanced bank in Iraq by employing the latest e-banking technology and electronic services to our clients.

Mission

As one of the first banks to introduce e-services and online banking in Iraq, we aim to make banking easier, more attainable and within the reach of all Iraqis, both inside the country and abroad, enhancing the national economy and contributing to the reconstruction of Iraq.

Strategy

Our success is of your success. By integrating the newest technology and banking methods, we aspire to deliver innovative financial solutions that meet the needs of corporate, SME and retail customers in Iraq and the region. Through our vast network of correspondents and affiliations across the Arab world, Europe and beyond, we will grow into a true international Iraqi bank.

Values

Our strict values set forth by our Board of Directors are supported by four main elements: Integrity, Credibility, Security and Customer Satisfaction.

Our Partners in 2017



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BOARD OF DIRECTORS



Mr. Ziad Khalaf Abed Kareem
Chairman of the Board

Chairman of the Board of Directors, Mr. Ziad Khalaf, was one of the founding fathers of the International Development Bank. In less than a decade, Mr. Khalaf turned IDB from a startup, into one of the country's, and region's, most trusted banks.

Armed with a bachelor's degree in civil engineering from the Baghdad University of Technology and more than 20 years of experience in contracting and trade, Mr. Khalaf is also one of the biggest shareholders of several companies in the electronic payments industry, manufacturing, construction and automotive industry, as well as the current Chairman of "Al Sharq" for insurance.

Having served as President of IDB since 2015, his tenure is regarded to as the "golden period", during which the bank upgraded its technological infrastructure and established strategic, long-term partnerships with Visa and MasterCard. He also led IDB to become the first Iraqi bank to have representation in the UAE and Lebanon.

Despite what Iraq have been passing through recently, Mr. Khalaf always saw a way through and was able to continue operations normally, and in line with the country's economic and political situation.

In recognition of his efforts, perseverance and innovation, Mr. Khalaf have received several honors and awards, most notably the "Excellence in Wise Management Award" (2017) and the "Most Innovative and Technological Bank Award" (2016) by the Union of Arab Banks.

It is thanks to Mr. Khalaf that the International Development Bank is what it is today, and will continue to grow and expand under his guidance.



Mr. Mahmood Mohammed Al-Barazenchi
Vice Chairman

Having served as the deputy general manager of Al Raffidain Bank, as well as managing director of both Baghdad Bank and Kurdistan International Bank, Mr. Mahmood Mohammed Al-Barazenchi has more than 50 years of experience in the banking and financial industry. He graduated from the University of Baghdad, and has also served as a financial banking expert for the Trade Bank of Iraq.



Mr. Fouad Mohammed Al-Jawahri
Board Member & Managing Director

Having served as an executive with both the Central Bank of Iraq and Al-Bilad Islamic Bank, Mr. Fouad Mohammed Al-Jawahri has brought over more than 50 years of experience from working with banking and financial institutions. Mr. Al-Jawahri is the holder of a bachelor's degree in accounting from the University of Baghdad.



Mr. Abdul Razzaq Abul-Wahab Ali
Board Member

Mr. Abdul Razzaq Abul-Wahab Ali has been IDB's engineering and administrative advisor since 2014. Prior to that, he worked as a consultant engineer for various development and infrastructure projects for 25 years, and has served as the general director of the Iraqi Roads and Bridges Organization, The Iraqi Port Organization, the Arab Bridge Maritime Company, as well as in the planning and follow up office at the Ministry of Transportation.



Mr. Saad Faeq Abdul Azeez
Board Member

With a bachelor's degree in statistics and a master's of computer science from the University of Salford, United Kingdom, Mr. Saad Faeq Abdul Azeez has more than 38 years of experience in the field of information technology and networking. He previously served as the IT executive manager at Rafidain Bank, executive director of banking cards technology at the Iraqi Middle East Investment Bank, CEO and consultant to the Arab Payment Services Company (APS), as well as the executive director of information technology at the International Development Bank.



CHAIRMAN'S LETTER

CHAIRMAN'S LETTER



Mr. Ziad Khalaf Abed Kareem

Chairman of the Board

Dear Fellow Shareholders,

Peace, mercy and blessings of God be upon you,

It is my great pleasure to present, on my behalf and on behalf of my fellow members of the Board of Directors, the seventh annual report of the International Development Bank for Investment and Finance for the year 2017, including the financial statements and the results for the fiscal year, externally audited by "Ernst & Young LLP-Iraq".

Gentlemen, you are certainly aware of the economic juncture which Iraq has witnessed in 2017 and the major challenges the overall banking sector has withstood. Nonetheless, owing to the adequacy and inclusion of the conservative credit and investment policies, our Bank managed to achieve significant financial results, whereby it maintained advanced rankings in terms of profitability indicators, where the return on assets (ROA) and return on shareholders' equity (ROE) amounted in the end of 2017 to 2% and 5% respectively. Even though these ratios are deemed low relatively to other banks in neighboring countries, our Bank's conservative policy and keenness on preserving shareholders equity and depositors' funds constituted a key factor in maintaining a sound financial position.

Day after day, IDB progresses throughout the journey it has embarked on in late 2011. In line with the Bank's Board approved strategy 2021, the Bank aims to become a pioneer at the regional level, as well as mirror the true image of the Iraqi banking sector and its ability to provide all-inclusive banking services to Iraqi citizens, Arab and foreign companies willing to invest in Iraq.

In line with our Bank's view to regionally expand and diversify its revenue sources, IDB added a major milestone to its list of achievements by being the first Iraqi bank with an actual presence in the United Arab Emirates through the opening of a representative office in Dubai in 2018 after fulfilling all the supervisory requirements and KYC procedures of the Central Bank of UAE. This in return has enhanced IDB's overseas network after the opening a representative office in Lebanon in 2016.

Today, Iraq is one of the most promising countries in the region, due to its various natural and human resources, in addition to its special location that endows it with a paramount importance for investors. Accordingly, IDB has committed to develop the needed infrastructure in terms of geographical distribution of its branches and representative offices, attracting skilled bankers, acquiring conclusive banking solutions and building a broad network of correspondent banks. In return, IDB aims to effectively contribute to the economic development and help Iraq recuperate its usual place in the Arab and international scenes.

Despite the difficult conditions the Iraqi banking sector had encountered, IDB managed to invest its funds in acceptable-risk investments, which contributed to making a total revenue from interests and commissions

CHAIRMAN'S LETTER

of nearly IQD 44 billion and a total net operating income (NOI) of nearly IQD 37 billion in the end of 2017. Moreover, our Bank continued its effective contribution to the economic development, whereby the net direct credit facilities amounted to IQD 266 billion in the end of 2017. In addition, customer deposits reached IQD 316 billion, and the bank's total on-balance sheet assets came to IQD 641 billion. Furthermore, our shareholders' equity grew to reach IQD 265 billion, which contributed to maintaining high levels of financial solvency, with the capital adequacy ratio (CAR) amounting to 71.5% and NPL provision coverage ratio of 100% in 2017.

Our Bank continued to adopt its strategy and conservative investment and lending policies it followed during the previous years in order to protect depositors and shareholders' funds and maintain high levels of liquidity and adequacy. In light of the financial results achieved in 2017, our Bank's liquidity ratio almost reached 40%; in addition to our Bank's compliance with Basel III, LCR and NSFR ratios.

IDB aimed to diversify income sources and increase returns of loans and facilities, returns of trade finance operations and revenues from the Bank's e-banking services. The latter which has grown exponentially during the year 2017 and in relation to the salary domiciliation project for around 60 thousand civil servants from various ministries, public institutions and private sector's employees. This achievement comes in line with the Bank's strategy to focus on the retail sector and enhance the level of banking services while introducing modern banking technologies and e-channels.

In line with Bank's acknowledgement of the significance to be involved in the CBI banking and financial inclusion initiative, IDB carried on the expansion of its branches' network, which had included 14 branches by the end of 2017, and with the opening of a new branch in Harthiya-Baghdad in early 2018, the number has risen to 15 to meet customers' requirements in different segments and age groups.

Furthermore, IDB is committed to offering the best services for customers and expanding our client base through the launch of a wide bundle of programs and advertisement campaigns targeted at retail products in the field of deposits and credits. This includes the launch of e-payments channels that were developed during 2017 which includes internet banking, mobile banking and a new Interactive Voice Response system.

In 2014, IDB undertook a bank wide project aimed at building and developing conclusive infrastructure. This in return has helped IDB reach advanced levels, earn the confidence of the public, receive the appreciation of Arab and foreign banks and gain a material market share in the electronic services market (owning the largest ATM network: more than 200 ATMs distributed nationwide today and expected to reach 400 by the end of the current year). The Bank's advanced and comprehensive e-banking service solutions, developed in line with the CBI initiative and the decision of the Council of Ministries has contributed positively to reducing cash transactions and enhancing anti-money laundry and financing terrorism procedures.

Additionally, IDB continued investing in the latest technologies and projects aiming to bolster the technology infrastructure and network systems which mainly speeded up the conduction of overall banking operations, and endowed our Bank with a competitive advantage. Moreover, IDB met all the requirements and the technical requirements imposed by MasterCard and Visa; it also obtained PCI Data Security Standards' license in the end of 2016, as well as PIN Security license in early 2017, only to become one of the first Iraqi banks to have done so.

Also, a strategic partnership agreement has been established with each MasterCard and Visa, which will make available advanced electronic products that serve the transformation revolution from cash to e-payment in Iraq.

Recognizing the necessity to open various doors with the outside world and in line with the Banks' external expansion strategy, and to establish ties with the correspondent banks at the service of the Iraqi banking sector, our Bank contracted with Ernst & Young auditing company which had been appointed external auditor for 2017, and worked on implementing the International Financial Reporting Standards (IFRS). Our Bank also contracted with KPMG Audit firm to conduct Assets Valuation, assessing the control environment, and the IT practices in use, with the international standards. It is worth-noting that IDB is about to receive globally recognized certificates such as ISO, ITIL and COBALT, that shall strengthen the Bank's position and status.

Gentlemen, the Bank's commitment to develop a rigid risk management and compliance system is crucial, as it particularly enhances the internal control environment and the ability to identify, measure and manage various risks while ensuring the protection of data and users. The Board of Directors has also embedded the best corporate governance practices aimed at clear segregations between the Board of Directors and the Executive Management.

The magnitude of challenges the region is witnessing due to rocky regional circumstances is no secret. Yet, our Bank promises all its customers to carry on the development and diversification of the banking services and products, by simulating the experiences of leading banks and innovating new electronic banking services that are tailored to the Iraqi economic requirements. This is due to the tremendous efforts of our teamwork in providing the best high-quality services and e-payment channels, in addition to making the best returns for shareholders.

Lastly, I would like to thank, on my behalf and on behalf of the members of the Board of Directors, my colleagues the former Board members who have exerted distinguished efforts throughout their presence in the Board. I would also like to wish for the new member's utmost success and prosperity, hoping they will be the best successors to the best predecessors.

Also, allow me to thank all members of the executive management and the Bank's employees, regardless of their managerial levels, for their unremitting work and endeavor to promote our Bank and develop its activities. I shall not fail to thank as well the sponsor and sustainer of Iraqi banks, the CBI, with its wise leadership and unswerving support for the members of the Iraqi banking community. I would also like to thank our customers at IDB, whom we esteem and appreciate, and whose trust we highly value.

I ask God, the Most High, the Almighty, to make our progress and prosperity last in our dear institution, and to enable it to shoulder its duty towards the national economy as well as towards its shareholders and employees.

May God's peace, mercy and blessings be upon you.

*Ziad Khalaf Abed Kareem
Chairman of the Board*

ABOUT IDB

The International Development Bank was established in 2011 with an initial capital of 100 billion Iraqi Dinars - today a paid-up capital of 250 billion IQD (equivalent to 210 million US dollars) - and quickly rose to establish itself among leading banks, both locally and regionally, offering commercial banking services to both corporate and retail clients. The bank's initial shareholders were mainly members of the Khalaf Abdel Karim family, together with a number of Iraqi investors. While the Khalaf Abdel Karim family remains the biggest shareholders (61% of total equity), the number of shareholders have grown to include more than 100 holders of common shares that are listed on the Iraq Stock Exchange by 2018.

Under the leadership of the Chairman of our Board of Directors, Mr. Ziad Khalaf Abed, who institutionalized firm foundations and principles for operations, IDB was able to acquire a significant market share of the total trade finance business, electronic cards issuing and overall local banking market.

With Compliance and Anti-Money Laundering mandating as two autonomous departments within the bank, and Ernst & Young as external auditors for the years 2017- 2019, we ensure both accuracy and transparency of all operations.

We are currently represented in all major provinces of Iraq, including Iraqi Kurdistan, through our 15 branches and more than 550 employees, 200 ATMs and 2,000 POS across Iraq, along with offices in Beirut and Dubai. As per the Board of Directors' approved strategy, we aim to have a network of 25 all-inclusive branches in the country, as well as more than 300 ATMs installed and 10,000 POS by the end of 2020.

IDB has positively contributed to the reconstruction of Iraq through financing mega projects across various sectors, with a total lending sum exceeding IQD 450 billion (equivalent to more than 375 million USD dollars) in the form of direct and indirect credit facilities. IDB also participated actively in the SMEs Financing Initiatives stipulated by the Central Bank of Iraq through financing projects with a total sum exceeding 10 billion Iraqi dinars (equivalent to 8 million US dollars) throughout various provinces in Iraq during 2017.

During the years 2016-2018, IDB attained an "Issuing and Acquiring" license from MasterCard and Visa, becoming the first Iraqi bank with the ability to issue all types - debit, credit and prepaid - of electronic bank cards.

Having knitted together a strong relationship of trust with clients, depositors and shareholders, IDB promises them to always maintain the bank's image and vision through continuous development and contribution to the Iraqi local economy by strengthening our links with regional and international financial markets.

Our promise to you, our clients and associates, is to always remain dedicated to further expanding our services portfolio and pioneers of the Iraqi digital banking frontier.

Last but not least, I would like to express my sincerest gratitude, on behalf of the members of the Board of Directors and myself, to our colleagues, the members of the Executive Management, at all levels, for their continuous effort and dedication to the bank's vision, mission; and most importantly, our clients. Above all, we would like to express our appreciation of our clients for their trust in us and their invaluable partnership, for it's for them and by them that we became the "title of excellence."



IDB's new headquarters located in one of the most prime and prestigious locations in Baghdad on Abu Nuwas Street - off Tigris River. The building consists of 14 floors with a total built area of 14,000 square meters that has been designed by top tier architects, taking into consideration the modern revolution in the banking sector. The project is expected to be completed by 2021.

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BANKING
PRODUCTS
AND SERVICES



BANKING PRODUCTS AND SERVICES

IDB continued to innovate and develop its banking products and services offered to customers in the retail and corporate sectors including the small and medium enterprises, by providing and modernizing a diverse bundle of products of services, with special focus on the electronic services and in line with the banking practices in the region and worldwide.

1. Retail Banking

Amid the growing competition in the retail banking market, the Bank's strategy featured high on providing the best products and services that fulfill our customers' various and multiple needs, in addition to enhancing the Bank's position in this market, in order to remain the first choice which customers from different categories and of various ages would make. Accordingly, the networks of branches and ATMs have been expanded, and the issued electronic cards have been diversified in line with their multiple usages.

Additionally, in order to sustain and improve the Bank's reputation and position in the front line of the leading banks in the banking technology in Iraq, IDB continued in offering banking services through the electronic distribution channels which are Online Banking, IDB SMS Alert and ATMs.

Furthermore, considering the Bank's endeavor to succeed in the salary domiciliation project for public sector's employees, IDB worked on modernizing an all-inclusive portfolio of loans and credits to meet the needs of this segment of the Iraqi people, in a way that contributes to achieving financial and banking inclusion in Iraq. Further, and in relation to the CBI initiative to fund small and medium enterprises, IDB worked on launching these loans in its various branches in the different provinces, in order to contribute to the economic and social development and to help these individuals obtain the funds their businesses are in need of.

Following is an overview of the retail banking services:



Accounts:

1. Current accounts
2. Saving accounts
3. Fixed deposit accounts



Loans:

1. Personal loans
2. Car loans
3. Mobile devices' purchase loans
4. Small and medium enterprises loans
5. Tourism and travel loans



Electronic cards:

1. Credit cards
2. Debit cards
3. Business cards (prepaid)
4. Internet cards (prepaid)
5. Tourism and travel card (prepaid)
6. Gift card (prepaid)



Money transfer services:

1. Wire transfers
2. Quick electronic funds transfer (Western Union)



E-services:

1. IDB Mobile
2. Interactive Voice Response (IVR)
3. ATMs
4. Internet Banking
5. IDB SMS and IDB Alert
6. Points of Sale (P.O.S)



2. Corporate Banking

Despite the unstable security conditions in Iraq, IDB has made multiple achievements in the scope of financing the needs of companies, thus anchoring its leading position in the banking market as an essential partner in funding companies and enterprises. Accordingly, the Bank maintained the size of its credit portfolio, without violating predefined risks and acceptable returns and in line with the Bank's credit policy and CBI supervisory requirements.

Also, the Bank continued to support the industrial, energy and commercial sectors through the related program put forth by CBI. In contribution to the financing of commercial and foreign trade operations, IDB also continued to provide the required funding to its customers through the opening of letters of credits as well as through the vast network of correspondent banks.

BANKING PRODUCTS AND SERVICES

Following is an overview of the corporate banking services and loans:

Bank's facilities:

1. Commercial loans
2. Financing of foreign trade operations
3. Letter of Guarantees including bid and performance bonds.
4. Small and medium enterprises loans
5. Letters of credits

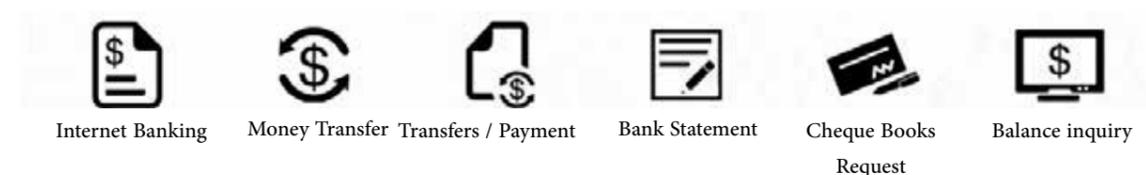
Other services:

1. Electronic Bank Account Management (eBAM)
2. Treasury and Investment services
3. Cash management services
4. Salary payment services

3. Electronic Channels and Cards

IDB continued to provide banking services through the electronic distribution channels through Online Banking and ATMs. As to the Issuing & Acquiring license the Bank has obtained from MasterCard, it contributed to enhancing the Bank's competitiveness power through the immediate issuing of different types of MasterCard from inside Iraq. Furthermore, IDB endeavored to widen the electric banking agents' network by signing strategic contracts with more than 30 distribution agents in the different Iraqi governorates for better reachability for clients. It is to note that in the beginning of 2018, the Bank also obtained the Issuing & Acquiring license from Visa.

Moreover, IDB managed to maintain an advanced position in 2017 at the electronic cards' market in Iraq after the launching of the different types of MasterCard's credit cards, including the Platinum, Gold and Classic cards, in addition to the World Elite card issued for the first time in Iraq, not to mention the prepaid cards. It is worth noting that the electronic cards issued by the Bank entitle their users to multiple advantages. They also meet the highest security standard for ATM withdrawals, whether inside or outside Iraq. In addition to our payment terminals or Points of Sale (POS), IDB intends to add other cards in 2018 with Visa to provide multiple options to the Iraqi customers.



4. Distribution and Branch Network

The Bank continued to maintain a leading position in the local banking market through its branches and ATMs' networks distributed strategically nationwide. In 2017, the Bank added two more branches in Ijarah and Jamiela respectively; the network included 14 branches by the end of 2017. The Bank also acquired the premises it used to rent to operate the Mansour branch new building. In the first month of 2018, the Bank opened a branch in Baghdad Mall-Harthiya, which is the only branch operating in the day and night shift system, six days per week, with 12 working hours per day. As to the Bank's external expansion and following the opening of a representative office in Beirut in 2016, IDB has recently acquired the opening license of a representative office in Dubai after fulfilling the requirements with the Central Bank of UAE. This matter only underlines the trust the external world has put in the Iraqi banking sector, in a way that contributes to the prosperity of this sector and to importing the experiences of foreign banks into Iraq. The Bank's strategy 2018-2021 comprises the opening of 7 branches inside Iraq and one branch outside the country, in addition to the completion of the new Head Quarters.

Also, in order to ensure geographical expansion to provide to our customers key banking services in the nearest location possible for them, the Bank continued to distribute ATMs in line with its strategy that aims to top the list of Iraqi banks as to the domiciliation project; more than 100 new ATMs have been installed, rising the number of our ATMs to more than 200.

IDB CORRESPONDENT BANKS NETWORK



5. Financial Institutions and Correspondent Banks

In 2017, the Bank enhanced its position at the international banking activities' market amid difficult circumstances, whereby it bolstered its existing relations with the correspondent banks, and established new work ties with banks and financial institutions which are well-known at the Arab, regional and international levels. Moreover, the Bank managed to increase its revenues derived from its activities in the field of international trade operations and banking services including unfunded credit commissions and remittance commissions.

In order to stimulate and develop relationships with correspondent banks and financial institutions, a specialized team of staff has made several marketing campaigns and visits to strategic markets and countries in 2017, including Turkey and the United Arab Emirates, for the purpose of offering products and services to the banks operating in them, with the hope of bringing benefits of growth to the Bank and its customers.

It is worth mentioning that the bank has relationships with a wide network of correspondent banks across the world and which include more than 20 banks spread in more than 10 countries, which makes the Bank in a strong and solid position to build its name and to promote and meet its clients' requirements in various activities. As our Bank realizes the necessity to open various doors to the external world and build partnerships with solid financial institutions in support for the Iraqi banking sector, our Bank contracted with Ernst & Young as the external auditor for the year 2017 for the implementation of the International Financial Reporting Standards and as per CBI requirements. IDB also contracted with KPMG company for the valuation of the Bank's assets, the internal control environment and the practices used in the field of Information Technology, and for ensuring their compliance with the international standards.

6. Human Resources

Considering the importance of the human factor, the Bank worked to enhance the efficiency and productivity among all levels of staff, while taking care of developing their skills and improving their capacity to perform their duties properly. To maintain its position as one of the leading financial institutions with regards to employing qualified and distinguished individuals in Iraq, the bank has taken initiatives during 2016 to attract the best graduates of universities and a group of competent and talented employees. In addition, the Bank undertakes accurate and comprehensive procedures and methodology regarding the appointment of employees in the different posts and departments of the bank. A strong human resources base has been established, contributing to the Bank's prosperity and development day by day.

Within the frame of enhancing the investment in human resources and develop the staff's professional skills, a group of leading programs has been provided in the field of training, on top of which are:

- The development of International Accounting Standards
- Asset and Liability Management,
- Development and rehabilitation of junior and department staff

Intensive training focused on involving employees and providing them with leadership and management skills developed in line with the bank's vision and aspirations.

BANKING PRODUCTS AND SERVICES

It is worth mentioning that the bank provided during the year several training opportunities for the staff inside and outside Iraq. These training sessions covered the human resources, Financial and Accounting, Internal Audit, Credit, Public Relations, Operations, and Treasury and Investment aspects. In addition, the Bank concluded a strategic partnership with Harvard Professional Development program in line with the required skills for each employee and with the CBI requirements.

Our management also showed interest in control departments and as stipulated by the CBI, which are the departments of Risk Management, Anti-Money Laundering and Financing of Terrorism; specialized and qualified staff have been appointed in these departments and the sub-divisions derived from them.

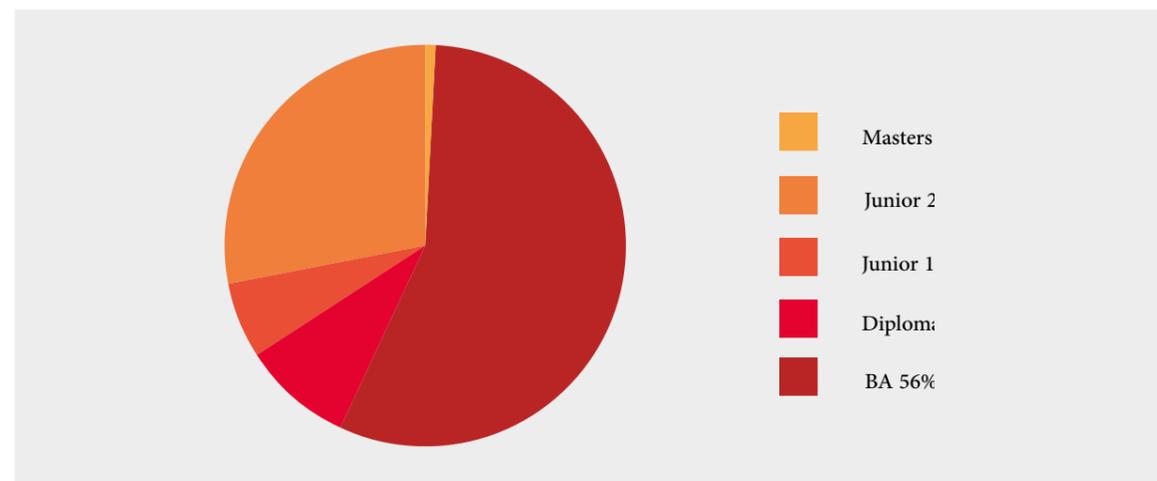
The Bank's executive management worked on promoting the competency and professional performance of the entire staff, whereby it worked on developing their skills and capabilities to assume their duties properly.

The table below represents the distribution of staff in terms of academic qualification and gender:

Distribution by Gender	Male	Female
	281	166

Academic Achievement	Number
Masters	4
BA	249
Diploma	38
Junior	29
Primary and middle school	29
Without a certificate (service labor)	98
Total	447

Distribution by Academic Achievement



Training and Workshops Specialized for IDB Employees





MORE THAN
7
years
OF EXCELLENCE

ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

IDB scored in 2017 good qualitative and quantitative results, despite the economic juncture Iraq had witnessed. IDB also made good and substantial financial results that had only added to its record of achievements pertaining to growth and development in the different administrative, service, operational and financial fields, which enhanced its competitive status as high-level financial institution regionally.

IDB carried on the execution of several strategic projects to enhance the offered services for the different categories/segments of clients. The Bank has provided comprehensive financial and banking solutions that meet the needs of customers at the highest levels of quality and distinction, while following up on the latest Information Technology systems and bank industry up-to-dates. Seeking to expand geographically and diversify revenue sources, the Bank worked on opening a regional office in UAE in the first semester of 2018, beefing up its presence at the regional level it also worked on establishing strategic ties with the correspondent banks.

In order to promote the level of its services and keep up with the banking industry developments, the Bank established a strategic plan for 2018-2021, in line with the concept of readiness through offering the services at the time, the place and the speed the customer needs, and the concept of superiority and excellence at all the internal and external operations.

Thanks to the strategy put by the Board of Directors and the conservative credit policy, IDB managed to alleviate the negative reverberations of the jolty economic, political and security situation witnessed in Iraq in 2017 and the regional political conflicts that have taken a toll on the Iraqi scene.

In 2017, IDB continued to resume its work by the key policies it has followed since 2015 and which are:

1. Maintaining the lowest level of credit portfolio risk to preserve a strong, solid and regularly performing credit portfolio.
2. Fully abiding by CBI compliance standards and anti-money laundering law, which has considerably reduced the value of deposits throughout the past years, before they rose again in 2017, in clear evidence on the customers' trust in our Bank.
3. Maintaining high liquidity and adequacy levels in order to weather any unexpected change or event, such as sudden cash withdrawals, or to allow the bank to invest this liquidity in the best possible opportunities.
4. Continuing to develop the technological infrastructure and remaining on top of Iraqi banks in that respect, among others, which enables the Bank to introduce the most recent technology of banking and customer services to Iraq.

IDB Financial Results:

Despite the economic, political and security conditions in Iraq, IDB managed thanks to its conservative policies to maintain its competitive status in the Iraqi market, which affected the financial statements as follows:

1. The Bank's assets kept strong as they amounted to nearly IQD 641 billion by the end of 2017, with a slight drop of 1% compared to the year before
2. The Bank preserved the trust of depositors owing to the reputation it enjoys and its strict implementation of anti-money laundering and terrorism financing procedures and customers' selection policy, whereby deposits kept on their value at nearly IQD 318 billion despite the size of cash withdrawals the banking sector has witnessed due to the economic juncture.
3. The Bank carried on its conservative policy which is based on accepting risks at their lowest levels, in order

to preserve the quality of the credit portfolio and according to the unexpected changes; as a result, the size of the credit portfolio was equal to IQD 267 billion in the end of 2017, with a drop of 4% compared to the previous year.

4. The Bank continued achieving acceptable level of profit before tax (PBT) which amounted to nearly IQD 15 billion, with a drop of almost 18%. This was due to:
 - The economic situation in general
 - The logistic regression of the credit portfolio in line with the adopted policy, in preservation of the credit quality
 - The advanced stages the Bank has reached in sustaining and developing its infrastructure in the field of technology and the expansion of the banking services
 - The opening of two new branches and the resumption of spending on the new Head Quarters building in Abu Nawwas Street
5. The Bank maintained a high level of capital adequacy ratio amounting to 71.5%, a ratio that exceeds the 12% minimum limit required by CBI and Basel Committee. The Bank also included in its 2018 plan the study of investing in new banking products allowing to take advantage of the Bank's available liquidity in the best possible ways.

Financial Position Analysis and Final Accounts for 2017:

(Amounts in thousands IQD)

Statement/year	2017	2016	1/1/2016
Total Assets	641,696,720	648,537,927	789,930,010
Customer & Financial Institutions deposit	317,775,557	316,811,810	416,773,680
Loans and credit facilities (net)	266,890,945	278,424,093	291,255,204
Shareholder equity	265,327,936	268,602,666	269,347,634
Profit Before Tax	14,970,906	18,173,122	-
Profit After Tax	12,725,270	15,255,032	-
Distributed cash dividends	16,000,000	16,000,000	-
Dividend yield (in IQD)	0.05	0.06	-
Distributed dividends per share	0.06	0.06	-

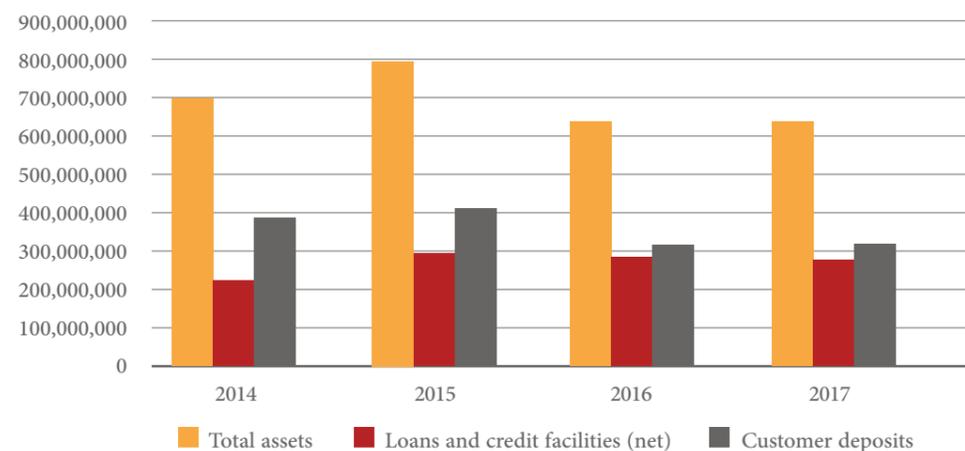
The Bank maintained ned its total assets which amounted to IQD 641 billion in the end of 2017, slightly dropping by 1% relatively to the end of 2016. The executive management ensured abidance by the instructions of the Board of Directors to protect depositors and shareholders' funds. The Bank maintained balance between profitability and investment and avoided high-risk investments to increase the volume of deposits and shareholders' equity.

ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

The Bank maintained the required cash liquidity for financial commitments of different terms, and made the best use of the available funds in a way that preserved the Bank's solid financial position.

Assets	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Cash on hand and with CBI	220,756,965	259,254,385	34%	40%
Balances with other banks and financial institutions	67,877,489	38,606,181	11%	6
Direct credit facilities (net)	266,890,945	278,424,093	42%	43%
Fixed Assets (net)	63,260,402	61,786,505	10%	10%
Projects under implementation	18,337,779	6,374,335	3%	1%
Other assets	4,573,140	4,092,428	1%	1%
Total assets	641,696,720	648,537,927	100%	100%

Changes in the financial position



The graph above shows a drop in the total assets in 2017 by 1% relatively to 2016, knowing that the size of credits fell by 4% and the total cash on hand dropped by 3%, in line with the Bank's conservative credit policy.

Direct credit facilities:

The Bank continued to adopt its conservative credit policy pursuant to the decision of the Board of Directors, to create a balanced, safe and high-quality credit portfolio of high profitability levels and that would be stable to withstand any sudden or unexpected changes. The executive management and credit committees have proven efficiency and competence in credit study; the net balance of the credit portfolio amounted to IQD 267 billion by the end of 2017, with a drop by 4.3% compared to 2016.

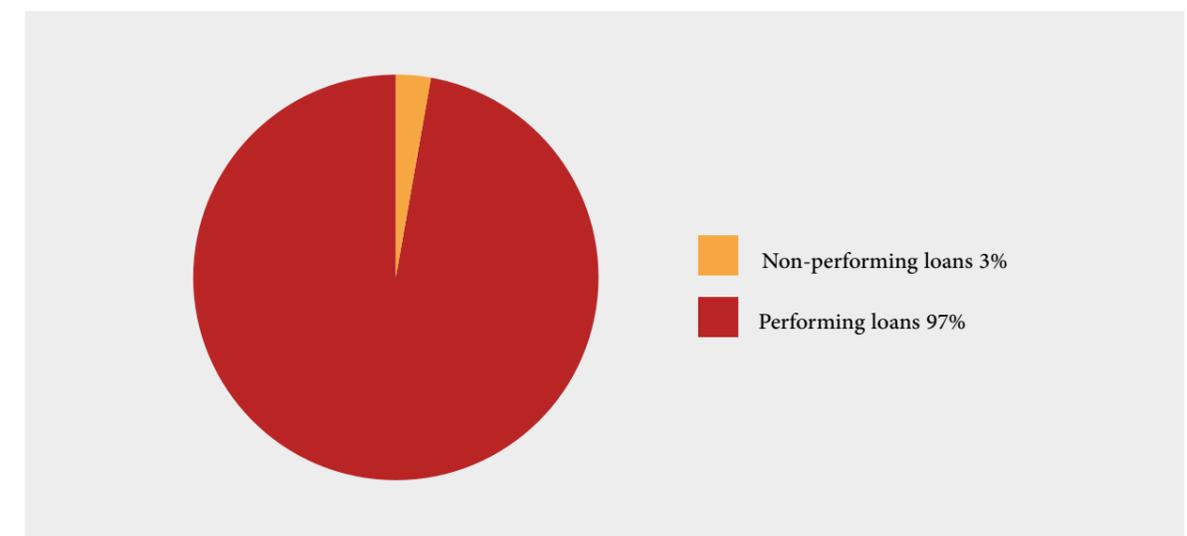
Credit portfolio rating for 2017:

The Bank's conservative credit policy and the decisions of the credit committees helped maintain and contain non-performing credit at appropriate levels. The Bank has implemented credit classification rules in line with the CBI instructions number 4 for the year 2010. The Bank was and still is financing productive economic sectors such as the retail sector and the small and medium enterprises, for the purpose of efficient and adequate risk distribution and funds' management. The credit portfolio classification in the end of 2017 is as follows:

Rating	Value	Percentage	Rating	Value	Percentage
Performing credit	265,336,304	97%	Good	265,062,636	97%
			Standard	273,668	0%
Non-performing credit	8,023,172	3%	Substandard	342,287	0%
			Doubtful	741,098	0%
Total credit	273,359,476	100%	Loss	6,938,787	3%
			--	273,359,476	100%

The size of non-performing credit and which constitutes 3% only of the portfolio, proves the Bank's abidance by the international standards for credit analysis and granting.

IDB credit portfolio rating for 2017



ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

Credit Risk Provisions Against Non-performing Credit facilities:

In continuation of the Bank's prudential policy on credit risk and abiding by CBI instructions, the Bank conducts a monthly revision of non-performing credit volume and calculation of non-performing loan provision coverage ratio. The NPL provision has been covered for each loan and at the level of the overall portfolio. Credit provision for facilities classified as non-performing debts after the subtraction of interest in suspense and other cash margin accounted for IQD 5.4 billion, resulting in a coverage ratio of 100% for 2017. It is to note that the Bank's real estate pledged portfolio amounted IQD 7.6 billion against non-performing loans.

Liabilities:

IDB's total liabilities accounted for IQD 376 billion in 2017, dropping by less than 1% compared to 2016 (IQD 379 billion). Also, customer deposits maintained their value with a slight rise, mirroring customers' trust in the Bank and its policy, even though 2017 had caused pressure on several banks amid cash withdrawal operations and deposits' downturn.

Liabilities	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Deposits from customers and financial institutions	317,775,557	316,811,810	84%	83%
Cash Margin	53,251,065	52,939,396	14%	14%
Income tax allowance	2,245,636	2,918,090	1%	1%
Miscellaneous provisions	1,914,608	3,384,920	1%	1%
Other liabilities	1,181,918	3,881,045	0%	1%
Total liabilities	376,368,784	379,935,261	100%	100%

Shareholders' Equity:

Shareholders' equity accounted for IQD 265 billion in the end of 2017, compared to IQD 268 billion in 2016. This drop was due to the distribution of round profits on shareholders, noting that the compulsory reserves rose from IQD 5 billion to IQD 6 billion.

Shareholders' equity	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Paid in Capital	250,000,000	250,000,000	94%	93%
Compulsory reserve	6,010,055	5,373,791	2%	2%
Retained Earnings	9,317,881	13,228,875	4%	5%
Total shareholders' equity	265,327,936	268,602,666	100%	100%

Customer Deposits:

Deposits with the bank rose even though the previous year witnessed economic and political conditions that led to unexpected cash withdrawals, taking a toll on the banking sector and its liquidity. However, depositors' trust in IDB did not swerve, and 2017 witnessed stability of deposits which reached IQD 318 billion in the end of 2017, compared to IQD 317 billion in the end of 2016.

The following table details the volume of customer deposits in the end of 2017:

Customer deposits	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Checking and demand deposit accounts	184,643,786	251,026,936	58%	79%
Saving accounts	49,851,372	28,267,444	16%	9%
Fixed deposits	83,280,399	37,517,430	26%	12%
Total customer deposits	317,775,557	316,811,810	100%	100%

Capital Adequacy:

Capital adequacy ratio reached a percentage of 71.5% in 2017 versus 78.5% in 2016, which is higher than the 12% minimum required limit set by the CBI and Basel Committee. The total capital in 2017 accounted for IQD 265 billion, dropping by 1% compared to 2016 (IQD 269 billion), due to the distribution of profits.

Bank Activities Results:

The net interest and commission income reached IQD 37 billion in 2017, dropping by 6% compared to 2016 where it amounted IQD 39 billion. The gross income amounted to IQD 15 billion, falling by 17.6% relatively to 2016. This drop was due to many reasons, including The Bank's focus on the development and modernization of its electronic and IT systems and keenness on geographical distribution and expansion inside and outside Iraq. Besides, the net income after taxes and reserves accounted for IQD 12.7 billion in 2017, dropping by 17% compared to 2016 where it amounted IQD 15.3 billion.

	Amounts in thousands IQD	
	2017	2016
Net profit before taxes and allowances	14,970,906	18,173,122
Income tax	(2,245,636)	(2,918,090)
Compulsory reserve	(636,263)	(762,752)
Net profit after taxes and allowances	12,089,007	14,492,280

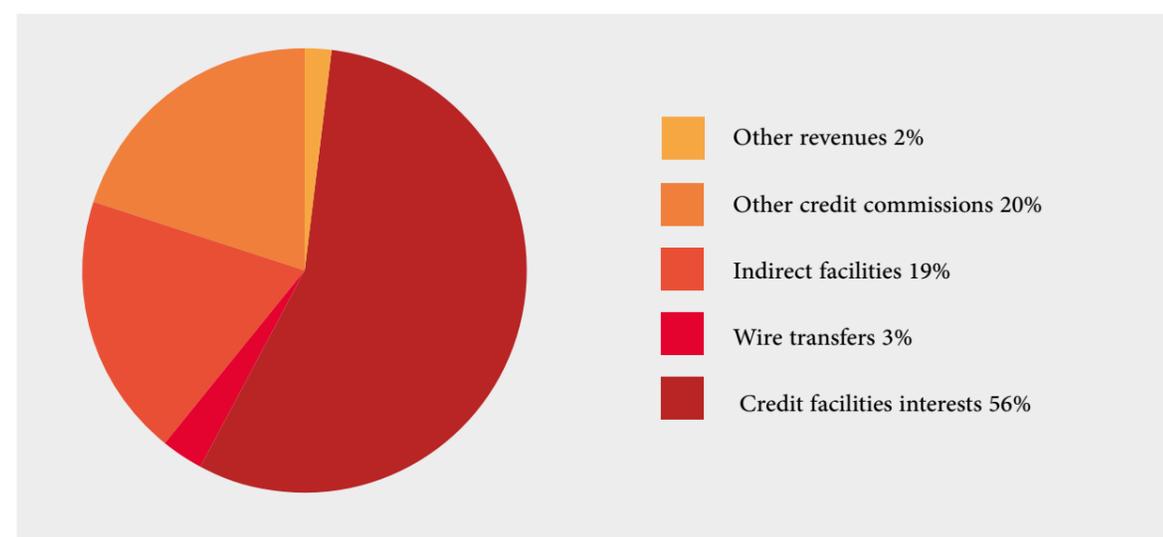
ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

Revenues:

IDB's net revenues amounted in 2017 to IQD 47 billion, a growth by 7% compared to 2016. Credit facilities' incomes constituted 56% of the revenues, indirect facilities accounted for 19%, other banking commissions for 20%, international remittances commissions for 3%, while other revenues constituted 2%.

Total revenues	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Credit facilities interests	27,000,382	27,118,279	56%	61%
International remittances commissions	1,561,892	2,432,268	3%	5%
Indirect facilities commissions	8,978,822	7,439,049	19%	17%
Other banking commissions	9,503,516	6,991,437	20%	16%
Other revenues	956,449	542,291	2%	1%
Total revenues	48,001,061	44,532,324	100%	100%

Revenues materiality for 2017



Expenses:

The total expenses rose in 2017 to IQD 31.5 billion, with an increase of 27% compared to 2016, due to an increase in interest expense of IQD 4.3 billion (66%) and a rise in the depreciation and amortization related expenses by IQD 1.1 billion (32%). Staff expenses increased by IQD 900 million and the other operational expenses rose by nearly IQD 400 million.

Expenses	Amounts in thousands IQD		Materiality	
	2017	2016	2017	2016
Interest expense	6,896,915	2,645,589	20%	10%
Other banking expenses	3,103,168	2,082,250	9%	8%
Staff expenditures and salaries	7,924,822	7,194,876	23%	28%
Other operational expenses	11,652,492	11,125,693	33%	43%
Depreciation and amortization	4,701,343	2,801,166	13%	11%
Allowances	616,937	194,273	2%	1%
Total expenses	34,895,677	26,043,847	100%	100%

Other operational expenses included expenses related to electronic banking services, branches, rentals and payments made to the security and safeguarding of the Bank's assets and cash in transit. They constituted 52% of the other operational expenses for 2017 and 39% for 2016.

Financial Ratios:

Key financial ratios	2017	2016
Return on average common equity	4.8%	5.7%
Return on capital	5.1%	6.1%
Return on assets ratio	2.0%	2.4%
Staff profitability after taxes	28,532	37,482
Interest income to assets ratio	4.2%	8.4%
Interest expense to assets ratio	1.1%	0.8%
Interest margin to assets ratio	3.1%	7.5%
Credit risk provisions coverage ratio to non-performing facilities	67.3%	-
Non-performing facilities ratio to total credit facilities (net)	3%	-

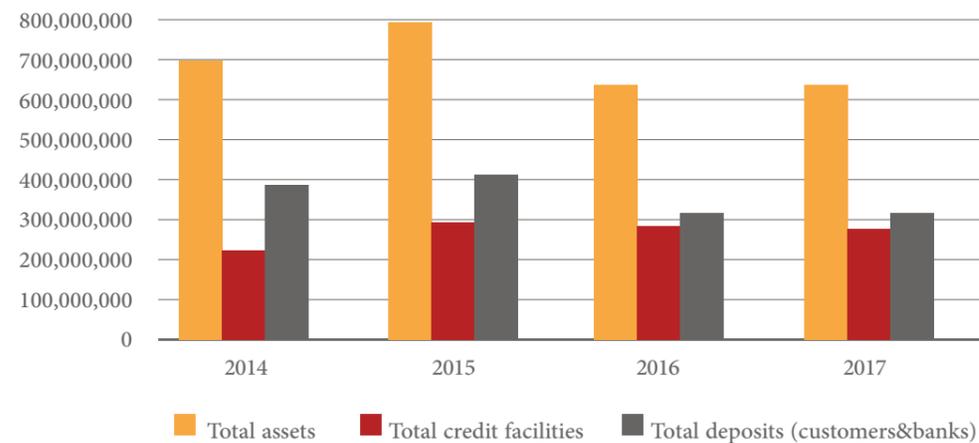
ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

Financial Indicators (2014-2017)

(in thousands IQD)

Fiscal year	2014	2015	2016	2017
Total assets	699,810,181	789,930,010	648,537,927	641,696,720
Total credit facilities	224,172,815	291,255,204	278,424,093	266,890,945
Total deposits (customers and banks)	387,961,103	416,773,680	316,811,810	317,775,557
Shareholders' equity	282,018,151	269,347,634	268,602,666	265,327,936
Net profit before tax	33,976,822	20,184,074	18,137,122	14,970,906

Financial position development



Shareholders' equity and profits



Collaboration with Master Card



The first bank in Iraq to become a principle member with Master Card International and to obtain Issuance and acquiring license.

International Development Bank Achievements for 2017



Best Performing Bank in Iraq, 2017 - Mastercard



Excellence in Electronic Banking Services, Innovation and Excellence Award, 2017 - Union of Arab Banks



Excellence in Wise Management, Innovation and Excellence Award, 2017 - Union of Arab Banks



Continuous Training & Development Award, 2017 - Harvard for Training & Consulting



Best Bank with Diversified Services, Banking Executive Award, 2016 - World Union of Arab Bankers

IDB ACHIEVEMENTS IN 2017 RESULTS

Geographical Expansion:

In its 2015-2017 strategy, IDB prioritized the geographical expansion and distribution of its branches and services inside and outside Iraq, to enhance its competitive status and increase its share in the Iraqi market. The adoption of this strategy assisted the Bank to sustain and enhance its leading position in the Iraqi banking market, whereby our Bank's achievements came as follows:

- IDB succeeded in adding two more branches in Ijarah and Jamiela, thus increasing the number of its branches to 14, in addition to one representative office in the Lebanese capital, Beirut.
- IDB succeeded in installing and operating more than 100 ATMs, thus increasing the total number of its ATMs to 200 spread in most of the Iraqi provinces and distributed among the main commercial centers and sites (such as shopping malls, entertainment clubs, hotels and others), besides Baghdad International Airport.



Rep. Office Opening Ceremony / Dubai – UAE



Comprehensive Banking Solution (CBS):

- Our IT staff worked on developing and implementing the new version of IMAL core banking platform, which is expected to come into effect in the second semester of 2018. This step shall yield substantial results on the volume of the offered banking services, products and applications. This shall ensure comprehensiveness and reliability, and enhance the control level over the bank's various activities.
- The Automated Clearing House (ACH) had been integrated to the core banking solution (IMAL); hence, all the system's operations were rendered electronic and comprehensive, consequently reducing the potential operational risks and enhancing the Bank's internal control environment.
- In relation to the IMAL database, the total transition from decentralization to centralization had actually sustained the expected outcome. The quality of performance and the speed of the direct connection improved, without encountering outage while offering banking services.

Credit Facilities:

The Bank continued to adopt a conservative credit policy approved by the Board of Directors and aimed at establishing a balanced, safe and consistent credit portfolio that would score the highest profitability levels and face improbable changes. The executive management and credit committees have proven their ability and efficiency in credit study and analysis. Accordingly, the credit portfolio amounted to a net worth of IQD 267 billion, dropping by 4% compared to 2016. The credit portfolio classification conducted in line with CBI instructions no. 4 for the year 2010, classified 97% as performing credit and 3% as non-performing credit. The Bank was and still is one of the major banks contributing to the financing of the various economic sectors, including the retail, corporate, and small and medium enterprise.

ECONOMIC PERFORMANCE AND FINANCIAL RESULTS

Electronic Services:

- The Bank enhanced and expanded the base of partnership with Master Card, through obtaining the Issuing Acquiring license, which allowed the Bank to become the first bank in Iraq to issue all types of cards (debit, credit, prepaid) from inside Iraq.
- The Bank launched, via IDB Mobile Banking application, Real-Time Gross Settlement (RTGS) service to its users; noting that these services include high levels of customers' data protection and encryption.
- In 2017, the Bank signed multiple contracts with different governmental entities and authorities in Baghdad and other provinces within Iraq in relation to the salary domiciliation project for public sector employees, not to mention that the Bank has successfully completed the domiciliation of more than 30 thousand bank accounts.
- The Bank continued to develop its products and services offerings through various electronic channels, contributing to better fulfilling customers' needs, in an effort to reach and expand in the areas where the Bank does not operate.
- By contracting with Arab Payment Services – a CBI-certified electronic payment service provider – the Bank succeeded in the installation and operation of more than 500 POS; today, 1000 POS merchants have accounts with IDB, spread across the major commercial and shopping malls, centers, and trademarks, in addition to many restaurants, hotels and others.



Information Technology:

- Within the frame of the Bank's strategic partnership with international credit cards companies such as MasterCard and Visa, IDB acquired the PCI Security license through NCC Group.
- In order to treat the recurrent internet outage and fluctuation in Iraq, the Bank invested in the development of its proper technology in that respect to find alternative connection and ensure the timely implementation of the Business Continuity Plan (BCP). These plans have proven highly effective at many occasions. Following are the most recent updates:
 - All the buildings owned by the Bank have been interlinked with a fiber optic network to ensure the transfer of data and data base among branches in a direct, safe and speedy way.
 - The Bank's ATMs network have been safely connected through Dual Sim Card and Internet, and by a bundle of encrypted data that ensure the protection of customers' data.
 - CITRIX smart system has been installed and activated, which allows in the event of downtime or telecom fluctuation, the continuity of ongoing operations and saves them in the data base, until the return of connection.



CORPORATE SOCIAL RESPONSIBILITY

The Bank continued to shoulder its crucial role in the social responsibility through the continuation of support for the local community and the focus on sustainable development activities, in line with the principles of the Bank's corporate governance, message and value system. Moreover, IDB continued to support the national institutions and voluntary associations and committees in the various education, healthcare, cultural, social and sports fields.

The Bank kept on its policy on social support, as fully aware of and deeply believing in the importance of building the Iraqi society. As follows, a brief of the donations IDB has made in 2017:

1. Dar El-Hanan Home for the severely disabled
2. Supporting the poor families during the month of Ramadan
3. Supporting a number of Iraqi students with special music talents (Bait-al-Oud) for the purpose of completing studies outside Iraq
4. Donations to the drama support fund and contributions to the development of the Iraqi art

On the other hand, the Bank sponsored a number of conferences, meeting and exhibition as follows:

1. Sponsorship of CBI 3rd conference, held at Babylon Hotel, Baghdad, Iraq
2. Diamond sponsorship of the International Conference and Exhibition on Finance and Banking in Iraq, held at al-Rasheed Hotel, Baghdad, Iraq
3. Effective participation in the 44th edition of Baghdad International Fair, Baghdad, Iraq
4. Sponsorship of and participation in the economic media conference held at Babylon Hotel, Baghdad, Iraq
5. Sponsorship of and participation in the International Day of Peace at the Grand Festivities Square, Baghdad, Iraq
6. Sponsorship of and participation in the annual Arab banking conference for the Union of Arab Banks in Beirut, Lebanon
7. Sponsorship of the 7th TEDx conference, held at al-Rasheed Hotel Baghdad, Iraq
8. Sponsorship of and participation in the World Union of Arab Bankers (WUAB) conference, held in Beirut, Lebanon
9. Sponsorship of and participation in the leading entrepreneurship and innovation conference, held upon the invitation of Princess Taghrid Institute for Development and Training, Amman, Jordan



IDB sponsorship for ALAQ BAGHDAD initiative /CBI – CSR fund – to rehabilitate one of the 20 squares public parks in the capital Baghdad



Donations provided by IDB to Al Hanan Corporation mandated to support children's with special needs



Supporting Iraqi children in Lebanon.

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STRATEGIC PLAN
FOR 2018-2021



STRATEGIC PLAN FOR 2018-2021

IDB achieved satisfactory financial results in 2017, considering the difficult economic and financial circumstances in Iraq and the region. The low oil prices and incomes and armed conflicts in many countries in the region had exhausted crucial financial resources that once yielded fruit on the economy of Iraq and other neighboring countries.

The Bank's conservative growth goes in line with the Bank's low risk exposure and aims to maintain a strong and high-quality credit portfolio in an environment of growing challenges, in addition to the maintenance of high liquidity and capital adequacy ratios. This policy, which mirrors the financial solidity of IDB, shall allow it to be ready in case of any unexpected events and to swiftly mobilize to take advantage of vital business opportunities. The bases of the Bank's strategic plan include the immunity, solidity, accuracy and safety of transactions and procedures in the field of investment and financing, relying on the competency of our advisors, experts, managers and their assistants.

Therefore, and based on the results achieved in 2017, the Bank has devised strategic policies and plans for the years 2018-2021, focusing on key pillars as viewed by the Bank and the Board of Directors. These pillars are relevant to the expected economic situation and the available mechanism and opportunities likely to balance out the Bank's investment and risks and magnify its revenues, namely ROA and ROE. The pillars are as follows:

Financial Pillar:

- Maintaining a sound financial position as per the international accounting standards and CBI regulations
- Enhancing the Bank's competitive position in Iraq and expanding regionally to the neighboring countries to better serve customers
- Working on achieving growth and sustainable development in profits and enhancing shareholders' equity as follows:
 - Increasing revenues from electronic banking services
 - Increasing interest incomes and developing the Bank's activity in the field of unfunded credit
 - Increasing the market share of deposits and credit facilities in the banking sector
 - Improving the rate of ROA and ROE
 - Building up the required provisions against credit facilities (direct/indirect) in addition to provisions against FX fluctuations
 - Rationalizing expenditures in all areas, increasing revenues, and assisting in improving performance indicators
 - Focusing on financial inclusion and expansion in the areas where supporting targeted categories and people with special needs is possible, such as the expansion in small and medium loans. In addition, the Bank is planning to increase the number of employees who have domiciliated their salary to 500 thousand.

Banking Operations:

- Continuing in developing the Bank's IT infrastructure and increasing the efficiency of its use in the various banking aspects
- Expanding in the offer of electronic banking services and digital marketing
- Moving towards the centralization of banking operations through specialized departments in the head office independently from the Bank's branches
- Reviewing credit procedures to speed up credit granting process whilst still making sure adequate documentation of credit as per the Bank's credit policy.
- Improving the efficiency of electronic channels and directing clients towards the use of alternative channels; such as online banking and the other services.
- Enhancing the sources of funds by expanding to the geographically both internally and externally

Branches and Banking Services:

- Working on providing the best levels of advanced banking services.
- Improving clients' services in the branches and raising clients' satisfaction with the service provided.
- Anchoring the clients' loyalty and encouraging them to use the electronic channels.
- Maintaining strong and lasting relationships with the existing clients and constantly building relationships with new clients.
- Working on opening new local and internal branches to expand the Bank's branch network and reaching a larger client base, in line with the financial inclusion principle.
- Continuing to improve and maintain the existing branches.

Human Resources:

- Adopting succession plans for employees at the Bank, and preparing the second and third-row employees, and providing them with the necessary knowledge and scientific and practical expertise
- Developing and enhancing the efficiency of employees, and maintaining and encouraging the remarkable competencies at the Bank
- Providing training opportunities necessary to the actual needs of employees and the nature of their work, and by the way of promoting the performance of employees and their skills, improving their ability in communications
- Developing principles and criteria of evaluation of employees, performance, compensation, benefits and incentives, aiming to strengthen the loyalty of our employees



INDEPENDENT
AUDITOR REPORT
ON THE FINANCIAL
STATEMENT

FOR THE YEAR ENDED
DECEMBER 31, 2017

- Independent auditors' report
- Financial position statement at December 31, 2017
- Income statement for the year ended December 31, 2017
- Shareholders' equity changes' statement at December 31, 2017
- Cash flow statement for the year ended December 31, 2017
- Notes to financial statements at December 31, 2017

FINANCIAL STATEMENTS

Audit Committee Report for Financial Statement- 31 December 2017

INTERNATIONAL DEVELOPMENT BANK
For Investment & Finance
(p.s.c)



مصرف التنمية الدولي
للإستثمار والشؤون
(ع.ق.م)

AUDIT COMMITTEE REPORT FOR FINANCIAL STATEMENT AS OF 31/12/2018

Greetings...

In compliance with the provisions of Article (24) of the Banking Law No. (24) For the year 2004 and in line with the Board of Directors resolution on the establishment of the Audit Committee from the following members:

1. Mr. Mahmoud Mohammed Mahmoud Al-Barzanji / Vice Chairman – Head of Committee.
2. Mr. Abdul Razzaq Abdul Wahab ali / Board member - Member.
3. Mr. Saad Faeq Abdul-Aziz / Board member - Member.

The meeting was held on Sunday 11/11/2018 at 10:00 am, comprised of the above members, where the Audit Committee have been working closely with the Banks Auditors “Ernst & Young” during the audit period. Further , the committee reviewed all data and information received from the Bank’s Executive Management, including but not limited to monthly comparative balances of the consolidated trial balances, expenses and revenues related balances sent to the CBI by the Bank’s Finance & Accounting department, the monthly and quarterly reports submitted by the Internal Audit Department, the financial statements and notes related to the financial year ending 31/12/2017, including but not limited to the Board of Directors Report and other notes within the annual report which in our opinion was necessary to protect shareholders' rights.

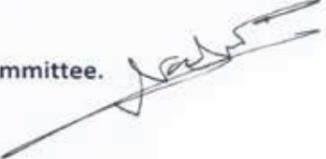
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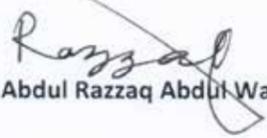


مصرف التنمية الدولي
للإستثمار والشؤون
(ع.ق.م)

Based on what is mentioned above: we wish to state the following:

1. The annual report and the financial and accounting information included in it, reflect comprehensively the Bank’s financial position during the audit period year. Also we confirm that this information presented in the report does not contradict the provisions of the prevailing laws and regulations.
2. The data has been presented in accordance with the national and international accounting rules and the applicable legislations; more specifically all records were prepared in line with the Central Bank of Iraq Law No. (56) for the year (2004) , amended Companies Law, Banking Law No. (94) for the year (2004), and other applicable regulations and instructions; where we confirm that all figures and ratios express fairly the financial position of the Bank and the results of its cash flows for the year ended 31/12/2017.
3. The Committee reviewed the external auditors report prepared by (Ernst & Young, Ltd. Iraq), which confirmed that the Bank has adopted sound and adequate financial accounting procedures and in line with local and international accounting practices.
4. By reviewing the accounts of the bank, we have not found any evidence that the bank has carried out money laundering or terrorism financing operations and that all operations comply with the Money Laundering Law No. (39) For the year 2015.

Mahmoud Mohammed Mahmoud Al-Barzanji / Head of Committee. 

Mr. Abdul Razzaq Abdul Wahab ali / Member. 

Mr. Saad Faeq Abdul-Aziz / Member. 

Ahmed taha mohammed
Committee secretary 

Independent Auditor's Report - 31 December 2017



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of International Development Bank For Investment and Finance
(Independent contribution)

Baghdad - Iraq

Opinion

We have audited the financial statements of International Development Bank, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects to the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Bank's 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 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.

Emphasis of a matter - Basis of accounting and restriction on use

We draw attention to Note (2) to the financial statements, which describes the basis of preparation. The financial statements are prepared for the management reporting purpose, and are not appropriate for filing with any regulatory authorities in Iraq since they are not prepared in accordance with the Iraqi Unified Accounting System. Our report is intended solely for the information and use of management and should not be distributed to or used by any other party. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

1- Provision for impairment losses of direct credit facilities	How the key audit matter was addressed in the audit
<p>Provision for impairment losses of direct credit facilities is one of the most significant matters that impact the reported results of the Bank, in addition of being an area that requires a considerable amount of judgment for determining impairment event and the measurement of impairment loss. Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral and determining the default date, and as a result, impairment is required to start calculating from that date.</p> <p>Total direct credit facilities had been amounted to IOD 273,197,561 thousand in 31 December, 2017. In addition, a provision of IOD 5,400,931 thousand has been recorded for impairment losses.</p>	<p>Our audit procedures included obtaining the non-performing and watch list loans schedules, samples are selected for testing impairment which include collateral valuation and assessing the provision required based on the date of default.</p> <p>In addition, we selected a sample from the performing loans and challenge whether all impairment events has been identified by management.</p> <p>The expected credit losses has been disclosed in note (5) of the financial statements.</p>
2- Suspension of interest on non-performing loans	How the key audit matter was addressed in the audit
<p>Interest should be suspended after 90 days from impairment event (default date) in accordance with Central Bank of Iraq (CBI) regulations.</p> <p>Judgment is applied to determine when the default date occurred which affects the amount of interest to be suspended.</p>	<p>Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and test suspended interest including recalculation in accordance with CBI regulations, and assessing the criteria used by management for determining the impairment event.</p> <p>The disclosures related to the suspended interest on the defaulted loans are disclosed in note (5) of the financial statements.</p>





3- General banking risks	How the key audit matter was addressed in the audit
<p>The Bank faces operational risks imposed by the political and economic situation in Iraq, particularly the regulations related to banking sector in Iraq that may impact the Bank's operational results. The Bank faces difficulties to utilize the deposited balances at the Central Bank of Iraq (CBI) in Erbil and Sulaymaniyah, which amounted to IQD 12,836,806 thousand as at 31 December 2017.</p>	<p>Our audit procedures included reviewing correspondences with CBI in relation to the Bank's operations, and correspondences with CBI branches at Erbil and Sulaymaniyah in relation to balances at these branches. We have reviewed management's assumptions to estimate the recoverable amount of deposited balances as at 31 December 2017. Additionally, we have assessed and reviewed the methodology and the appropriateness of key assumptions applied by management. Also, we have reviewed management's sensitivity analysis to assess the impact of reasonable possible changes in key assumptions. Accordingly, as stated in note 30 to the financial statements, a provision of IQD 582,820 thousand was recorded retroactively, which resulted in decreasing retained earnings as at 1 January 2016 by IQD 194,273 thousand and decreasing the income before tax for the years 2016 and 2017 by the same amount.</p>

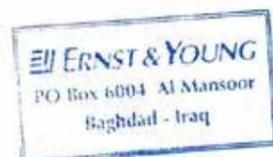
Other matters

The financial statements of the Bank for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those statements on 2 May 2017. These financial statements do not include the restatements in note (30).

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 exists. 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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Statement of Financial Position - 31 December 2017

INTERNATIONAL DEVELOPMENT BANK FOR INVESTMENT AND FINANCE				
STATEMENT OF FINANCIAL POSITION				
AS AT 31 DECEMBER 2017				
		2017	2016	1 January 2016
	Notes	IQD (000)	Restated (Note 30) IQD (000)	Restated (Note 30) IQD (000)
Assets				
Cash and balances with Central Bank	3	220,756,965	259,254,385	382,142,876
Due from banks and other financial institutions	4	67,877,489	38,606,181	37,539,286
Direct credit facilities, Net	5	266,890,945	278,424,093	291,255,204
Property and equipment, Net	6	63,260,402	61,786,505	6,633,334
Projects in progress	6	18,337,779	6,374,335	60,984,338
Other assets	7	4,573,140	4,092,428	11,374,972
Total assets		641,696,720	648,537,927	789,930,010
Liabilities and Shareholder's Equity				
Liabilities				
Customers' accounts	8	317,775,557	316,811,810	416,773,680
Margin accounts	9	53,251,065	52,939,396	69,125,492
Income tax liabilities	10	2,245,636	2,918,090	3,029,376
Miscellaneous provisions	11	1,914,608	3,384,920	4,030,199
Other liabilities	12	1,181,918	3,881,045	27,623,629
Total liabilities		376,368,784	379,935,261	520,582,376
Shareholders' Equity				
Paid in capital	13	250,000,000	250,000,000	250,000,000
Statutory reserve	14	6,010,055	5,373,791	4,611,039
Retained earnings	14	9,317,881	13,228,875	14,736,595
Total shareholders' equity		265,327,936	268,602,666	269,347,634
Total liabilities and shareholders' equity		641,696,720	648,537,927	789,930,010



BASHAR ALI AL-AWADI
CHIEF FINANCE OFFICER
INTERNATIONAL DEVELOPMENT BANK FOR INVESTMENT



FUAD AL-JAWAHIRI
CHIEF EXECUTIVE OFFICER
INTERNATIONAL DEVELOPMENT BANK FOR INVESTMENT

The accompanying notes from 1 to 32 are an integral part of these financial statements

- 1 -

Statement of Income and Other Comprehensive Income

For The Year Ended 31 December 2017

	Notes	2017	2016
		IQD (000)	Restated (Note 30) IQD (000)
Interest income	15	27,000,382	27,118,279
Interest expense	16	(6,896,915)	(2,645,589)
Net interest income		20,103,467	24,472,690
Net fees and commissions income	17	16,941,062	14,780,504
Net interest and commission income		37,044,529	39,253,194
Net gains from foreign currency exchange		3,416,678	2,851,467
Losses on sale of fixed assets		(17,362)	(13,372)
Start-up expenditures	30	-	(3,093,523)
Other operating income	19	956,449	542,291
Foreign currency exchange rate losses		(1,533,794)	(50,927)
Gross profit		2,821,971	235,936
Employees' expenses	18	(7,924,822)	(7,194,876)
Other operating expenses	20	(11,652,492)	(11,125,693)
Depreciation	6	(4,701,343)	(2,801,166)
Provision Expense for Cash at CBI-KGR	30, 3	(194,273)	(194,273)
Credit loss expense	5	(422,664)	-
Total expenses		(24,895,594)	(21,316,008)
Profit before tax		14,970,906	18,173,122
Income tax expense	10	(2,245,636)	(2,918,090)
Profit for the year		12,725,270	15,255,032
Other comprehensive income for the year:			
Comprehensive income for the year		-	-
Total comprehensive income for the year		12,725,270	15,255,032
		IQD/Fils	IQD/Fils
Basic and diluted earnings per share (IQD)	21	0/05	0/061

FINANCIAL STATEMENTS

Statement of Changes In Shareholders' Equity

For the Year Ended 31 December 2017

2017	Paid in Capital	Legal reserve	Retained earnings	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance as at 1 January 2017	250,000,000	5,373,791	13,228,875	268,602,666
Total comprehensive income for the year	-	-	12,725,270	12,725,270
Transfer to reserves	-	636,264	(636,264)	-
Dividends	-	-	(16,000,000)	(16,000,000)
Balance as at 31 December 2017	250,000,000	6,010,055	9,317,881	265,327,936

2016	Paid in Capital	Legal reserve	Retained earnings	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Balance as at 1 January 2016 before restatement	250,000,000	4,611,039	17,561,811	272,172,850
Restatement	-	-	(2,825,216)	(2,825,216)
Balance as at 1 January 2016 after restatement	250,000,000	4,611,039	14,736,595	269,347,634
Total comprehensive income for the year	-	-	15,255,032	15,255,032
Transfer to reserves	-	762,752	(762,752)	-
Dividends	-	-	(16,000,000)	(16,000,000)
Balance as at 31 December 2016	250,000,000	5,373,791	13,228,875	268,602,666

Statement of Cash Flows

For The Year Ended 31 December 2017

	Notes	2017	2016
		IQD (000)	Restated (Note 30) IQD (000)
Operating activities:			
Profit before income tax		14,970,906	18,173,122
Adjustments for Non-Cash items			
Depreciation		4,701,343	2,801,166
Credit loss expense		422,664	-
Provision Expense for Cash at CBI-KGR		194,273	194,273
Loss on sale of fixed assets		17,362	13,372
Operating cash flows from Operating activities before changes in assets and liabilities		20,306,548	21,181,933
Changes in assets and liabilities:			
Net cash restricted in CBI-KRG branches		(7,378,852)	(8,808,880)
Decrease in direct credit facilities		11,110,484	12,831,111
(Increase) Decrease in other assets		(480,712)	7,282,544
Increase (Decrease) in customers' accounts		963,747	(99,961,870)
Increase)Decrease(in margin accounts		311,669	(16,186,096)
Decrease in other liabilities		(2,699,127)	(23,742,584)
Decrease in miscellaneous provisions		(1,470,312)	(645,279)
Net cash flows from (used in) operating activities before income tax		20,663,445	(108,049,121)
Paid Income tax		(2,918,090)	(3,029,376)
Net cash flows from (used in) operating activities		17,745,355	(111,078,497)
Investing activities:			
Purchase of property and equipment		(6,244,444)	(58,739,070)
Proceed from sale property and equipment		51,842	771,362
projects in progress		(11,963,444)	54,610,003
Net cash flows used in investing activities		(18,156,046)	(3,357,705)
Financing Activities:			
Cash dividends		(16,000,000)	(16,000,000)
Net cash flows used in financing activities		(16,000,000)	(16,000,000)
Net decrease in cash and cash equivalents		(16,410,691)	(130,436,202)
Cash and cash equivalents at 1 January		297,860,566	419,682,162
Cash and cash equivalents at 31 December	22	281,449,875	289,245,960

FINANCIAL STATEMENTS

Notes to the Financial Statements For The Year Ended 31 December 2017

1. Corporate Information

The International Development Bank for Investment and Finance (the "Bank") is an Iraqi private company established in 2011 under the Certificate of Incorporation issued by the Registrar of Companies numbered (M.SH/1/77326) in 11/1/2011 with a fully paid capital of 250 billion Iraqi dinars and its head office is located in Baghdad city – Arasat Al-Hindia.

The bank aims to provide all banking and financial work related to its activity through its twelve branches in Iraq, as well as an external representative office in Lebanon.

The financial statements were approved by the Bank's board of directors at its meeting held in 18 / 10 /2018.

2. Basis of Preparation and Summary of Significant Accounting Policies

2.1 Basis of Preparation

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2016.

The financial statements are presented in Iraqi Dinar (IQD) which is the functional currency of the Bank, and all values are rounded to the nearest thousand Dinars except otherwise indicated.

The bank prepares and issues another set of financial statements in accordance with laws and regulations of Iraq that are audited by other auditors.

2.2 Summary of Significant Accounting Policies

Revenue and expense recognition

Interest income is recorded using the effective interest rate method except for fees and interests on non performing facilities, on which interests are transferred to the interests in suspense account and not recognized in the statement of profit or loss.

Expenses are recognized on the accrual basis of accounting.

Commission income is recognized upon rendering of services. The profit of the Bank shares are recognized once its achieved (Realized by the General Assembly).

Use of estimates

The preparation of the financial statements and implementation of accounting policies require the management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in other comprehensive income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumption about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future change in such provision.

In the Bank's management opinion, the estimates are reasonable and are as follows:

- Provision for impairment of direct credit facilities: the provision of loans is reviewed upon the basis set by the Central Bank of Iraq and in accordance with IFRS.
- Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Valuation is performed on a regular basis.
- Tax provisions are calculated based on the tax rates and laws that are applicable at the statement of financial position date.
- A periodic review is performed by the management to reassess the useful lives of property and equipment for the purpose of annual depreciations and amortizations based on the general condition of the assets and the estimations of the expected useful lives, and any identified impairment losses is recorded in the statement of profit or loss.
- The management periodically reviews financial assets that are stated at cost to assess any impairment, and any identified impairment is recorded in the statement of profit or loss.
- Legal provision is calculated for any legal liabilities according to the lawyer's opinion.

Segment information

Business segment represents distinguishable components of the Bank that are engaged in providing products or services that are subject to risks and returns that are different from those of other segments.

The geographical segment provides services and products in a certain economic environment that is subject to risks and returns that differ from other segments that operate in other economical environments.

Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash balances with banks and other financial institutions that mature within three months, less banks and other financial institutions deposits that mature within three months and restricted balances.

Recognition of financial assets

Purchases and sales of financial assets are recognized on the trade date (the date at which the sale or purchase takes place).

Direct credit facilities

- Direct credit facilities are shown in net after deducting the allowance of credit losses and interest and commissions in suspense.
- Impairment of direct credit facilities is recognized in the allowance for credit losses when events show the incapability of recovering the amounts due and when there is an event resulting in a negative impact on the estimated future cash flows of the facilities that can be reliably estimated. The impairment is recorded in the income statement.

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- Interest and commission arising on non-performing facilities is suspended when loans become impaired according to the Central Bank of Iraq's regulations.
- Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the income statement, and cash recoveries of loans that were previously written off are credited to the income statement.

Fair value

- The Bank values the financial instruments, such as derivatives and non-financial assets, at fair value at the date of the financial statements.
- The fair value represents the price that will be realized when selling the assets or the amount that will be paid to transfer the commitment of the regulated transaction between the participants in the market.
- In the absence of the primary market, the most suitable market will be used to trade the assets and liabilities.
- The bank needs the opportunities to reach the primary or most suitable markets.
- The entity values the fair value for the properties or the commitment to use the market participants' assumptions for valuing the properties or, a fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
- The Bank uses valuation techniques that are appropriate and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss.

Impairment is determined as follows:

- For assets carried at amortized cost, impairment is based on the difference between the carrying value and the estimated discounted cash flows at the original effective interest method.
- Impairment is recognized in the Income statement. If in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognized in the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally mandatory right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment

in value, if any. The cost of property and equipment includes incurred costs to replace any components of property, equipment and the expenses to finance long-term construction projects if the conditions for recognition are met. All other expenses are recognized in the income statement when it is met. Depreciation (excluding land where land is not consumed) is calculated using the straight-line method according to the expected useful life as follows:

	Useful life (Years)
Buildings	10
Furniture, Computers, and Systems	5
Equipment and furniture	5
Vehicles	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 statement of profit or loss in the year the asset is derecognized.

The residual values of assets, useful lives and depreciation methods are reviewed every year and subsequently adjusted if necessary.

De-recognition of financial assets and financial liabilities

Financial Assets

A financial asset (or part of a financial asset or part of a similar set of assets which is appropriate) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- 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; or
- - 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

When the Bank transfers the rights to receive cash flows from the asset and does not transfer or retain all significant risks and rewards of the asset or transfer of control over the asset, the asset is recognized to the extent that the Bank continues to control the asset. The continuous control that takes the form of collateral on the transferred asset is measured at the lower of the book value of that asset or the maximum amount to be paid from the bank.

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Financial liabilities

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.

Foreign currencies

- Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.
- Assets and liabilities in foreign currencies are exchanged into respective functional currencies at rates of exchange prevailing at the statement of financial position date.
- Any gains or losses are taken to the statement of profit or loss.
- Exchange differences for non-monetary assets and liabilities in foreign currencies (such as equity instruments) are recorded as part of the change in fair value.

Provisions

Provisions are recognized when the Bank has a present obligation arising from a past event and the costs to settle the obligation are both probable and reliably measured.

Income Taxes

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the statement of profit or loss. Accounting profits may include non-taxable profits or tax deductible expenses which may be exempted in the current or subsequent financial years.

Taxes are calculated based on tax rates confirmed under the Iraqi laws and regulations.

The Deferred taxes are taxes expected to be paid or refunded as a result of the temporary differences between assets and liabilities – in the financial statements and the carrying value of the tax basis. Deferred taxes are measured by adhering to the financial position statement and calculated based on tax rates that are expected to be applied in the period when deferred assets are realized or deferred liabilities are settled.

The amount of the deferred assets or liabilities are reviewed at the date of the financial statements and are 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 income tax assets be utilized.

Assets seized by the Bank through calling upon collateral

Assets seized by the Bank through calling upon collateral are shown in the statement of financial position under “Other assets” at the lower of their carrying value or fair value. Assets are revalued at the statement of financial position date on an individual basis and losses from impairment are transferred directly to the statement of income, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment

loss been recognized for the asset in prior years.

2.3 Change in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016, except that the Bank applied certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2017.:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Bank's financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Bank's financial statements.

New interpretations of amendments of International Financial Reporting Standards:

The financial standards, new interpretations and amendments issued and not yet effective until the date of the financial statements are listed below. The Bank will apply these amendments from the date of mandatory application:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Bank is in the process of preparing a study to assess the impact of applying the standard which is expected to be finished by the end of 2018. In general, the Bank does not expect a significant effect on the statement of financial position and statement of changes in owners' equity, other than the effects of applying the new impairment requirements according to IFRS 9.

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(a) Classification and Measurement

The Bank does not expect a significant impact on its statement of financial position or equity on applying the new classification and measurement category of IFRS 9. Credit facilities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

(b) Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank will apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be significant compared to the current requirements of provisioning for doubtful trade receivables.

Incurred Loss versus Expected Loss Methodology

The application of Expected Credit Loss (ECL) will significantly change the credit loss methodology and models. ECL allowances represent credit losses that should reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. This compares to the present incurred loss model under IAS 39 that incorporates a single best estimate, the time value of money and information about past events and current conditions. The objective of the new impairment standard is to record lifetime losses on all financial instruments which have experienced a Significant Increase in Credit Risk (SICR) since their initial recognition. As a result, ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition. This compares to the present incurred loss model which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses. Because of the inclusion of relative credit deterioration criteria and consideration of forward looking information, the ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier under IFRS 9.

Stage Migration and Significant Increase in Credit Risk

• For non-Impaired Financial Instruments

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

• For Impaired Financial Instruments

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Key Drivers of Expected Credit Loss

The following concepts are subject to a high level of judgment, will have a significant impact on the level of ECL allowances and will be the cause of increased volatility of allowances:

- 1- Determining when a SICR of a financial asset has occurred.
- 2- Measuring both 12-month and lifetime credit losses.
- 3- Incorporating forward-looking information using multiple probability-weighted scenarios, and
- 4- Collateral and quality.

Further, the preliminary expected impact disclosed above may change as a result of the following factors:

- The systems and associated controls in place have not been operational for an extended period.
- The Bank has not finalized the testing and assessment of controls over its IT systems and changes to its governance framework.
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to re-assessment and changes upon instructions of the regulatory authority.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, except the contracts are in the scope of other IFRSs, such as IAS 17 Leases.

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- IFRS 15 supersedes the following standards:
- IAS 11 Construction Contracts.
- IAS 18 Revenue.
- IFRIC 13 Customer Loyalty Programs.
- IFRIC 15 Agreements for the Construction of Real Estate.
- IFRIC 18 Transfers of Assets from Customers.
- SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 “Leases” which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary

exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

3. Cash And Balances With Central Bank

	2017	2016	1 January 2016
		Restated (Note 30)	Restated (Note 30)
	IQD (000)	IQD (000)	IQD (000)
Cash on hand	63,292,950	63,534,224	117,387,723
Cash in ATMs	5,480,468	3,437,909	1,129,038
Cash Balances and Cash with CBI *	152,566,367	192,670,799	258,784,885
Gold	-	-	31,350
Time Deposit	-	-	5,004,154
Less:			
Provision for cash balances with CBI-KGR**	(582,820)	(388,547)	(194,274)
Cash and Cash Equivalents	220,756,965	259,254,385	382,142,876

* Current accounts at the Central Bank of Iraq include statutory reserve of IQD 23,158,789 thousands as at 31 December 2017 (31 December 2016: IQD 26,611,449 thousands), whereas such amounts are being held at the Central Bank of Iraq and cannot be used. The balance of the cash reserve with the Central Bank of Iraq also includes the amounts of reserves for the letters of guarantee, which have been booked in accordance with the instructions of the Central Bank of Iraq issued on 2 May 2017, amounting to IQD 7,330,647 thousands as at 31 December 2017. These amounts are held with the Central Bank of Iraq in order to meet the inability to cover the letters of guarantee claimed and unpaid and cannot be disposed of by the Bank.

** The cash balances at the branches of Central Bank of Iraq in both Erbil and Sulaymaniyah districts amounted IQD 8,240,000 thousand and IQD 4,596,806 thousand, respectively, as at 31 December 2017 (2016: IQD 11,029,536 thousands and IQD 4,769,650 thousands respectively), due to the political and economic conditions prevailing in Iraq, the exploitation of these funds in banking operations is limited, with no official restrictions on these balances. The inability of exploiting these funds, resulted in booking a provision on these funds during the years 2015, 2016, and 2017, as follows:

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Beginning Balance	388,547	194,274	-
Additions	194,273	194,273	194,274
Disposals	-	-	-
Balance as of 31 December	582,820	388,547	194,274

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4. Due From Banks And Other Financial Institutions

	2017	2016	1 January 2016
		Restated (Note 30)	Restated (Note 30)
	IQD (000)	IQD (000)	IQD (000)
Local Banks	4,250,513	11,161,614	21,227,012
Foreign Banks	63,626,976	27,444,567	16,312,274
	67,877,489	38,606,181	37,539,286

5. Direct Credit Facilities, Net

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Loans*	260,883,914	283,255,467	297,957,289
Accrued Interests	11,459,849	1,298,945	1,051,599
Credit Cards	492,134	409,702	216,117
Defaulted LGs	361,664	-	-
	273,197,561	284,964,114	299,225,005
Interests in Suspense (Note A)	(905,685)	(316,190)	-
Provision for Direct Credit Loss (Note B)	(5,400,931)	(6,223,831)	(7,969,801)
	266,890,945	278,424,093	291,255,204

* Loans are presented in net after deducting the interest received in advance:

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Granted loans	261,045,829	283,964,196	298,156,762
Less: Interests received in advance	(161,915)	(708,729)	(199,473)
Loans	260,883,914	283,255,467	297,957,289

Non-performing credit facilities amounted to IQD 8,023,172 thousand as at 31 December 2017, representing (3%) of gross direct credit facilities.

Non-performing credit facilities after deducting the interests in suspense amounted to IQD 7,117,487 thousands as at 31 December 2017, represents (3%) of gross direct credit facilities after deducting the interest in suspense. The credit facilities due in one instalment on the maturity date and which have not been matured till 31 December 2017 amounted to IQD 260,789,034 thousand, representing (95%) of the gross direct credit facilities.

A. Interest in Suspense

The movement of interest in suspense on direct credit facilities is as follow:

2017	Retail	Corporate	Total
	IQD (000)	IQD (000)	IQD (000)
At 1 January 2017	316,190	-	316,190
Additions	540,236	94,746	634,982
Disposals	(45,487)	-	(45,487)
At 31 December 2017	810,939	94,746	905,685

B. Provision for credit losses

The movement of provision for credit losses of direct credit facilities is as follow:

2017	Retails	Corporate	Total
	IQD (000)	IQD (000)	IQD (000)
At 1 January 2017	5,248,597	975,234	6,223,831
Additions	61,000	361,664	422,664
Reclassification to Miscellaneous Provisions*	(1,074,015)	(171,549)	(1,245,564)
At 31 December 2017	4,235,582	1,165,349	5,400,931

* The bank estimated the provision for credit losses as at 31 December 2017 in accordance with the Instructions no. (4) of 2010, while the provision balance as at 31 December 2016 was estimated based on the Guiding Regulation issued by the Central Bank of Iraq. As a result of taking the collaterals values in calculating the provision in accordance with the mentioned instructions, the balance of the provision for the credit losses decreased by IQD (1,245,564) thousand. The bank reclassified this amount to the miscellaneous provisions, then was subsequently used to cover the loss of foreign currency revaluation.

6. Property and Equipment, Net

2017	Land	Buildings	Furniture, Computers & Software	Plant and Equipment	Vehicles	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost						
Cost as of 1 January 2017	40,529,099	14,189,831	8,645,943	5,058,320	665,076	69,088,269
Additions	1,582,649	2,037,472	1,001,624	1,511,592	111,107	6,244,444
Disposals	-	-	-	(60,540)	(55,440)	(115,980)
Cost as of 31 December 2017	<u>42,111,748</u>	<u>16,227,303</u>	<u>9,647,567</u>	<u>6,509,372</u>	<u>720,743</u>	<u>75,216,733</u>
Accumulated Depreciation						
At 1 January 2017	-	460,114	5,254,268	1,243,815	343,567	7,301,764
Charge for the year	-	1,609,197	2,143,590	806,138	142,418	4,701,343
Disposals	-	-	-	(32,683)	(14,093)	(46,776)
At 31 December 2017	-	<u>2,069,311</u>	<u>7,397,858</u>	<u>2,017,270</u>	<u>471,892</u>	<u>11,956,331</u>
Net book value	42,111,748	14,157,992	2,249,709	4,492,102	248,851	63,260,402
Projects in Progress	-	18,100,926	236,853	-	-	18,337,779
Net book value	<u>42,111,748</u>	<u>32,258,918</u>	<u>2,486,562</u>	<u>4,492,102</u>	<u>248,851</u>	<u>81,598,181</u>

6. Property And Equipment, Net (Continued)

2016	Land	Buildings	Furniture, Computers & Software	Plant and Equipment	Vehicles	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost						
At 1 January 2016 before restatement	-	4,007,945	7,003,280	2,534,056	417,750	13,963,031
Adjusting	-	(2,630,943)	-	-	-	(2,630,943)
At 1 January 2016 After restatement	-	1,377,002	7,003,280	2,534,056	417,750	11,332,088
Additions	40,529,099	15,142,876	1,811,645	3,309,043	276,454	61,069,117
Disposals	-	-	(168,982)	(784,779)	(29,128)	(982,889)
Restatements	-	(2,330,047)	-	-	-	(2,330,047)
At 31 December 2016	<u>40,529,099</u>	<u>14,189,831</u>	<u>8,645,943</u>	<u>5,058,320</u>	<u>665,076</u>	<u>69,088,269</u>
Accumulated Depreciation						
At 1 January 2016	-	-	3,700,074	772,499	226,180	4,698,753
Charge for the year	-	460,114	1,557,842	659,235	123,975	2,801,166
Disposals	-	-	(3,648)	(187,919)	(6,588)	(198,155)
At 31 December 2016	-	<u>460,114</u>	<u>5,254,268</u>	<u>1,243,815</u>	<u>343,567</u>	<u>7,301,764</u>
Net book value	40,529,099	13,729,717	3,391,675	3,814,505	321,509	61,786,505
Projects in progress	-	5,675,453	698,882	-	-	6,374,335
Net book value	<u>40,529,099</u>	<u>19,405,170</u>	<u>4,090,557</u>	<u>3,814,505</u>	<u>321,509</u>	<u>68,160,840</u>

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7. Other Assets

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Prepayments	1,660,189	2,317,690	497,339
Accounts Receivable	1,557,597	144,000	379,235
Employees Advances	447,534	200,966	524,224
Points of Sales	408,851	386,482	-
Margins with Others	231,862	195,142	9,966,002
Operational Advances	83,464	33,672	8,172
Other	183,643	814,476	-
	4,573,140	4,092,428	11,374,972

8. Customers' Accounts

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Current accounts	184,643,786	251,026,936	392,160,236
Saving accounts	49,851,372	28,267,444	17,945,604
Fixed deposits	83,280,399	37,517,430	6,667,840
Total	317,775,557	316,811,810	416,773,680

Non-interest bearing deposits amounted IQD 184,643,786 thousands as at 31 December 2017 representing (58%) of total deposits (2016: IQD 251,026,936 thousands representing (79%)).

9. Margin Accounts

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Cash Margins against LCs	4,737,597	2,639,897	3,697,370
Cash Margins Against LGs	26,035,958	31,192,875	33,185,738
Other Cash Margins	22,477,510	19,106,624	32,242,384
Total	53,251,065	52,939,396	69,125,492

10. Income Tax Liabilities

A- Income Tax Provision

The movements on income tax liability as follows:

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
At 1 January	2,918,090	3,029,376	5,096,523
Accrued Income tax	2,245,636	2,918,090	3,029,376
Income tax paid during the year	(2,918,090)	(3,029,376)	(5,096,523)
At 31 December	2,245,636	2,918,090	3,029,376

B-Income Tax

The Bank calculates the amount of tax according to the Iraqi Tax Law, with a percentage of 15% of taxable income, based on net profit before tax. The Bank settled the tax liabilities for the years until 2016 and received a receipt that supports that payment from the General Commission for Taxes. The tax liabilities for the year ended 31 December 2017 will be paid during 2018.

11. Miscellaneous Provisions

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Provision of exchange rate changes	-	324,905	1,000,000
Provision for Indirect Credit Loss	1,914,608	3,060,015	3,030,199
	1,914,608	3,384,920	4,030,199

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12. Other Liabilities

	2017	2016	1 January 2016
	IQD (000)	IQD (000)	IQD (000)
Deductions for Others	467,484	329,410	82,682
Bills and Certified Cheques	304,209	674,351	463,760
Master Card Payable	201,878	-	-
Accrued Expenses	87,383	80,600	50,000
External Transfers*	-	2,755,997	-
Dividends Payable	-	-	27,000,000
Other Liabilities	120,964	40,687	27,187
	1,181,918	3,881,045	27,623,629

*The balance of External Transfers for the previous year represents external transfers were made during December 2016 and was settled during January 2017.

13. Paid In Capital

Paid in capital comprises 250 billion shares (2016: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2016: 1 Iraqi Dinar per share).

14. Reserves

- Statutory Reserve

According to the Iraqi Companies Law, 5% as a minimum of the annual profit after tax should be transferred to the statutory reserve. This reserve should not exceed 50% of the Bank's Capital and it is not available for distribution to shareholders. The bank may continue in making such transfer upon the approval of the General Assembly of the bank until it approaches 100% of the Bank's Capital.

- Other Reserves

These other reserves are approved by the General Assembly and represent reserves for different banking risks and expansion reserve.

15. Interest Income

	2017	2016
	IQD (000)	IQD (000)
Direct Credit Facilities		
Retail loans	2,688	36,234
Corporates loans	26,919,138	24,636,376
Late Payment Interests	76,006	2,421,623
Other activities		
Deposits Interest	2,550	24,046
	27,000,382	27,118,279

16. Interest Expense

	2017	2016
	IQD (000)	IQD (000)
Saving Accounts Interests	1,460,652	937,763
Fixed Deposits Interests	5,436,263	1,707,826
	6,896,915	2,645,589

17. Net Fees and Commission Income

	2017	2016
	IQD (000)	IQD (000)
Bank transfers	1,561,892	2,432,268
Indirect credit facilities	8,978,822	7,439,049
Other commission	9,503,516	6,991,437
Commission Income	20,044,230	16,862,754
Commission expense	(3,103,168)	(2,082,250)
	16,941,062	14,780,504

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18. Employees' Expenses

	2017	2016
	IQD (000)	IQD (000)
Salaries and employees' benefits	7,499,776	6,847,206
Bank's contribution to social security	425,046	347,670
	7,924,822	7,194,876

19. Other Operating Income

	2017	2016
	IQD (000)	IQD (000)
Banking Services Income	830,393	340,761
Recovered Expenses	56,180	5,698
Printing Income	50,214	37,378
Gold Sales	-	45,694
Others	19,662	112,760
	956,449	542,291

20. Other Operating Expenses

	2017	2016
	IQD (000)	IQD (000)
Service Supplies	2,562,363	1,608,607
Rentals	1,909,899	1,133,426
Fines and taxes	1,604,467	1,554,227
Consultation Services	594,681	601,951
Penalties	552,444	2,631,018
Advertisement	506,337	189,807
Bonuses for Non-Employees	447,288	572,548
Maintenance	438,391	449,702
Subscriptions	362,874	440,586
Communication and Postage	333,754	241,593
Commodity supplies	318,886	230,700
Travel	296,394	234,850
Fuel	224,186	193,135
Transportation	209,404	234,009
Electricity	175,445	199,145
Audit Fees	130,580	85,650
Hospitality	117,407	62,850
Donations	116,105	140,000
Other Expenses	751,587	321,889
	11,652,492	11,125,693

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21. Earnings Per Share

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

	2017	2016
		Restated Note 30
	IQD (000)	IQD (000)
Profit for the year	<u>12,725,270</u>	<u>15,255,032</u>
Weighted average number of shares during the year (in thousands)	<u>250,000,000</u>	<u>250,000,000</u>
	IQD/Fils	IQD/Fils
Basic and diluted earnings per share	0/05	0/061

* No cash dividend has been distributed to the shareholders for the financial year ended 31 December 2017.

22. Cash And Cash Equivalent

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	2017	2016	1 January 2016
Cash and balances with Central Bank	220,756,965	259,254,385	382,142,876
Due from banks and other financial	67,877,489	38,606,181	37,539,286
Less:			
Restricted balances with CBI-KRG	(7,184,579)	(8,614,606)	-
Cash and cash equivalents	<u>281,449,875</u>	<u>289,245,960</u>	<u>419,682,162</u>

23. Related Party Transactions

The Bank considers the major shareholders, senior management and their subsidiaries with considers the major share of ownership as related parties. Transactions with related parties took place during the year and were presented in customer's accounts and interest expense, as follows:

	Nature of Relationship	2017	2016
		IQD (000)	IQD (000)
Statement of financial position:			
Customers' accounts	Shareholders, directors and associates	4,700,292	4,845,361
Income Statement items:			
Interest and commissions expense	Shareholders, directors and associates	15,892	16,382
Salaries, bonuses and other benefits	Executive Management	207,500	210,350

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24. Fair Value of Financial Instruments

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

Level 1: 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.

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

2017	First Level	Second Level	Third Level	Total Fair Value	Total Book Value
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial Assets:					
Cash and Balances with the Central Bank	-	220,756,965	-	220,756,965	220,756,965
Due from banks and other financial institutions	-	67,877,489	-	67,877,489	67,877,489
Direct credit facilities, Net	-	266,890,945	-	266,890,945	266,890,945
Other assets	-	4,573,140	-	4,573,140	4,573,140
	<u>-</u>	<u>560,098,539</u>	<u>-</u>	<u>560,098,539</u>	<u>560,098,539</u>
Financial Liabilities:					
Customers' Deposits	-	317,775,557	-	317,775,557	317,775,557
Margin accounts	-	53,251,065	-	53,251,065	53,251,065
Other liabilities	-	1,181,918	-	1,181,918	1,181,918
	<u>-</u>	<u>372,208,540</u>	<u>-</u>	<u>372,208,540</u>	<u>372,208,540</u>

The following table shows the analysis of financial instruments recorded at fair value in the above hierarchy:

2016	First Level	Second Level	Third Level	Total Fair Value	Total Book Value
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial Assets:					
Cash and Balances with the Central Bank	-	259,254,385	-	259,254,385	259,254,385
Due from banks and other financial institutions	-	38,606,181	-	38,606,181	38,606,181
Direct credit facilities, Net	-	278,424,093	-	278,424,093	278,424,093
Other assets	-	4,092,428	-	4,092,428	4,092,428
	<u>-</u>	<u>580,377,087</u>	<u>-</u>	<u>580,377,087</u>	<u>580,377,087</u>
Financial Liabilities:					
Customers' Deposits	-	316,811,810	-	316,811,810	316,811,810
Margin accounts	-	52,939,396	-	52,939,396	52,939,396
Other liabilities	-	3,881,045	-	3,881,045	3,881,045
	<u>-</u>	<u>373,632,251</u>	<u>-</u>	<u>373,632,251</u>	<u>373,632,251</u>

25. Fair Value of Financial Assets and Financial liabilities not measured in fair value in the financial statement.

There are no material differences between the fair value and the carrying value of the assets and liabilities shown in their carrying value inside and outside of the statement of financial position.

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26. Risk Management

The Bank's board of director is responsible for general policies of risk management and approval of risk management strategies.

The Bank manages its various banking risks in different ways, but there is no documented comprehensive strategy for risks and means of controlling and mitigating them.

Credit Risk, concentrate on assets and liabilities

Credit risks are the risks that the Bank will incur a loss because of its customers, clients or counterparties failure to discharge their contractual obligations. The Bank manages and controls credit risks by setting limits to the credit facilities amounts, in accordance with the Central Bank of Iraq's instructions. Also, the Bank obtains adequate collaterals from customers.

The Bank determines the risk of concentration of assets and liabilities through the distribution of its activities across several sectors. However, the Bank operates in one geographical area, Iraq.

1. Exposure to credit risk (after deducting impairment loss, suspended interest and collateral and other risk mitigates) is as follows:

	2017	2016
	IQD (000)	IQD (000)
Balance sheet items:		
Cash at Central Bank	151,983,547	192,282,252
Due from banks and other financial institutions	67,877,489	38,606,181
Direct credit facilities, Net:		
Consumer	223,952,066	233,021,038
Large corporations	42,938,879	45,403,055
Other assets	4,573,140	4,092,428
Total Balance Sheet Items	491,325,121	513,404,954
Off balance sheet items:		
Letters of guarantee	123,091,350	146,886,869
Letters of credits	100,470,579	47,809,006
Total off Balance Sheet Items	223,561,929	194,695,875
Total	714,887,050	708,100,829

The above table represents the maximum credit risk for the Bank as of 31 December 2017 and 2016 without taking the collateral or the other credit risk mitigations into consideration. In regard of the assets that were included in the statement of financial position, the above exposure is based on the balance as stated in the statement of financial position.

2. Credit exposures are classified by the level of risks as of 31 December 2017 according to the following table:

2017	Consumer	Corporates	Total
	IQD (000)	IQD (000)	IQD (000)
Low risk	-	-	-
Acceptable risk	222,647,325	42,688,979	265,336,304
Past due:	-	-	-
Up to 30 days	222,419,763	42,642,873	265,062,636
From 31 to 60 days	227,562	46,106	273,668
Watch list	-	-	-
Non performing:	6,712,926	1,310,246	8,023,172
Substandard debts	299,908	42,379	342,287
Doubtful debts	649,342	91,756	741,098
Loss	5,763,676	1,176,111	6,939,787
Total	229,360,251	43,999,225	273,359,476
Less: interest received in advance	-	(161,915)	(161,915)
Less: Interest in suspended	(810,939)	(94,746)	(905,685)
Less: Allowance for impairment losses (Direct facilities)	(4,597,246)	(803,685)	(5,400,931)
Net	223,952,066	42,938,879	266,890,945

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Regarding the distribution of the fair value of collaterals provided against the facilities (Risk Mitigators), the bank does not have appropriate database in respect to the collaterals values provided against the credit facilities. Further, the bank did not record the existence of such collaterals values in its banking system and did not take the effect of these collaterals values when computing the provisions for credit loss.

3. Concentration in credit exposures based on Geographic area is as follows:

Geographic area	Inside Iraq	Other Middle Eastern countries	Europe	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cash and balances at Central Bank	151,983,547	-	-	151,983,547
Due from banks and other financial institutions	4,253,273	59,190,359	4,433,857	67,877,489
Direct credit facilities:				
Retails	223,952,066	-	-	223,952,066
Corporations:	42,938,879	-	-	42,938,879
Other assets	4,573,140	=	=	4,573,140
Total 2017	<u>427,700,905</u>	<u>59,190,359</u>	<u>4,433,857</u>	<u>491,325,121</u>
Total 2016	<u>485,960,388</u>	<u>25,532,005</u>	<u>1,912,561</u>	<u>513,404,954</u>

4. Concentration in credit exposures based on economic sectors is as follows:

2017	Financial	Commercial	Agriculture	Services	Industrial	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cash and balances at Central Banks	151,983,547					151,983,547
Due from banks and other Financial institutions	67,877,489					67,877,489
Direct credit facilities, net		265,773,608	31,479	839,616	246,242	266,890,945
Other assets	4,573,140					4,573,140
Total 2017	<u>224,434,176</u>	<u>265,773,608</u>	<u>31,479</u>	<u>839,616</u>	<u>246,242</u>	<u>491,325,121</u>
Total 2016	<u>233,468,967</u>	<u>278,768,770</u>	<u>32,883</u>	<u>877,099</u>	<u>257,235</u>	<u>513,404,954</u>

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Market Risk

Market risk is the risk of fluctuation and changes in the fair value or the cash flows from financial instrument due to changes in market prices, interest rates, currency rates, and equity prices. These risks are monitored based on specific policies and procedures carried out through specialized committees and concerned business units.

Sensitivity analysis is based on estimating the possible loss as a result of changes in the interest and foreign exchange rates. The fair value is calculated based on the present value of future cash flows adjusted for changes in interest rates.

1. Interest rate Risk

The Bank seeks to obtain funds such as the long-term investments at fixed interest rates in order to meet any changes in interest rates of sources of funds. The Bank makes short-term investments to offset any changes that may occur.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Bank's profit for one year.

And it is calculated on financial assets and liabilities with variable interest rates as at 31 December 2017.

2017	Change in interest rate	Sensitivity of net interest income	Sensitivity of equity
Currency	Basis Point	IQD (000)	IQD (000)
US Dollar	+10	292,867	-
Euro	+10	(13,851)	-
AED	+10	150,617	-

2016	Change in interest rate	Sensitivity of net interest income	Sensitivity of equity
Currency	Basis Point	IQD (000)	IQD (000)
US Dollar	+10	119,845	-
	+10	(194,303)	-
	+10	127,050	-

In the event of a negative change in the indicator, the effect will remain constant but with an opposite sign. There are no significant risks arising from fluctuations in the interest rates of other currencies due to the small volume of transactions in these currencies.

2. Currency Risk

Foreign currency risk is the risk of change in the value of financial instruments as a result of change in foreign currency rates. The Iraqi Dinar is the functional currency of the Bank. The Board sets position limits for each foreign currency in the Bank. These positions are monitored on daily basis, and hedging strategies are adopted to ensure that the foreign currency positions held are within the approved limits.

The Bank's investment policy allows it to hold positions in major foreign currencies as long as it does not exceed 5% of shareholders' equity in each currency, and the net currencies position of 15% of shareholders' equity. Foreign currency positions are monitored on daily basis. In addition, market instruments are used to hedge against fluctuations in currency exchange rates in order to protect the Bank from additional risk exposures.

The following table illustrates the possible effect on the statement of profit or loss as a result of fluctuations in exchange rates against the Iraqi Dinar assuming that all other variables remain constant:

2017	Change in currency exchange rate	Effect on profit and loss	Effect on equity
Currency	%	IQD (000)	IQD (000)
Dollar	5+	1,788,504	-
Euro	5+	(69,254)	-
AED	5+	753,085	-
Total		2,472,335	-

2016	Change in currency exchange rate	Effect on profit and loss	Effect on equity
Currency	%	IQD (000)	IQD (000)
Dollar	5+	599,223	-
Euro	5+	(971,517)	-
AED	5+	635,248	-
Total		262,954	-

In the event of a negative change in the indicator, the effect will remain constant but with an opposite sign. There are no significant risks arising from fluctuations in the interest rates of other currencies due to the small volume of transactions in these currencies.

3. Interest rate re-pricing gap

The classification is done based on the earlier of the re-pricing periods or maturity:

2017	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	Items with no interest	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets							
Cash and balances at Central Bank	-	-	-	-	-	220,756,965	220,756,965
Due from banks and other financial institutions	-	-	-	-	-	67,877,489	67,877,489
Direct credit facilities, Net	-	505,157	-	-	266,385,788	-	266,890,945
Property and equipment , Net	-	-	-	-	-	63,260,402	63,260,402
Projects in progress	-	-	-	-	-	18,337,779	18,337,779
Other assets	-	-	-	-	-	4,573,140	4,573,140
Total assets	-	505,157	-	-	266,385,788	374,805,775	641,696,720
Liabilities							
Customers' deposits	-	49,851,372	7,462,114	75,818,285	-	184,643,786	317,775,557
Margin accounts	-	-	-	-	-	53,251,065	53,251,065
Income tax provision	-	-	-	-	-	2,245,636	2,245,636
Miscellaneous provisions	-	-	-	-	-	1,914,608	1,914,608
Other liabilities	-	-	-	-	-	1,181,918	1,181,918
Total liabilities	-	49,851,372	7,462,114	75,818,285	-	243,237,013	376,368,784
Interest rate sensitivity gap	-	(49,346,215)	(7,462,114)	(75,818,285)	266,385,788	131,568,762	265,327,936
2016							
Total assets	-	510,514	-	-	265,665,786	382,361,627	648,537,927
Total liabilities	231,562,835	-	-	84,396,467	-	63,975,959	379,935,261
Interest rate sensitivity gap	(231,562,835)	510,514	-	(84,396,467)	265,665,786	318,385,668	268,602,666

4. Concentration in currency risk:

2017	USD	Euro	GBP	JPY	CHF	SEK	AED	EGP
Assets								
Cash and balances at Central Bank	63,768,260	2,098	-	-	-	-	-	-
Due from banks and other financial institutions	48,375,409	1,443,239	18,915	61,880	15,407	1,857	15,061,690	72
Direct credit facilities, Net	7,192,020	-	-	-	-	-	-	-
Property and equipment , Net	6,483,340	-	-	-	-	-	-	-
Other assets	-	56,843	-	-	-	-	-	-
Total assets	125,819,029	1,502,180	18,915	61,880	15,407	1,857	15,061,690	72
Liabilities								
Customers' deposits	76,525,040	383,961	-	25,045	-	-	-	-
Margin accounts	13,523,912	1,620,000	-	-	-	-	-	-
Other liabilities	-	883,306	-	-	-	-	-	-
Total liabilities	90,048,952	2,887,267	-	25,045	-	-	-	-
Concentration within balance sheet, Net	35,770,077	(1,385,087)	18,915	36,835	15,407	1,857	15,061,690	72
Contingent liabilities off balance sheet	100,470,579	-	-	-	-	-	-	-
2016	USD	Euro	GBP	JPY	CHF	SEK	AED	EGP
Total assets	96,434,395	173,868	5,897	62,780	1,707	2,375	15,460,962	72
Total liabilities	84,449,931	19,604,203	-	25,045	-	-	2,755,997	-
Concentration within balance sheet, Net	11,984,464	(19,430,335)	5,897	37,735	1,707	2,375	12,704,965	72
Contingent liabilities off balance sheet	146,886,869	-	-	-	-	-	-	-

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Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations at their maturity dates. The asset and liability management policy is carried out by ALCO which works on diversifying the funding sources and matching between their maturity dates. In addition to maintaining sufficient reserves of cash, cash equivalents and trading investments to militate against liquidity risks.

The table below summarizes the undiscounted cash flows of the financial liabilities based on the remaining contractual maturity date of the financial statements:

2017	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Items without due date	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Liabilities							
Customers' deposits	-	49,851,372	7,462,114	75,818,285	-	184,643,786	317,775,557
Margin accounts	-	-	-	-	-	53,251,065	53,251,065
Income tax liabilities	-	-	-	-	-	2,245,636	2,245,636
Miscellaneous provisions	-	-	-	-	-	1,914,608	1,914,608
Other liabilities	-	-	-	-	-	1,181,918	1,181,918
Total liabilities	-	49,851,372	7,462,114	75,818,285	-	243,237,013	376,368,784
Total assets	-	505,157	-	-	266,385,788	374,805,775	641,696,720

2016	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Items without due date	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Liabilities							
Customers' deposits	-	28,267,444	16,300,184	21,217,246	-	251,026,936	316,811,810
Margin accounts	-	-	-	-	-	52,939,396	52,939,396
Income tax liabilities	-	-	-	-	-	2,918,090	2,918,090
Miscellaneous provisions	-	-	-	-	-	3,384,920	3,384,920
Other liabilities	-	-	-	-	-	3,881,045	3,881,045
Total liabilities	-	28,267,444	16,300,184	21,217,246	-	314,150,387	379,935,261
Total assets	-	510,514	-	-	265,665,786	382,361,627	648,537,927

Segment Information

A) Information about bank activities

For management purposes the Bank is organised into four major segments that are measured according to the reports used by the main decision maker at the Bank:

- **Retail:** Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities.
- **Corporate:** Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
- **Treasury:** Principally providing money market foreign currency exchange services to customers.
- **Brokerage:** Principally providing brokerage services to customers for investing in stock market.

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

	Retail	Corporate	Treasury	Other	Total	
					2017	2016
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	39,883,862	-	-	-	39,888,739	39,502,502
credit Losses	(61,000)	(361,664)	-	-	(422,664)	-
Profit or loss	39,822,862	(361,664)	-	-	39,461,198	39,502,502
Non-distributed expenses	(24,490,292)	-	-	-	(24,278,657)	(21,329,380)
Pre-tax income (loss)	15,332,570	(361,664)	-	-	14,970,906	18,173,122
Tax expense	(2,245,636)	-	-	-	(2,245,636)	(2,918,090)
Net income	13,086,934	(361,664)	-	-	12,725,270	15,255,032
Total assets	641,696,720	-	-	-	641,696,720	648,537,927
Total liabilities	376,368,784	-	-	-	376,368,784	379,935,261
Capital expenses	(6,261,806)	-	-	-	(6,266,683)	(61,082,489)
Depreciation	(4,701,343)	-	-	-	(4,701,343)	(2,801,166)

B) Geographical Information

This segments represents the geographical distribution of the Bank's operating income and capital expenditure by geographical segment and all the bank activities are inside Iraq.

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(27) Capital Management

The Bank maintains the capital structure, makes the necessary adjustments to meet its operational risk and it regularly monitors its capital adequacy to comply with the Central Bank of Iraq's regulations.

The Bank did not do any amendments to the objectives, policies and procedures relating to the capital structure during the current year and prior year.

Based on Central Bank of Iraq's instructions, regulatory capital comprises of primary capital which consists of paid in capital, share premium, declared reserves, retained earnings.

The Central Bank of Iraq has issued the resolution No. 9/3/1747 on October 6, 2010, which obligates all the banks operating in Iraq to raise their paid in capital to IQD 250 Billion.

During 2017 the bank has not amended any of its policies and techniques used in capital management.

Capital adequacy	2017	2016
	IQD (000)	IQD (000)
Primary capital items:		
Paid in capital	250,000,000	250,000,000
Reserves	6,010,055	5,373,791
Retained Earnings	9,317,881	13,228,875
Total Tier 1 Capital	265,327,936	268,602,666
Tier 2 Capital		
Miscellaneous provisions	1,914,608	3,384,920
Total Tier 2 Capital	1,914,608	3,384,920
Total Tier 3 Capital	267,242,544	271,987,586
Total Risk Weighted Assets On-Balance Sheet	257,725,660	231,416,440
Total Risk Weighted Assets Off-Balance Sheet	115,855,585	115,166,015
Total	373,581,245	346,582,455
Capital adequacy %	71,5%	78,5%

(28) Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

2017	Within 1 year	More than 1 year	Total
Assets:	IQD (000)	IQD (000)	IQD (000)
Cash and balances with Central Bank	220,756,965	-	220,756,965
Due from banks and other financial institutions	67,877,489	-	67,877,489
Direct credit facilities, Net	505,157	266,385,788	266,890,945
Property and equipment , Net	-	63,260,402	63,260,402
Projects in progress	-	18,337,779	18,337,779
Other assets	-	4,573,140	4,573,140
Total assets	289,139,611	352,557,109	641,696,720
Liabilities:			
Customers' deposits	317,775,557	-	317,775,557
Margin accounts	-	53,251,065	53,251,065
Miscellaneous provisions	-	1,914,608	1,914,608
Income tax liabilities	2,245,636	-	2,245,636
Other liabilities	1,181,918	-	1,181,918
Total liabilities	321,203,111	55,165,673	376,368,784
Net	(32,063,500)	297,391,436	265,327,936

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2016	Within 1 year	More than 1 year	Total
Assets:	IQD (000)	IQD (000)	IQD (000)
Cash and balances with Central Bank	259,254,385	-	259,254,385
Due from banks and other financial institutions	38,606,181	-	38,606,181
Direct credit facilities, Net	510,514	277,913,579	278,424,093
Property and equipment , Net	-	61,786,505	61,786,505
Projects in progress	-	6,374,335	6,374,335
Other assets	-	4,092,428	4,092,428
Total assets	298,371,080	350,166,847	648,537,927
Liabilities:			
Customers' deposits	316,811,810	-	316,811,810
Margin accounts	-	52,939,396	52,939,396
Miscellaneous provisions	-	3,384,920	3,384,920
Income tax liabilities	2,918,090	-	2,918,090
Other liabilities	3,881,045	-	3,881,045
Total liabilities	323,610,945	56,324,316	379,935,261
Net	(25,239,865)	293,842,531	268,602,666

(29) Contingent Liabilities and Commitments

	2017	2016
	IQD (000)	IQD (000)
Letters of guarantee	123,091,350	146,886,869
Letters of credit	100,470,579	47,809,006
	223,561,929	194,695,875

(30) Prior Year Restatements

The financial statements for 2016 and 2015 have been restated as follows:

- The Bank has recorded a provision for cash with the CBI branches in Kurdistan, which resulted in an increase in the provision for cash with CBI branches in Kurdistan by IQD 194,274 thousand and IQD 388,547 thousand as at 1 January 2016 and 31 December 2016, respectively, while retained earnings as at 1 January 2016 decreased by IQD 194,274 thousand and the provision expense for cash with the CBI branches in Kurdistan for the year ended 31 December 2016 increased by IQD 194,273 thousand.
- During 2015 and 2016, the bank recorded the start-up expenditures within Buildings account, instead of recording them in the income Statement. This accounting treatment was modified retroactively in accordance with IAS 16 requirements, resulting in a decrease in the balance of Buildings as at 31 December 2016 by IQD 4,960,990 thousand, while retained earnings as at 1 January 2016 decreased by IQD 2,630,943 thousand, and the start-up expenditure for the year ended at 31 December 2016 increased by IQD 2,330,047 thousand.
- During the prior year, the bank has recorded the commission of issuing letters of guarantee within unearned revenue instead of recording them in the income statement. This accounting treatment was modified retroactively in accordance with IAS 18 requirements, resulting in a decreasing the unearned revenue as at 31 December 2016 by IQD 1,243,512 thousand, while fees and commission for the year ended 31 December 2016 increased by the same amount.

The following is a summary of the effect of the restatements on retained earnings as at 1 January 2016 and net profit before tax for the year ended 31 December 2016:

The effect of restatements on the statement of financial position as of 1 January 2016:

1 January 2016	Before restatements	Restatements	After restatements
	IQD (000)	IQD (000)	IQD (000)
Provision for cash balances with CBI-KGR	-	(194,274)	(194,274)
Buildings	4,007,945	(2,630,943)	1,377,002
Retained earnings	17,561,811	(2,825,216)	14,736,595



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The effect of restatements on the statement of financial position as of 31 December 2016

31 December 2016	Before restatements	Restatements	After restatements
	IQD (000)	IQD (000)	IQD (000)
Provision for cash balances with CBI-KGR	-	388,547	388,547
Buildings	<u>19,150,821</u>	<u>(4,960,990)</u>	<u>14,189,831</u>
Unearned revenue	1,952,242	(1,243,513)	708,729
Retained earnings	16,054,091	(2,825,216)	13,228,875

The effect of restatements on the statement of income and the comprehensive income for the year ended 31 December 2016:

31 December 2016	Before restatements	Restatements	After restatements
	IQD (000)	IQD (000)	IQD (000)
Net fees and commissions	13,536,991	1,243,513	14,780,504
Start-up expenditure	763,476	2,330,047	3,093,523
Provision expense for cash balances with CBI-KGR	-	194,273	194,273
Income before tax	<u>19,453,928</u>	<u>(1,280,807)</u>	<u>18,173,121</u>

(31) Comparative Figures

Certain balances of the financial statements have been reclassified as at 31 December 2016 to match the presentation of balances for the current year.

Reclassification does not affect prior years' earnings.

(32) Lawsuits

No material lawsuits raised against the Bank as at 31 December 2017.

Members of the Board of Directors and their Shares

Board of Directors		
Position	Name	shares
Chairman of the Board	Mr. Zead Khalaf Abed Kareem	24,750,000,000
Vice Chairman	Mr. Mahmood Mohammed AL Berzenji	1,452,000
Managing Director & Board Member	Mr. Fouad Mohammed Al- Jawahiri	1,562,500
Board Member	Mr. Abdulrazzaq Abdulwahab Ali	250,000
Board Member	Mr. Saad Faiq Abdulazziz	250,000

Members of the Substitute Board of Directors and their Shares

Board of Directors		
Position	Name	shares
Substitute Board Member	Mr. Hameed Kathem Elwan	24,750,000,000
Substitute Board Member	Mr. Safa` Hussien Habib	24,750,000,000
Substitute Board Member	Mrs. Fawziya Mohammad Ismael	250,000
Substitute Board Member	Mrs. Balsam Hashem Ali	250,000
Substitute Board Member	Mr. Laith Hikmat Suleiman	110,000

Senior Executive Management

Executive Management			
Position	Name	Nationality	Date of Birth
Managing Director	Mr. Fouad Mohammed Al- Jawahiri	Republic of Iraq	01/07/1934
Deputy Managing Director / Banking Operation	Mr. Ahmed Najim Abed	Republic of Iraq	11/11/1971
Deputy Managing Director / Support Operation	Mrs. Hadeel Mohammed Hadi	Republic of Iraq	17/11/1976

ADDITIONAL STATEMENTS AND CLARIFICATIONS

Disclosure and Transparency

- The Bank shall permanently and periodically provide all information about its activities to all related parties including regulator, shareholders, depositors and the public in general.
- The Bank shall fully abide by the disclosure requirements and regulations set by CBI and the related supervisory authorities.
- The Bank shall keep pace with the different developments and updates relevant to the disclosure requirements as per the international standards, which shall be immediately reflected in the Bank's financial reports.
- The Bank shall commit to providing professional dialogue with the related parties, i.e. the supervisory authorities, shareholders, investors, depositors and other banks. To achieve this commitment, the Bank shall establish Investor Relations, with a key mission to provide complete and objective information on the Bank's financial and administrative position.
- The Bank's report shall contain all information about the Bank, with utmost objectivity and transparency.
- The Bank shall provide information included in its annual or periodic reports to its website in the Arabic and English languages, with uninterrupted info updates.
- The reports submitted by the Bank shall include the executive management's disclosure of the current and future operations' results, in addition to the Bank's books and any effect or future risks that could affect the overall books of the Bank.
- In enhancement of the principle of transparency and disclosure, the Bank's annual report must particularly include the following:
 - Corporate Governance Manual and the Bank's extent of abidance.
 - A written acknowledgement of the Board's responsibility for the accuracy and sufficiency of the Bank's financial statements and information included in the report, in addition to sufficient internal control and monitoring systems.
 - A summary of the Bank's organizations structure
 - Complete information about the members of the Board of Directors including their qualifications, experience, share of the capital and description
 - A summary of the responsibilities and missions of the committees derived from the Board
 - A description of the risk management structure and activities
 - The names of the members of the Board of Directors and the senior management who have resigned during the year

Corporate Governance

First: Bank's Message

The Bank's Board of Directors believes in the importance of corporate governance to underpin for the Bank's future development, improve its performance, and strengthen confidence in its activities with depositors and shareholders.

Legal framework and corporate governance sources

The Bank's corporate governance manual was based upon the best international standards and practices, the Principles of Organization for Economic Cooperation and Development (OECD), the guidelines of the Basel Committee for banks monitoring, the instructions of CBI and the Banking law and Commercial law.

Second: Corporate Governance Definition

The Bank adopts the definition of Organization for Economic Cooperation and Development (OECD), which states that Corporate Governance is "a set of relations between a corporate's top management, its Board of Directors, its shareholders and the other stakeholders with an interest in the corporation, as well as it shows the composition within which it achieves the corporate objectives and the means for monitoring their achievement. Therefore, such sound corporate governance is which provides the Bank's Board of Directors and the executive management with appropriate foundations to reach the objectives that serve the corporate's interests, and facilitate reaching effective control process, and thus help corporates utilize their resources efficiently. "

Third: Responsibilities of the Board of Directors

The Bank's Board of Director shall bear responsibilities related to the Bank's management and the safety of its books in addition to complying with the Central Bank of Iraq's requirements, and the interests of shareholders, depositors, creditors, employees and other relevant authorities. It shall also ensure that the Bank's management acts reasonably and within the framework of the laws and instructions in force, in addition to the Bank's internal policies.

- The Bank's Board of Director is the entity authorized to approve the Banks' strategies and action plans, including approval on risk management policies and setting the necessary limits thereon. For their part, members of the Bank's Board of Directors shall have adequate expertise needed to perform their tasks and duties determined by the Bank's Board of Directors. Necessary expertise is obtained when need be.
- The Board of Directors shall elect the members of the Bank's executive management, within the specifications that ensure the performance of the functions entrusted to them. Moreover, the Board of Directors shall monitor such members' performance and replace them if the case may be, whilst ensuring complete succession plans are in place for key positions at the Bank.
- The Bank's Board of Director shall supervise the senior management by exercising its powers to inquire about the Bank's financial positions, and request reports in a timely manner from the upper management to judge the its performance and level of compliance with the strategies and policies approved by the Board of Directors.

ADDITIONAL STATEMENTS AND CLARIFICATIONS

- The Bank's Board of Director and senior management shall follow clear policies in compliance with regulations and laws regarding the exercise of any operations outside Iraq.
- The Board shall approve an appropriate organizational structure, including a reporting structure and approval ladders and for different positions at the Bank, sound corporate governance framework, adequate internal control environment, advanced risk management systems and tools, and policies for monitoring compliance, anti-money laundering and code of ethics.
- The Bank's Board of Director consists of majority of (non-executive) members who shall not hold any position at the Bank, and executive members, provided that the Board members shall include three independent members, at least.
- The Bank's Board members shall exercise their duties towards the Bank in a loyal manner and with adequate due diligence. They shall also ensure the existence of frameworks and policies assisting the Bank's management to comply with all legislations, regulations and laws. The Bank's Board members shall avoid conflicts of interests or that appear as a conflict of interests, and undertake the needed time and effort to fulfil their responsibilities towards the Bank.
- The Board of Directors shall evaluate the Managing Director annually.

Fourth: Role of the Chairman of the Board of Directors

- Positions of the Chairman and Managing Director shall be segregated and as per documented roles and responsibilities. Such segregations shall be reviewed whenever necessary and in accordance with Banking Laws and Commercial laws enforced in Iraq, provided that there is no affinity between them rather than third-degree relationship.
- The Chairman shall be of full-time, exercise all the functions and powers granted to him under the Banking Laws and Commercial laws enforced in Iraq, and shall exercise such powers and functions delegated to him by the Board.
- Supervising bank wide activities, and will be held responsible on behalf of the Board of Directors for the supervision and follow up on the progress of the Bank's activities, the implementation of the policy set and approved by the Bank to achieve the Bank's objectives, and the Bank's overall performance in accordance with the strategies, plans, goals, policies and budgets approved by the Board of Directors.
- The Chairman shall ensure presence of high level and effective corporate governance, create and maintain a constructive relationship between the Bank management and the members of the Board of Directors, and contribute to the promotion of corporate culture in the Board of Directors, whilst encouraging constructive criticism and alternative views on the topics and discussions, and making corrections on individual proposals. The Chairman shall also ensure that each member and shareholders obtain adequate information in a timely manner.

Fifth: Practices and Work Mechanism of the Board of Directors

The Board of Directors meetings shall be held regularly, in according with the requirements of the Companies Act and the Central Bank of Iraq, with a minimum of six meetings a year. Main topics shall be included in the agenda of each meeting to ensure that it covers all subjects, as well as names of members who attended the meeting and disclosure of the same.

The Bank shall provide sufficient information to the Board members before the meetings to enable them to reach sound decisions. An official assignment statement for each member shall be issued, such statement shall describe the member's rights, duties and responsibilities, and limits for banking transactions which require the written approval of the Board (including loans that exceed a certain limit or transactions with the Bank related parties), and the same shall be disclosed.

Sixth: Role of Secretary of the Board of Directors

Arranging meetings of the Board of Directors and its committees, recording minutes of the meetings, ensuring implementation of the decisions of the Board of Directors, ensuring the conveying of information among the Board members, committees and executive management; and maintaining a permanent written record of the Board's discussions and the results of voting members. Decisions of appointment or removal of the Board's Secretary shall be taken by the Board of Directors.

Seventh: Committees derived from the Board of Directors

The Board of Directors is the final responsible for managing the Bank's activities and affairs. To enhance the Board effectiveness, committees for assisting the Board in performing tasks and duties transparently shall be established. The committees shall report to the Board of Directors in accordance with the relevant laws. Members of the Board Committees shall be officially and transparently appointed. The committee members names and a summary of their responsibilities and duties shall be described in the annual report of the Bank. Each Board of Directors committee shall have the right to directly contact the executive management of the Bank through the Chairman of the Board and the delegated director.

The Bank's Board of Directors consists of (five) main committees to be tackled afterwards. Each committee has a written charter periodically revised and updated. Other competent committees shall be established by the members of the Board of Directors, if need be, aiming to deal with specific data in a timely manner. Several committees may be merged together, if appropriate.

1. Audit Committee:

- Audit Committee shall consist of a minimum of three members, provided that most of them shall be of the non-executive members. The committee members must have scientific and practical experience in accounting and financial management. The committee shall operate under the supervision of the Board of Directors, and shall submit its reports and recommendations of results of its activities to the Board of Directors.

ADDITIONAL STATEMENTS AND CLARIFICATIONS

- The Audit Committee shall meet on a regular basis, with a minimum of four times a year and once every three months, or as the case may be, and the meetings minutes shall be duly prepared.
- The Audit Committee shall perform such audit functions and duties stipulated in the laws, regulations and instructions of the supervisory authorities, as well as the best practices and guidelines of Basel Committee.

The Audit Committee shall have the following main tasks:

- Overseeing external and internal auditors and monitoring the level of comprehensiveness of their scope of work and duties, ensuring coordination among external auditors, conducting periodic review over audit scope, internal controls, and approving their work plan.
- Reviewing the observations provided in CBI reports, the external and internal auditor; following-up such procedures taken thereon, identifying weaknesses in controls and procedures and lack of compliance with the laws, regulations and legislation; and ensuring that the Bank's upper management takes such necessary measures to address them.
- Reviewing the financial statements before submission to the Board of Directors to verify their compliance with the applicable accounting principles, legislations of the Iraqi Central Bank and laws, and the adequacy of provisions set by the Bank's management.
- Providing recommendations to the Board of Directors regarding nomination / appointment / termination services / remuneration of the external auditor and to be elected by the general assembly, and ensuring that they meet the terms of the supervisory authorities and ensuring the auditor's independence.
- Providing the necessary independence to the internal audit and control department in order to perform its tasks, and approving the nomination of a head for the Bank's internal audit and control department or dispensing his services.
- Ensuring adequacy of the internal control system, as well as its efficiency to ensure the absence of any conflict of interest may result from the Bank's contracting, dealings or involving into projects with the relevant parties, and ensuring that the audit plan covers these aspects.
- Reviewing cases related to loans and providing opinions on them, in addition to providing relevant recommendations to the Board of Directors.

2. Strategies & Corporate Governance Committee

- Strategies and Corporate Governance Committee consists of at least four members; where the majority thereof shall not be constituted from the Bank's Board of Directors (Non-executives) according to the Central Bank's requirements (in addition, the members of this Committee must not be members of the Audit Committee).
- Chairman of the Committee shall be elected by the Board of Directors of the Bank. The Committee continues to carry out its work for the duration of the mandate of the Board.
- This Committee meets four times during the year and actually once every three months or whenever need arises.
- The Board of the Bank shall periodically evaluate the effectiveness of its exercise of corporate governance

processes, in order to identify weaknesses and to make the necessary adjustments as needed. The Board of Directors shall support its members through participation in training programs in specialized fields related to the Board' activities.

The Committee shall have the following main tasks:

- Reviewing the general framework of the Bank's Corporate Governance.
- Reviewing and assessing the size and the structure of the Board and its committees.
- Reviewing and analyzing transactions related to related parties to the members of the Board of Directors and Executive management of the Bank, which may lead to a conflict of interest.
- Reviewing and recommending to the Board of Directors succession plans for the executive management members.
- Assisting the Board of Directors in evaluating the performance of the committees emanating from it with regard to the supervision and revision entrusted to them by the Board.
- Assisting the Board of Directors to build a clear strategies and objectives, including the existence of sound budgets and business plans in line with the overall economic and financial situation in Iraq.
- Reviewing the overall organizational structure of the bank as well as the detailed structure of the departments and making sure it is in line with the leading practices and Central Bank of Iraq regulations in this field.
- Guiding the process of preparing, updating, and implementing the charter and updating it periodically.

3. Nomination & Remuneration Committee

- Nomination and Remuneration Committee of the Board of Directors is composed of at least three members whereby the head of the Committee should be a member of the Board of Directors whereby the members of this committee should not be part of the Audit Committee.
- The Head of the Committee shall be elected by the Board of Directors of the Bank. The Committee continues to carry out their work for the duration of the mandate of the Board.
- This Committee will meet four times during the year, i.e. once every three months or whenever the need arises.
- The Board of Directors shall, through the Nomination & Remuneration Committee, assess the Board performance once at least a year, and evaluate the member's participation during the Board's discussions. The Committee shall adopt specific and approved mechanism in evaluating the effectiveness of the Board, so as the assessment be objective, in addition to validity and accuracy of the Bank's financial statements and the extent of compliance with regulatory requirements.

The Committee shall have the following main tasks:

- Developing and recommending the Bank's internal policy with regards to staff remunerations, compensations and benefits to the Board of Directors.
- Ensuring comprehensive disclosure by the Bank regarding the process of remunerations and compensations

ADDITIONAL STATEMENTS AND CLARIFICATIONS

granted for all Bank staff including senior management.

- Establishing technical requirements including experiences and qualifications for members of the senior management of the Bank in line with the requirements of the Central Bank of Iraq in this regard.
- Assessing the qualifications and experience of the members of the senior management of the Bank and ensuring that they are in line with the Bank's internal policy and the requirements of the Central Bank of Iraq.
- Reviewing the Bank's salary policies to ensure they are compatible with the Bank's values, objectives and its long-term strategy considering the control environment where the Bank operates.

4. Credit & Investment Committee

- The Credit and Investment Committee consists of minimum four members where the majority of the Committee should be non-executive Board members. In addition, the head of the Committee should be a member of the Board of Directors, and the members of the Committee shall not be members of the Audit Committee.
- The head of the Committee shall be elected by the Board of Directors of the Bank, and the Committee shall continue to carry out its work for the duration of the mandate of the Board.
- The Committee shall meet at least once monthly, and whenever necessary. The Committee shall consider all matters relating to credit and investment.
- Credit and Investment Committee shall be deemed highest position at the Bank with regard to credit and investment authorities. The Committee's authorities are related to amounts that exceed the delegated limit set to the Management Credit committee, which fall under its power. Its recommendations shall be submitted to the Board of Directors to take the appropriate decision thereon.

The Committee shall have the following main tasks:

- Monitoring and reviewing the credit granting process at the Bank, including credit decisions reached by the Management Credit Committee, and ensuring its compatibility with the Board of Directors approved credit policy and other maximum exposure per obligor limits set in CBI regulations.
- Supervising and revising the credit risk management process in the bank, including a review of credit policy at least once annually and recommend to the Board of Directors of the Bank any necessary amendments.
- Advising the Board of Directors on credit decisions taken by the Management Credit Committee and/or credit decisions/cases directly forwarded to it in respect of volume of credit granted, guarantees provided by the borrower, the interest rates (and in line with the pricing schedule adopted by the bank), and any other matters related to the resolution of credit decision.
- Reviewing and evaluating the quality of credit portfolio of the bank, including the credit rating process and provisions allocated against non-performing loans. Moreover, the Committee has to recommend to the Board of Directors the adequacy of these provisions that should be in line with the requirements of the Central Bank of Iraq.
- Reviewing the Bank's investment policy at least on a yearly basis, and forwarding these recommendations

to the Board of Directors for their approval.

- Reviewing any requests for re-scheduling and extension of granted credit in addition to advising the BOD regarding the write-off of debts and increase in provisions on non-performing loans and provisions related to investment portfolio.

5. Risk Management & Compliance Committee

- Risk Management and Compliance Committee shall consist of at least five members, where the head of the committee must be a member of the Board of Directors, one of its members should be the head of risk management department at the Bank, in addition to the fact that members of this committee must not be members of the Audit Committee.
- The head of the Committee shall be elected by the Board of Directors of the Bank.
- The Committee shall continue to carry out its work for the duration of the mandate of the Board.
- The Committee shall meet four times during the year and actually once every three months or whenever need arises.

The Committee shall have the following main tasks:

Risk Management

- Supervising and reviewing the risk management process at the Bank including identifying, measuring, and monitoring the various risk the Bank is exposed to. Also, the committee must assess the impact of these risks on the Bank's activities and financial position.
- Reviewing the Bank's Risk Management policy and ensuring the presence of adequate monitoring controls covering the Bank wide processes; and advising the Board of Directors to approve the policy.
- Reviewing the Bank's acceptable risk limits in relation to credit, investment and liquidity risk exposure and advising the Board of Directors to approve these limits.
- Reviewing the Bank's risk universe and controls matrix developed by the Bank's risk management department while reviewing the Bank's internal control environment to ensure it covers the Bank wide activities and operations.

Compliance

- Supervising and monitoring the Bank's process and procedures related to the compliance with the Central Bank of Iraq regulations and requirements regarding anti-money laundering and the financing of terrorism.
- Reviewing the Bank's Compliance Policy and Anti-Money Laundering & Counter Terrorism policy including account opening procedures to ensure adequate controls are embedded, and advising the Board of Directors to approve these policies.

ADDITIONAL STATEMENTS AND CLARIFICATIONS

Eighth: Internal Audit and Control Environment

The Bank's internal control framework was established as stipulated by Central Bank of Iraq requirements in addition to leading banking practices.

The internal control environment and framework shall be reviewed at least once a year, by the Internal Audit and Control Department and external auditor, according to the requirements of Central Bank of Iraq. The Bank shall disclose a detailed report in its Annual report related to the adequacy of internal controls.

Board of Directors shall adopt a general framework for supervision and internal control, as this shall enable the Board of Directors to follow up tasks and take the necessary measures. The Bank's internal control system shall cover annual budgets developed and approved by the management. It shall also conduct a monthly analysis of the actual performance compared to the forecast and financial reports submitted to the Board of Directors members at each regular meeting. The Board shall submit the financial reports and business reports to shareholders annually, evaluate the efficiency and competency of Bank's employees as part of the annual staff performance, document policies related to information systems, and develop procedures manuals covering the Bank's wide operations and functions.

Ninth: Code of Conduct/Ethics

The Bank adopted a Code of Conduct/Ethics) that has been circulated to all employees and the Board members. The Bank's employees shall sign a written acknowledgment at the beginning of each fiscal year that he/she employee examined the Code and any amendments thereto, and his agreement to its contents.

Tenth: Related Parties Transactions (the Board of Directors members, Employees, Shareholders, Related parties)

The Bank's policies approved by the Board of Directors shall comply with the applicable laws and regulations issued by the Central Bank of Iraq, including:

- Loans and facilities granted to members of the Board of Directors, senior management and staff, which shall be subject to Central Bank of Iraq approval and criteria.
- Loans and facilities obtained by the Chairman of the Board of Directors or any member of the Board shall comply with the Bank's lending policy, and should be granted in favor of the Bank's interest.
- Lending the Bank's staff of all levels shall meet the regulations and instructions of the Bank's internal policies.
- Other banking transactions rather than related parties lending, should be processed based on the Bank's approved policy, taking into consideration the Bank's interests mostly.
- Periodic reviews over related party transactions shall be conducted by the internal and external auditors to ensure compliance with laws, regulations and the Bank's internal policies.
- VIP clients related transactions should be conducted in accordance with the credit policy approved by the Board of Directors, and financial statements related to these customers s shall be subject to a detailed analysis by qualified staff.

Eleventh: Hotline/Whistle Blowing

Internal arrangements were established, and on which basis the staff confidentially report any doubts about any possible violations enabling the verification of such doubts and follow them up independently, through direct communication line Hotline/Whistle Blowing managed by Head of Internal Audit and Control Department. Such arrangements shall be overseen and monitored by the Audit Committee, and coordinated with the managing director and the Bank's senior management.

Twelfth: Internal Audit Department

The Bank realizes that the existence of Internal Audit Department has an effective role in contributing to enhancing the internal control and risk management framework concerning the Bank's activities. The Internal Audit Department shall provide the management and Audit Committee with confirmation on the implementation and compliance with internal policies and procedures and the extent of their effectiveness.

Internal Audit Department reports functionally to the Audit Committee derived from the Board of Directors to enhance its independence, and it administratively reports to the delegated Managing Director.

Internal Audit Department shall perform its tasks in accordance with the Audit charter approved by the Audit Committee, which duties, responsibilities and powers shall be identified in accordance with the international standards.

Internal Audit Department shall prepare the annual audit plan for the Bank departments and branches; the plan shall rely in identifying the audit priorities on the levels of risk exposure (Risk-based plan), and shall cover the Bank wide functions and departments where a detailed human resource plan and estimated budgets should be established in line with the approved audit plan. It shall be approved by the Audit Committee after submitting it to the delegated managing director.

To ensure that the staff of this section is objective, they shall not be assigned executive tasks, and any prospective conflicts of interest shall be reported to the Audit Committee.

Internal Audit Department reports shall be discussed with relevant departments and branches. The department is entitled to preparing reports without intervention or influence from other parties.

Internal Audit Department shall coordinate with the external auditor when examining the adequacy of the Bank's internal control system.

ADDITIONAL STATEMENTS AND CLARIFICATIONS

Thirteenth: Risk Management Department

The Bank's Risk Management Department shall report to the Risk Management and Compliance Committee. As for the day to day reporting, this should be done to the Managing Director.

The Department will be responsible mainly for the following:

- Analyzing and reviewing the Bank's credit exposure including but not limited to (credit, market, liquidity, operational risk)
- Developing risk measurement and monitoring tools; providing information about the risk limits and structure to the Bank's senior management and Board of Directors
- Providing risk-related information to the Bank's general data and reports
- Reviewing reports related to the Bank's risk exposure levels, and monitoring credit and investment portfolios to ensure their accordance with the Bank's overall risk appetite and limit structure
- Coordinating with other departments to provide the necessary data to risk management department and to conduct constant study of the risk exposure related to the Bank's activities and operations
- Establishing appropriate recommendations and following up on the implementation of these recommendations by related departments.

Fourteenth: Compliance Department

Compliance Department shall develop mechanisms necessary to ensure compliance with laws and regulations governing the Bank's activities inside and outside Iraq in the countries where the Bank exists through its branches or subsidiaries and sisters.

Compliance Department shall submit its reports on the results of its operations and monitoring of departments/branches compliance with local policies and CBI requirements to the Board Risk Management and Compliance Committee, while copying the Managing Director. As for day to day administrative reporting, the department shall be associated with the Managing Director.

The Board shall approve and monitor the Bank's Compliance Policy. However, policy development and implementation at the Bank shall fall under the responsibility of the Compliance Department.

As for the Bank's Anti-Money Laundering procedures and framework, the Compliance Department works as a liaison with the Central Bank of Iraq and the Anti-Money Laundering Department at the Bank. Moreover, it shall develop the necessary policies and procedures, and devise policies related to KYC (Know your Customer) and banking transactions monitoring, investigate suspicious transactions, and submit the necessary reports to the monitoring sides.

Fifteenth: External Audit

According to the enforced laws and regulations, Audit Committee shall nominate an external auditor before the Board of Directors to be elected by the Bank's General Assembly after making sure that the selected external auditor meets the requirements of the supervisory authorities (the Central Bank of Iraq, the Registrar of Companies).

The external auditor's report shall be reviewed by the Audit Committee, which shall ensure that the management follows the corrective necessary measures. The external auditor shall perform his duties in accordance with the Banking Law and Companies Law, shall review and monitor the adequacy of internal audit and internal control procedures, and shall submit his recommendations and meet with the Audit Committee without the presence of the Executive Management at least once annually.

Sixteenth: Shareholders' Fair Treatment & Rights

The Bank shareholders consist of a group of ordinary individuals. The law ensures to all shareholders have the right to vote in person or by proxy at the General Assembly meetings, and the right to discuss the topics on the agenda of the General Assembly on the basis of full equality. Furthermore, the shareholders may propose any suggestions related to the ordinary General Assembly Agenda, provided that such proposal shall be subject to the approval by shareholders representing at least 10% of the registered shares at the meeting.

The Bank shall follow effective steps to encourage the shareholders to participate in the General Assembly meeting, where all shareholders shall receive a copy of the Bank's annual report and shall be invited to General Assembly meeting. In addition, the shareholders shall receive the information and advertising materials sent to shareholders in general to their postal addresses.

Each shareholder shall have the right to access the register of shareholders in accordance with the applicable policies. As for the distribution of profits, they shall be fairly distributed among shareholders and in proportion to the number of shares held by each shareholder.

The members of the Board of Directors and Head of Board Committees' shall attend the General Assembly meeting and answer all questions and inquiries raised by the shareholders. Representatives of the Bank's External Auditor must attend the General Assembly meeting to answer any question about the results of their audit report. External auditors shall be appointed by secret ballot at the General assembly meeting. The Board of Directors members shall present themselves for election or re-election by secret ballot at the General Assembly meeting.

Seventeenth: Transparency & Disclosure

The Bank's Board of Directors believes that transparency is an essential element for effective corporate governance and that appropriate disclosure enhances corporate governance and improves the ability of supervisors in monitoring the Bank's activities. The Bank shall comply with all disclosure requirements set under the banking law and other instructions of the Central Bank of Iraq.

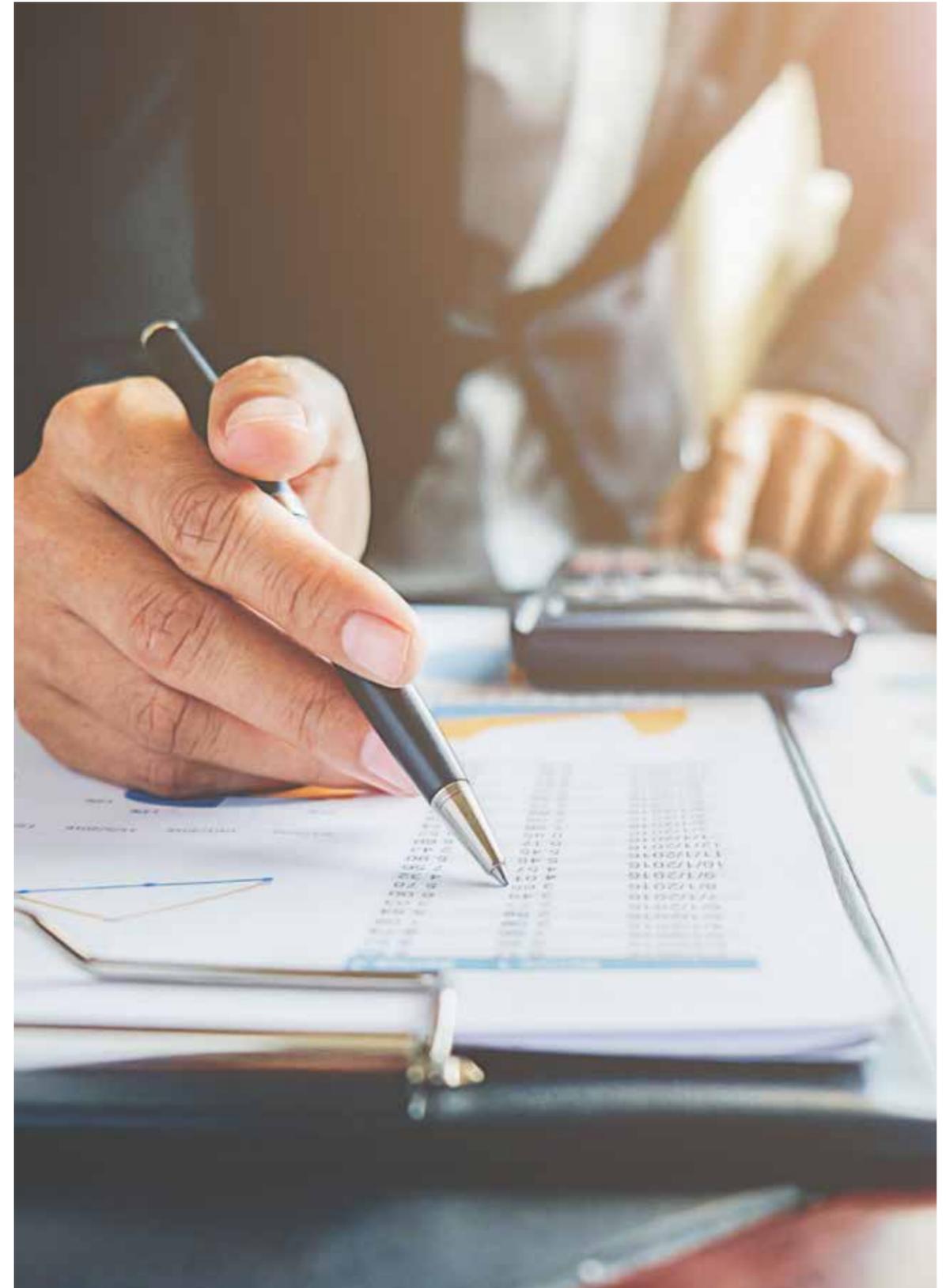
The Bank shall keep pace with the international practices (accounting standards and financial reporting on disclosure of financial statements) in the area of financial reporting, disclosure and transparency. The Bank's senior management shall report such disclosure to the Board of Directors and make such recommendations to improve the Bank's disclosure practices.

ADDITIONAL STATEMENTS AND CLARIFICATIONS

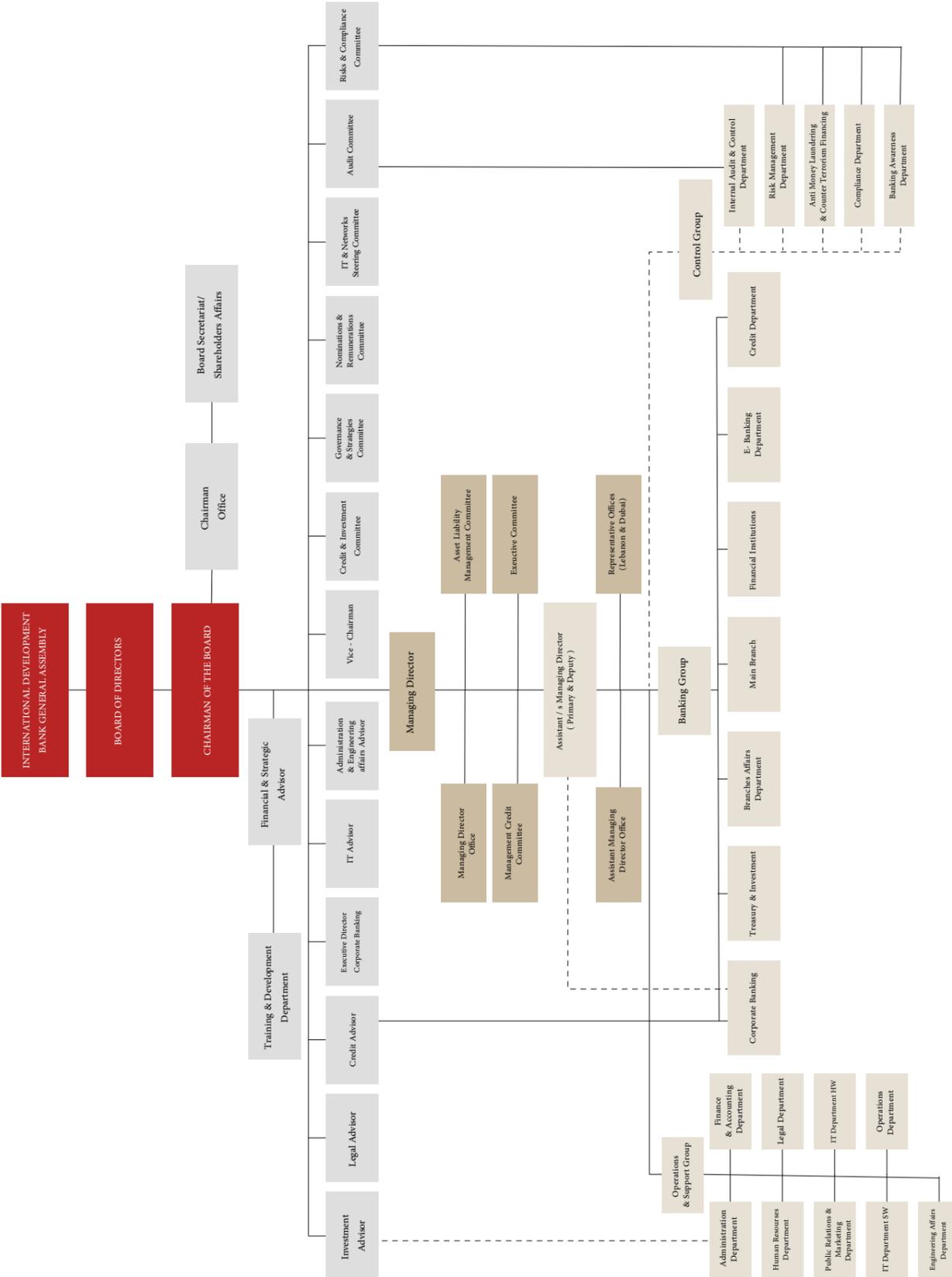
The Bank understands its obligation in providing proper information about its activities to the shareholders, depositors, its counterparts in the banking sector as well as to the monitoring authorities and the public in general. Such information shall be disclosed and provided to all relevant parties in accordance with the enforced laws.

The Bank shall publish the Bank's memorandum and articles of association on the Bank's website. In addition, and as per the enforced laws in Iraq, any amendments to the articles of association an invitation to an extraordinary general assembly meeting shall be conducted, and the Bank's Board of Directors shall provide the Registrar of Companies with the report pertaining to the election of the Board of Directors and to any change in the composition or identity its members. Such information shall be in line with companies' law and the instructions of the Central Bank of Iraq.

The Board of Directors shall be responsible for the Bank's data and the contents of the Annual Report in terms of their accuracy and integrity. The Bank shall maintain appropriate channels of communication with the shareholders, investors, counterparts in the banking sector and general public through the Shareholders' Function at the Bank. This Function must provide them with comprehensive, objective and updated information about the Bank, its financial position, performance and activities, as well as the annual report and quarterly reports that provide financial information on the Bank's financial position during the year.



IDB ORGANIZATIONAL STRUCTURE



IDB BRANCHES

Baghdad Branches

Branch Name	Branch Code	Address
Main Branch	01	Arasat Avenue
Shorja Branch	05	Samaw'al St.
Mansour Branch	10	14th Ramadan St.
Rubayee Branch	11	Rubayee St.

Provincial Branches

Branch Name	Branch Code	Address
Sulaymaniyah Branch	02	Salim St.
Erbil Branch	03	100 St.
Basra Branch	04	Dinar St.
Karbala Branch	06	Hay Al-Hussain
Najaf Branch	08	Kufa St.
Kut Branch	09	Province St.
Nasriyah Branch	12	Province St.
Hilla Branch	13	40th St. Abu Khumra Cross
Amara Branch	14	Al-Husseini District Amara chamber Bldg.

Representative offices

Branch Name	Branch Code	Address
Rep. Office Beirut	15	Beirut Downtown
Rep. Office Dubai	16	Sheikh Zayed Road Jumeirah Lake Towers

Bank Branches Network



Al Rabiei Branch

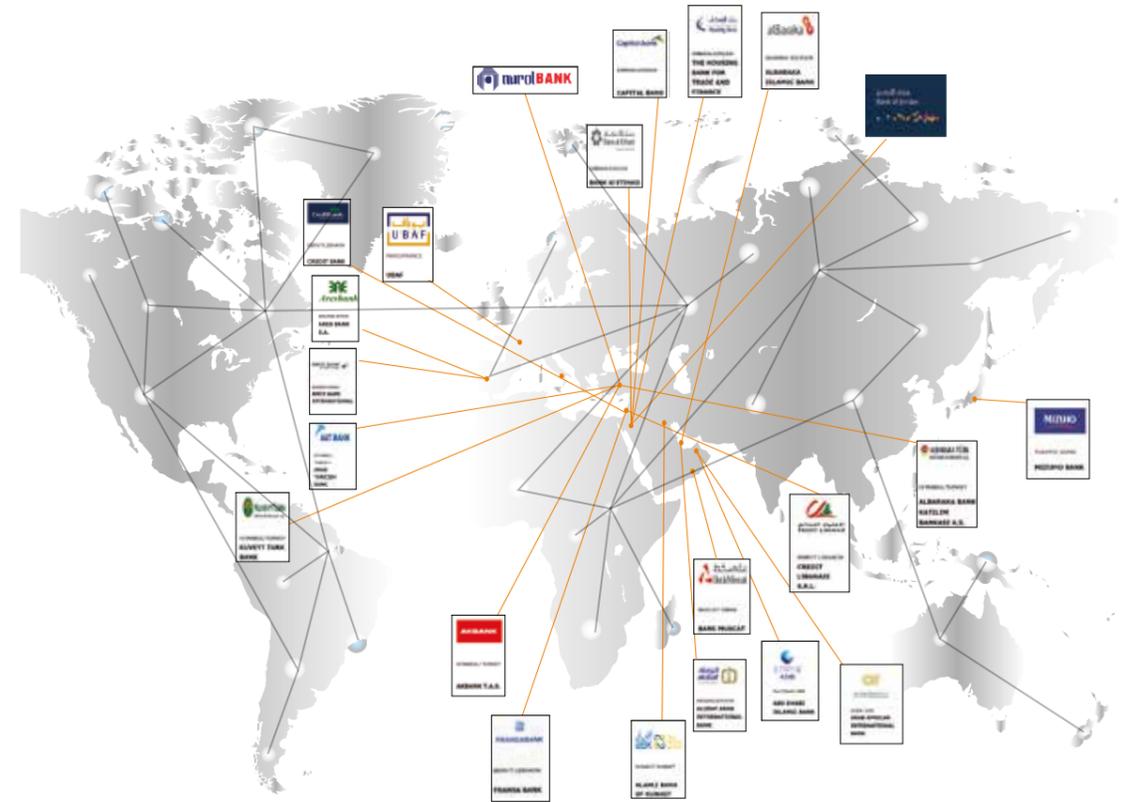


Al Mansour Branch

IDB BRANCHES

Correspondent bank	Country
Abu Dhabi Islamic Bank	UAE
Ak Bank T.A.S.	TURKEY
Al Ahli Bank of Kuwait	KUWAIT
AL Baraka Bank Katilim Bankasi A.S.	TURKEY
AL Baraka Islamic Bank	BAHRAIN
Al Ubaf Arab International Bank	BAHRAIN
Arab African International Bank	UAE
Arab Turkish Bank	TURKEY
Ares Bank S.A.	SPAIN
Bank Al Etihad	JORDAN
Bank Muscat	OMAN
Bank of Jordan PLC	JORDAN
BMCE Bank International	SPAIN
Capital Bank of Jordan	JORDAN
Credit Bank	LEBANON
Credit Libanais S.A.L.	LEBANON
Fransabank SAL	LEBANON
Kuveyt Turk Bank	TURKEY
Mizuho Bank	JAPAN
Nurol Investment Bank INC	TURKEY
The Housing Bank for Trade and Finance	JORDAN
UBAF Bank	FRANCE

IDB Correspondent Banks Network



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