



مصرف بغداد
Bank of Baghdad

ANNUAL REPORT

2



"RESOLUTIONS ARE MEASURED ACCORDING THOSE WHO TAKE THEM"

AL-MUTANABBI

Al Mutanabbi Street

Al Mutanabbi Street is located in the center of the Iraqi capital, Baghdad, near Al Meedan area and Al Rasheed Street. It is considered the cultural market for the people of Baghdad, where books of various kinds and subjects are traded; usually on Fridays. The street houses a printing press that dates back to the nineteenth century, as well as a number of libraries with rare books and manuscripts, in addition to some old Baghdad buildings, including civil court buildings of the Ottoman era, now called the Qishla building; which is Al Muwaffaqiyya School built by Muwaffaq Al Khadem where Qishla building used to be (previously the Real Estate Directorate "Tabbo" and the Ministry of Justice in the kingdom ear), opposite to the Cultural Center overlooking the Tigris River, which contains a great number of halls for holding cultural seminars and lectures. Furthermore, artists and intellectuals the gather in the Cultural Center's courtyard every Friday, where television interviews and media events are organized. In addition the Center houses a permanent exhibition of wood and glass paintings that reflect the Baghdad heritage. At the end of Al Mutanabbi Street is the ancient Shabandar Café, and nowadays the street serves a market for old and contemporary books and magazines.

Al Mutanabbi Street, whose name was associated with the poet Abu Al Tayyeb Al Mutanabbi, was founded in 1932 when the Municipality of Baghdad decided to replace old names with other cultural and heritage names, and the name of the great poet Abu Al Tayyeb Al Mutanabbi, one of the most famous Arab poets, who lived in the Abbasid era and gained timeless significance and fame. Al Mutanabbi was not a poet with unmatched eloquence and rhetoric, but also one with a distinctive personality characterized by pride; as reflected in his poems and various encounters.

Establishment

An Iraqi private joint stock company established in 1992 as the first private Iraqi bank under registration No. M Sh / 4512. With a paid-up capital of IQD 250 billion as at the end of 2020.

Baghdad – Al Karrada District – Next to the National Theatre / Mahalla 903– 17 str. – Building 12 – B. O. Box 3192 Alawiyya

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Our Vision

To be the leading provider of financial services in Iraq, and to consistently meet and exceed customer expectations.

Our Mission

To provide leading financial service solutions that contribute to and support the long term wellbeing and success of all our customers,our country and our worldwide partners.

Our Values

Guide everything we do: Trust and Integrity; Mutual Respect; Teamwork and Commitment; Excellence and Innovation.

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Board of Directors

Chairman

Usam Ismail Sharif

Vice Chairman

Masoud Mahmoud Jawhar

Board Members

Adel Mohammad Al-Hassoon

Saadon Abdullah Hussein

Naman Shakir Naman

Ghassan Ahmad Saleem

Managing Director

Basil Hossam Al Din Shakir

Auditors

Zuhair Mahmoud Hussein Al-Bahrani

Saad Rasheed Jassim





Chairman's Statement



Chairman
Usam Ismail Sharif

Dear shareholders and employees of the Bank of Baghdad,

Despite the challenges faced by the Bank of Baghdad Group in 2020 as a result of the COVID-19 pandemic and the economic and political crisis in the business environment were the group operates, I, on behalf of the Board of Directors of the Bank of Baghdad Group, am proud of the group's achievements and offerings to our customers and communities alike. Throughout the year, we have been determined to turn the challenges into opportunities and the difficulties into a success story, and the year 2020 has added to the history of the bank and demonstrated its experience and ability to pre-plan for all extraordinary circumstances; which enabled the group to provide the best for its shareholders and customers.

Ladies and gentlemen,

We all know the magnitude of challenges witnessed by the global and Iraqi economies, which caused an unprecedented slow-down driven by the COVID-19 pandemic and its adverse humanitarian, economic and social impacts, with lockdowns in all economic sectors. Furthermore, the global economic decline in 2020 was expected to reach 3.5%; far worse than the decline witnessed during the last global economic crisis. In the same context, the Iraqi economy was expected to witness a downturn as a result of this crisis and the falling oil prices, leading to a deficit and inability to meet its monthly budget's obligations, including salaries, which consequently lead to a reduction of the Iraqi dinar's exchange rate, not to mention the crisis in the Lebanese Republic which encompasses all areas of life. However, in terms of expectations, the global economy tends to grow in 2021 as the pandemic starts to recede and lockdowns in economic sectors are gradually ended, driven by the provision of vaccines and commencement of vaccination campaigns.

Driven by our awareness of these challenges and the impact of some of the measures taken, and the Board of Directors' and management's understanding of the surrounding environment and economic and health conditions, we have made it our priority to ensure the business continuity and provision of services to our customers under these circumstances, as the Bank was able to keep up with these challenges thanks to its strong financial position, financial solvency and good financial indicators, and sought to employ its funds in the available opportunities with the lowest risk and steady returns; while maintaining its financial indicators. The capital adequacy ratio reached (28.6%), which is higher than the ratios set under the requirements of Basel III and regulatory authorities. The Bank also maintained its liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) at (269%) and (343%) respectively. In the same context, the provisions to non-performing facilities ratio increased to (24.3%)compared to (21.7%) as at the end of 2019.

Meanwhile, health has been a top priority for governments worldwide, while trying to reach the right balance between this aspect and the economic aspect. The Iraqi government issued several decisions and instructions aimed at mitigating the economic impact of the COVID-19 pandemic. In terms of economy, the government issued the white paper for economic reform which lays the foundation for an economic reform plan and seeks to improve and ensure the sustainability of the Iraq's economic performance, and drive economic growth. In the same context, the Central Bank announced a number of initiatives to mitigate the impact of the pandemic by supporting small and medium enterprises which create job opportunities, in addition to supporting the housing and industrial sectors. As for the monetary policy, the Central Bank restructured its exchange rates by the end of the year by reducing the USD to IQD exchange rate by (22.7%) from (1190) to (1460).

As for the leading role of the Central Bank of Iraq, it promoted investment in developing electronic payment methods by directing banks to activate mobile electronic services, automate all payment processes and financial reporting, in addition to enhancing corporate and IT governance. On the technical front, the Central Bank of Iraq issued its regulations on distributing the impact of implementing IFRS 9 over 5 years, which will have a material impact on the quality of assets and equity in the Iraqi banking sector, in addition to the regulations regarding capital adequacy in accordance with Basel III; which were adopted and fully implemented in 2020.

As for the Central Bank of Iraq's contribution to mitigating the impact of the COVID-19 pandemic, it sought to mitigate the economic impact by providing the banking sector with liquidity by reducing the statutory reserve to deposits ratio from (15%) to (13%) and reducing the interest rate on loans under the Central Bank's initiative and postponing loan installments. As for its role in social responsibility, the Central Bank of Iraq has lead the banking sector's initiative by making the biggest donation to the Iraqi Ministry of Health at the outset of the pandemic in order to purchase respirators and various medical supplies necessary to deal with this pandemic. The Bank of Baghdad Group contributed to this initiative by donating the sum of IQD (250) billion, including IQD (100) billion for Kurdistan District.

Ladies and gentlemen,

By reviewing the Bank's performance in 2020, based on the Board of Directors' and management's understanding of the surrounding environment and economic conditions in Iraq, the Group achieved outstanding results despite all the current circumstances. We maintained positive results within acceptable risk levels; as the Bank was able to achieve a very positive growth in all financial indicators, under these circumstances, compared to the previous period and proved its strength and ability to benefit from challenges and turn them into opportunities.

In 2020, the Bank of Baghdad Group achieved a strong financial position and was able to grow and demonstrate outstanding performance levels compared to the rest of the sector and the same period of the previous year. Total assets at the end of the year reached IQD (1,419,528,237) thousand with a (25.3%) increase compared to the end of 2019, shareholders' equity increased by IQD (4,794,428) thousand to IQD (278,435,852) thousand, with a (1.8%) increase, and the return on equity reached (7.3%).

In terms of utilization and investment of sources of funds, the Bank maintained a high liquidity ratio to meet the changing conditions in the Iraqi market, as its statutory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) exceeded the requirements of the regulatory authorities, in addition to striving to improve the quality of assets and hedging for certain investments, accounts and sectors, which witnessed an increasing probability of default due to the COVID-19 pandemic or the decrease in the estimated value of collaterals; which required allocating more provisions in order to hedge for the current circumstances and the prevailing state of uncertainty. As for other assets, and in order to invest the Bank's cash surplus, steps were taken to implement the Board's directions to enhance low-risk investments with an acceptable return by investing USD (100) million in government bonds (Eurobonds) for good returns, in addition to continuing to cover (100%) of other doubtful assets by provisions. As for sources of funds, customer deposits reached IQD (1,073,265,508) thousand with an increase of IQD (270,253,429) thousand (i.e., 33.7%) compared to the end of the previous year; thus enhancing the Bank's strong and solid financial position and increasing customer trust.

As for net shareholders' profit, the Bank's financial results showed a net profit of IQD (20,200,071) thousand compared to IQD (7,298,604) thousand in the previous year, increasing by IQD (12,901,467) thousand (i.e., 176.8%); as a result of the increase in total revenue by (51.4%) due to the increase in net commission and profit from foreign currency exchange by IQD (9,092,436) thousand and IQD (9,972,952) thousand respectively (i.e., 45.8% and 96.7% respectively), in addition to the decrease in the Bank's total operating expenses by IQD (1,810,398) thousand (i.e., 6.3%) to IQD (26,786,028) thousand; despite the increase in expected credit loss expenses from IQD (556,920) thousand to IQD (7,990,846) thousand.

Ladies and gentlemen,

The Bank is fully aware of the rapid changes in the banking business environment and the developments driven by the fourth industrial revolution, particularly in technology, as confirmed by the events and circumstances associated with the outbreak of the COVID-19 pandemic; which resulted in the emergence of new business models that drove the banking sector towards digital investment to deal with the new unconventional forms of competition and meet the requirements of the new generation of customers. Accordingly, the Bank launched the Mobile Banking Application and is about to complete its SMS System project, in addition to investing in systems in order to automate and develop all Bank's operations.

As for administrative and organizational achievements, the Bank continued to upgrade its procedures and regulatory environment by revising and adopting the organizational structure of Beirut branch in line with current requirements. The Bank also started adopting and implementing a series of policies and procedures that will facilitate business and services. In terms of technology and communication systems, the Bank has commenced the Cold and Hot DR project in Erbil and Jordan, in addition to activating and automating certain systems that will help improve the Bank's operation and capacity and develop its control systems.

In order to meet customer's requirements, the bank has completed the deployment and development of its distribution channels, by opening new branches in new locations , such as Tikrit and Hella branches , and continued the construction of the New Headquarter Building and Mosul and Al Athamiyya branches, in addition to expanding the electronic distribution channels in terms of ATMs, where the bank now has (68) operating ATMs and plans to increase them to (80) next year. As for services, the Bank has introduced several services in line with current requirements, in addition to the development of card services.

Ladies and gentlemen,

Finally, I would like to extend my thanks to you, the members of the Board of Directors and Bank's customers for their continued trust and support in order to help the Bank achieve and maintain its leading position in the Iraqi Market. I would also like to thank Bank of Baghdad's management team and employees of all administrative levels for their continuous dedication and giving under the current circumstances. I would also like to extend my thanks to the Central Bank of Iraq, Iraq Stock Exchange, Iraq Securities Commission and Companies Control Department. My thanks is also extended to all our employees for the efforts they exerted this year.

Usam Ismail Sharif
Chairman of the Board of Directors



Directors' Report 2020



Activities and Achievements 2020

Analysis of the Financial Position and Business Results in 2020

Objectives of the Future Plan for 2021



Directors' Annual Report on Bank's Activities

During the Year Ended 31/12/2020

Following is the report of the Board of Directors of your bank (Bank of Baghdad) on the Bank's activities during the year ended 31/12/2020, prepared pursuant to the provisions of articles (117) and (134) of the Companies Law No. (21) for 1997 as amended, and the provisions of the Banking Law No. (94) for 2004 in force.

Activities and Achievements in 2020

Despite the declining economic activity in all business sectors and the high level of uncertainty, both globally and locally, as a result of the COVID-19 pandemic, the Bank of Baghdad continued to enhance its leading position in the Iraqi banking market throughout 2020 under the extraordinary circumstances by creating opportunities from these challenges and circumstances and turning risks into possibilities and setbacks into strengths. Financially, the Bank has seized the opportunity to expand its investment in government bonds (Eurobonds) for an excellent return, in addition to striving to minimize high-risk assets through the collection of credit portfolios and other assets. On the other hand, the Bank has enhanced the quality of its assets by increasing the provisions for expected credit loss on financial assets by implementing IFRS 9. As for customer service, the Bank resolved to run its business with utmost efficiency and competency and adopted a hedging work strategy that ensures business continuity and continuous growth and stability in line with the highest risk management standards during the crisis; as it carried out all its banking operations in all branches in a manner that best serves its customers; while continuing to develop and upgrade its operations in order to support its journey of success and excellence, by introducing new banking services and products and developing existing ones in order to enhance customers' banking experience and meet their aspirations and ambitions, by adopting and implementing work projects and programs aimed at simplifying its procedures and developing its operations.

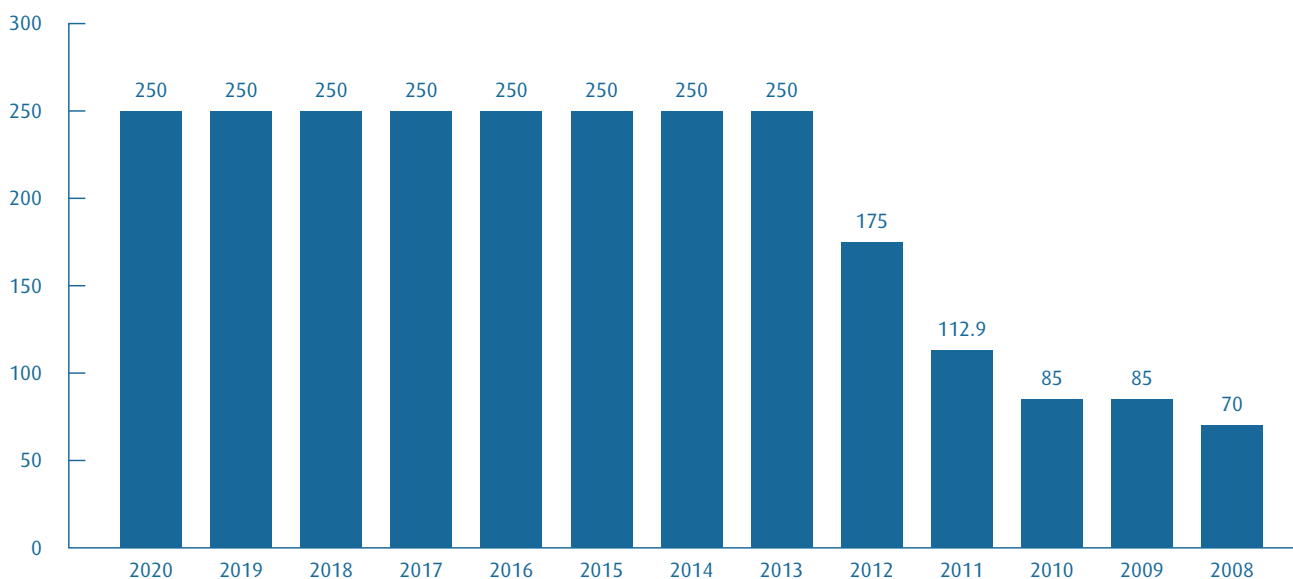
The Bank also kept pace with the latest technological advances in electronic applications and alternative digital transformation channels by enhancing its electronic services and electronic distribution channels with the launch of its mobile banking application and SMS service, in order to achieve operational efficiency. The Bank will also continue to focus on managing its sources and utilizations of funds with the required efficiency in order to maximize the profit margin.

In 2020, the Bank's vision aimed to implement part of its strategic plan as per its main components which focus on developing the Bank's operations and technology and structuring and developing retail and corporate services by carrying out a number of projects aimed at improving Bank's services in line with the developments in the banking industry. This vision led to a number of achievements by carrying out a set of projects that caused a qualitative shift in the services offered, including launching the BOB Mobile project, updating and upgrading the customers' database, automating transfers and developing risk management programs. As for customers and the market, the Bank has relocated certain branches in Iraq and completed the ranking requirements by a major international ranking agency which is expected to issue the results before the end of the first half of 2021.

Financially, the Bank improved its key financial ratios and asset quality and maintained its competitive position in the Iraqi Banking sector, despite the economic challenges created by the COVID-19 pandemic that affected the markets in which the Bank of Baghdad operates, and the Iraqi banking sector in particular, leading to a decline in economic growth, in addition to the financial crisis suffered by the Lebanese Republic which affected the Bank's branch in Beirut. Yet, thanks to its hedging policy which balances profitability and risk and focuses on increasing its asset quality and turning challenges into opportunities, the Bank was an exception as its profits improved with total revenue increasing and expenses decreasing. As for the Bank's assets and liabilities, asset quality was improved with the implementation of IFRS 9 by creating provisions for expected credit loss and continuing to decrease non-performing credit facilities and increase investment in low-risk assets on one hand, and increase the Bank's market share of customer deposits which increased along with cash margins compared to the same period of the previous year, on the other.

Overall, the Bank's performance was outstanding and exceeded market performance, as the highest possible revenue was achieved with the lowest risk possible under the current circumstances and the need to meet the financing and banking needs of the various economic sectors was met. The Bank continued to enhance its leading position in the Iraqi banking market, building on its journey and achievements over more than a quarter of a century of excellence and leadership, by continuing to develop its products and services and electronic systems, redeploying its distribution outlets and developing electronic distribution channels. As for its capital base, the Bank, as part of its strategy, has been working since its establishment on enhancing this base in line with the expansion of its banking activities, in addition to meeting the requirements of the Central Bank of Iraq and legislative authorities in the countries where it operates.

Paid-up Capital



Financial Results

Despite the economic challenges and developments caused by the COVID-19 pandemic and the economic recession in Iraq that affected most economic sectors and caused the interruption of businesses due to the health measures, including total or partial curfew, specific lockdown of certain sectors and implementing social distancing, in addition to the security and political conditions of the Bank's working environment in Iraq and the Lebanese Republic and the changes in exchange rates, as well as the requirements of the supervisory authorities; which created a challenge for the Bank in terms of exercising caution and care when expanding its assets in high-risk sectors, while also providing the opportunity to invest in low-risk sectors at high rates of return and strive to improve the quality of assets;

In light of all the above challenges and developments, the Bank of Baghdad has resolved to run its businesses and serve its customers and the Iraqi economy with utmost efficiency and competency as part of a business model that ensures business continuity, in addition to improving the quality of assets by implementing IFRS 9, as a result of which the Bank achieved a financial position that confirms its ability and determination to achieve profits under these difficult and extraordinary circumstances. These results were reflected in maintaining the main financial ratios within the requirements of the regulatory authorities. The bank's capital adequacy ratio reached 28.58% according to Basel III. The bank also maintained the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which

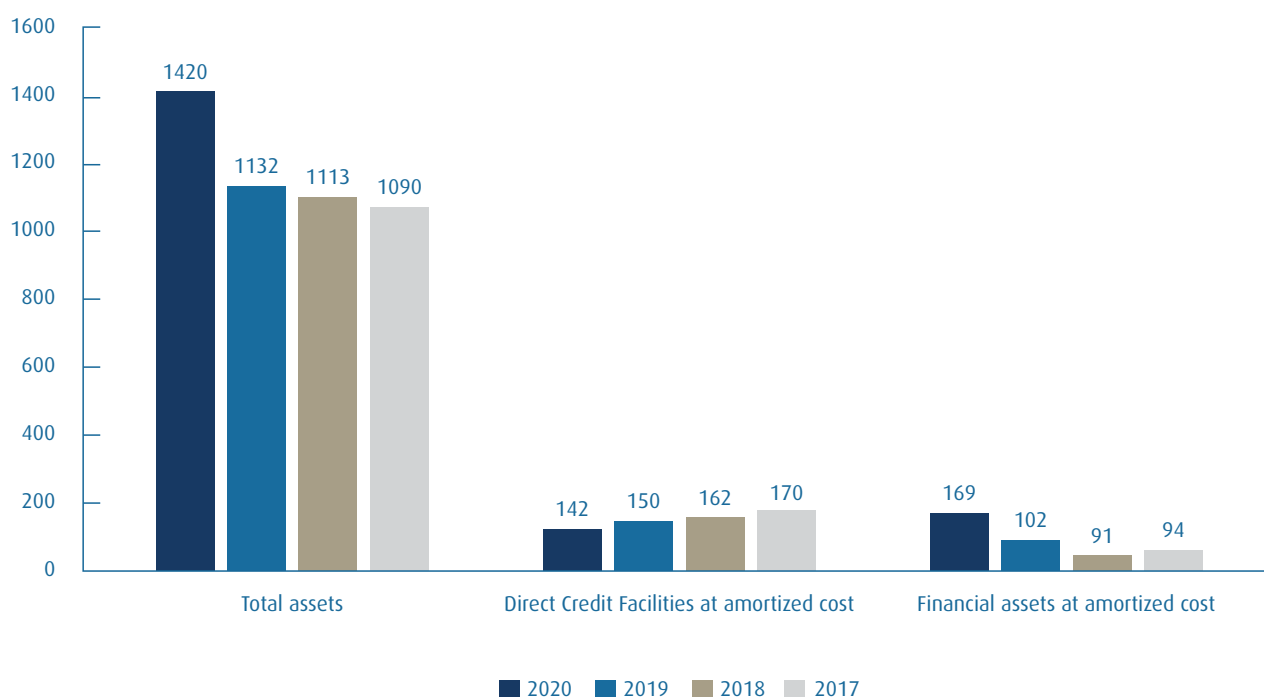
reached (269%) and (343%) respectively. In the same context, the provisions' non-performing loans coverage ratio reached (24.3%) of non-performing credit compared to (21.7%) at the end of 2019.

The Bank's financial results for 2020 reflected the above in profitability, as the Bank achieved a net profit before tax of IQD (25,775,190) thousand compared to IQD (10,837,194) thousand in the previous year, while, the net profit after tax reached IQD (20,200,071) thousand compared to IQD (7,298,604) in the previous year; increasing by IQD (12,901,467) thousand (i. e, 176.8%) due to the growth in net revenue from commission and net profit from foreign currency exchange by IQD (9,092,436) thousand and IQD (9,972,952) thousand respectively (i. e, 45.8% and 96.7% respectively), in addition to the decrease in the Bank's operating expenses by IQD (1,810,398) thousand (i. e, 6.3%) to IQD (26,786,028) thousand, despite the increase in credit loss expenses to IQD (7,990,846) thousand compared to IQD (556,920) at the end of 2019.

As for assets as at the end of 2020, they increased by (25.3%) from IQD (1,132,744,205) thousand at the end of 2019 to IQD (1,419,528,237) thousand at the end of 2020 , while the Bank's equity – Bank shareholders' equity increased by IQD (4,794,428) thousand to IQD (278,435,852) thousand; with a growth rate of (1.8%). The return on average shareholder equity reached (7.3%) and the average return on Bank's assets reached (1.42%) as at the end of 2020; as the Bank increased these rates compared to the previous year by utilizing and investing the sources of funds in low-risk assets and transforming them into income-generating assets, in addition to dealing with non-productive assets through collection and creating provisions for expected credit loss on these assets by implementing IFRS 9.

As for sources of funds, customer and banks deposits reached IQD (1,073,265,508) thousand with an increase of IQD (270,253,429) thousand (i. e, 33.7%) compared to the end of the previous year; supported by the growth in current and savings accounts by IQD (207,615,542) thousand and IQD (65,878,446) respectively (i. e, 44.1% and 22.0% respectively), where most of this growth was attributed to the corporate sector.

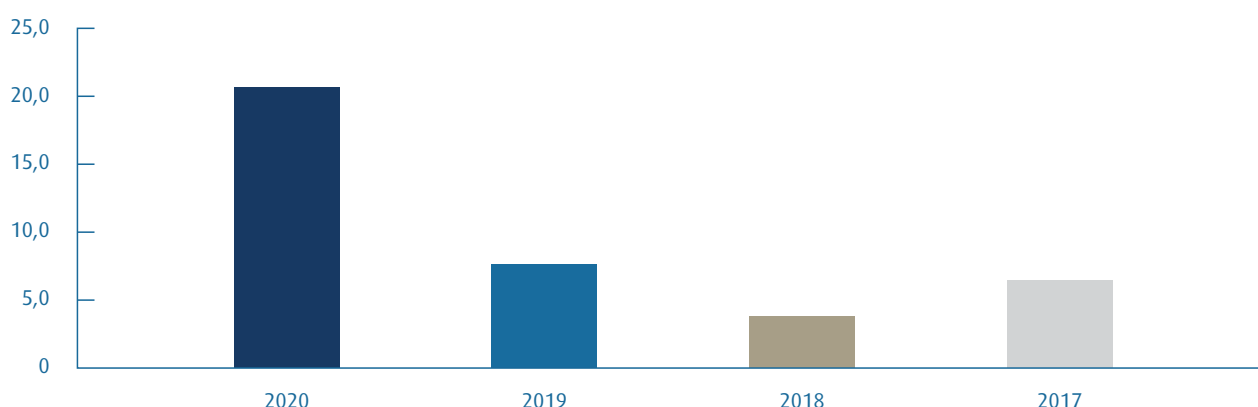
Evolution of Financial Position Items



Despite the above circumstances and uncertainty in Iraq and worldwide as a result of the COVID-19 pandemic, the Bank's performance has improved, with net profit increasing from IQD (7,298,604) to IQD (20,200,071) with a growth rate of (176.8%) due to the growth in total income by (51.4%) to reach IQD (60,552,064) thousand. The Bank's net operating revenue from interest and commission reached IQD (39,786,150) thousand; accounting for (65.7%) of total income, while foreign exchange profit reached approximately IQD (20,290,617) thousand, including IQD (2,346,790) thousand in currency revaluation profit. As for expenses, the Bank was able to achieve efficiency in managing and controlling expenses; as expenses dropped by IQD (1,810,398) compared to 2019.

As for provisions, in light of the above, the Bank allocated more provisions in order to improve the quality of assets and deal with any current or potential circumstances in light of the COVID-19 pandemic, the crisis in Lebanon and the state of uncertainty about the outcome of the current economic condition, in addition to the Bank's desire to improve the quality of its investment and credit portfolios in order to deal with any current or future harms to its customers. Therefore, the Bank increased the expected credit loss on financial assets expense by IQD (7,990,846) thousand.

Evolution of Bank's Net Profit



Bank's Products and Services

The Bank of Baghdad continued to offer and develop its financial services and various products to its customers in the retail, corporate and SME and large enterprises sectors, in addition to its investment activities, in line with the aspirations of the Bank and its customers and its strategic plan; by utilizing its available resources for future growth. In 2020, in terms of market and customers, the Bank developed and launched a number of banking services, enhanced its electronic payment channels and continued the redeployment of its branches and distribution outlets. As for operations, the Bank completed its risk assessment system and automated the corporate salary system and recovery system, developed and updated customer data and started building data centers for disaster recovery purposes both in Iraq and abroad (Cold and Hot DR). As for human resource, the Bank worked on developing and dividing its organizational structure into the three main categories of operations, supporting activities and business sector, supported by competent and professional staff, in order to provide the best level of service to the Bank's customers.

Retail Services

In 2020, the Bank continued its development processes to improve the products and services offered to retail and corporate business sectors in line with the Bank's strategic aspirations and customers' requirements; by continuing to offer digital services and improve customer experience in line with the developments in the banking sector; by introducing and developing several services, including mobile banking as an ongoing project under the Bank's vision of becoming a key means for keeping pace with modern banking services and an alternative base for branches' retail

customer. This service was launched in the second half of 2020, together with the online IBAN generation service. Furthermore, the Bank has developed its working programs for automated payment and dues withholding in order to ensure prompt and accurate collection.

In line with the Bank's customer-centric strategy, and in order to develop digital and electronic banking channels for current and future customers in line with modern payment systems, the Bank has developed its cards and ATMs by issuing dual interface cards; which are state-of-the-art cards in terms of information security; with contactless NFC feature for ATMs, in addition to issuing contact and contactless EMV cards. As for ATMs, the Bank has added the USD withdrawal service to (45) ATMs in various governorates to serve its customers, to be the only operating bank currently providing this service, in addition to contracting a local service provider to manage cards and ATMs; which helped ensure timely service provision; as the Bank of Baghdad continues to lead the way in terms of such developments. Furthermore, in order to encourage our customers to save, the Bank continued to offer them the best interest rates on savings accounts and fixed deposits.

In 2021, the Bank is planning to launch its SMS service once the relevant terms are developed, in addition to issuing cards in Iraq; which will contribute to the timely delivery of cards; in addition to working on the issuance of prepaid cards that enable customers to carry out purchases online and at points of sale worldwide in a safe and secure manner. As for ATMs, the deposit and withdrawal services are planned to be added to ATMs, in addition to increasing the number of ATMs in various governorates of Iraq, in the second half of next year.

Corporate Services

As part of its strategic plan , and despite the difficulties encountered by the corporate sector as a result of the COVID-19 crisis, the Bank continued to enhance its activities and provide its services to this sector by striving to strengthen its cooperation with major organizations in all business sectors (communication, food trade, education, cement industry, aviation, auto trade, recruitment companies, diplomatic bodies, security companies and others) by increasing the banking services and products provided to existing enterprises, in addition to attracting many new enterprises, which increased the Bank's liabilities and commission revenue; despite the global challenges imposed by the COVID-19 crisis in 2020 . On the other hand, the Bank has followed up on the customers affected by the COVID-19 pandemic and the economic crisis in Lebanon in order to deal with their credit facilities, and rescheduled a number of said facilities.

Bank's Branches and Distribution Outlets

In 2020, the Bank continued its branch redistribution plan to reach new groups of customers by relocating Hilla-branch to its new permanent location and relocating Erbil City Center branch to its new location. The Bank also opened Tekrit branch and the USA Consulate Branch in Erbil and rehabilitated a number of its branches. As of the 2021 branching plan, the Bank will open and relocate Najaf branch to its new location, in addition to the American University branch. Moreover, the Bank continued the construction of its new headquarter building on Al-Nedal Street in Baghdad, which is expected to be completed by the end of 2022. The Bank also continued the construction of Mosul and Al A'athamiyyah branches. These branches and this redistribution will serve the Bank's customers and reach its new target groups.

The Bank of Baghdad strives to improve and excel in the services it provides to its customers, and to offer modern digital solutions and improve customer experience in line with the relevant developments worldwide. The Bank has been keeping pace with the latest developments in electronic payment channels by launching BOB Mobile in the first half of 2020. The Bank has also created its website and added ATM locations to it. The Bank also completed stage 1 of connecting ACH and RTGS systems with the Central Bank of Iraq and the system provider to help enhance the speed and accuracy of transactions.

As for electronic and digital communication channels, the Bank will update and develop its electronic payment services in the upcoming period by purchasing cash deposit ATMs from NCR, in addition to offering the possibility of issuing prepaid cards and virtual cards and joining the electronic collection project through its ATMs; which helps and meets the aspirations of customers. As for electronic outlets, the Bank has increased them in 2020 to (68) ATMs in excellent locations to serve all groups of community, and is expected to increase them to (80) ATMs by the end of 2021.

Organizational Methods and Technological Resources

In 2020, the Bank continued a set of projects and action programs to improve its operation system, including procedures, organizational environment and technology bases in line with its current and future requirements, in order to ensure the implementation and completion of its strategic plan so as to achieve its long-term objectives through development, human resources, technological systems and business environment related measures.

In terms of developing its organizational environment, the Bank has implemented the best management practices in its working systems, which ensured business continuity during and after the lockdowns dictated by the COVID-19 pandemic. This has enabled the Bank to provide its services with utmost efficiency even under the complete lockdown of economy, and created a healthy working environment that ensured the implementation of public health and safety measures in all branches for Bank employees and customers alike, in addition to taking all precautions that limit the spread of COVID-19 depending on the nature of work of each department. As for the development of departments, the Bank has structured its Credit Department by dividing it by sector (major corporations, SMEs, retail) in line with the Bank's future directions. As for the Bank's branches abroad, given the circumstances and material changes in the Lebanese Republic, the organizational structure of Beirut branch has been developed and amended in line with the current circumstances in a manner that mitigates risks and increases efficiency.

As for working mechanisms, a number of policies; procedures and mechanisms were amended and updated and methodologies established, including updating the money laundering policy in line with the instructions of regulatory authorities and local and international laws and legislations, in addition to reviewing the day-to-day control system's scenarios and examining the possibility of adding new scenarios to meet the requirements of regulatory authorities. In the same context, the Bank has reviewed and amended its credit policy and authorities in line with the applicable instructions of regulatory authorities, and relinked credit in Bank's branches abroad to its centralized system in its branches in Iraq. As for the centralization of operations in branches, the centralization process of administrative and general expenses was commenced, in addition to developing the Bank's investment policy in line with the directions of its new management and the new instructions of the Central Bank of Iraq. As for implementing international standards, the Bank has established a methodology for calculating the group's expected credit loss, having it reviewed by the the auditors and approved by the Board of Directors and the Central Bank of Iraq and implementing it. As for disclosure and transparency, the relevant policies have been amended and published on the Bank's website. Furthermore, in terms of committees' charters, the Risk Management Committee's charter has been updated and approved.

In 2021, the Bank will continue the centralization of operations by turning branches into sale and customer service centers, in addition to the centralization of all accounting and executive processes within Main Office departments, including the centralization of budgets. The Bank will also develop its control procedures and systems in branches.

In 2020, the Bank continued to develop its electronic systems by completing a number of projects in line with its vision of providing its customers in Iraq with the best services. Main services included launching the Mobile Banking Application in mid-2020, which helped customers benefit from a wide range of banking services in a timely and accurate manner and receive prompt notifications of all transactions. The Bank has also implemented systems to help improve salary payment systems for organizations with salaries transferred to the Bank (BULK Salary), in addition to implementing the Laser Fitch archiving system and customers' Risk Assessment system, which help develop Bank's

businesses and create a low-risk and more efficient environment, in addition to implementing the latest version of the banking system (BANKS) issued by the provider. As for electronic security and protection, the Bank implemented CSP standards relating to SWIFT and continued to implement Kaspersky version (10.3) and developed and activated certain scenarios within the Siron anti-money laundering system in order to effectively increase control of suspicion signs that may be detected by the system and link them to the Bank's system.

In the same context, the Bank has commenced the implementation of the credit information system (Credit Bureau) and connected the KYC & FATCA systems with the banking system, which provides great flexibility and follows the highest standards of compliance and timeliness in retrieving accurate information. The Bank has also commenced the construction of its Cold and Hot Dr data center in Iraq and Jordan in accordance with the latest international standards and the instructions of the Central Bank of Iraq. As for IT governance, the Bank strives to complete its implementation during the upcoming year. As for cards, the Bank has completed the shift to a local provider of card and ATM management services and will start working with said provider during the first month of 2021. Furthermore, the Bank is still working on implementing the centralized printing of cards in Iraq and the in-house printing of PIN numbers for online banking. As for the (RTGS & ACH) connection project, the first stage of connection with the banking system was completed, which will accelerate processes, reduce cost and improve service quality and is expected to be completed and rolled out in 2021. As for the SMS system project, it is expected to be launched before the end of the first quarter of 2021, which will help Bank customers benefit from a wide range of banking services and receive notifications of all transactions in a timely and accurate manner. In terms of risk and risk management, the Bank manages its risks based on the risk management strategy drafted by the Risk Management Committee and approved by the Board of Directors. This strategy defines potential risks and describes ways for addressing them and mitigating their impact within a general risk management framework based on the best international and national banking standards, norms and practices.

Key risks to the Bank include credit, liquidity, market and operational risks. Operational risk is among the most important type of risks encountered by the Bank. Credit risk is the risk that the counterparty in any financial transaction fails to fulfill its obligations, thus exposing the Bank to financial loss. Liquidity risk is the risk that the Bank becomes unable to meet its payment liabilities when they fall due. Market risk includes currency, profit margin and price risks, and arise when the fair value or future cash flows of any financial instrument fluctuate due to changes in market prices. This also applies to the profit margin for foreign products and currencies and products of joint investment funds; as they can be subject to market movements and changes in terms of fluctuations in market prices or rates; such as profit margins, foreign exchange rates and market prices offered.

Operational risk is the risk of loss arising from inadequate or unsuccessful internal operations, human factors, systems or internal events. Operational risk is inherent in most of the Bank's activities, which requires a comprehensive system for operational risk identification, measurement and detection.

The Bank's risk management function is an independent strategic function that seeks to achieve the Bank's objective of good and active governance. This function includes credit risk management, operational risk management, market risk management and institutional risk management. The responsibilities and activities of the Risk Management Department are carried out within the risk management frameworks and policy approved by the Board of Directors.

The Risk Management Department reports periodically to the Board of Directors and relevant Board committees on all aspects of risk; including credit risk, portfolio assets' quality, internal controls, operational risk, liquidity risk, market risk, reputation risk, legal risks, strategic risks etc. Adverse business or economic conditions may prevent counterparties and customers from fulfilling their obligations as agreed, hence the Bank of Baghdad seeks to balance risk with potential revenue by developing policies and procedures to help identify and analyze the risks encountered by the Bank. This includes approving various risk levels based on the Bank's risk appetite. Risk management practices are the key to the Bank's effective management of its capital.

The Risk Management Committee of the Board of Directors is responsible for the management of the Bank's risk management framework and monitors the performance of the Bank within the Bank's risk appetite. The Committee reports to the Board of Directors on all aspects of risk management. The Committee performs its risk management function within the regulatory framework of the Risk Management Department. The internal assessment of capital adequacy determines the risk management framework adopted by the Bank, as well as the Bank's risk appetite, risk management approach and key risk controls. The internal assessment of capital adequacy is an ongoing process reviewed and approved by the Board of Directors, while the Board Risk Management Committee reviews the credit and provisions policy, operational risk policy, risk appetite policy, Pillar 3 of Basel III disclosure requirements policy, market and liquidity risks policy and information security policy; and submits its recommendation regarding the approval of the same to the Board .

One of the main focuses of risk management at the Bank of Baghdad is to enhance the risk management framework and promote the risk culture within the Bank. The Bank has implemented the risk appetite framework in accordance with international best practices that determine the Bank's risk limits. The Bank also has a complete set of comprehensive risk management policies aimed at measuring, managing and avoiding, mitigating, transferring or approving potential risks; supported by a set of quantitative and qualitative tools that are adopted under local requirements or under the supervision of the associate bank in accordance with the latest international practices. The Bank has adopted models for estimating future credit and market losses, and has an effective framework for internal assessment of capital adequacy and stress testing to maintain capital in proportion to the risks it is exposed to.

The Bank is also working on a contract to activate an electronic system for managing and measuring potential operational risks. This system monitors day-to-day operations and provides alerts by means of various reports on signs of risks that may exceed the Bank's risk appetite and is expected to be activated within the upcoming year.

With respect to internal audit, the Bank has been focusing on developing the Internal Audit Department's staff by organizing a comprehensive risk-based audit program in 2020, and the practical aspect of this program will be completed in 2021. In addition, the audit charter was amended and published and Department's audit programs were developed.

Social Responsibility:

Driven by its vision of supporting national institutions and contributing to community progress and development in all areas, the Bank has demonstrated this responsibility during the COVID-19 pandemic by supporting the Iraqi medical sector in providing hospitals with the necessary equipment to deal with this pandemic. In the same context, the Bank continued to support other sectors under CBI's initiative by donating a monthly sum to the Community-based Initiatives Fund (TAMKEEN); in order to support the local community, cater for youth and children and provide support for humanitarian and cultural cases.



Network of Correspondent Banks

As for correspondent banks, this year, the Bank maintained its network of correspondent banks worldwide, bringing the number of its correspondent banks to (7) banks, in order to cover all its foreign activities; particularly in the field of documentary credits and transfers.

List of Our Bank's Correspondent Banks with Which We have Accounts

Name of Bank	Country
Citibank – New York	USA
Citibank - Dubai	UAE
Burgan Bank - Kuwait	Kuwait
Burgan Bank - Turkey	Turkey
Jordan Kuwait Bank	Jordan
United Gulf Bank	Bahrain
National Bank of Kuwait	Kuwait

Human Resources

Based on its understanding that its human resources and qualified banking competencies are the main pillar of customer service, the Bank has designed its training plan for 2020 to meet the training needs of employees in general, and control departments in particular, in order to improve their professional performance in line with the Bank's vision through internal and external training programs. Due to the circumstances associated with the COVID-19 pandemic in 2020, these training programs were conducted remotely after expanding the implementation of online training programs. Moreover, specialized training courses related to job duties and requirements were held both in-house and outside the Bank in 2020, providing training to (169) employees.

Furthermore, the Bank has implemented the best management practices in its working systems to ensure business continuity during the lockdowns dictated by the COVID-19 pandemic; which enabled the Bank to maintain its business continuity and provide its services with utmost efficient. As for working environment, the Bank has provided a healthy working environment that ensured the implementation of public health and safety measures both in the Main Office and branches, in addition to taking various actions to limit and prevent the spread of COVID-19 in workplaces by issuing circulars and implementing the health and safety measures required by government and regulatory authorities. Employee's compliance with the requirements to wear face masks provided to employees and customers alike and hold all external and most internal meetings via Teams and Zoom applications has been monitored.

Based on its strategy of developing its human resources, the Bank continued to recruit competencies to manage businesses and transfer their expertise to Bank employees in accordance with international standards. The total number of employees in our Bank and all its branches as at the end of 2020 reached (768) employees, including (749) employees in Iraq and (19) in Beirut branch.

Classification and Number of Employees of Bank of Baghdad by Job Grade

#	Job Grade	Total	Percentage (%)
1	Employees	449	57,5%
2	Tellers	84	11%
3	Guards	146	19,5%
4	Workers	89	12%
Total		768	100%

Analysis of the Financial Position And Business Results for 2020

Assets

The Bank's assets increased by IQD (286,784,032) thousand at a growth rate of (25.3%) reaching IQD (1,419,528,237) thousand compared to IQD (1,132,744,205) thousand in 2019, as the Bank continued its efforts to improve the quality and type of its assets by implementing IFRS 9 "Financial Instruments" and increasing the provisions for financial instruments. In terms of the utilization of assets, the Bank maintained the balance between profitability and safe investment, while avoiding high-risk investments, which will improve its future profitability indicators, balance profitability with risk, provide the necessary cash liquidity to deal with financial liabilities of various maturities, and enable optimal use of available funds in an efficient and effective manners by maintaining a solid financial position, achieving growth in the Bank's revenue generation capacity and maintaining its financial liquidity indicators.

By analyzing the relative materiality of asset items, we find that the cash (cash and balances with central banks and banks), direct credit facilities at amortized cost and financial assets at amortized cost items account for (94.3%) of total assets with (72.9%), (10%) and (11.5%) respectively.

By reviewing and analyzing the cash item, we find that it increased by (49.8%) to IQD (343,186,327) thousand compared to the end of the previous year as a result of the growth in deposits during the year and the change in the Iraqi dinar exchange rate. Cash and balances with central banks increased by (52.9%) to IQD (291,933,601) thousand and balances with banks and banking institutions increased by IQD (51,882,726) at the rate of (37.3%).

On the other hand, in terms of credit facilities, the net credit portfolio dropped by (5.3%) due to the Bank's activation of the collection of outstanding debts and continuous collection of its dues from borrowers despite the high impact of the change in USD exchange rate on the portfolio represented by an increase of IQD (13,615,017) thousand. The Bank made remarkable progress in this respect by managing to collect and structure over IQD (28) billion of the credit portfolio, the effect of which is expected to be reflected in Bank's performance in this area during the upcoming year. In addition, interest for the sum of IQD (5,206,137) thousand was suspended during the year and IQD (1,212,293) of suspended interest were collected. Non-performing facilities after deducting interest in suspense reached IQD (164,821,490); accounting for (84%) of the total credit portfolio.

In order to keep pace with all changes and implement international standards, the Bank has implemented IFRS 9 by developing the relevant methodology and implementing it to the Bank of Baghdad Group. The provisions created during the current year have increased substantially in order to deal with expected credit loss on direct credit facilities, despite having sufficient collaterals to maintain the quality of its assets, as the provisions' non-performing loans coverage ratio reached (24.3%) of non-performing credit compared to (21.6%) at the end of the previous year.

As for investments, and in line with its policy of investing in low-risk assets, the Bank increased its investment in government bonds, the balance of which reached IQD (162,810,723) thousand, with a growth rate of (67.4%), accounting for (11.5%) of total assets, despite suspending the issuance of treasury bills and bonds of Iraqi sovereign bodies. However, we find that the Bank, based on its vision of seizing available opportunities, has increased its investment in government bonds (Eurobonds) by investing USD (100) million in these bonds for a rate of return exceeding (12%). On the other hand, due to the economic circumstances in Lebanon, the Lebanese government bonds for the value of IQD (29.75) billion have been reclassified to Stage 3 and a provision for expected credit loss for the sum of IQD (15,362,018) thousand was created, of which IQD (4,769,112) thousand were allocated to deal with any future effects of this investment. The Bank will continue to follow up on the outcome of the settlement with the Lebanese government, while continuing to create provisions for the expected credit loss on these bonds in accordance with the Bank's methodology.

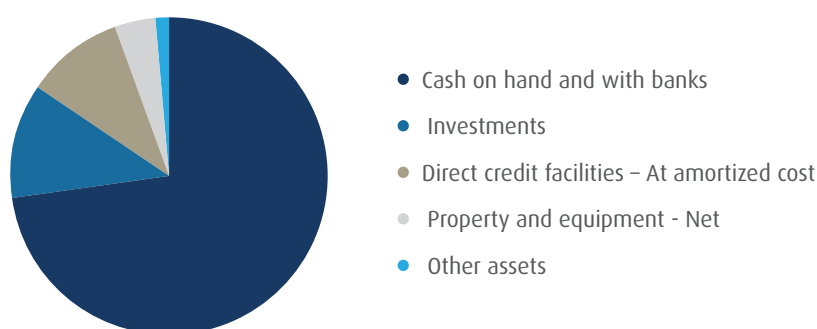
In another context, net fixed assets increased by (10.5%) to IQD (5,316,444) thousand as a result of the Bank's planned execution of certain projects related to Mosul and Al A'thamiyyah branches, in addition to the construction of the new headquarter building which is expected to be completed by the end of 2022 , as well as the infrastructure projects for the disaster recovery center and certain other banking systems.

As for other assets, they dropped by (86.5%) compared to the previous year as a result of investing USD (100) million in Iraqi government bonds in advance payments for investment, in addition to working on recovering the Bank's dues from double taxation with Kurdistan District; where the sum of (3.845) billion was recognized as due for the Bank from the General Commission of Taxes, as well as recovering the sum of IQD (2.19) billion from the provisions created for this item.

Relative Materiality of Elements of the Bank's Financial Position 2020 Compared to 2019

	2020	Relative Materiality (%)	2019	Relative Materiality (%)	Growth (%)
Cash on hand and with banks	1,034,330,192	72.8%	690,513,865	61.0%	49.8%
Investments	168,593,729	11.9%	102,423,041	9.0%	65.2%
Direct credit facilities – At amortized cost	141,629,918	10.0%	149,602,718	13.2%	(5.3%)
Property and equipment - Net	56,090,450	4.0%	50,774,006	4.5%	10.5%
Other assets	18,883,948	1.3%	139,430,575	12.3%	(86.5%)
Total assets	1,419,528,237	100%	1,132,744,205	100%	25.3%

Relative Materiality of Bank's Assets



Liquidity

The Bank's cash balances increased by (49.8%) to IQD (1,034,330,192) thousand; as the balance with CBI reached IQD (714,119,727) thousand accounting for (69.0%) of total cash balances. The balance of investment with central banks was (zero) due to suspending the investment tools at the Central Bank of Iraq, while the cash balance with CBI branches in Kurdistan District remained IQD (45,347,371) thousand as at the end of the year, and the cash balance with Banque du Liban equals IQD (25,122,205) thousand, including the equivalent of IQD (14,845,101) thousand in USD; and the Bank is working with regulatory authorities to collect this sum while simultaneously calculating the expected credit loss on this sum which reached IQD (16,786,461) thousand. The sum of IQD (8,060,441) thousand has been recovered and efforts will continue to recover the remaining sums over the upcoming years in accordance with the Bank's methodology. As for the statutory reserve with central banks, its balance increased to IQD (127,256,317) thousand compared to IQD (111,469,700) thousand.

As for foreign balances, they increased by (37.3%), that is, IQD (51,882,726) thousand, due to the increase in deposits with foreign banks which reached the equivalent of IQD (87,600,000) thousand in USD at an APR of (2.8%).

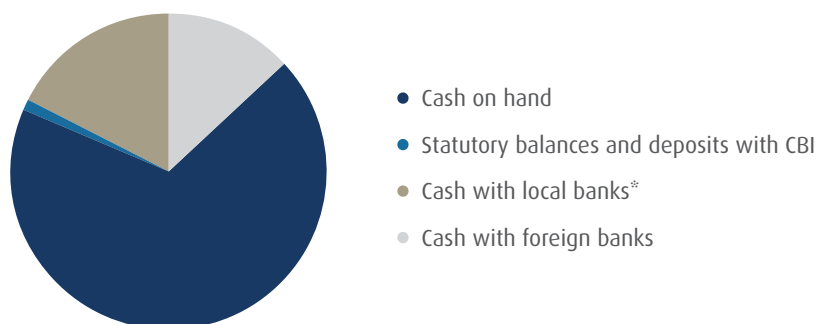
In terms of indicators and liquidity ratios, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) reached (269%) and (343%) respectively, which indicates the Banks' sound liquidity situation and its high ability to deal with contingencies.

Figures in IQD thousand

Cash by Type	2020	Relative Materiality (%)	2019	Relative Materiality (%)
Cash on hand	137,190,851	13.3%	59,166,101	8.6%
Statutory balances and deposits with CBI	714,119,727	69.0%	492,150,435	71.3%
Cash with local banks*	11,941,101	1.2%	13,498,399	2.0%
Cash with foreign banks	179,705,115	17.4%	125,698,929	18.2%
Expected credit loss	(8,626,603)	(0.8%)	-	-
Total	1,034,330,192	100.0%	690,513,865	100.0%

* Restricted withdrawal balances with local banks and banking institutions reached IQD (10,918,078) thousand as at 31 December 2020, and IQD (11,183,078) as at 31 December 2019.

Relative Materiality of Cash and Balances with Central Banks and Banking Institutions



Financial Investments

Bank's investments increased to IQD (168,593,729) thousand at the end of the year compared to IQD (102,423,041) thousand in 2019. The main reason for this was the Bank's investment strategy of increasing investment in government bonds and bills; as investment in bonds accounted for (96.6%) and in shares (3.4%), respectively. The rate of return on investment increased to (6.04%), that is, IQD (10,186,971) thousand, of which IQD (10,164,204) thousand was interest on bonds and IQD (22,767) thousand was dividends. Furthermore, these returns increased by (2.4%) compared to the previous year due to the increase in the return on investment in government bonds and treasury bills. As for the fair value of shares, it did not witness any material change; as the value of shares listed on the Iraq Stock Exchange increased, while the fair values of investments in unlisted companies decreased. The table below shows the Bank's key investments in the shares:

Name of Company	Bank's Equity Ratio	Number of Shares	Market Value (IQD thousand)
Iraqi Company for Financing SMEs*	14,8%	2,431,100,000	2,431,100
Al-Amin Insurance Company	48%	1,833,269,760	989,966
Gulf Commercial Bank	0,3%	999,515,949	139,932
Iraqi Company for Deposit Insurance	0.8%	789,473,840	-
Al-Amin Real Estate Investment Company	10,8%	754,943,915	513,362
Al Rafedain Grains Company	10,6%	766,420,355	-
Iraq Bank Guarantees Company*	5,8%	560,712,000	560,712
Industrial Union for Generators Co.	2,2%	75,000,000	-
Other (Amusement park, Sinbad Tourism, Baghdad Food Industries, Construction Materials Industries, Middle East Investment Bank)	-0,015% 0,2%	38,360,518	5,497

*Evaluated at book value or cost, whichever is less, because it is not listed in Iraq Stock Exchange.

Direct credit facilities – At amortized cost

Direct facilities

Based on the Bank's strategy of decreasing non-performing assets, including its credit portfolio, and due to the current circumstances in the business environment; as a result of the COVID-19 pandemic and the political and economic situation in Lebanon and Iraq; this portfolio was affected in 2020 in the form of a default for an approximate value of IQD (11.5) billion. Nevertheless, part of the facilities granted to customers was collected, restructured and rescheduled; thus decreasing the credit facilities at amortized cost in 2020 by IQD (7,972,800) thousand, that is, (5.3%) to IQD (141,629,918) thousand. Furthermore, the change in exchange rates has affected the credit portfolio which increased by IQD (13,615,017) thousand. The Bank's non-performing facilities to total credit portfolio ratio reached (90%); as the Bank managed to collect and schedule more than IQD (28) billion this year.

By analyzing the Bank's portfolio in terms of distribution by sector, we find that retail loans accounted for (7.9%) with IQD (11,161,774) thousand and corporate loans accounted for (92.1%) with IQD (130,468,144) thousand.

On the other hand, the Bank worked on implementing IFRS 9 in 2020 by calculating the expected credit loss on direct facilities, which reached IQD (81,812,335) thousand as at the end of 2020. Therefore, the Bank increased the provisions by IQD (11,912,323) thousand, as a result of which credit portfolio provisions reached IQD (42,851,513) thousand which complies with IFRS 9 and of CBI Instructions. Furthermore, interest for the sum of IQD (3,993,844) thousand was suspended and recovered, bringing the balance of interest in suspense accrued on the credit portfolio in 2020 to IQD (11,696,827) thousand.

Figures in IQD thousand

Item	2020	2019	Change
Total direct credit facilities	196,178,258	188,244,891	(4.2%)
Interest in suspense	(11,696,827)	(7,702,983)	51.8%
Provision for credit facilities Impairment	(42,851,513)	(30,939,190)	38.5%
Net direct credit facilities	141,629,918	149,602,718	(5.3%)

Equity

Bank shareholders' equity reached IQD (278,435,852) thousand after adjusting the opening balance of equity by IQD (16,468,199) thousand as the first year's share of the impact of implementing IFRS 9 pursuant to CBI Instruction No. (9/6/98) dated 2/3/2020 on implementing this standard, and its approval of the distribution of the quantitative impact of this implementation over 5 years; provided that dividends are only distributed once the impact of IFRS 9 is covered in full. Accordingly, the adjusted opening balance reached IQD (257,173,255) thousand as equity increased by IQD (21,262,627) thousand at the rate of (8.3%); representing the net profit for 2020 plus profit from currency translation difference. Furthermore, pursuant to the abovementioned instructions of the Central Bank of Iraq, the Board of Directors decided to submit a recommendation to the general assembly to retain current year's profit for coming years.

Capital adequacy

The Bank's capital adequacy ratio reached (28.58%) compared to (64%) in the previous year, as a result of satisfying the Basel III requirements adopted by the Central Bank of Iraq at the end of 2020, which take into account the impact of implementing IFRS 9 when making calculations; noting that the ratio for 2019 was presented in accordance with Basel II requirements. This ratio exceeds the requirements of international standards of Basel Committee and the requirements of CBI which are (8%) and (12%) respectively.

Figures in IQD thousand

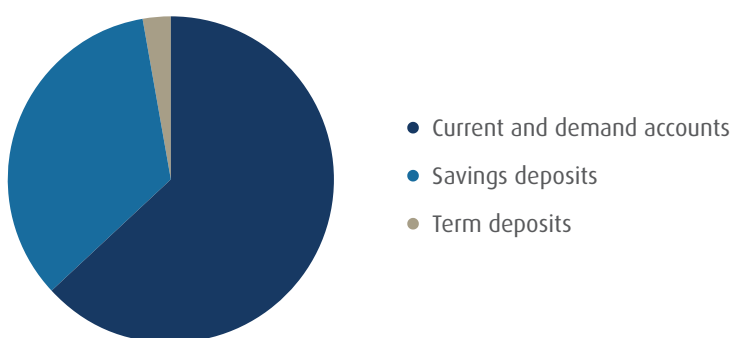
	2020	Relative Materiality %	2019	Relative Materiality %	Growth %
Current accounts and deposits (customers and banks)	1,073,265,508	75.6%	803,012,079	70.9%	33.7%
Cash margins	19,682,924	1.4%	17,460,107	1.5%	12.7%
Long-term loans	3,811,138	0.3%	2,507,408	0.2%	52.0%
Miscellaneous and tax provisions	12,470,476	0.9%	9,372,210	0.8%	33.1%
Other liabilities	31,862,339	2.2%	26,750,977	2.4%	19.1%
Shareholders' equity	278,435,852	19.6%	273,641,424	24.2%	1.8%
Total liabilities and shareholders' equity	1,419,528,237	100%	1,132,744,205	100%	100%

Current Accounts and Deposits

Total amounts (current accounts and deposits) deposited with the Bank reached IQD (1,072,372,065) thousand at the end of 2020, with a growth rate of (33.8%); as a result of the increase in current and savings accounts. Current accounts and deposits accounted for (75.6%) of total liabilities. Deposits can be detailed as follows:

	2020	Relative Materiality %	2019	Relative Materiality %	Growth %
Current and demand accounts	677,935,688	63.2%	470,320,146	58.7%	44.1%
Savings deposits	365,335,436	34.1%	299,456,990	37.4%	22.0%
Term deposits	29,100,941	2.7%	31,397,721	3.9%	(7.3%)
Total deposits	1,072,372,065	100.0%	801,174,857	100.0%	33.8%

Distribution of Deposits with the Bank



Provisions and expected credit loss balances

The Bank has implemented international standards and followed a clear policy of hedging for any expected losses by creating and calculating provisions for expected credit losses on all financial instruments in accordance with IFRS 9 or CBI instructions, whichever is stricter. These results have been calculated based on the statements of 31/12/2019 and the opening balance of retained earnings was adjusted by this impact after distributing it over 5 years; such that the sum of IQD (16,468,199) thousand was allocated as the share of the first year's share of the impact of implementing IFRS 9 pursuant to CBI Instruction No. (9/6/98) dated 2/3/2020 on implementing this standard. The following table summarizes the impact of implementing IFRS and the volume of provisions created from retained earnings:

Item (IQD thousand)	Provision before Implementing IFRS 9	Recalculation Difference	Balance in Accordance with IFRS 9	Decrease in Provisions after Calculation for the First Year	Provision Balance as at 1/1/2020 after Implementing IFRS 9
Cash and balances with central banks	4,380	10,907,525	10,911,905	8,726,020	2,185,886
Balances with banks and banking institutions	14,657	2,701,799	2,716,455	2,096,824	619,631
Debt instruments as part of the portfolio of financial assets at amortized cost	449,820	13,241,133	13,690,953	10,592,906	3,098,047
Direct credit facilities at amortized cost	30,920,152	48,701,028	79,621,180	38,960,822	40,660,358
Other assets	-	2,909,073	2,909,073	2,327,259	581,814
Indirect facilities	303,594	461,472	765,066	-	765,066
Total	31,692,603	78,922,030	110,614,633	62,703,831	47,910,802

During 2020, these provisions were calculated using the same methodology by calculating the difference and reflecting it in the statement of income. The following table illustrates the volume of provisions created for expected credit loss:

	2020 (IQD thousand)
Expected credit loss on cash with central banks	5,873,562
Expected credit loss on balances with banks and banking institutions	(56,796)
Expected credit loss on direct facilities at amortized cost	1,608,411
Expected credit loss on financial assets at amortized cost	2,423,000
Expected credit loss on off-balance sheet items	667,430
Expected credit loss on other assets	(2,524,761)
Total	7,990,846

As for balances with central banks, the balance of the provisions for expected credit loss reached IQD (8,060,411) thousand to cover expected loss on amounts with central banks in Iraq and Lebanon due to the decline in the credit rating of the Lebanese Republic and CBI requirements regarding balances with Erbil and Sulaymaniyah branches. In the same context, within the banks and banking institutions item, the sum of IQD (566,162) thousand was allocated. As for expected credit loss on facilities, the relevant provision reached IQD (42,851,513) thousand in terms of balances, in addition to creating a provision for expected credit loss on non-performing loans for each individual loan in accordance with CBI requirements and international standards. The credit risk provision to non-performing facilities coverage ratio after deducting interest in suspense reached (24.3%).

As for miscellaneous provisions, the bank added provisions for the amount of IQD (376,146) thousand; including IQD (524,369) thousand as a provision for employee's end-of-service indemnity in accordance with relevant regulations and legislations relating to employees; as the Bank will create these provisions annually. On the other hand, the sum of IQD (150.9) million was allocated as miscellaneous provisions, while the provision for lawsuits against the bank dropped by IQD (112,148) thousand to IQD (87,852) thousand; representing the expected financial impact of these lawsuits in the opinion of the Bank's Legal Department. As for the expected credit loss on indirect credit facilities, the Bank has created a provision for the amount of IQD (1,138,599), bringing the total provision to IQD (1,442,193) thousand; to deal with the risks expected as a result of economic conditions.

Furthermore, the Bank has recovered a provision for the sum of IQD (2,191,150) thousand as a result of establishing the Bank's entitlements before the General Commission of Taxes with respect to the double taxation amount paid in Kurdistan District for the sum of IQD (3,849,908) thousand. The Bank has been following up on these entitlements with the relevant authorities and, consequently, these provisions were recovered to the statement of income in 2020.

As for tax provisions, the Bank has demonstrated its compliance with tax legislations in Iraq, obtained a tax clearance certificate for the year 2019 and completed all its tax accounting.

The following table illustrates the balance of these provisions as at the end of 2020:

Figures in IQD thousand

Account Name	2020	2019
Provision for expected credit loss on direct facilities at amortized cost	42,851,513	30,939,190
Provision for expected credit loss on cash with central banks	8,060,441	-
Provision for expected credit loss on balances with banks and banking institutions	566,162	-
Provision for expected credit loss on financial assets at amortized cost	5,071,227	449,820
Provision for expected credit loss on off-balance sheet items	1,442,193	303,594
Provision for potential credit loss from currency auction	4,913,025	5,668,876
Tax provisions	4,578,241	1,976,120
Provisions for stolen cash and accounts receivable	38,377,845	38,458,396
Provisions for other litigation expenses	405,247	366,399
Provisions for end-of-service indemnity	1,131,770	607,401
Expected credit loss on other assets	248,204	-

Bank's business results

Despite the effects of the COVID-19 pandemic and consequent economic impact on the Iraqi economy as a result of the complete and partial lockdowns, declining demand on oil, declining oil prices and global economic slowdown, in addition to the impact of the economic crisis in Lebanon on Beirut branch; the Bank's business results, compared to the previous year, were an exception; as the Bank has demonstrated its expertise in managing crises and its ability to turn challenges into opportunities, as net profit before tax increased by (137.8%), that is, IQD (14,937,996) thousand to IQD (25,775,190) thousand compared to IQD (10,837,194) thousand as at the end of the previous year. Similarly, the Bank's net profit after tax increased by IQD (12,901,467) thousand (i.e., 176.8%) to IQD (20,200,071) thousand compared to the previous year; due to the increase in total income and improvement of operating efficiency with the decrease of administrative and general expenses.

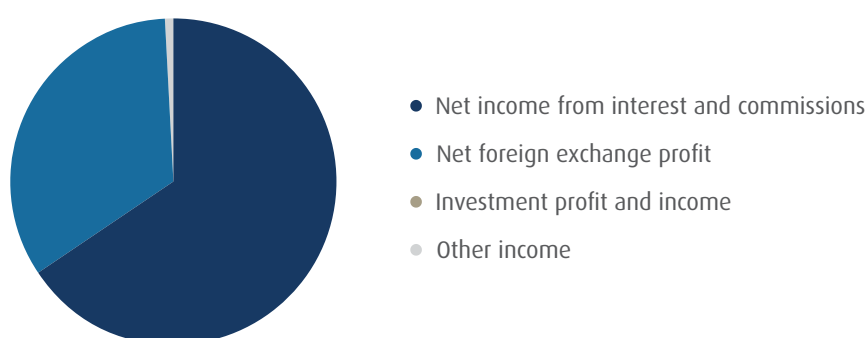
Total income in 2020 grew by IQD (20,561,524) thousand at the rate of (51.4%) to IQD (60,552,064) thousand compared to IQD (39,887,680) thousand at the end of the previous year. The main reason for this growth was the increase in income under the net income from commission item which increased by IQD (9,092,436) thousand at the rate of (45.8%) to IQD (28,952,665) compared to IQD (19,860,229) thousand in 2019; due to the development of Bank's activities with customers and correspondent banks, which had a positive impact on income, while the other reason is the growth of foreign exchange profit by IQD (9,972,952) thousand at the rate of (96.7%) to IQD (20,290,617) thousand.

In the same context, the bank has achieved a (19.0%) growth in net interest; that is IQD (1,726,359) thousand, due to the growth in interest on investment in bonds and the decrease in the returns on the credit portfolio due to the decline in the quality of the portfolio and the decline in special interest on deposits with central banks because of the suspension of investment products imposed by the Central Bank of Iraq. In the same context, interest on balances and deposits with banks and banking institutions declined due to the decline in the volume of the Bank's foreign deposits in accordance with the instructions of the Central Bank of Iraq. Conversely, other income decreased compared to the previous year due to the decrease in returns on leases.

By analyzing the relative materiality of income, we find that income from interest and commissions ranks first with IQD (39,786,150) thousand, accounting for (65.7%) of total income, as shown in the table and figure below:

Figures in IQD thousand

	2020	Relative Materiality %	2019	Relative Materiality %	Growth %
Net income from interest and commissions	39,786,150	65.7%	28,967,355	72.4%	37.3%
Net foreign exchange profit	20,290,617	33.5%	10,317,665	25.8%	96.7%
Investment profit and income	22,767	0.0%	29,870	0.1%	(23.8%)
Other income	452,530	0.7%	675,650	1.7%	(33.0%)
Total	60,552,064	100%	39,990,540	100%	51.4%



Expenses

In 2020, the Bank's operating expenses decreased by (6.3%) to IQD (26,786,028) thousand compared to IQD (28,596,426) thousand in 2019. This decline was primarily a direct result of the decline in other provisions expenses, in addition to the decline in other operating expenses and employees' salaries and related expenses to IQD (9,542,423) thousand from IQD (10,243,944) thousand as at the end of 2019; due to the decline in the lease, maintenance, communication and transport expenses despite the increase in donation expenses, as well as capital loss expenses.

As for employees' salaries expenses, they dropped to IQD (14,918,573) thousand mainly due to training and tax expenses.

As for expected credit loss expenses, they increased from IQD (556,920) thousand to IQD (7,990,846) thousand as a result of implementing IFRS9 in 2020.

Figures in IQD thousand

	2020	Relative Materiality %	2019	Relative Materiality %	Change %
Employees' salaries and related expenses	14,918,573	55.7%	15,360,770	53.0%	(2.9%)
Other operating expenses	9,542,423	35.6%	10,243,944	35.0%	(6.8%)
Depreciations	1,948,886	7.3%	1,654,482	6.0%	17.8%
Miscellaneous provisions	376,146	1.4%	1,337,230	4.0%	(71.9%)
Total	26,786,028	100.0%	28,596,426	100.0%	(6.3%)

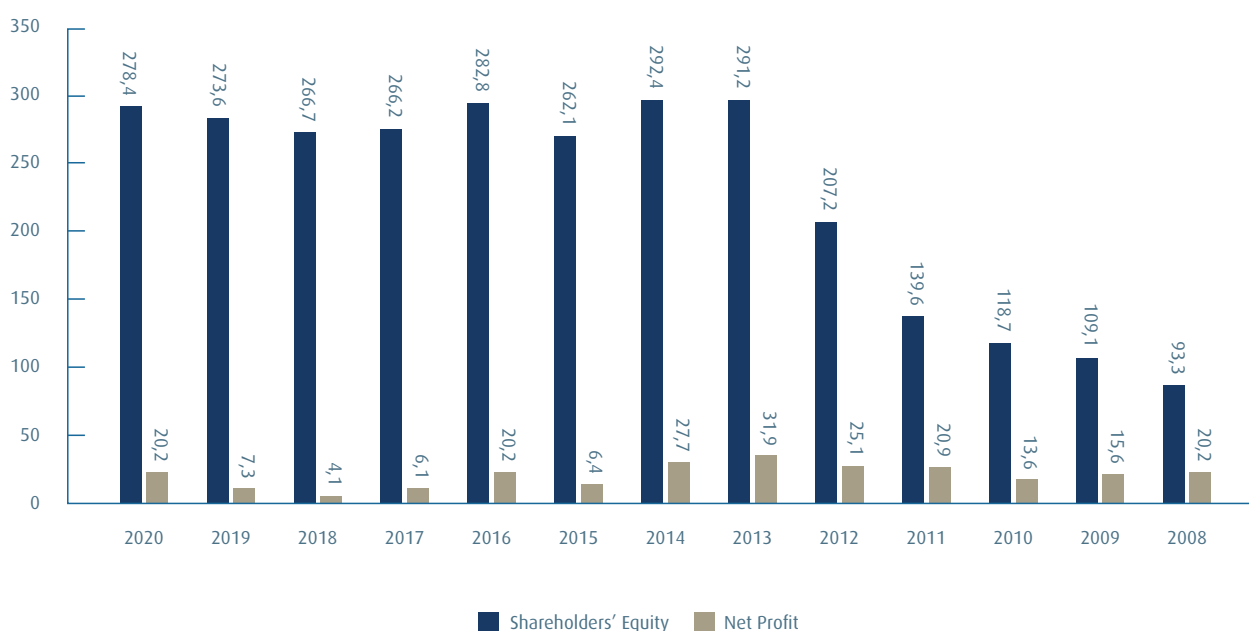
	2020	2019
Return on average Bank shareholder's equity	7.3%	2.70%
Return on capital	8.1%	2.92%
Return on average assets	1.42%	0.62%
Profit per employee after tax	26,302	9,204
Interest income to average assets	1.29 %	0.96%
Interest expense to average assets	0.44%	0.51%
Interest margin to average assets	0.85%	0.45%
Provision for non-performing facilities impairment coverage ratio - Net	24.3%	21.7%
Non-performing facilities to total facilities ratio (Less: interest in suspense)	84%	82.4%

The Bank's Key Financial Indicators for the Years 2020 - 2008

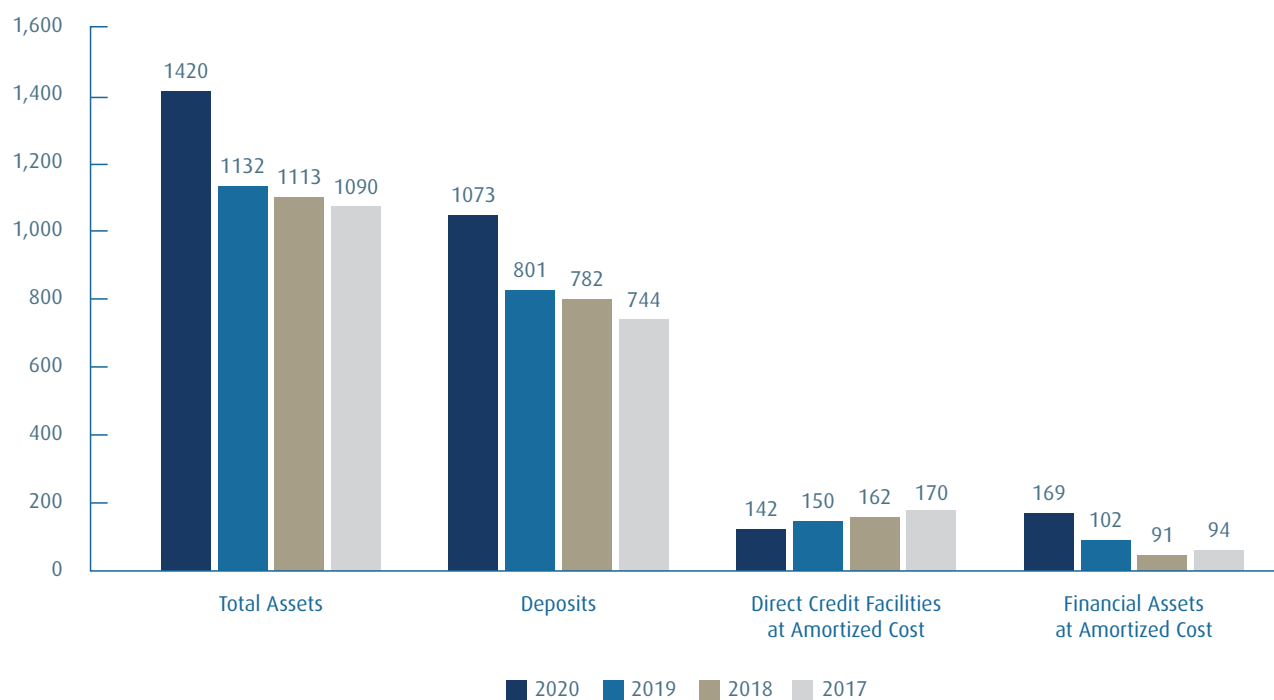
Figures in IQD billion

Year	Capital	Total Assets	Deposits	Investment	Cash Credit	Shareholders' Equity	Net Profit	Number of Branches		
								Baghdad	Governorates	Branches Abroad
2020	250	1,420	1,072	162.8	141,6	278,4	20,2	13	22	1
2019	250	1,132	801	102.4	149,6	273.6	7.3	13	22	1
2018	250	1,113	782	91	161.9	266.7	4.1	12	22	1
2017	250	1,090	743.5	93.8	169.5	266.2	6.1	12	22	1
2016	250	1,200	790	7.0	195	282.8	20.2	16	23	1
2015	250	1,479	835	5.8	262	262.1	6.4	16	27	1
2014	250	1,827	1,491	455	228.9	292.4	27.7	15	25	1
2013	250	1,765	1,393	410.1	219.1	291.2	31.9	15	24	1
2012	175	1,301	1,047	239.1	147,4	207.2	25.1	13	26	1
2011	112.9	875	699	185.4	149.7	139.6	20.9	12	22	1
2010	85	961	805	12.9	180.8	118.7	13.6	13	21	1
2009	85	802	662	163.1	79.5	109.1	15.6	12	20	0
2008	70	543	404	217.1	47.3	93.3	20.2	11	13	0

Evolution of Shareholders' Equity and Profit



Evolution of Bank's Financial Position



Objectives of the Future Plan 2021 of Bank of Baghdad Group

Objectives of the Future Plan 2021 of Bank of Baghdad Group

The objectives of Bank of Baghdad Group's future plan for 2021 were developed in line with the Bank's strategic plan and the changing customers' needs of services and their development and automation in the Iraqi banking market, as well as to improve the quality of the Bank's assets and enhance its internal control; by a set of projects and working programs serving all business sectors through the development of all technological, organizational, operational and knowledge aspects.

Objectives of the Group's Future Plan:

Financial Aspect:

- To maintain a healthy level of key financial ratios in line with the requirements of the regulatory authorities; on top of which is maintaining a capital adequacy ratio and statutory liquidity ratio not less than those required by the regulatory authorities.
- To maintain the Bank's competitive position in the Iraqi banking sector, and increase its share of liability and asset products within acceptable levels of risk and rates of return.
- To improve asset quality by reducing and covering non-performing assets with provisions in line with international standards; by increasing the non-performing assets coverage ratio to (70%).
- To increase and diversify investments in low-risk assets with acceptable return, by expanding government credit through local and international bonds and treasury bills.
- To continue to grow income and control costs; in order to improve the Bank's operating efficiency.

Market and Customers Aspect:

- To improve the Bank's developmental role in finance and foreign trade services for the retail, major corporations and government sectors alike, through a team of highly professional specialists, and to obtaining a rating from an international agency to support this direction.
- To increase the Bank's distribution outlets and markets by opening new branches and installing ATMs in target locations.
- To enhance and develop the electronic and digital services for all segments of Bank customers, enhance their experience, promote the concept of self-service and provide services in a convenient manner in line with customers' needs and aspirations at all times; by developing mobile banking services.

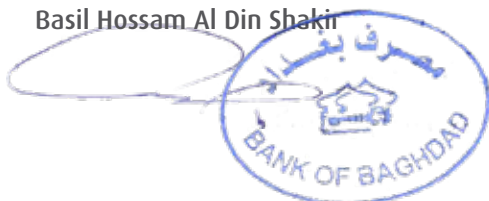
Operations and Technology Aspect:

- To continue to develop operations by centralizing the Bank's activities and transforming branches into points of sale to serve customers in an ideal manner.
- To carry out a set of technology projects to help develop and introduce services in a timely manner.

Learning and Development Aspect:

- To continue to empower and develop our human resources and improve their performance; by enhancing learning and development through specialized training and enhancement of management competencies in line with the Bank's strategic direction.


Managing Director – Bank of Baghdad
Basil Hossam Al Din Shakir



Chairman – Bank of Baghdad
Usam Ismail Sharif

Consolidated Financial Statements and Auditors Report 2020





Independent Auditor's Report
Consolidated Statement of Financial Position
Consolidated Statement of Income
Consolidated Statement of Changes in Shareholder's Equity
Consolidated Statement of Cash Flows
Notes on the Consolidated Financial Statements



Auditor's Report

In the Name of Allah, the Most Beneficent, the Most Merciful

To the General Assembly of the Bank of Baghdad
(Private Joint Stock Company) - Baghdad
Subject: Auditor's Report

Dear Sirs / Madams,

We have audited the accompanying consolidated financial statements of the Bank of Baghdad (Private Joint Stock Company) which comprise the consolidated statement of financial position as at December 31, 2020, consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as the Bank's Annual Directors' Report prepared pursuant to the provisions of the Companies Law No. (21) for 1997 as amended, a summary of significant accounting policies and other notes.

Responsibility of Bank's Management:

The Bank's management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, and for preparing and implementing an internal control system, particularly with respect to the preparation and disclosure of fair financial statements that are free from material misstatement, whether due to error or manipulation. This responsibility also includes the selection and implementation of appropriate accounting policies and use of appropriate accounting estimates.

Auditor's Responsibility:

Our responsibility is to express an unbiased technical opinion on the financial statements provided to us based on the audit. We conducted our audit in accordance with local and international Auditing standards, which require compliance with the code of professional conduct and that we plan and perform the audit (on a test basis) to obtain reasonable assurance that the financial statements are free from material misstatements. The audit also includes measures to obtain evidence supporting the amounts and notes provided in the financial statements, in addition to assessing the appropriateness of the accounting policies implemented and reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we obtained is sufficient and appropriate and provides a reasonable basis for our opinion.

Following are the key explanations and notes:

First: Consolidated Financial Statements

1. The financial statements for the fiscal year 2020 attached hereto are the consolidated financial statements of the Bank of Baghdad (private joint stock company) and Baghdad Financial Brokerage Company (limited liability company) which is fully owned by the Bank of Baghdad (under liquidation); based on the decision of the general assembly of Baghdad Financial Brokerage dated 1/7/2018 and resolution of the Minister of Trade / Companies Registrar dated 5/12/2018 placing Baghdad Financial Brokerage Company "under liquidation". As at December 31, 2020, liquidation procedures have not been concluded.
2. Since we have not audited the financial statements of Beirut Branch for the fiscal year 2020 to date, as the same are audited by two certified auditors in the Lebanese Republic, the financial statements of Beirut Branch which have been consolidated with the Bank's financial statements are (unaudited financial statements).

Second: Implementing the International Financial Reporting Standards (IFRS)

1. The Bank's financial statements for the reporting year were prepared in accordance with the International Financial Reporting Standards and relevant directives and instructions of the Central Bank of Iraq. The Bank has adopted the historical cost basis for recording property and equipment, without revaluing said assets, based on their fair value. Since the electronic accounting system (Banks) used to record the Banks various activities (including its financial and accounting statements) does not adopt the International Financial Reporting Standards in the financial and accounting reports and statements issued thereby, the Bank's management has reclassified said reports relating to (the Bank's final accounts for the fiscal year 2020) in accordance with IFRS.

- The Bank has not implemented IFRS 16 (Leases), despite the fact that there is a group of buildings, related to certain branches of the Bank, that have been leased for many years in return for substantial amounts.

Third: Activities' Results

The activities for the fiscal year 2020 resulted in net profit before provisions and tax as follows:

Item	2020 IQD thousand	2019 IQD thousand
Profit before provisions	33,766,036	11,394,114
Net profit before tax	25,775,190	10,837,194
Net profit after tax	20,200,071	7,298,604

Net profit before tax for the present year increased by (137.84%) compared to the previous year.

Fourth: Cash (Note 3/4)

- The cash balance at the date of the balance sheet was IQD (1,034,330,192) thousand compared to IQD (809,694,543) thousand in the previous year; with a (27.74%) increase.
- The foreign cash balance and investments at the balance sheet date was as follows:

Item	2020 IQD thousand	2019 IQD thousand
Foreign banks and banking institutions	92,105,115	30,498,930
Deposits in foreign banks and banking institutions	87,600,000	95,200,000
Deposits in a (trading account) with one of Arabian banks*	362,246	119,180,678
Total as at December 31	180,067,361	244,879,608

The table above shows that foreign balances and investments at the balance sheet date represent (64.67%) of the Bank's Tier 1&2 capital.

*The Bank's deposit with one of foreign Arabian banks which is USD (60) million (IQD 87,600,000 thousand) / Paragraph (2) of the table above is excluded from calculation the foreign cash and investments ratio based on the Central Bank of Iraq's approval on its letter No. (9/2/2131) dated 1/2/2021. Accordingly, the foreign cash and investments ratio drooped to (33.21%) as of 31 December 2020.

Fifth: Foreign currency purchases through currency auction

The Bank has not purchased foreign currency through the foreign currency auction window of the Central Bank of Iraq during the fiscal year 2020, based on the Bank's confirmation No. (d/h/2028) dated 13/4/2021.

Sixth: Iraqi government bonds:

The value of the Iraqi Sovereign Bonds / maturity date 2028 that purchased by the Bank during the fiscal year 2020 reached to USD (107) million based on the decisions of the Bank's Board of Directors.

The Bank considers the bond discount price (bond issuance value – purchase price) unrealized profits that are distributed over the period between the date of purchase and the maturity date in 2028.

Auditor's Report

Seventh: Credit facilities:

Cash credit:

1. The balance of direct credit facilities as at 31/12/2020 including suspended interest and before deducting the credit facilities impairment provision (Note 7) was IQD (196,178,258) thousand, of which IQD (176,518,317) thousand represent non-performing credit facilities or (90%) of total direct credit facilities, most of which are covered by eligible collaterals (real estate) as explained in Note (32/2)
The non-performing direct credit facilities balance has increased, which requires analyzing and studying the same and taking prompt and effective actions to recover their amounts from the relevant parties.
2. The balances stated in Paragraph (1) above include outstanding balances of accepted guaranteed withdrawal facilities for documentary credits, car loans, discounted bills and accounts receivable for overdraft facilities most of which have been non-performing for past years and have not been settled by relevant customers of the Bank. Given the significant balance of the above mentioned direct credit facilities, we recommend to determine it and speeding up the following-up and collection procedures and relevant legal action.
3. The total outstanding balance of letters of guarantee paid by the Bank to the beneficiaries as at the balance sheet date reached IQD (1,352,230) thousand, some of which dates back to (2001, 2011 and 2012).
We recommend that the Bank's Legal Department to follow up on the relevant legal action; given the significance of this balance and the fact that it dates back to previous years.

Non-Cash Credit Facilities:

We have reviewed the non-cash credit portfolio, the balance of which reached IQD (56,668,436) thousand as at 31/12/2020, and would like to explain the following:

1. The balance of the letters of guarantee reserve retained at the Central Bank of Iraq is IQD (133,159) thousand in it is complying with the applied instructions.
2. Internal letters of guarantee against collaterals, most of which are (100%) and (107%), reached (209) letters for the value of IQD (15,832,107) thousand.
3. Foreign (Back to Back) letters of guarantee fully guaranteed by foreign correspondent banks.
4. A set of (8) documentary credits for a total value of IQD (3,712,037) thousand.

We would like to point out that the above mentioned letters of guarantee include expired letters for a total balance of IQD (3,712,037) thousand.

Eighth: Credit Concentrations

1. At the balance sheet date, the balance of the biggest non-performing facility reached to IQD (74,942,383) thousand, or (29.8%) of Tier 1&2 capital that exceeded the (10%) specified in Article No. (13) Of the Central Bank of Iraq Instructions No. (4) Of 2010 (Facilitating the Implementation of the Banking Law in Force), while the covering value at contractual date is IQD (74,970,000) thousand.
2. The Bank had already filed a lawsuit against the Borrower referred to in paragraph (1) above on 4/2/2018 at (Dashty Holir Court-Kurdistan Region -Erbil) with total principle balance IQD (44) billion. Said court issued its decision on 10/6/2019 compelling said Borrower to pay the Bank of Baghdad the sum of IQD (44) billion in addition to the interest at (7%) rate on the due principle.

The Borrower filed an appeal with respect to interest amount only, and the matter has not been resolved flatly as at the reporting date.

We recommend paying attention to the matter and following the legal procedures on the next stage that relating to said decision, due to the significance of the lawsuit amount and the fact that the facilities were covered by a commercial real estate.

Ninth: Implementing IFRS 9 / Note (7/b)

Based on the Central Bank of Iraq's letter No. (9/6/466) dated 26/12/2018 which provides for implementing IFRS 9 as first adoption on 1/1/2019 and the relevant implementation guidelines issued by the Central Bank of Iraq replacing Instructions No. (4) for 2010, as well as the Central Bank of Iraq letter No. (9/6/98) dated 2/3/2020 setting the rules for distributing the quantitative impact of implementing said standard as described in below;

Calculating the quantitative impact of implementation as at 31/12/2019

1. The Bank's management took action to implement this standard and completed the calculation of the quantitative impact of the same.
2. The Bank's management assigned two independent auditors to assess the impact of implementation and review the value of impairment in the Bank's equity upon implementing IFRS 9 as at 31/12/2019 and make sure to reflect the implementation impact on the financial statements. The independent auditors expressed their report no. (215/H-F H s/158/2020) dated 17/9/2020 which included certain explanations and notes, most important of which are:
 - a. Confirming the integrity of the expected losses calculation.
 - b. The expected losses of the Bank's branch in the Lebanese Republic (Beirut Branch) were not reviewed.
 - c. The Bank's has been designed an internal methodology to apply the IFRS 9, however, the calculation of expected losses is partly based on personal judgment, which may affects the accuracy of the estimates and results.
 - d. The impact of implementing IFRS 9 (Financial Instruments) will be reflected on the financial statements in light of the Bank's General Assembly's approval through its meeting that scheduled to convene on 5/10/2020.
3. The Bank has been applied the IFRS 9 methodology to Beirut branch based on the request of the Central Bank of Iraq by virtue of its letter No. (9/2/72372) dated 10/1/2021. Accordingly, the results of calculation the impact of IFRS 9 implementation revised to be as follows:

Item	Iraqi Branches (IQD thousand)	Beirut Branch (IQD thousand)	Total (IQD thousand)
IFRS 9 implementation impact	82,927,597	27,853,627	110,781,224
Less: Provisions at end of 2019	(30,000,007)	(1,649,857)	(31,649,864)
Balance not covered by Provisions as at 31/12/2019	52,927,590	26,203,770	79,131,360

4. And based on the Central Bank's letter no. (9/6/98) dated 2/3/2020 providing for distributing the impact of applying IFRS 9 over five years, the Bank's Board of Directors, approved the distribution of the quantitative impact over five years starting from the fiscal year 2020 during its session no. (11) held on 18/11/2020. Accordingly, the 2019 impairment portion was deducted from the retained balances accumulated from the previous year as shown on the "Consolidated Statement of Shareholders' Equity Changes- No. (C)":

IQD thousand	Details
16,218,199	Posted on the previous years retained earnings
250,000	Posted on the changes in fair value

Auditor's Report

Expected loss on financial assets for 2020 / Note (27)

The net expected loss on financial assets for 2020 were calculated as follows:

(IQD thousand)	Details
10,029,671	IFRS 9 implementation impact for the fiscal year 2020
(2,191,151)	Deduct: reversal of the tax provision for Bank's branches in Kurdistan
152,326	Add: amounts recovered to provisions from Beirut branch
7,990,846	Net expected credit loss on financial assets for the fiscal year 2020 / Note (27)

Tenth: Stolen Cash and Provisions therefor / Note (9)

The balance of stolen cash in previous years as at the date of the financial statements appeared at amount IQD (38,377,845) thousand. Full provisions were booked to mitigate the risks of the stolen cash (the details of which are provided in Note no. 9)

We would like to refer that the legal proceedings and complaint filed by the Bank with the "*Commission of Integrity*" in Kurdistan Region is still in progress and has not been resolved as at our report date.

We recommend the bank to follow up on and expediting the relevant legal proceedings and complaint with the "*Commission of Integrity*";

Eleventh: Fixed assets

We have not been received the breakdown and records of the machines and equipment (Acc. 113), Furniture and hardware (Acc. 116) and Systems and Decorations (Acc. 118) that the cost, accumulated depreciation and book value, for the purpose of monitoring and controlling the Bank's assets and check it with the counting results, as well as, verifying the accuracy of calculated annual depreciations.

Twelfth: Other Assets / Note (9)

The balance of the pre-payments for ownership and acquisition of "Land Account" includes amounts paid toward the purchase of (Jamilah) land at total amount of IQD (740) million; due to the delay in the registration of ownership of the same to the Bank despite the lapse of several years since the conclusion of the relevant contract and purchase.

We recommend expediting the procedures necessary to transfer the ownership of the same to the Bank.

Thirteenth: Agricultural Bank Cheques / Note (4 -2)

The balance of "*Due from local banks and banking institutions*" account includes IQD (7,664,680) thousand representing the value of cheques drawn on the "*Agricultural Bank*" (a government bank) in past years purchased by the Bank of Baghdad from customers in 2014. A court decision in favor of the Bank was issued on 17/5/2016 and became final. However, neither the value of said cheques, nor the interest accrued thereon have been collected as at the balance sheet date.

Fourteenth: Currency revaluation differences / Note (22)

Based on the Central Bank of Iraq / Banking Control Department's letter No. (9/2/382) dated 21/12/2020 providing for adjusting the value of foreign currency (US dollar) and any currencies valued against the US dollar in the financial records and banking systems at the beginning of the business day 20/12/2020, and determining the differences between the cost of acquiring said currencies and the current adjusted value calculated at the rate of IQD (1460) per US dollar; and recording the difference in accordance with IFRS's requirements

The Bank took the necessary action using the electronic system in place, and the effect of closing the balances on 20/12/2020 was as follows:

Amount (IQD thousand)	Item
4,668,564	The effect of devaluation the exchange rate from IQD 1190 to IQD 1460 per USD on the closing day 20/12/2020
(3,405,054)	Less: adjustment entries for currency revaluation differences related to projects under construction / prepaid expenses / lands / provision for stolen amounts in USD
1,263,510	Net revenue from changes in exchange rates

Fifteenth: Bank's Branches

The performance results of (21) branches of the Bank for the fiscal year/2020 is net losses with total amount IQD (3,458,643) thousand, against, (17) branches achieved net profit of total amount IQD (23,658,713) thousand. The net performance of all Bank's branches for the fiscal year /2020 is net profit with total amount IQD (20,200,070) thousand.

This requires to study and determine the reasons of drooping the revenues and increasing the expenses of such branches that achieved net losses during 2020 and take the procedures to treat it.

Sixteenth: Tax and Fees

As at the balance sheet date, the *"Employees' Expenses"* account included IQD (550,000) thousand representing direct withholding tax on the Bank employees' income (Iraqi branches) for the period between 1/1/2020 and 30/6/2020.

In its session (No. 7) held on 24/6/2020, the Bank's Board of Directors decided that all employees shall bear (payroll tax) costs starting from 1/7/2020.

Seventeenth: Miscellaneous provisions/Note (14)

The *"Miscellaneous Provisions"* account includes IQD (1,131,770) thousand that represents the balance of the *(End-of-Service Indemnity)* account as at the balance sheet date, noting that the balance of this account calculated as at 31/12/2020 was IQD (3,907,768) thousand. We recommend addressing the deficit in this provision.

Eighteenth: Financial Assets at Fair Value / Note (5)

1. Reserve for changes in fair value:
The balance of the reserve for changes in fair value as at 31/12/2020 reached to IQD (3,782,315) thousand after adjustments posted to the balance carried forward from the previous year. The valuation was based on the prices quoted in the last session of the "Iraq Stock Exchange" in the fiscal year 2020 (as detailed in Note (5)).
2. We have not received the supporting documents of the Bank's investments in securities (shares' capital) of six companies in which the Bank invests its funds as at 31/12/2020, the purchase cost of which was IQD (847,964) thousand.

Nineteenth: Money Laundering and Terrorism financing Reporting Department

By examining the accounting records and reviewing the nature of the Bank's operations during the year under audit and the information provided to us by said department, we found that the Bank has adequate procedures in place to prevent money laundering and terrorism financing in accordance with the sound regulations, directives and guidelines issued by the Central Bank of Iraq and the provisions of the Anti-Money Laundering and Terrorism Financing Law No. (39) of 2015.

Auditor's Report

The Bank has the following Anti-Money Laundering and Terrorism Financing programs in place:

1. SIRON system, which monitors day-to-day banking operations as per preset scenarios to detect suspicious and unusual operations; based on the scenarios approved by the Central Bank of Iraq.
2. FIRCO system, which is linked with internal and foreign transfer monitors in the banking system and links the names of the transferor to that of the transferee when carrying out the transfer prior to execution, checks the same against international blacklists and alerts the relevant officer prior to processing the transfer in order to examine any similarities or matches prior to making the decision to process the transfer.

Twentieth: Compliance Controller

We have reviewed the Bank's Compliance Controller's reports provided to us during the reporting year, and found the same to be in compliance with the requirements and instructions of the Central Bank of Iraq.

Twenty-first: Capital Adequacy

Pursuant to Central Bank of Iraq's decision No. (110) for 2020 providing for approving the controls related to the capital adequacy standard for commercial banks in accordance with the requirements of Basel II and III, and by examining the Bank's accounting records and reviewing its banking operations during the audited year and the statements prepared for the purpose of calculating capital adequacy, we found that the capital adequacy ratio as at the balance sheet date reached (28.6%), noting that the ratio set by the Central Bank is (12%).

Twenty-second: Lawsuits

Based on the information and lists provided to us by the Bank's Legal Department with respect to ongoing lawsuits that have not been determined as at 31/12/2020, we found that:

1. The number of lawsuits filed by the bank reached (8) lawsuit; of which the total value of lawsuits filed in Iraqi dinar is IQD (80,845,488) thousand and the total value of lawsuits filed in US dollar is USD (405) thousand. Said lawsuits are still in legal process and have not been finally settled as at 31/12/2020.
2. The number of lawsuits filed against the Bank and have not been settled by courts as at the balance sheet date reached (26) lawsuit; including (9) lawsuits the values of which has not been specified by the Legal Department. The total value of lawsuits filed in Iraqi dinar is IQD (2,900,343) thousand and the total value of lawsuits filed in US dollar is USD (3,627) thousand.

Twenty-third: Additional notes

Pursuant to the control requirements and accounting principles presented in the Central Bank of Iraq / Banking Control Department's letter No. (9/2/5228) dated 17/3/2021, we hereby provide the required information:

1. **Implementing the Corporate Governance Instructions:**
We have reviewed the results of the pilot implementation of the performance card related to the Bank's corporate governance manual. In our opinion, the Bank is generally complied with the quantitative and qualitative requirements as per the parallel performance card form, and that the Bank's management and Board of Directors are striving to implement the *"Corporate Governance Instructions"* that relating with the *"Disclosure and Transparency Practices"*.
2. **Results of the desk audit implemented by the Central Bank of Iraq:**
We have reviewed the *Central Bank Correspondences* that related with the Quarterly Audit of the balance sheets and disclosures which implemented by the Central Bank team at the end of each quarter, and we followed up the implementation of the treatments required by the Central Bank with respect to quarterly balance sheets and any other procedures specified for the Bank by the Central Bank, such as the Internal Control Department's quarterly reports.
3. By examining the correspondences between the Bank and the Central Bank and the monthly and quarterly reports, we found that the information sent by the Bank to the Central Bank of Iraq was adequate.
4. The Bank applies electronic systems to record the financial transactions. Main Core Banking System is (BANKS) system, and all accounting records are kept electronically, in addition, the supporting documents maintained in papers that stored properly in secured places.

5. **Balances with correspondent banks:**

- a. Balances with foreign correspondent banks represent (27.8%) of total deposits in foreign currency, which does not exceed of the (30%) ratio set by the Central Bank of Iraq.
- b. The Bank has booked a provision to mitigate the risk of cash and investment balances at Beirut Branch for total balance of IQD (7,147,728) thousand.

6. **Foreign currency positions:**

The Bank has calculated the foreign currency positions ratio in accordance with the instructions of the Central Bank of Iraq and the lists required thereby. As at 31/12/2020, this ratio reached (6%) as a long position, which does not exceed (20%) of Tier 1&2 capital adopted by the Central Bank of Iraq.

7. **Solvency and liquidity:**

- a. Liquidity Coverage Ratio (LCR) in accordance with Basel III reached (269%) as of 31/12/2020, while the minimum ratio required by the Central Bank is (100%).
- b. Net Stable Funding Ratio (NSFR) in accordance with Basel III reached (343%) as of 31/12/2020, while the minimum ratio required by the Central Bank of Iraq is (100%).

According to the above ratios, there are no concerns regarding the Bank's ability to meet its obligations to depositors in the subsequent period.

8. The balance of **Other Liabilities** detailed in Note (16) to the financial statements reached IQD (31,862,339) thousand, and the balances of all relevant accounts have been examined.
9. **Other Assets** represent (1.4%) of total current assets, which is less than the (10%) ratio required by the Central Bank of Iraq's letter on improving the financial statements.

Opinion

Notwithstanding the above; in our opinion, the consolidated financial statements, in all material aspects, clearly and fairly represent the Bank's consolidated financial position as at December 31, 2020, and its financial performance, consolidated cash flows and consolidated changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Auditors

Zuhair Mahmoud Hussein AL Bahrani
Public Accountant and Auditor
Fellow of the Iraqi Association of Certified Accountants

Saad Rashid Jassim
Public Accountant and Auditor
Fellow of the Iraqi Association of Certified Accountants

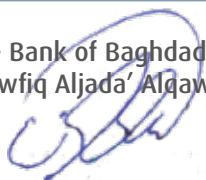
Baghdad – Republic of Iraq
April 29th, 2021

Consolidated Statement of Financial Position

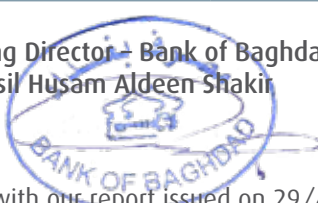
As at 31 December 2020

Statement (A)	Notes	2020 IQD (000)	2019 IQD (000)
Assets			
Cash and Balances with Central Banks	3	843,250,137	551,316,536
Balances with Banks and Financial Institutions	4	191,080,055	139,197,329
Investment in Associates	5	1,044,964	989,966
Financial Assets at Fair Value Through Other Comprehensives Income	5	4,738,042	4,182,827
Financial Assets at Amortized Cost	6	162,810,723	97,250,248
Direct Credit Facilities at Amortized Cost	7	141,629,918	149,602,718
Property and Equipment -Net	8	55,805,957	50,208,261
Intangible Assets	8	284,493	565,744
Other Assets	9	18,883,948	139,430,576
Total Assets		1,419,528,237	1,132,744,205
Liabilities And Shareholders' Equity			
Liabilities			
Due to Banks and Other Financial Institutions	10	893,442	1,837,222
Customer Deposits	11	1,072,372,066	801,174,857
Margin Accounts	12	19,682,924	17,460,107
Income Tax Provision	13	4,578,241	1,976,120
Miscellaneous Provisions	14	7,892,235	7,396,090
Borrowed Funds	15	3,811,138	2,507,408
Other Liabilities	16	31,862,339	26,750,977
Total Liabilities		1,141,092,385	859,102,781
Shareholders' Equity			
Capital (paid-up)	17	250,000,000	250,000,000
Statutory Reserve	18	13,876,834	12,853,597
Other Reserves	18	58,441	58,441
Fair Value Reserve	C	(3,782,315)	(3,646,697)
Foreign Currency translation Differences	C	1,092,265	-
Retained Earnings	C	17,190,627	14,376,083
Total Shareholders' Equity		278,435,852	273,641,424
Total Liabilities and Shareholders' Equity		1,419,528,237	1,132,744,205

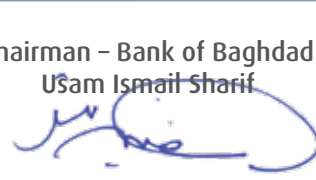
CFO - Bank of Baghdad
Ahmad Tawfiq Aljada' Alqawasmi



Managing Director - Bank of Baghdad
Basil Husam Aldeen Shakir



Chairman - Bank of Baghdad
Usam Ismail Sharif



In Compliance with our report issued on 29/4/2021

Zuhair Mahmoud Hussein AL Bahrani
Public Accountant and Auditor
Fellow of the IACA

Saad Rashid Jassim
Public Accountant and Auditor
Fellow of the IACA

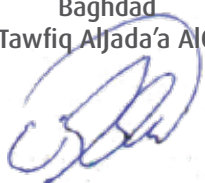
The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2020

Statement (B)	Notes	2020 IQD (000)	2019 IQD (000)
Interest Income	19	16,460,508	14,860,048
Interest Expense	20	(5,627,023)	(5,752,922)
Net Interest Income		10,833,485	9,107,126
Net - Commissions Income	21	28,952,665	19,860,229
Net Interest and Commissions Income		39,786,150	28,967,355
Foreign Currencies income	22	20,290,617	10,317,665
Cash dividends from financial assets at fair value through OCI	23	22,767	29,870
Other Income	24	452,530	675,650
Total Income		60,552,064	39,990,540
Salaries and employee related expenses	25	(14,918,573)	(15,360,770)
Other Operating Expenses	26	(9,542,423)	(10,243,944)
Depreciation and Amortization	8	(1,948,886)	(1,654,482)
Miscellaneous Provisions	14	(376,146)	(1,337,230)
Total Expenses		(26,786,028)	(28,596,426)
Profit Before Provision for Credit Losses		33,766,036	11,394,114
Financial Assets Expected Credit Loss Provision	27	(7,990,846)	(556,920)
Net Profit before Tax		25,775,190	10,837,194
Income Tax	13	(5,575,119)	(3,538,590)
Net Profit after Tax		20,200,071	7,298,604
		Dinar/Fils	Dinar/Fils
Basic and Diluted Earnings Per Share (IQD)	28	0/081	029/0

Chief Financial Officer – Bank of
Baghdad
Ahmad Tawfiq Al-Jada'a Al-Qawasmi



Managing Director – Bank of
Baghdad
Basil Husam Aldeen Shakir



Chairman – Bank of Baghdad
Usam Ismail Sharif



The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2020

Statement (B)	Notes	2020 IQD (000)	2019 IQD (000)
Other Comprehensive Income for the Year:			
Profit for the year – Consolidated Income Statement	C	20,200,071	7,298,604
Change in Fair Value of Financial Assets at Fair Value Through other Comprehensive Income	5	70,739	-
Foreign Currency translation Differences	C	1,092,265	-
Total Consolidated Comprehensive Income for the Year		21,363,075	7,298,604
Total Consolidated Comprehensive Income Attributable to:			
Bank's Shareholders		21,363,075	7,298,604
		21,363,075	7,298,604

The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement Of Changes In Shareholder's Equity (C)

For the Year Ended 31 December 2020

	Capital (paid-up)	Statutory Reserve	Other Reserves**	Foreign Currency translation Differences	Changes in Fair value	Retained Earnings (Losses)	Bank Shareholders' Equity	Total Shareholders' Equity
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2020								
Balance at 1 January	250,000,000	12,853,597	58,441	-	(3,646,697)	14,376,083	273,641,424	273,641,424
The impact of applying IFRS 9*	-	-	-	-	(250,000)	(16,218,199)	(16,468,199)	(16,468,199)
Balance at the beginning of the period - adjusted	250,000,000	12,853,597	58,441	-	(3,896,697)	(1,842,116)	257,173,225	257,173,225
Differences in Foreign Exchange	-	-	-	1,092,265	-	-	1,092,265	1,092,265
Profit for the year – Statement (B)	-	-	-	-	-	20,200,071	20,200,071	20,200,071
Transfer to Reserves	-	1,021,340	-	-	-	(1,021,340)	-	-
Changes in Fair Value Reserve	-	-	-	-	70,739	-	70,739	70,739
Adjustment Entries***	-	1,897	-	-	43,643	(145,988)	(100,448)	(100,448)
Balance at 31 December	250,000,000	13,876,834	58,441	1,092,265	(3,782,315)	17,190,627	278,435,852	278,435,852

*pursuant to Central Bank Instruction No. 9/6/98 dated 2/3/2020 on implementing IFRS 9 and its approval of the distribution of the quantitative impact of IQD 79,172,029) thousand resulting from the implementation of this standard over 5 years, provided that dividends are only distributed after covering the impact in full, and pursuant to Central Bank's approval by virtue of letter No. 9/2/1506 regarding recording first year's 2020 share of the impact and reflecting it on the opening balance of retained earnings, the sum of (IQD 16,468,199) thousand was recorded and the opening balance was adjusted. Furthermore, the Bank will adjust the balances annually by each year's share over the upcoming fiscal periods.

**The statutory reserve account includes the provision for general banking risks at Beirut branch for the sum of (IQD 1,812) thousand.

***Based on the final financial statements of Beirut branch, the revenue from bonds for the period during which interest was not paid was reversed out in profit for 2019 after the Bank issued its final balance sheet, and this effect was treated in the semi-annual statements of 2020.

The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement Of Changes In Shareholder's Equity (C)

For the Year Ended 31 December 2020

	Capital (paid-up)	Statutory Reserve	Other Reserves**	Foreign Currency translation Differences	Changes in Fair value	Retained Earnings (Losses)	Bank Shareholders' Equity	Total Shareholders' Equity
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2019								
Balance at 1 January	250,000,000	12,681,332	58,441	-	(3,646,697)	7,649,644	266,742,720	266,742,720
Profit for the year – Statement (B)	-	-	-	-	-	7,298,604	7,298,604	7,298,604
Transfer to Reserves	-	373,913	-	-	-	(373,913)	-	-
Changes in Fair Value Reserve	-	-	-	-	-	-	-	-
Adjustment Entries***	-	(201,648)*	-	-	-	(42,997)***	(244,645)	(244,645)
External Branches Adjustments	-	-	-	-	-	(155,255)**	(155,255)	(155,255)
Balance at 31 December	250,000,000	12,853,597	58,441	-	(3,646,697)	14,376,083	273,641,424	273,641,424

*The statutory reserve account includes the provision for general banking risks at Beirut branch for the sum of (IQD 204,239) thousand as of January 1, of which the sum of (IQD 201,649) thousand was reclassified to credit provision in accordance with the instructions of the Central Bank of Banque du Liban.

**The Bank paid dividend distribution tax on dividends realized by Beirut branch in 2017 and 2018 pursuant to the legislation regarding income tax on move-able capital (in force) in the Lebanese Republic.

***The adjustment entries account represents the effect of consolidating the financial statements with the brokerage company.

The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Cash Flows (D)

For the Year Ended 31 December 2020

	Notes	2020 IQD (000)	2019 IQD (000)
Cash flow from Operating Activities:			
Profit for the year before Tax		25,775,190	10,837,194
Adjustments for Noncash Items:			
Depreciation and Amortization	8	1,948,886	1,654,482
Provision for Credit Losses	27	7,990,846	556,920
Miscellaneous Provisions	14	376,146	1,337,230
Profit (Loss) from Foreign Currency Revaluation	22	(2,346,790)	(91,684)
Loss (Profit) from the sale of Property and Equipment	26	655,633	102,860
Cash Flows from Operating Activities Before Changes in Assets and Liabilities		34,399,911	14,397,002
Changes in Assets and Liabilities:			
Decrease (Increase) in Restricted Balances		(14,715,253)	115,022
Decrease (Increase) in Deposits with Banks and Financial Institutions for More than 3 Months		7,600,000	23,800,000
Decrease (Increase) in Net Direct Credit Facilities at Amortized cost	7	(3,375,817)	11,186,869
Decrease (Increase) in Other Assets		121,834,966	(111,824,548)
(Decrease) Increase in Customers' Deposits	11	271,197,209	19,001,318
Increase (Decrease) in Cash Margins	12	2,222,817	5,197,183
Increase (Decrease) in Other Liabilities		5,111,362	(5,635,023)
Increase (Decrease) in Miscellaneous Provisions	14	(1,008,903)	(3,164,126)
Net Cash Flows from Operating Activities Before Tax		423,266,292	(46,926,303)
Income Tax Paid	13	(3,002,478)	(2,829,253)
Net Cash Flows from Operating Activities		420,263,814	(49,755,556)
Cash flows from Investing Activities:			
Proceeds from Purchase (Sale) of Financial Assets at Amortized Cost		(70,631,702)	(11,406,938)
Purchase (Sale) of Financial Assets Through the Other Comprehensive Income Statement	5	-	-
Purchase of Property and Equipment	8	(7,673,204)	(14,814,748)
Sale of Property and Equipment	8	547,138	6,500,858
Net Cash Flows (used in) from Investing Activities		(77,757,768)	(19,720,828)
Cash flows from Financing Activities:			
Decrease (Increase) in Long-term Loans	15	1,303,730	(2,356,955)
Dividends		-	(155,255)
Net Cash Flow from (in) Financing Activities		1,303,730	(2,512,210)
Net Decrease (Increase) in Cash and Cash Equivalents		343,809,776	(71,988,593)
Foreign Currency Profits (Losses) from Revaluation	22	2,346,790	91,684
Cash and Cash Equivalents at 1 January	29	537,196,236	609,093,145
Cash and cash Equivalents at 31 December	29	883,352,802	537,196,236

The accompanying notes from (1) to (35) constitute an integral part of these consolidated financial statements and should be read with them

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

1. About the Bank

The Bank of Baghdad (The Bank) is a an Iraqi Private Joint Stock Company established on 18/02/1992 under banking license number (4512) as the first Iraqi private bank and is headquartered in the city of Baghdad with a fully paid-in capital of 250 billion Iraqi Dinars.

The Bank offers all banking and financing activities through its headquarter in the city of Baghdad (Al Karrada District) and its 35 branches in Iraq, as well as a branch in the Lebanese Republic. The Bank also offers currency exchange and financial brokerage services.

The Banks financial statements have been approved by its board of directors at the meeting held on 6/5/2021.

2. Preparation Principles and Summary of key Accounting Policies

2.1. Preparation Principles

The financial statements of the Bank were prepared in accordance with the International Financial Reporting Standards "IFRS" and the interpretations issued by the International Financial Reporting Standards Interpretations Committee "IFRSIC" of the International Accounting Standards Board "IASB", the applicable local laws and the instructions of the Central Bank of Iraq. The accounting policies applied in the preparation of the financial statements are similar to those applied in the preparation of the financial statements for the year ended 31 December 2019, excluding the impact of applying the new and amended standards which became into effect in line with the instructions and interpretations of the Central Bank of Iraq as of January 1, 2020.

These changes will be stated in the item on the changes in the accounting policies, since the application of the amended standards did not affect the amounts and notes of the consolidated financial statements, except for the application of the IFRS9 for which the financial impact will be explained in Item 3.2.

The financial statements were prepared in accordance with the historical cost principle, with the exception of financial assets at fair value through other comprehensive income that are stated at fair value at the date of the annual financial statements.

The Iraqi Dinar, which is the main currency of the bank, is the currency used to state the financial statements. All amounts have been rounded to the nearest Thousand IQD.

Financial Statements Consolidation Principles:

- The consolidated financial statements include the financial statements of the bank and subsidiaries owned and controlled by it. Control is achieved when the Bank is able to control the financial and operating policies of its subsidiaries in order to benefit from their activities. In addition, any transactions, balances, income and expenses between the Bank and its subsidiaries are excluded.
- The financial statements of the subsidiaries for the same fiscal year of the Bank are prepared under the same accounting policies applied by the Bank. Should the subsidiaries apply accounting policies different from those applied by the Bank, necessary adjustments are made to the financial statements of the subsidiaries to conform to the accounting policies of the Bank.
- Should the group lose control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other equity components. However, it recognizes any resulting profits or losses in profits or losses.
- As at 31 December 2019 and 2020, the Bank owns the following subsidiaries:

Name of Subsidiary	Main Activities	Country of Incorporation	Equity Ratio	
			2020	2019
Baghdad Company for Securities Limited*	Financial Brokerage	Iraq	100%	100%
Al Ameen Insurance Company Limited	Insurance	Iraq	48%	48%

*Baghdad for Securities was liquidated, and it is still undergoing liquidation until the end of the fiscal year 2020.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of key Accounting Policies

Realization of Income and Recognition of Expenses

- Interest income are realized using the Effective Interest Method for the total book value or the amortized cost of financial liabilities, with the exception of interests and commissions of nonperforming credit facilities that are not recognized as income and are recorded in the interest and commissions in suspense account.
- Expenses are recognized on accrual basis.
- Commissions are recorded as income when providing related services, and the earnings from companies' shares are recognized when realized (approved by the Shareholders General Assembly).

Using Estimates

The preparation of financial statements and application of accounting policies requires the Bank's management to carry out estimates and judgments that affect the amounts of assets and financial liabilities, and to disclose contingent liabilities. Furthermore, these estimates and judgments affect the income, expenses, provisions and the other items of comprehensive income. In particular, it requires the Bank's management to make important judgements to estimate the future cash flow amounts and timings. These estimates are necessarily based on several assumptions and factors of different degrees of estimation and uncertainty, and the actual results may differ from the estimates as a result of the changes arising from future circumstances and conditions of these estimates.

a. Judgements:

The following are the most important judgements that have material effect on the amounts of assets and liabilities in the consolidated financial statements that were only applied in 2020:

The reclassification of financial assets: evaluate the business model in which the assets are held and determine whether the contractual conditions of the financial assets are (SPPI) for the outstanding balances or not.

Developing new standards to determine whether the financial assets credits have dramatically decreased since its first recognition, and determine a methodology for future aspirations and methods for the measuring the expected credit loss.

b. Estimates:

The following are the estimates of material risks to the financial statements as on December 31, 2020:

Financial instruments impairment: inputs and measurement of the expected credit loss and its future aspirations. The related note is stated in the the Bank's methodology to apply IFRS 9 applied in 2019 and 2020.

The Bank's management believes that its estimates within the financial statements, as detailed below, are reasonable:

- Provision for expected credit loss against credit facilities: This provision is created based on principles and assumptions adopted the Bank's management to assess the required provisions pursuant to the requirements of IFRSs. The results of these principles and assumptions are compared to the required provision in accordance with the principles established by the Central Bank of Iraq and Instructions No. 4 for 2010. The strictest results are adopted in line with IFRSs. Furthermore, the subsequent disclosures reflect the principles and assumptions, as well as detailed information about the methodology adopted by the Bank.
- The loss resulting from the impairment of expropriated real estate is not recorded and is presented at historical cost; due to the objective conditions and the work environment in Iraq.
- Litigation Provisions: To cover any litigation liabilities, provisions are created based on the opinion of the Bank's legal counselor and Legal Department, under which the potential risks are determined and this study is reviewed periodically.
- Tax Provisions: Each fiscal year carries the tax expenses incurred in that year and the tax estimates that are due or expected for the previous years for the deducted provision in case of reaching a final settlement with the Income Tax Department for the previous years in accordance with the accounting laws, regulations and standards.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

- The management conducts a periodic review of the financial assets presented at cost, to estimate any impairment thereof and record it in the income statement for the year.
- Fair value levels: The Standard requires full determination and disclosure of the fair value hierarchy by which fair value measurements are categorized and fair value measurements are determined in accordance with the levels set out in IFRS. The difference between level (2) and level (3) for fair value measurements means assessing whether information or inputs are observable and the importance of information that is not observable, which requires careful judgment and analysis of the inputs used to measure fair value, including consideration of all the factors related to the asset or liability. When assessing the fair value of financial assets and liabilities, the Bank uses market information when available. In the absence of Level (1) inputs, the Bank deals with qualified independent parties to prepare the assessment, where appropriate assessment methods and inputs used in preparing the assessment are reviewed by the management.

Segmental Information

The business sector represents a group of assets and operations that provide products or services subject to risks and proceeds that differ from those other business sectors are subject to.

The geographical sector is associated with the provision of products or services in a specific economic environment subject to risks and proceeds that differ from the risks and proceeds of other sectors operating in other economic environments.

Cash and Cash Equivalents

It is defined as any cash and cash balances that accrue within three months, and they include: Cash, balances with the central bank and balances with banks and financial institutions. However, deposits of banks and financial institutions that accrue within three months are deducted.

Recognition of Financial Assets

Purchase and sale of financial assets is recognized at the trade date (date at which the Bank commits to selling or purchasing the financial assets).

Direct Credit Facilities

- Credit facilities are stated at their net amounts after deducting the provision for impairment of doubtful credit facilities and interest and commissions in suspense.
- A provision for impairment of direct credit facilities is created when it is apparent that the amounts payable to the group cannot be collected, when there is objective evidence that a certain event has negatively affected the future cash flows of the direct credit facilities and when this impairment can be estimated. The value of this provision is recorded in the income statement.
- Interest and commission on nonperforming credit facilities granted to the customers are suspended in accordance with the directives of the Central Bank of Iraq.

Financial Assets at Amortized Cost

These are financial assets that the Bank's management, in accordance with its business model, aims to retain in order to collect contractual cash flows, represented by principle loan payments and interest on the outstanding loan balance.

These assets are recorded at the time of purchase at cost, plus acquisition expenses and the increment is amortized using the effective interest method; charged against or credited to interest. Any provisions resulting from impairment thereof that makes the process of recovering the asset or part of it unattainable are deducted, and any impairment thereof is recorded in the income statement.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

The impairment amount of these assets represents the difference between the value stated in the records and the current value of the expected cashflows, discounted at the original interest rate.

The reclassification of any assets from/into this item is not allowed, except in the cases specified in the IFRS (and in case any of these assets are sold prior to their accrual date, the sale result is recorded in the income statement as a separate item and is disclosed in accordance with the requirements of the relevant IFRSs).

Financial Assets at Fair Value through the Income Statement

Debt instruments that do not conform to the business model of the financial assets at amortized cost, or those that the Bank, at the time of purchase, chooses to classify at fair value through the income statement, are measured at their fair value through the income statement.

Investments in financial instruments are classified at fair value through the income statement, unless the Bank, at the time of purchase, decides to classify an investment that it retains for non-trading purposes at fair value through the other comprehensive income.

These assets are recorded **at fair value at the time of purchase** (acquisition expenses are recorded in the income statement at the time of purchase) and are revaluated later at fair value. The change in the fair value is stated in the income statement including the change in the fair value resulting from the differences from transferring items of non-financial assets in foreign currencies. In case these assets or part thereof is sold, the resulting profits or losses are recorded in the income statement.

Dividends or accrued interests are registered in the income statement.

Financial assets at fair value through the statement of other comprehensive income

The Bank may choose definitively, based on each financial instrument separately, to classify equity instruments at fair value through the other comprehensive income. This classification is not allowed if the investment in the equity instrument is for trading purposes.

These assets are recorded at the time of purchase at fair value plus acquisition costs and are revaluated later at fair value. The change in the fair value is stated in the comprehensive income statement under shareholders' equity, including the change in the fair value resulting from recording the differences from transferring noncash items in foreign currencies. In case these assets or part thereof is sold, the resulting profits or losses are recorded in the comprehensive income statement under shareholders' equity. Moreover, the balance of sold assets valuation reserve is transferred directly to retained profits and losses and not through the income statement. These assets are not subject to the impairment loss test and the dividends are recorded in the income statement.

Impairment of financial assets – The policies applied prior to December 1, 2020

The Bank reviews the recorded values of financial assets as of the date of the consolidated balance sheet to determine whether there are indicators of impairment individually and as a group. If such indicators exist, the recoverable amount is assessed in order to determine the impairment loss.

Investments in subsidiaries:

- Subsidiaries are companies in which the Bank has effective impact on decisions related to financial or operating policies, or are controlled by the Bank, where the Bank has 20% - 50% of voting rights. Investments in subsidiaries are presented at the market price of the market in which they are listed.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

Fair Value

- The Bank measures the financial instruments, such as financial derivatives and non-financial assets, at fair value at the date of the financial statements. The closing prices at that date in the active markets represents the fair value of the financial assets with market prices. In case the absence of quotation or active trading for some financial instruments and derivatives or in case of an inactive market, their fair value should be evaluated by the many means, namely:
- In the absence of the primary market, the most appropriate market for assets and liabilities is used and compared to the current market value for a much similar financial instrument.
- Analyzing the future cash flows and discounting them by a the percentage used in a similar financial instrument.
- Option pricing models.
- The Bank needs to have access to the primary market or the most appropriate market.
- The entity measures the fair value of the assets or liabilities using assumptions that the market participants will apply when pricing the assets. Otherwise, the measurement of the fair value of the non-financial assets takes into consideration the ability of the market participants to generate economic benefits by using the assets in the best way possible or selling them to another participant that will use them in such a way.
- The fair value represents the price that will be received when selling the assets or the price that will be paid to transfer a liability in a transaction organized between market participants.

Impairment of Financial Assets

The Policies Adopted as of January 1, 2020

Financial instruments

The Bank recognises the expected credit loss on:

- Financial assets at amortized cost.
- Insurance contracts

The is no impairment in equity instruments.

The Bank measures loss provisios at an amount equal to expected credit loss over the loan life, with the exception of the following for which expected credit loss is measured for 12 months:

- Debt instruments for which low credit risk is determined on the date of the consolidated statements.
- Other financial instruments the credit risk of which has not increased significantly since initial recognition.

The expected credit loss for 12 months is the part of expected credit loss resulting from possible non-performance of financial instruments within 12 months as of the date of the consolidated financial statements.

The recognised expected credit loss for 12 months is refrrd to as (Financial instruments – Stage 1).

The expected credit loss over the life of the financial instrument is the part of the expected credit loss resulting from possible non-performance of financial instruments over their life.

The recognised expected credit loss over the life of the financial instrument is refrrd to as)Financial instruments – Stage 2).

- Expected credit loss is the a probability-weighted estimate of credit loss which is measured as follows:

Impairment of Financial Assets

- Financial assets the credit value of which does not decrease on the date of the consolidated financial satements.
- Financial asses the value of which decrease on the date of the consolidated financial statements.
- Insurance contracts

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

The provision for expected credit loss is presented in the consolidated balance sheet as follows:

- Deducted from the total carrying amount of financial assets at amortized cost.
- Loan obligations and financial guarantee contracts are generally recognized as a provision.
- As for debt instruments measured at fair value through the statement of comprehensive income, no provision is recognised in the consolidated balance sheet, because the carrying amount of these assets is measured at fair value. However, the loss provision is disclosed and recognized the fair value reserve.

Debt Write-off:

- Loans and debt instruments are written off in part or whole only if the value of the financial assets is not expected to be recovered in whole or part. In general, the scenario occurs when the Bank decides that the borrower does not have assets or sources of income that may generate sufficient cash flows to repay the amounts subject to write-off. This assessment is made for each financial asset individually.
- The amounts recovered from previously written off amounts are included in "financial assets impairment loss" in the consolidated statement of income and statement of comprehensive income.
- When a debt is written off, it is deducted from the provision in accordance with the instructions of the Central Bank of Iraq. Any surplus in the provision is transferred to the statement of income, and the amounts collected from previously written off debts are added to revenues.

Offsetting

The financial assets are offset against the financial liabilities and assets, and the net amount is stated in the financial position statement only when binding legal conditions are established. This also applies when they are paid on offset basis or when asset realization and liabilities payment occur simultaneously.

Property and Equipment:

Property and equipment are stated at historical cost after deducting accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes cost incurred for replacing any component thereof, in addition to financing expenses of long-term construction projects, if the recognition conditions are met. All other expenses are stated in the income statement when accrued. Depreciation (except for lands, as they are not depreciable) is calculated using the straight line method in accordance with the expected useful life as follows:

	Useful Life (Years)
Buildings	33
Equipment, Devices and Furniture	5
Transportation	5
Electronic Systems	5

Any property and equipment item, or any significant part thereof, is written-off when it is disposed of or when there is no expected economic benefit from using the asset or disposing of it. Any profit or loss resulting from writing off the asset, which represents the difference between the asset disposal proceeds and asset net book value, is recorded in the income statement.

The remaining amounts of the assets, useful lives and depreciation methods are reviewed in every fiscal year, and are adjusted later when necessary.

Intangible assets

- Intangible assets acquired through merger are recorded at fair value on the date of acquisition, while intangible assets acquired any other method are recorded at cost.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

- Intangible assets are classified based on the estimation of their useful life for a definite period. Intangible assets with definite useful lives are amortized over their useful lives, and amortization is recorded in the consolidated statement of income. The impairment of intangible assets with indefinite useful lives is reviewed on the date of the consolidated financial statements, and any impairment in their value is recorded in the statement of income and comprehensive income.
- Intangible assets resulting from the Bank's business are not capitalized but recorded in the statement of income in the same year.

Derecognition of Financial Assets and Liabilities

Financial Assets

The financial asset is derecognized (or any part thereof or any part of a group of equivalent financial assets where appropriate) when:

- The right of receiving the cash flows from the asset lapses;
- The Bank preserves the right of receiving the cash flows from the asset, but in return, assumes the obligation of fully pay the cash flows without any material delay to a third party under "pay when paid" arrangement; or
- (A) transfers all key risks and benefits of the asset, or (B) does not transfer or retains all key risks and benefits of the asset but transfers control over this asset.

When The Bank transfers the rights to receive the cash flows from the asset and does not transfer or retains all key risks and benefits of the asset, or transfers control over the asset, the asset is recorded to the extent to which the Bank continues to control it. The continuous control, which takes the form of a lien on the transferred asset, is measured at original book value of that asset or the maximum limit of the amount payable by The Bank, whichever is lower.

Financial Liabilities

The financial liability is derocgnized when exempted from the liability related to liabilities, or when said obligation is cancelled or lapses. When replacing a financial liability with another from the same source of finance under significantly different terms, or when the terms of the current obligation are significantly amended, this replacement or amendment is dealt with as if it was a derecognition of the original liability and accrual of a new one.

Foreign Currencies:

- Transactions conducted in foreign currencies during the year are recorded at the prevailing exchange rates as at the date of conducting the transaction.
- Balances of financial assets and liabilities are transferred at average foreign exchange rates as at the date of the financial statements, as issued by the Central Bank of Iraq and the equivelan regulatory authorities in the countries where the bank operates (Banque du Liban).
- Nonfinancial assets and liabilities, stated at fair value at the date of determination of their fair value, are transferred in foreign currencies.
- Profits and losses resulting form transferring foreign currencies are recorded in the income statement.
- Differences from transferring assets and liabilities items in noncash foreign currencies (such as shares) are recorded as a part of the change in fair value.
- When consolidating the financial statements, the assets and liabilities of barnches and subsidiaries in foreign currency translated from the main currency to the reporting currency as the average rates of exchange on the date of the consolidated balance sheet as announced by the Central Bank of Iraq, whereas revenues and expenses are translated at the average rates of exchange throughout the year and currency differences are presented as a separate item of equity. In the event a subsidiary or branch is sold, the related foreign currency translation difference is recorded as part of revenues / expenses in the consolidated statement of income.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.2 Summary of Key Accounting Policies (Continued)

Provisions:

Provisions are recognized when the Bank carries liabilities at the date of the financial position statement arising from prior events, where the payment of these liabilities is contingent and their value can be reliably measured.

End-of-service indemnity provision

Annual indemnities paid to employees whose services have ended are recorded in the End-of-service indemnity account at the time of payment. Any amount of indemnity paid in excess of the provision is recorded in the consolidated statement of income at the time of payment, and the provision for Bank's liabilities arising from end-of-service indemnity is recorded in the consolidated statement of income.

Income Tax

- Tax expenses represent accrued amounts of taxes and deferred taxes.
- Accrued tax expenses are calculated based on the taxable profits. The taxable profits differ from profits disclosed in the financial statements, because the disclosed profits include nontaxable income or expenses that are non-deductible in the current fiscal year, but deductible in subsequent years, or accumulated losses deductible for tax purposes, or items that are non-taxable or non-deductible for tax purposes.
- Income tax is calculated as per the set tax rates under the laws, regulation and directives in force in Iraq and the countries where the bank operates.
- Deferred taxes are taxes that are expected to be paid or recovered as a result of the temporary time differences between the value of the assets or liabilities in the financial statements and the value that represents the basis, on which the taxable profit is calculated.

Capital

- Cost of issuance or purchase of Bank shares
Any costs arising from the issuance or purchase of Bank shares are recorded in retained earnings (at net amount after the tax effect of these costs, if any). In the event of incomplete issuance or purchase, the costs are recorded as expenses in the consolidated statement of income.
- Treasury shares
The profit or loss arising from the sale of treasury shares is not recognised in the consolidated statement of income. Instead, profit is presented in the consolidated statement of shareholders' equity as part of the share issuance premium / discount, whereas loss is recorded in retained earnings in the event the share issuance premium balance is exhausted.

Assets Transferred to the Bank In Settlement of Outstanding Debts

Assets transferred to the Bank are stated in the financial position statement under the "other assets" item at their transfer value, and are not revaluated at fair value to-date, nor is any impairment thereof recorded as a loss in the income statement or is any increase therein recorded as income.

As of 2020, the Bank started to calculate a gradual provision for real estate acquired since more than 4 years in settlement of debts, pursuant to the instructions of the Central Bank of Iraq.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.3. Changes in Accounting Policies

The accounting policies applied in preparing the financial statements of the Bank conform to the accounting policies that were applied in preparing the financial statements for the year ended 31 December 2019, with the exception that the Bank applied the following amendments as of 1 January 2020:

a) Amendments that did not have any material effect on the Bank's financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" as of January 2020: These amendments relate to the definition of materiality. They explain the definition of business, as the IASB issued the amended "Conceptual Framework for Financial Reporting", which includes the amended definitions of assets and liabilities, in addition to new guidelines for measurements, derecognition, presentation and disclosure.
- Amendments to IAS 3 "Business Combinations": This amendment redefines business activity. According to the feedback received by IASB, it is believed that the implementation of the current guidelines is too complicated and leads to a large number of transactions that qualify for classification as business combinations.
- Amendments to the interest rate benchmark (IFRS 9, IAS 39 and IFRS 7) "Interest Rate Benchmark Reform": These amendments provide certain exemptions regarding the Interest Rate Benchmark Reform. These exemptions relate to hedge accounting and affect LIBOR reform which should not generally lead to the termination of hedge accounting. However, any ineffective hedge must continue to be recorded in the statement of comprehensive income. Given the broad nature of hedges that involve IBOR-based contracts, the exemptions will affect companies in all sectors.

b) New and amended IFRSs that are issued but ineffective:

- Amendment of the Interest Rate Benchmark – Stage 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), as the date of implementation is January 1, 2021.
- Losing loans (where the total cost required to fulfil the contract is higher than its potential economic benefit) – Cost of Fulfilling a Contract (amendments to IAS 37), as the date of implementation is January 1, 2021.
- Annual amendments to IFRSs (2018 – 2020), as the date of implementation is January 1, 2021.
- Property and equipment: Proceeds before the intended use of property and equipment (amendments to IAS 16), where the date of implementation is January 1, 2022.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), as the date of implementation is January 1, 2023.
- IFRS 17 "Insurance Contracts", and amendments to IFRS 17 "Insurance Contracts", as the date of implementation is January 1, 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)¹.

The management expects to apply these new interpretations and amendments to the Bank's consolidated financial statements once they are applicable and adoptable. These new standards, interpretations and amendments may not have a material effect on the Bank's consolidated financial statements in the implementation period.

c) The standards will have financial effect

The International Accounting Standards Board "IASB" issued several standards and amendments that became effective. A basis for their study was developed. They were adopted and applied by the Bank after the approval of these standards and the effects thereof by the regulatory authorities. The following standards are the standards that, once effective, will impact the financial position, financial performance, or disclosures of the Bank's financial statements.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.3. Changes in Accounting Policies

1. IFRS (9) – Financial Instruments

The bank applied the IFRS 9 starting from January 1, 2020. During July 2014, the IASB issued a final version of IFRS 9 (financial instruments), which will replace IAS 39 (financial instruments: recognition and measurement) and all previous versions of the IFRS 9. IFRS 9 combines all three accounting aspects related to financial instruments: classification and measurement, impairment, and hedge accounting.

The new version of IFRS 9 is applied on the annual periods starting from 1 January 2018 and permits early application. The standard is applied retrospectively, except for hedge accounting. Furthermore, IFRS 9 guarantees exempting companies from adjusting the comparative figures.

In this context, the Bank has developed a special methodology for this standard, which is currently being reviewed with the control and regulatory bodies to adopt it and reflect its impact in the financial statements.

A. The Bank has developed the working methodology through classification and measurement; as financial assets were classified and measured either at amortized cost or fair value through the comprehensive income statement – for both debt and equity instruments, or at fair value through the profit or loss statement, where financial assets were classified in accordance with IFRS 9 in general, based on the business model under which financial assets and the characteristics of their contracted cash flows are managed. The business models were divided into the following three categories in accordance with the Financial Reporting Standard and Guidance for Banks issued by the Central Bank of Iraq:

1. Financial instruments measured at amortized cost, if the following conditions are met:
 - If these assets are retained within the management's business model for future cash flows collection purposes.
 - If the contractual terms of these financial assets set a specific date for cash flows (the principal amount and interest on the outstanding amount).
2. Financial instruments at fair value through the other comprehensive income statements, if the following conditions are met:
 - If the purpose of retaining the financial asset within the business model is to obtain future cash flows and/or sell these financial assets.
 - If the contractual terms of these financial assets set a specific date for cash flows (the principal amount and interest on the outstanding amount).
3. Financial instruments at fair value through profit or loss: All the financial assets that are not measured at amortized cost or fair value through the comprehensive income statement mentioned above must be measured at fair value through the consolidated income statement. The Bank may, irrevocably upon initial recognition, choose to classify and measure the financial assets that have met the conditions for measurement at fair value through the comprehensive income statement or at amortized cost as part of the financial assets at fair value through the consolidated income statement; if this would significantly minimize the potential lack of accounting harmonization.

B. IFRS 9 (Financial Instruments) application methodology: Inputs, mechanisms and assumptions used in calculating expected credit losses:

- Assessing the significant increase in credit risk:

An assessment is carried out to determine whether credit risks have increased significantly since the date of creating the financial instrument, where the default risk over the expected life of the financial instrument is, at the end of each fiscal period, compared to the default risk at the date of creating the financial instrument; using the key concepts of the Bank's risk management processes.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.3. Changes in Accounting Policies

1. IFRS (9) – Financial Instruments

The significant increase in credit risk is separately assessed once every three months for each credit risk exposure, based on a number of factors. If any of these factors indicate a significant increase in credit risk, the instrument is reclassified from stage 1 to stage 2:

1. Limits for better measurement of significance in credit risk were set based on the changes in default risk of the financial instrument compared to the date of creating the same.
2. In addition, qualitative factors were used to assess the results of the change in classification stages or to make adjustments to reflect the significant increase.
3. IFRS 9 (Financial Instruments) provides for the assumption of a significant increase in credit risk of defaulting financial instruments that are more than (30) days overdue.

The change between stage 2 and stage 3 depends on whether the financial instruments are defaulting as at the end of the fiscal period. The method of determining default of financial instruments in accordance with IFRS 9 is similar to the method of determining the occurrence of a default in accordance with Regulation 4 for 2010 (Regulation on Facilitating the Implementation of Banking Law No. 94 for 2004), as defined below.

- Macroeconomic factors, expected future events and the use of several scenarios:

The expected credit losses provision represents credit losses that should reflect an amount of the provision that is unbiased and dependent on several scenarios with different weights, which in turn relies on estimating several potential results, time value, and the credibility of the information on the previous events and current situations, as well as future predictions for the economic situation, as historical information and the current situation, in addition to expected future events based on reliable information for each stage of measurement, were taken into consideration and future information were applied, which required the Bank management to make significant judgments.

The possibility of default, assumed default loss, impact upon default and inputs used in stage 1 and stage 2 for the credit facilities impairment provision are designed on the basis of changing economic factors (or changes in macroeconomic factors) that are directly associated with the credit risk related to the portfolio.

Each macroeconomic scenario used in calculating the expected credit loss was linked to the changing macroeconomic factors.

Our estimates that were used in calculating the expected credit losses of the financial instruments classified for stages 1 and 2 using discounted weighted scenarios include future macroeconomic information for the next five years based on the forecasts of approved international and national bodies.

The basic scenario relies on macroeconomic forecasts (such as GDP growth rate, inflation growth rate, unemployment rate ... etc.). Changes in economic factors will be prepared based on potential alternative economic situations and additional changes, at least annually, as may be necessary.

Furthermore, probabilities are measured based on best judgment relating to historical probability and the current situation. Probable scenarios are assessed on a bi-annual basis, and all scenarios are applied to all the portfolios that are exposed to expected credit losses.

- **Definition of Default:**

The definition of default used in measuring expected credit losses and in assessing change between stages is consistent with the definition of default used in Regulation 4 for 2010 (Regulation on Facilitating the Implementation of Banking Law No. 94 for 2004). The Bank defines default once it verifies that a customer may not be able to meet their obligations in full or is 90 days or more in default of repaying an amount of a facility. Furthermore, the customer and all the accounts controlled thereby are treated as one unit in terms of default and the highest default and risk is assigned thereto.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.3 Changes in Accounting Policies (Continued)

IFRS 9 "Financial Instruments" (continued)

The definition of default is designed properly such that it reflects the various characteristics of various types of assets. Overdrafts are considered immediately payable once the customer exceeds a certain limit or is notified of a limit lower than the currently repaid amount.

When assessing whether it is improbable that the borrower will settle their credit obligation, the Bank takes qualitative indicators into account. The information assessed depends on the type of asset involved. In corporate loans, for example, the qualitative indicator is the breach of warranties, which is inappropriate for retail loans.

Quantitative indicators, such as delay in payment or failure to settle another obligation to the counterparty, are key inputs in this analysis. The Bank also uses various sources of information, whether internally developed or obtained from external sources, to assess default.

- **Expected Life:**

When measuring expected credit losses, the Bank takes into consideration the expected cash flows that it considers to be exposed to impairment risk, as well as all the contractual obligations for the expected life. The expected life of certain revolving credit facilities without a specified repayment date is measured on the basis of the period during which the Bank is exposed to credit risks that the management cannot avoid.

It is generally expected that impairment loss will increase and fluctuate more with respect to financial assets pursuant to IFRS 9. The implementation of this standard on January 1, 2020 resulted in a provision for expected credit loss detailed as follows:

Item (IQD Thousand)	Balance as of December ,31 2019	Reclassified balance	Expected Credit Loss	Decrease in Provisions after the Calculation of the First Year	Balance as of January ,1 2020 after the Implementation of IFRS 9
Cash and balances with central banks	551,316,536	-	10,911,906	8,726,020	2,185,886
Balances with banks and financial institutions	139,197,329	-	2,716,455	2,096,824	619,631
Financial assets at fair value through the statement of comprehensive income	5,172,793	-	250,000	-	250,000
Debt instruments as part of the financial assets at amortized cost portfolio	97,250,248	-	13,690,953	10,592,906	3,098,047
Direct credit facilities at amortized cost	149,602,718	-	79,621,180	38,960,822	40,660,358
Other assets	140,643,371	-	2,909,073	2,327,259	581,814
Indirect facilities	65,926,113	-	765,066	-	765,066
	1,149,109,108		110,864,633	62,703,831	48,160,802

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

2.3 Changes in Accounting Policies (Continued)

IFRS 9 "Financial Instruments" (continued)

Following is the effect of implementing IFRS 9:

Item (IQD Thousand)	Provision balance before the Implementation of the Standard	Recalculation Difference	Balance in Accordance with IFRS 9	Decrease in Provisions after the Calculation of the First Year	Provision Balance as of January ,1 2020 after the Implementation of IFRS 9
Cash and balances with central banks	4,380	10,907,525	10,911,905	8,726,020	2,185,886
Balances with banks and financial institutions	14,657	2,701,799	2,716,455	2,096,824	619,631
Debt instruments as part of the financial assets at amortized cost portfolio	449,820	13,241,133	13,690,953	10,592,906	3,098,047
Direct credit facilities at amortized cost	30,920,152	48,701,028	79,621,180	38,960,822	40,660,358
Other assets	-	2,909,073	2,909,073	2,327,259	581,814
Indirect facilities	303,594	461,472	765,066	-	765,066
	31,692,603	78,922,030	110,614,633	62,703,831	47,910,802

The expected credit loss was distributed in accordance with IFRS as follows:

Item (IQD Thousand)	Stage 1	Stage 2	Stage 3	Total	Decrease in the Provision for Expected Credit Loss	Provision Balance as of January ,1 2020
Cash and balances with central banks	-	9,004,564	1,907,342	10,911,906	8,726,020	2,185,886
Balances with banks and financial institutions	12,125	2,620,920	83,410	2,716,455	2,096,824	619,631
Debt instruments as part of the financial assets at amortized cost portfolio	-	-	13,690,953	13,690,953	10,592,906	3,098,047
Direct credit facilities at amortized cost	215,746	6,365,002	73,040,432	79,621,180	38,960,822	40,660,358
Other assets	13,642	-	2,895,431	2,909,073	2,327,259	581,814
Indirect facilities	723,440	-	41,626	765,066	-	765,066
	964,953	17,990,486	91,659,194	110,614,633	62,703,831	47,910,802

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Transmission to IFRS 9

The bank used the exemption provided by this standard in the event of implementation on January 1, 2020 by recording the effect of implementing IFRS 9 in the opening balances of retained earnings, and pursuant to Central Bank Instruction No. 9/6/98 dated 2/3/2020 on implementing IFRS 9 and its approval of the distribution of the quantitative impact of (IQD 79,172,029) thousand resulting from the implementation of this standard over 5 years, provided that dividends are only distributed after covering the impact in full, and pursuant to Central Bank's approval by virtue of letter No. 9/2/1506, the first year's share of the impact was recorded and reflected it on retained earnings, as the sum of (IQD 16,468,199) thousand was recorded. Furthermore, the Bank will reflect each year's a share in the opening balances of retained earnings for the next four years until the decrease in the provision is covered. In the event the expected credit loss stated on January 1, 2020 decreases, the actual balances created will be recovered and the decrease in the provision for expected credit loss will be reduced.

2. IFRS (16) Leases

The IASB issued IFRS 16 "Leases" during January 2016, which established principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 requirements substantially resemble accounting requirements of the lessor in IAS 17, according to which the lessor continues to classify leases as operating or finance, where it treats both types of contracts differently. IFRS 16 requires the lessee to recognize the assets and liabilities of all leases unless the lease term exceeds 12 months, or the asset has a low value. It also requires the lessee to recognize their right to use the asset by recognizing the leased asset and the resulting commitment represented by the lease payments.

3. Cash and Balances with Central Banks

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Cash at vaults	137,190,851	59,166,101
Balances with Central Banks	586,863,410	380,680,735
Legal Reserve with Central Banks	127,256,317	111,469,700
Total	851,310,578	551,316,536
Less: Expected Credit Loss	(8,060,441)	-
	843,250,137	551,316,536

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

The balances with central banks was 714,119,727 Thousand IQD as at 31 December, 2020 (31 December 2019: the amount was 492,150,435 Thousand IQD). The balances were distributed according to the credit stages of the IFRS 9 as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Balance at the beginning of the year	437,023,531	45,212,197	9,914,707	492,150,435
New balances during the year	252,183,076	-	10,562,049	262,745,125
Paid balances	(71,763,323)	-	-	(71,763,323)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from the exchange rate change	26,342,041	-	4,645,449	30,987,490
Total balance at the year end	643,785,325	45,212,197	25,122,205	714,119,727

Disclosure of the distribution of total balances with central banks according to the internal credit rating of the Bank:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Credit ratings based on the bank's internal system				
1	643,785,325	-	-	643,785,325
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	45,212,197	-	45,212,197
8	-	-	25,122,205	25,122,205
9	-	-	-	-
10	-	-	-	-
Total	643,785,325	45,212,197	25,122,205	714,119,727

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

The balance of the expected credit loss provision, calculated according to the IFRS 9, was 16,786,461 Thousand IQD as at 31 December, 2020 (31 January 2020: the amount was 10,911,906 Thousand IQD). The summary of the expected credit loss provision as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
The balance at the beginning of the period	-	9,004,564	1,907,342	10,911,906
adjusted after the application of the IFRS 9				
Impairment loss on new balances during the year	-	-	1,992,650	1,992,650
Recovered from the impairment loss on the paid balances	-	-	-	-
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	3,880,912	-	3,880,912
Bad balances	-	-	-	-
Adjustments resulting from exchange rate change	-	-	993	993
Decrease in expected credit loss provision	-	(7,203,651)	(1,522,369)	(8,726,020)
Total balance at the year end	-	5,681,825	2,378,616	8,060,441

Pursuant to Central Bank of Iraq letter No. 9/6/98 dated 3/3/2020 and its approval of the distribution of the quantitative impact over 5 years. The decrease in the provision for expected credit loss for the sum of (IQD 8,726,020) thousand as of December 31, 2020 represents this decrease.

* The accounts with the Central Bank include short-term investments of a term less than 30 days for the equivalent of zero thousand IQD as at 31 December 2020 (31 December 2019: IQD 26,000,000 thousand).

* The balances in US dollar with the Central Bank of Lebanon amounted to the equivalent of IQD 14,845,101 thousand as at 31 December 2020. Due to the prevailing economic conditions in Lebanon, the window for utilizing these balances in banking operations is narrow.

*The Bank has balances with the Sulaymaniyah and Erbil branches of the Central Bank of Iraq of IQD 17,977,727 thousand and IQD 27,234,470 thousand respectively as at 31 December 2020 (31 December 2019, the balances were IQD 17,977,727 thousand and IQD 27,234,601 thousand respectively). Due to the prevailing political and economic conditions in Iraq, the window for utilizing these balances in banking operations is narrow.

** These amounts are retained by the Central Banks of Iraq and Lebanon and thus are not at the Bank's disposal. In addition, the cash reserve balance with the Central Bank of Iraq includes margins reserves of letters of guarantees that were seized as instructed by the Central Bank of Iraq on 2 May 2017, which amount to IQD 133,159 thousand as at 31 December 2020. These amounts are seized by the Central Bank of Iraq for the purpose of addressing the deficit in covering claimed and unpaid letters of guarantees and are not at the Bank's disposal. Moreover, the statutory reserve rate in each of Iraq and the Lebanese Republic for the current accounts are 15% and 25% and for the deposits account are 10% and 15% respectively.

Notes on the Consolidated Financial Statements

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4. Due from Banks and other Financial Institutions*

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Local banks and Financial Institutions**	11,941,102	13,498,399
Foreign Banks and Financial Institutions	92,105,115	30,498,930
Deposits with Banks and Financial Institutions	87,600,000	95,200,000
Total	191,646,217	139,197,328
Less: Expected credit loss	(566,162)	-
	191,080,055	139,197,329

The balances with banks and financial institutions were 191,646,217 Thousand IQD as at December 31, 2020 (139,197,329 Thousand IQD as at 31 December 2019). The balances were distributed according to the credit stages of the IFRS 9 as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Balance at the beginning of the year	(127,925,869)	11,068,078	203,382	(139,197,329)
New balances during the year	46,943,851	-	857,352	47,801,203
Paid balances	(29,029,331)	(150,000)	-	(29,179,331)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from the exchange rate change	33,827,018	-	-	33,827,018
Total balance at year end	179,667,405	10,918,078	1,060,734	191,646,217

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Disclosure of the distribution of total the balances with banks and financial institutions according to the internal credit rating of the Bank:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Credit ratings based on the bank's internal system				
1	179,667,405	-	-	179,667,405
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	10,918,078	-	10,918,078
8	-	-	1,060,734	1,060,734
9	-	-	-	-
10	-	-	-	-
Total	179,667,405	10,918,078	1,060,734	191,646,217

The balance of expected credit loss provision, calculated according to the IFRS 9, was 2,662,985 Thousand IQD as at 31 December, 2020 (31 January 2020: the amount was 2,716,455 Thousand IQD). The summary of the expected credit loss provision is as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
The balance at the beginning of the period adjusted after the application of the IFRS 9	12,125	2,620,920	83,410	2,716,455
Impairment loss on new balances during the year	1,747	-	13,703	15,450
Recovered from the impairment loss on the paid balances	(2,930)	(17,314)	(52,002)	(72,246)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from exchange rate change	-	-	3,326	3,326
Decrease in expected credit loss provision	-	(2,096,823)	-	(2,096,823)
Total balance at year end	10,942	506,783	48,437	566,162

* The balances with banks and financial institutions on which the Bank does not charge any interests was (102,326,805) Thousand IQD as at 31 December 2020 (29,767,137 Thousand IQD as at 31 December 2019).

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

** The restricted balances with the local banks and financial institutions were (10,918,078) Thousand IQD as at 31 December 2020 (11,068,078 Thousand IQD as at 31 December 2019) although these balances belong to a governmental bank against which the Bank has already filed a lawsuit with regards to this balance, and won it in cassation on 17/5/2016. Furthermore, on 5/9/2019 the Bank received a request from the relevant party to pay this amount plus interest in annual installments of one billion IQD each starting from the current year, and the Bank sent letter No. D. Q/6218 dated 29/9/2019 to the Central Bank of Iraq approving the proposed form of payment; and the matter is being followed up on with the supervisory bodies so as to be implemented. The other part of the balances belongs to the balances with a government bank of the Ministry of Finance in Kurdistan Region and due to the prevailing political and economic conditions in Iraq; the window for utilizing these balances in banking operations is narrow.

	2020 IQD (000)	2019 IQD (000)
Deposits accrued from less than a month	-	-
Deposits with 1 – 3 months maturity	-	-
Deposits with 3 – 6 months maturity	-	-
Deposits with 6 – 12 months maturity	87,600,000	95,200,000
	87,600,000	95,200,000
	(8,033)	
	87,591,967	95,200,000

The balances with banks and financial institutions were (191,646,216) Thousand IQD as at December 31, 2020 (139,197,328 Thousand IQD as at 31 December 2019). The balances were distributed according to the credit stages of the IFRS 9 as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Balance at the beginning of the year	95,200,000	-	-	95,200,000
New balances during the year	-	-	-	-
Paid balances	(23,800,000)	-	-	(23,800,000)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from the exchange rate change	16,200,000	-	-	16,200,000
Total balance at the year end	87,600,000	-	-	87,600,000

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Disclosure of the distribution of total deposits balances with banks and financial institutions according to the internal credit rating of the Bank:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Credit ratings based on the bank's internal system				
1	87,600,000	-	-	87,600,000
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
Total	87,600,000	-	-	87,600,000

The balance of expected credit loss provision, calculated according to the IFRS 9, was 8,033 Thousand IQD as at 31 December, 2020 (31 January 2020: the amount was 10,710 Thousand IQD). The summary of the expected credit loss provision is as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
The balance at the beginning of the period adjusted after the application of the IFRS 9	10,710	-	-	10,710
Impairment loss on new balances during the year	-	-	-	-
Recovered from the impairment loss on the paid balances	(2,677)	-	-	(2,677)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from exchange rate change	-	-	-	-
Decrease in expected credit loss provision	-	-	-	-
Total balance at year end	8,033	-	-	8,033

*** These are deposits with foreign banks in US Dollar at an average annual interest rate of 2.8% as at 31 December 2020 (average interest rate 2.8% as at 31 December 2019)

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

5. Investments in Shares:

A) Investments in Associates

Shares in Unlisted Companies	Country of Incorporation	Ownership Rate	2020 IQD (000)	2019 IQD (000)
Investments in Associates Listed in Active Local Markets			1,044,964	989,966
Al Ameen Insurance Company	Iraq	48%	1,044,964	989,966
			1,044,964	989,966

* The share valuation price for Al Ameen Insurance Company was IQD (0.57) per share as at 31 December 2020 (IQD 0.54 per share as at 31 January 2019).

B. Financial Assets at Fair Value through Other Comprehensive Income

	2020 IQD (000)	2019 IQD (000)
Shares of Companies Listed in Active Markets	667,232	613,958
Shares of unlisted Companies*	4,070,810	3,568,869
	4,738,042	4,182,827

- The dividends on the financial assets at fair value through the Statement amounted to IQD (22,767) Thousand.

The following table shows the movement in the financial assets at fair value through the other comprehensive income:

	2020 IQD (000)	2019 IQD (000)
Beginning-of-year balance	5,172,793	5,216,299
Impact of IFRS 9 application	(250,000)	-
Additions	789,474	137
Disposals	-	(43,643)
	5,712,267	5,172,793
Change in fair value reserve	70,739	-
End-of-year balance	5,783,006	5,172,793

*The shares of unlisted companies are recorded at cost, as the management cannot obtain a credible fair value of these investments.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

6. Financial Assets at Amortized Cost:

	2020 IQD (000)	2019 IQD (000)
Financial Assets at Amortized Cost:		
Financial Assets Quoted in the Market:		
Government or Government-guaranteed Bonds	122,276,229	-
Foreign Government Bonds*	29,757,890	24,324,260
Total Financial Assets Quoted in the Market	152,034,119	24,324,260
Financial Assets Unquoted in the Market:		
Government or Government-guaranteed Bonds	-	-
Government or Government-guaranteed Treasury Bills	15,847,831	72,925,988
Total Financial Assets Unquoted in the Market	15,847,831	72,925,988
Total Financial Assets at Amortized Cost	167,881,950	97,250,248
Less: Expected Credit Loss	(5,071,227)	-
Net Financial Assets at Amortized Cost	162,810,723	97,250,248

	2020 IQD (000)	2019 IQD (000)
Analysis of Bonds and Bills:		
Financial Assets with Fixed Rate of Return	162,810,723	97,250,248
Financial Assets with Floating Rate of Return	0	-
Total	162,810,723	97,250,248

The financial assets at amortized cost accrue as follows:

	Less than 1 month IQD (thousand)	1 to 3 months IQD (thousand)	3 to 6 months IQD (thousand)	6 months to 1 year IQD (thousand)	1 to 5 years IQD (thousand)	More than 5 years IQD (thousand)	Total IQD (thousand)
2020	9,398,750	15,900,000	-	9,398,750	75,190,000	52,923,223	162,810,723
2019	19,981,118	-	14,774,392	38,170,478	-	*24,324,260	97,250,248

*These are Eurobonds (in USD) issued by the Lebanese government. These bonds accrue between 2026 and 2027 with an interest rate of 6.6% and 6.75%. The Bank has been investing in these bonds since 2013.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

The financial assets at amortized value were distributed according to the credit stages of the IFRS 9 as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Balance at the beginning of the year	72,925,988	-	24,324,260	97,250,248
New balances during the year	122,064,540	-	-	122,064,540
Paid balances	(80,363,488)	-	-	(80,363,488)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments resulting from the exchange rate change	23,497,020	-	5,433,630	28,930,650
Total balance at year end	138,124,060	-	29,757,890	167,881,950

The financial assets at amortized value were distributed according to the credit stages of the IFRS 9 as at 31 December 2020; as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
Credit ratings based on the bank's internal system				
1	138,124,060	-	-	138,124,060
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	29,757,890	29,757,890
10	-	-	-	-
Total	138,124,060	-	29,757,890	167,881,950

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

The balance of expected credit impairment provision for the financial assets at amortized value was as follows:

Item	Stage 1 IQD (000)	Stage 2 IQD (000)	Stage 3 IQD (000)	Total IQD (000)
The balance at the beginning of the period adjusted after the application of the IFRS 9	-	-	13,690,953	13,690,953
Impairment loss on new balances during the year	302,115	-	-	302,115
Recovered from the impairment loss on the paid balances	-	-	-	-
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes resulting from adjustments	-	-	2,120,885	2,120,885
Balances transferred to credit facilities	-	-	(449,820)	(449,820)
Bad balances	-	-	-	-
Adjustments resulting from exchange rate change	-	-	-	-
Decrease in expected credit loss provision	-	-	(10,592,906)	(10,592,906)
Total balance at year end	302,115	-	4,769,112	5,071,227

7. Direct Credit Facilities at the Amortized cost *

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Individuals (Retail)	21,260,388	17,755,931
Loans**	21,260,388	17,755,931
Discounted Bills & Purchased Bills	-	-
Overdrafts	-	-
Large and Medium Enterprises	174,917,870	170,488,960
Loans	170,319,622	162,384,962
Discounted Bills & Purchased Bills	235,952	2,397,365
Overdrafts	4,362,296	5,706,633
	196,178,258	188,244,891
Less:		
Interest In Suspense (Note 7A)	11,696,827	7,702,983
Provision for Credit Losses (Note 7B)	42,851,513	30,939,190
Net Direct Credit Facilities	141,629,918	149,602,718

*The Bank has reclassified Retail and enterprises facilities by classifying all the facilities granted to individuals for commercial purposes or to individual merchants into facilities for large and medium enterprises.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

**The net amount of loans granted is presented after deducting interest received in advance, which is IQD (412,850) thousand as at 31 December 2020 (2019: IQD 217,890 thousand). These interests are prepaid on loans for gold jewelry and discounted bills.

Non-performing credit facilities reached IQD 176,518,317 thousand as at 31 December 2020, accounting for 90% of the direct credit facilities balance (2019: IQD 162,868,100 thousand, accounting for 86.5%).

Non-performing credit facilities after deducting interests in suspense reached IQD 164,821,490 thousand as at 31 December 2020, accounting for 84.0% of the credit facilities balance after deducting interests in suspense (2019: IQD 155,165,117 thousand, accounting for 82.4% of the credit facilities balance after deducting interest in suspense).

Total facilities at Beirut branch reached IQD 18,109,265 thousand ((2019: IQD 22,092,133 thousand).

A. Interest in Suspense

The movement in the interest in suspense was as follows:

2020	Retail IQD (thousand)	Corporate IQD (thousand)	Total IQD (thousand)
Beginning-of-year balance	3,484,837	4,218,146	7,702,983
Additions	32,615	5,173,522	5,206,137
Redemptions	(106,845)	(1,105,448)	(1,212,293)
End-of-year balance	3,410,607	8,286,220	11,696,827

B. Provision for Impairments of Credit Facilities

First: Cumulative direct credit facilities:

- Cumulative direct credit facilities are distributed by credit stages in accordance with the requirements of IFRS 9 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Balance at year beginning	6,475,340	18,901,451	162,868,100	188,244,891
New balances during the year	5,953,116	58,333	5,843,175	11,854,624
Paid balances	(3,819,347)	(7,207,975)	(6,508,952)	(17,536,274)
Reclassified to Stage 1	258,683	(237,558)	(21,125)	-
Reclassified to Stage 2	(10,919)	8,345,175	(8,334,256)	-
Reclassified to Stage 3	(11,879)	(11,087,511)	11,099,390	-
Changes due to adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments due to changes in exchange rate	74,813	1,968,219	11,571,985	13,615,017
Total balance at year end	8,919,807	10,740,134	176,518,317	196,178,258

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

- Total cumulative direct credit facilities by credit stages are distributed according to the Bank's internal credit ratings as of December 31, 2020 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Credit rating based on the Bank's internal system				
1	7,555,569	-	-	7,555,569
2	1,288,237	-	-	1,288,237
3	76,000	-	-	76,000
4	-	-	-	-
5	-	76,705	-	76,705
6	-	-	-	-
7	-	10,663,430	-	10,663,430
8	-	-	56,501,742	56,501,742
9	-	-	107,409,948	107,409,948
10	-	-	12,606,627	12,606,627
Total	8,919,806	10,740,135	176,518,317	196,178,258

- The provision for activity in the provision for impairment of expected credit loss on cumulative direct credit facilities is as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Adjusted balance at beginning of the period after implementing IFRS 9	215,746	6,365,002	73,040,432	79,621,180
Impairment loss on new balances during the year	237,684	1,301	6,155,108	6,394,093
Recovered impairment loss on paid balances	(137,338)	(1,951,716)	(5,913,450)	(8,002,504)
Reclassified to Stage 1	26,376	(5,407)	(20,969)	-
Reclassified to Stage 2	(3,424)	3,849,806	(3,846,382)	-
Reclassified to Stage 3	(97)	(2,806,754)	2,806,851	-
Effect on provision as at year end due to reclassification between stages during the year	(24,900)	(2,446,737)	3,361,321	889,684
Changes due to adjustments	2,134	1,077,677	1,352,877	2,432,688
Bad facilities	-	-	-	-
Adjustments due to changes in exchange rates	-	-	477,194	477,194
Decrease in the provision for expected credit loss	-	-	(38,960,822)	(38,960,822)
Total balance at year end	316,181	4,083,172	38,452,160	42,851,513

Notes on the Consolidated Financial Statements

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Second: Large Corporat and Medium Enterprises Portfolio:

- Direct credit facilities in the large and medium enterprises portfolio are distributed by credit stages in accordance with IFRS 9 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Balance at year beginning	489,331	18,687,717	151,311,911	170,488,959
New balances during the year	16,263	58,333	5,831,939	5,906,535
Paid balances	(315,568)	(7,088,062)	(6,410,672)	(13,814,302)
Reclassified to Stage 1	120,343	(120,343)	-	-
Reclassified to Stage 2	-	8,237,625	(8,237,625)	-
Reclassified to Stage 3	-	(11,084,415)	11,084,415	-
Changes due to adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments due to changes in exchange rates	71,524	1,968,219	10,296,934	12,336,677
Total balance at year end	381,893	10,659,074	163,876,902	174,917,869

Total direct credit facilities in the large and medium enterprises portfolio by credit stages are distributed according to the Bank's internal credit ratings as of December 31, 2020 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Credit rating based on the Bank's internal system				
1	381,893	-	-	381,893
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	68,926	-	68,926
6	-	-	-	-
7	-	10,590,148	-	10,590,148
8	-	-	43,860,327	43,860,327
9	-	-	107,409,948	107,409,948
10	-	-	12,606,627	12,606,627
Total	381,893	10,659,074	163,876,902	174,917,869

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The provision for activity in the provision for impairment of expected credit loss for large and medium enterprises is as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Adjusted balance at beginning of the period after implementing IFRS 9	146,907	6,358,341	72,805,523	79,310,771
Impairment loss on new balances during the year	55,103	1,301	5,839,774	5,896,178
Recovered impairment loss on paid balances	(122,124)	(1,950,617)	(3,853,917)	(5,926,658)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	3,773,959	(3,773,959)	-
Reclassified to Stage 3	-	(2,806,598)	2,806,598	-
Effect on provision as at year end due to reclassification between stages during the year	-	(2,423,000)	3,355,844	932,844
Changes due to adjustments	(3,420)	1,007,572	(6,570,153)	(5,566,001)
Bad facilities	-	-	-	-
Adjustments due to changes in exchange rates	-	-	477,194	477,194
Decrease in the provision for expected credit loss	-	-	(38,960,822)	(38,960,822)
Total balance at year end	76,466	3,960,958	32,126,082	36,163,506

Third: Individuals (Retail) Portfolio:

- Direct credit facilities in the individuals (retail) portfolio are distributed by credit stages in accordance with IFRS 9 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Balance at year beginning	5,986,008	213,734	11,556,189	17,755,931
New balances during the year	5,936,853	-	11,236	5,948,089
Paid balances	(3,503,779)	(119,913)	(98,280)	(3,721,972)
Reclassified to Stage 1	138,340	(117,215)	(21,125)	-
Reclassified to Stage 2	(10,919)	107,550	(96,631)	-
Reclassified to Stage 3	(11,879)	(3,096)	14,975	-
Changes due to adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments due to changes in exchange rates	3,289	-	1,275,051	1,278,340
Total balance at year end	8,537,913	81,060	12,641,415	21,260,388

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Total direct credit facilities in the individuals (retail) portfolio by credit stages are distributed according to the Bank's internal credit ratings as of December 31, 2020 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Credit rating based on the Bank's internal system				
1	7,173,676	-	-	7,173,676
2	1,288,237	-	-	1,288,237
3	76,000	-	-	76,000
4	-	-	-	-
5	-	7,779	-	7,779
6	-	-	-	-
7	-	73,281	-	73,281
8	-	-	12,641,415	12,641,415
9	-	-	-	-
10	-	-	-	-
Total	8,537,913	81,060	12,641,415	21,260,388

The provision for activity in the provision for impairment of expected credit loss for the individuals (retail) portfolio is as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Adjusted balance at beginning of the period after implementing IFRS 9	68,839	6,661	234,909	310,409
Impairment loss on new balances during the year	182,581	-	315,334	497,915
Recovered impairment loss on paid balances	(15,214)	(1,099)	(2,059,533)	(2,075,846)
Reclassified to Stage 1	26,376	(5,407)	(20,969)	-
Reclassified to Stage 2	(3,424)	75,847	(72,423)	-
Reclassified to Stage 3	(97)	(156)	253	-
Effect on provision as at year end due to reclassification between stages during the year	(24,900)	(23,737)	5,477	(43,160)
Changes due to adjustments	5,554	70,105	7,923,030	7,998,689
Bad facilities	-	-	-	-
Adjustments due to changes in exchange rates	-	-	-	-
Decrease in the provision for expected credit loss	-	-	-	-
Total balance at year end	239,715	122,214	6,326,078	6,688,007

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8. Property and Equipment, Net*

2020	Land IQD (thousand)	Buildings IQD (thousand)	Plant and Equipment IQD (thousand)	Computers, Furniture & Fixtures IQD (thousand)	Transportation IQD (thousand)	Systems IQD (thousand)	Decorations and Improvements** IQD (thousand)	Projects Under Construction* IQD (thousand)	Total IQD (thousand)
Cost:									
Beginning of year	22,316,482	22,340,200	1,102,290	9,417,639	949,016	2,659,951	1,662,127	6,575,539	67,023,244
Additions	3,968,132	51,810	24,080	507,912	-	103,795	49,117	2,968,358	7,673,204
Disposals	-	-	(170)	(82,675)	(80)	-	-	(546,723)	(629,648)
Transfer from Projects under Construction	1,300,000	3,727,405	-	37,888	-	-	-	(5,065,293)	-
Differences in Foreign Currencies	-	-	-	187,490	31,128	218,605	17,524	-	454,747
Reclassification	-	-	-	-	-	-	-	-	-
End of year	27,584,614	26,119,415	1,126,200	10,068,254	980,064	2,982,351	1,728,768	3,931,881	74,521,547
Depreciation:									
Beginning of year	-	3,528,811	1,066,565	7,611,369	854,044	2,094,207	1,094,243	-	16,249,239
Additions for the year	-	759,906	21,601	565,099	26,746	435,150	140,384	-	1,948,886
Disposals	-	-	(170)	(82,068)	(272)	-	-	-	(82,510)
Reclassification	-	-	-	-	-	-	-	-	-
Differences in Foreign Currencies	-	-	-	125,191	9,696	168,501	12,097	-	315,485
End of year	-	4,288,717	1,087,996	8,219,591	890,212	2,697,858	1,246,724	-	18,431,098
Net Book Value	27,584,614	21,830,698	38,204	1,848,663	89,852	284,493	482,044	3,931,881	56,090,449
Analysis of Projects Under Construction*	-	3,484,796	-	-	-	447,085	-	-	3,931,881

*The land and buildings balance includes IQD (6,011,123) thousand, which is the value of the land and property of Beirut branch.

2019	Land IQD (thousand)	Buildings IQD (thousand)	Plant and Equipment IQD (thousand)	Computers, Furniture & Fixtures IQD (thousand)	Transportation IQD (thousand)	Systems IQD (thousand)	Decorations and Improvements** IQD (thousand)	Projects Under Construction* IQD (thousand)	Total IQD (thousand)
Cost:									
Beginning of year	21,127,107	12,754,676	1,197,408	9,047,959	945,934	2,702,755	1,781,450	9,607,428	59,164,717
Additions	818,125	9,567,695	25	521,261	108,992	45,968	269,756	3,402,549	14,734,371
Disposals	-	-	(95,143)	(151,450)	(105,910)	(88,772)	-	(6,434,569)*	(6,875,844)
Transfer from Projects under Construction	-	-	-	(131)	-	-	-	131	-
Reclassification	371,250	17,829	-	-	-	-	(389,079)	-	-
End of year	22,316,482	22,340,200	1,102,290	9,417,639	949,016	2,659,951	1,662,127	6,575,539	67,023,244
Depreciation:									
Beginning of year	-	3,094,882	1,134,008	7,219,720	945,934	1,453,764	1,098,952	-	14,947,260
Additions for the year	-	433,929	27,188	543,099	14,532	640,443	(4,709)	-	1,654,482
Disposals	-	-	(95,143)	(151,450)	(105,910)	-	-	-	(352,503)
Reclassification	-	-	512	-	(512)	-	-	-	-
End of year	-	3,528,811	1,066,565	7,611,369	854,044	2,094,207	1,094,243	-	16,249,239
Net Book Value	22,316,482	18,811,389	35,725	1,806,270	94,972	565,744	567,884	6,575,539	50,774,005
Analysis of Projects Under Construction*	1,429,902	-	-	57,731	-	65,450	-	5,022,456	6,575,539

*Based on the approval of the Board of Directors of the Bank of Baghdad in its session No. 8 dated 17/6/2019 and the approval of the Central Bank of Iraq No. 9/2 25434 dated 7/11/2019, it was agreed to convert the lease for buildings No. (323/287 Bataween) and (323/288 Bataween) intended to be used as the head office of the general management from a 15-year lease to a purchase of the two buildings for the price of USD 6.8 million, taking into consideration the advance lease payment of USD 4.737 million after deducting two-year lease payment of USD 666,250 and accounting for the remaining amount of USD 4,071,243 as a purchase down payment. These amounts were presented in prepayments for the acquisition of land and property pending alienation of the same, noting that the contract is owned by related parties.

**The land and buildings balance includes IQD (6,011,123) thousand, which is the value of the land and property of Beirut branch.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

9. Other Assets

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Legal Fees	552,281	540,931
Margins with others	1,034,253	813,430
Prepayments for Ownership or Acquisition of Land *	5,585,071	9,309,345
Prepaid Expenses	2,907,314	2,209,264
Accrued Interest	4,374,848	1,048,939
Government Accounts Receivable**	3,012,230	6,042,545
Prepayments for investment purposes***	362,246	119,970,152
Other Accounts Receivable	1,303,909	708,766
Repo Assets Due to Default (acquired assets)****	-	960,868
Stolen Cash*****	38,377,845	36,284,732
Provisions for Stolen Cash and Accounts Receivable (9.A or 9.B)	(38,377,845)	(38,458,396)
Total other assets	19,132,152	139,430,576
Less: Expected credit loss	(248,204)	-
Net other assets	18,883,948	139,430,576

9.A Analysis of the Provisions for Stolen Cash and Accounts Receivable:

	2020 IQD (000)	2019 IQD (000)
Provisions for Stolen Cash and Sukuk	38,377,845	36,267,246
Provision for the General Commission for Taxes – Kurdistan Taxes	-	2,191,150
Total of the Provision for Stolen Cash and other amounts	38,377,845	38,458,396

9.B The Movement in the Provisions for Stolen Cash and Accounts Receivable:

	2020 IQD (000)	2019 IQD (000)
Beginning-of-year Balance	38,458,396	38,575,026
Additions	102,968	-
Recovered and reclassified to the provision for expected credit loss	(2,201,151)	(116,630)
Adjustments due to Changes in Exchange Rates	2,017,632	-
End-of-year Balance	38,377,845	38,458,396

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

- Other assets at amortized cost are distributed by credit stages in accordance with IFRS 9 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Balance at year beginning	135,557,492	-	5,085,879	140,643,371
New balances during the year	7,120,501	-	10,857	7,131,358
Paid balances	(126,141,672)	-	(2,969,181)	(129,110,853)
Reclassified to Stage 1	880,727	-	(880,727)	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Changes due to adjustments	-	-	-	-
Bad balances	-	-	-	-
Adjustments due to changes in exchange rates	422,583	-	45,693	468,276
Total balance at year end	17,839,631	-	1,292,521	19,132,152

Other assets at amortized cost by credit stages are distributed according to the Bank's internal credit ratings as of December 31, 2020 as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Credit rating based on the Bank's internal system				
1	2,880,811	-	-	2,880,811
2	-	-	-	-
3	-	-	-	-
4	14,958,818	-	-	14,958,818
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	1,292,523	1,292,523
9	-	-	-	-
10	-	-	-	-
Total	17,839,629	-	1,292,523	19,132,152

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

The provision for activity in the provision for impairment of expected credit loss on other assets at amortized cost is as follows:

Item	Stage 1 IQD (thousand)	Stage 2 IQD (thousand)	Stage 3 IQD (thousand)	Total IQD (thousand)
Adjusted balance at beginning of the period after implementing IFRS 9	13,642	-	2,895,431	2,909,073
Impairment loss on new balances during the year	-	-	-	-
Recovered impairment loss on paid balances	(13,316)	-	(2,511,445)	(2,524,761)
Reclassified to Stage 1	-	-	-	-
Reclassified to Stage 2	-	-	-	-
Reclassified to Stage 3	-	-	-	-
Effect on provision as at year end due to reclassification between stages during the year	-	-	-	-
Changes due to adjustments	-	-	864,870	864,870
Bad facilities	-	-	-	-
Adjustments due to changes in exchange rates	-	-	-	-
Decrease in the provision for expected credit loss	-	-	(1,000,978)	(1,000,978)
Total balance at year end	326	-	247,878	248,204

* Based on the agreement signed by the Bank to purchase a real estate to be used as the headquarters of the Bank's branch in Jamila city - Baghdad for the sum of IQD (1.9) million. Pursuant to the Central Bank of Iraq's letter No. 3/9/7855 dated 20/5/2014 approving the Bank's acquisition of this real estate, the Bank agreed with the seller to pay the contract's value in three payments. The Bank paid IQD (696) million as a first payment and the ownership of this real estate has not been transferred to the Bank to date, noting that the building is mortgaged in exchange for credit facilities granted by the Bank. This amount was presented in the account of prepayments for ownership or acquisition of land.

*Based on the agreement signed by the Bank on 1/10/2019 and approved by the Board of Directors of the Bank of Baghdad in its session No. (8) dated 17/6/2019, and with reference to the Central Bank of Iraq's approval No. 9/2/25434 dated 7/11/2019, it was agreed to convert the lease for buildings No. (323/287 Bataween) and (323/288 Bataween) intended to be used as the head office of the general management from a 15-year lease to a purchase of the two buildings for the price of USD 6.8 million, taking into consideration the advance lease payment of USD 4.737 million after deducting two-year lease payment of USD 666,250 and accounting for the remaining amount of USD 4,071,243 as a purchase down payment. These amounts were re-presented in prepayments for the acquisition of land and property pending alienation of the same, noting that the contract is owned by related parties. This amount was presented in the account of prepayments for ownership or acquisition of land.

**The governmental accounts receivable amount represents the liabilities of the Iraqi Ministry of Finance for the amount of IQD 2,000,000 thousand based on the Federal Court of Cassation decision No. 1868 / civil panel / 2015 - 1909 dated 16/4/2015 to compensate the Bank for the expropriation of its building in Karbala governorate.

***The Bank established its right with the General Commission of Taxes regarding the double taxation paid in Kurdistan region for the sum of IQD 3,849,908 thousand, where the Bank created a provision of IQD 2,191,150 thousand for these amounts. During the third quarter of 2020, the Ministry of Finance recognized the Bank's right to said amounts and the most part of it was recovered. The relevant provision was reduced and stated in the statement of income as it became no longer necessary. This amount was presented in government accounts receivable.

**** The amount of prepayments for investment purposes, the balance of which reached IQD 362,246 thousand, represents the amount of the Bank's investments in the bonds of the Iraqi Government.

***** The repossessed assets due to default were re-presented in the other assets instead of fixed assets, as these buildings are to be disposed of within 2 years of the acquisition date as instructed by the Central Bank, noting that the Bank sought to dispose of these buildings in 2020.

***** Due to operational risks and unstable conditions in the last few years, the Bank was robbed several times of amounts that totaled IQD 38,377,845 thousand, where the Bank management decided to cover these robberies with provisions at the rate of 100% of the total amounts stolen. These amounts were recorded as accounts receivable and the Bank is currently following up on their recovery procedures according to legal processes. The last of these amounts included the robbery of the treasury and ATM machine of Al-Qurnah branch in Basra in 2018, noting that the increase in the amount compared to last year's is due to the changes in the exchange rates. The following table shows these robberies:

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Year	Branch	2020 IQD (000)	2019 IQD (000)
2018	Al Qurnah Branch Robbery	544,304	544,304
2015	Irbil Branch Robbery	34,435,063	32,341,950
2014	Mosul Branch Robbery	974,777	974,777
2011	Al-Sanak Branch Robbery	1,144,462	1,144,462
2003-2017	Robberies, cash at hand shortage, forged checks	1,279,239	1,279,239
Total Amounts Stolen from the Bank		38,377,845	36,284,732

10. Due to Banks and Other Financial Institutions

The balance of IQD 893,442 thousand as at 31 December 2020 (2019: IQD 1,837,222 thousand) represents the deposits and current accounts of banks and other financial institutions that are clients of the Bank of Baghdad Group.

11. Customers' Deposits

This item consists of the following:

2020	Retail IQD (thousand)	Corporates IQD (thousand)	Total IQD (thousand)
Current and Demand Accounts	145,507,762	532,427,926	677,935,688
Savings Accounts	306,906,890	58,428,546	365,335,436
Term Deposits	14,490,502	14,610,439	29,100,941
	466,905,154	605,466,911	1,072,372,065

2019	Retail IQD (thousand)	Corporates IQD (thousand)	Total IQD (thousand)
Current and Demand Accounts	128,392,628	341,927,518	470,320,146
Savings Accounts	277,615,079	21,841,911	299,456,990
Term Deposits	14,008,745	17,388,976	31,397,721
	420,016,452	381,158,405	801,174,857

- Deposits that do not carry interest were IQD 677,935,688 thousand, accounting for (63.2%) of total deposits and current and demand accounts as at 31 December 2020 (2019: IQD 470,320,146 thousand, accounting for (58.7%)).
- The seized and restricted deposits, upon the request of official bodies, reached IQD 319,083 thousand, accounting for (0.003%) of the total deposits and current accounts as at 31 December 2020 (2019: IQD 318,809 thousand, accounting for (0.007%)).

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

12. Cash Margins

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Margins Against Letters of Credit	3,934,240	1,937,563
Margins Against Letters of Guarantee	14,515,164	14,868,044
Other Cash Margins	1,233,520	654,500
	19,682,924	17,460,107

13. Income Tax

A. Income Tax Provision

The movement in the income tax provision was as follows:

	2020 IQD (000)	2019 IQD (000)
Beginning-of-year Balance	1,976,120	1,266,782
Income Tax Paid During the Year*	(3,002,478)	(2,829,252)
Adjustments due to Changes in Exchange Rates	29,480	3,538,590
Accrued Income Tax	5,575,119	-
End-of-year Balance	4,578,241	1,976,120

*The above difference between accrued income tax and balance at the end of the fiscal year was the result of paying income tax during the year arising from the settle for 2018 and 2019 where a sum of IQD 1,156,288 thousand was paid.

B. Income Tax

Accounting summary of profit (loss) settlement with taxable profit of the Bank of Baghdad Group:

	2020 IQD (000)	2019 IQD (000)
Pretax Accounting Profit (Loss)	25,775,190	10,837,194
Non-taxable Profits	(5,625,798)	(470,739)
Non-deductible Profits	9,309,485	2,870,694
Taxable Profit	29,458,877	13,237,149
Income tax accrued to the Iraqi General Commission of Taxes (at the rate of 15%)	4,418,831	1,809,241
Income tax accrued to the Lebanese Tax Authority (at the rate of 17%)	-	176,331
Settlement of income tax accrued to the General Commission of Taxes for 2018-2019	1,156,288	1,553,018
	5,575,119	3,538,590

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

C. Income Tax

Accounting profit (loss) settlement with taxable profit:

	2020 IQD (000)
Pretax Accounting Profit (Loss)	25,775,190
Non-deductible Expenses	
Donations	326,357
Fines and Compensations	60,119
Miscellaneous Provisions	376,146
Litigation Provisions	-
Employee Taxation	556,017
Provisions of Expected Credit Losses	7,990,846
Total of Non-deductible Expenses	9,309,485
Non-taxable Income	
Rent Income (Subject to Real Estate Tax)	236,300
Cash Distributions from Financial Assets at Fair Value (Profits of Joint Stock Companies)	22,761
Recoverable Income from Previous Years	114,021
Interest of Iraqi Government's Bonds (Eurobond)	5,252,716
Non-taxable Profits	5,625,798
Taxable Profit	29,458,877
Bank's Income Tax	4,418,831
Less: Accrued Income Tax Paid for Branches outside Iraq	-
Income Tax Accrued to the Iraqi General Commission of Taxes	4,418,831

- The tax amount was calculated in accordance with the Iraqi Tax Law (15% of the taxable profit). However, the tax amount in the Beirut branch in the Lebanese Republic was calculated in accordance with the Lebanese Tax Law at the rate of 17%, noting that; in accordance with paragraph (4) of article (5) of the Income Tax Law No. 113 for 1982 as amended; tax on the profits of branches outside Iraq is calculated in the same way as branches in Iraq and the amount paid in the Lebanese Republic is deducted such that it does not exceed the corresponding tax in Iraq, and the remaining amount is carried forward to the next five years and deducted from accrued tax.
- The Bank paid the accrued income tax amounts until 2019 and received a tax clearance from the General Commission of Taxes upon paying tax differences for said year for the amount of IQD 1,156,288 thousand, which was presented in the income tax item for 2020. As for the Beirut branch, accrued amounts were paid and the tax was settled for 2018. Furthermore, the accrued tax for the year ended 31 December 2019 will be paid in 2021.
- Regarding the double taxation to which the Bank was subjected due to the taxation of all its branches operating in the Kurdistan region, despite being settled with the General Commission of Taxes, an amount of IQD 2,191,150 thousand was paid in 2017 and IQD 1,658,758 thousand was paid 2018. The Bank recorded these amounts as liabilities on the General Commission of Taxes in Iraq, the Commission was notified accordingly and the Bank obtained a decision recognizing this amount as due to the Bank and the tax for 2019 was deducted from it by the General Commission of Taxes.
- The tax accrued for Bank of Baghdad Group and its branches in Iraq and abroad for the year ended 31 December 2020 was calculated, and the management and tax consultant believe that the same is sufficient to cover tax liabilities as at that date.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

14. Miscellaneous Provisions

	2020 IQD (000)	2019 IQD (000)
Provision of Expected Credit Losses on Off-Balance Sheet Items	1,442,193	303,594
Provisions for Contingent Losses of the Currency Sale and Purchase Window*	4,913,025	5,668,876
Provisions for End-of-service Indemnity	1,131,770	607,401
Litigation Provisions	87,852	200,000
Miscellaneous Provisions*	317,395	616,219
	7,892,235	7,396,090

*A provision for investments in Eurobonds (in USD) issued by the Lebanese government was created for the amount of IQD 449 million in 2019, and was transferred to expected credit losses for direct credit in 2020.

A. Miscellaneous Provisions

This movement in the miscellaneous provisions was as follows:

	2020 IQD (000)	2019 IQD (000)
Balance at 1st of January	7,396,090	9,508,948
Additions*	1,662,968	1,337,230
Transfer from the provision for direct facilities	(435,282)	42,740
Reclassification from other liabilities	(112,149)	121,118
Recovered	(619,392)	(3,613,946)
Balance at 31 December	7,892,235	7,396,090

* During 2018, pursuant to the Central Bank of Iraq's letter No. 9/2/21231 dated 13/9/2018, a fine of IQD 10,670,878 thousand was imposed on the Bank for the year 2012 regarding amounts with which the Bank entered the currency sale and purchase window during 2012, provided that these amounts are paid in 30 monthly installments.

15. Borrowed Funds

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Arab Trade Financing Program Loan*	1,824,597	595,000
Banque du Liban Loan	1,986,541	1,912,408
	3,811,138	2,507,408

*Based on the terms of the Arab Trade Financing Program entered into by the Bank of Baghdad, Beirut branch, the program grants the Bank of Baghdad, Beirut branch, an undocumented credit line of two Million USD to finance the credit line of foreign trade. The Bank then finances the post- and pre-export credit against a letter of guarantee from the Burgan Bank at the interest rate shown in the table below, subject to change according to periods as follows:

- 0.875% for 6 months + LIBOR for 6 months
- + LIBOR for 1 year
- And 1.125% + LIBOR

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

16. Other Liabilities

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Certified Checks	9,651,290	14,085,286
Balances and Compensations of Deceased Customers	5,968,283	6,148,309
Dividends Payable	2,572,757	2,604,029
Cash Margins to Others	3,213,755	1,976,327
ATM Services Payables	7,033,733	(635,727)
Outstanding Accrued Expenses	832,341	897,573
Customer Outward Transfers Balances	430,549	235,001
Currency Position	944	770
Accounts Payables	414,468	247,542
Amounts Received for Companies Registration	525,338	455,733
Outstanding Accrued Stamp Fees	153,726	112,423
Outstanding Accrued Interest	161,842	99,014
Other	903,313	524,697
	31,862,339	26,750,977

17. Capital

The fully paid-in capital comprises 250 Billion shares (2020: 250 billion shares) at IQD 1 per share (2019: IQD 1).

18. Reserves

- Statutory (Obligatory) Reserve

In accordance with the Iraqi Companies Law, a minimum of 5% of the annual income after tax is to be deducted as a statutory reserve. The accumulated amounts of this account may not exceed 50% of the Bank's capital. Furthermore, it is not allowed to distribute the statutory (obligatory) reserve or any resulting proceeds from the same to shareholders. It is allowed however to continue deducting with the approval of the General Assembly of the Bank, provided that the statutory reserve does not exceed 100% of the Bank's capital. In Beirut branch, 10% of net profit after tax is deducted as statutory reserve.

- Voluntary Reserves

These include other miscellaneous reserves approved by the General Assembly, whether for purposes related to banking risks or other purposes; such as the expansion reserve.

- Foreign currency translation differences

This item represents the net difference arising from translating net investment in the Lebanese Republic – Beirut branch upon consolidating the financial statements. This amount was the result of the change in the Iraqi dinar exchange rate as at the end of 2020.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

19. Interest Payable

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Individual (Retail) Facilities:	917,816	2,223,363
Loans and Bills	818,164	1,535,716
Current Accounts Receivable	99,652	687,647
Companies (Corporate) Facilities	2,396,390	3,374,723
Loans and Bills	2,151,184	1,299,520
Current Accounts Receivable	245,206	2,075,203
Balances with Central Banks	16,014	207,671
Balances and Deposits with Banks and Financial Institutions	2,966,084	5,098,140
Financial Assets at Amortized Cost A	10,164,204	3,956,151
Total	16,460,508	14,860,048

A. Income from Assets at Amortized Cost

	2020 IQD (000)	2019 IQD (000)
Government and Government-guaranteed Bonds	8,044,060	1,931,779
Government Bonds - Iraq	8,129,379	413,333
Government Bonds - Lebanon	(85,319)	1,518,446
Government-guaranteed and Treasury Bills	2,120,144	2,024,372
	10,164,204	3,956,151

20. Interest Expenses

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Savings Accounts	4,841,871	4,900,646
Term Deposits Accounts	785,152	852,276
	5,627,023	5,752,922

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

21. Net Commission Income

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Bank Transfers Commissions*	24,856,236	17,364,803
Direct Facilities Commissions	129,339	167,402
Indirect Facilities Commissions	1,044,729	1,375,212
Customer Accounts Management Commission	4,810,871	4,025,035
Other Commissions	1,674,489	1,651,746
Total Commissions Payable	32,515,664	24,584,198
Commissions Receivable	(3,562,999)	(4,723,969)
	28,952,665	19,860,229

*The Bank's income from entering the currency purchase window of the Central Bank of Iraq was IQD (0).

22. Net Foreign Currency Profits

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Profits from Sale and Purchase of Currency	17,943,827	10,225,981
Profits from Valuation	2,346,790	91,684
	20,290,617	10,317,665

23. Investment Income

	2020 IQD (000)	2019 IQD (000)
Cash Dividends from Financial Assets at Fair Value Through Comprehensive Income	22,767	29,870
	22,767	29,870

24. Other Income

	2020 IQD (000)	2019 IQD (000)
Income Recoverable from Previous Years	114,021	49,608
Received Real Estate Rent	236,300	348,700
Income from telephone, post, and SWIFT	59,355	131,212
Other income	42,854	146,130
	452,530	675,650

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

25. Employees' Expenses

This item consists of the following:

	2020 IQD (000)	2019 IQD (000)
Employees' Salaries and Benefits	9,429,674	9,271,987
Employees' Bonuses	3,972,371	4,103,684
Bank's Contribution to Social Security	915,371	858,475
Employee Income Tax*	556,017	955,052
Employee's Insurance	14,152	91,816
Employee's Training	30,988	79,756
	14,918,573	15,360,770

*Employee's income tax was IQD (550,000) thousand for branches in Iraq, and IQD (6,017) thousand for Beirut's branch.

26. Other Operating Expenses

	2020 IQD (000)	2019 IQD (000)
Penalties and Compensations	60,119	(50,508)
Rents and Services	720,574	1,677,979
Professional and Consulting Services	1,399,447	323,437
Maintenance	1,047,821	1,792,488
Advertising	4,000	31,588
Communications and Internet	843,396	1,008,241
Tax and Duties	725,673	602,969
Fuel and oil	37,491	44,069
Transportation	436,171	1,111,309
Subscriptions, Licenses and Fees	550,898	420,808
Stationery	218,585	302,466
Legal Services	276,366	190,020
Water and Electricity	370,246	356,713
Donations	326,357	72,000
Supplies and Services	1,034,627	1,144,210
Hospitality	13,672	24,566
Audit fees	91,000	83,000
Other parties audit fees*	64,257	94,419
Insurance	420,524	176,837
Traveling Expense	196,121	715,812
Property and equipment loss and compensation	655,633	102,860
Other	49,445	18,661
	9,542,423	10,243,944

*It is the fees paid to the auditors of Beirut branch and other regulators.

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27. Financial assets expected credit loss expenses

Starting from January 2020, the Bank applied IFRS 9 which requires calculating financial assets expected credit loss expenses as explained in Note 2.3.

The details of this item are as follows:

	2020 IQD (000)	2019 IQD (000)
Expected credit loss on cash with central banks	5,873,562	-
Expected credit loss on balances with banks and financial institutions	(56,796)	-
Expected credit loss on direct facilities at amortized cost	1,608,411	-
Expected credit loss on financial assets at amortized cost	2,423,000	-
Expected credit loss on off-balance sheet items	667,430	-
Expected credit loss on other assets	(2,524,761)	-
Total	7,990,846	-

28. Earnings per Share

The basic and diluted earnings per share for the year were calculated by dividing the net profit for the year by the weighted average number of outstanding shares:

	2020 IQD (000)	2019 IQD (000)
Net Profit for the Year	20,200,071	7,298,604
Weighted Average number of Shares (thousand)	250,000,000	250,000,000
	Dinar / Fils	Dinar / Fils
Basic Earnings per Share from the Year's Profit*	0/081	029/0

* No cash dividends were distributed to shareholders for the fiscal year ended 31 December 2020.

29. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of the following:

	2020 IQD (000)	2019 IQD (000)
Cash and Balances with Central Bank Due Within 3 Months	851,310,578	551,316,536
Add: Due from Banks and Financial Institutions Accruing in 3 months	104,046,216	43,997,328
Less: Due to Banks and Financial Institutions Accruing in 3 Month	(893,442)	(1,837,222)
Restricted Balances	(71,110,550)	(56,280,406)
	883,352,802	537,196,236

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For the Year Ended 31 December 2020

30. Transactions with related parties

The Bank considers major shareholders and senior management, as well as companies of which they have significant ownership shares, related parties. During the year, transactions were conducted with these parties represented by deposits, granted credit facilities, cash margins, accounts receivable and other liabilities as follows:

Balance Sheet Items	Subsidiaries of Major Shareholders, Directors and their Relatives IQD (thousand)	Directors, Major Shareholders and Associates IQD (thousand)	Executive Management IQD (thousand)	Other Parties IQD (thousand)	2020 IQD (thousand)	2019 IQD (thousand)
Assets:						
Cash Facilities, Net	-	-	-	-	-	33,333
Balances with Banks and Financial Institutions	377,530	8,516,955		90,588,755	99,483,240	99,573,637
Fixed and Other Assets*	386,658	121,259	-	893,686	1,401,603	128,963,222
Liabilities:						
Due to Banks and Financial Institutions	759,419	-	-	641	760,060	641
Customers' Deposits	8,220,144	3,613,675	-	-	11,833,819	10,419,258
Cash Margins	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-
Off-Balance Sheet items						
Letters of Guarantee	273,045	-	-	22,016,651	22,289,696	19,130,017
Income Statement Items:						
Interest and Commissions Income	32,522	8,648		3,473,648	3,514,818	4,343,949
Interest and Commissions Expenses	(57,355)	(113,145)	-	(833,875)	(1,004,375)	(176,150)
Other Income	-	-	-	-	-	5,000
Operating Expenses	(899,720)	(390,396)	-	-	(1,290,116)	(1,424,465)
Employees' Salaries and Benefits	-	-	-	(1,622,539)	(1,622,539)	(1,694,426)

* Fixed and other assets represent all the contracts signed with related parties, the impact of which is apparent in the balance sheet, although some of these contracts were signed before 2018.

** Other related parties represent all the transactions with subsidiary banks of Burgan Bank Group, in addition to banks owned by subsidiaries of KIPCO - Kuwait Projects Company (Holding).

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

31. Fair Value of Financial instruments:

The Bank uses the following order of valuation methods and alternatives in identifying and presenting the fair value of the financial instruments:

- **Level 1:** Market prices quoted in active markets for identical assets and liabilities.
- **Level 2:** Other techniques, where all inputs with significant impact on fair value are observable, directly or indirectly, through market information (Money Market Transaction Risk Monitoring).
- **Level 3:** Other techniques, where inputs with significant impact on fair value are used, but not derived from observable market information (Stress Tests & IRRBB).

The following table illustrates the analysis of financial instruments recorded at fair value according to the abovementioned hierarchical order:

	Stage 1	Stage 2	Stage 3	Total
2020	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
Investments in Associates	1,044,964	-	-	1,044,964
Financial Assets at Fair Value through Other Comprehensive Income	667,232	-	4,070,810	4,738,042

	Stage 1	Stage 2	Stage 3	Total
2019	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
Investments in Associates	989,966	-	-	989,966
Financial Assets at Fair Value through Other Comprehensive Income	613,958	-	3,568,869	4,182,827

32. Fair value of financial assets and liabilities that are not presented at fair value in the financial statements

Since the Bank uses the historical cost of fixed assets in its statements, the fixed assets valuation process was not conducted according to fair value. In addition, there might be a significant difference between the fair value and the book value of the financial assets and liabilities that are presented at book value on and off the balance sheet when applied.

33. Risk Management

The Bank manages banking risks by identifying potential risks and how to address and mitigate them, within a holistic framework of risk management in line with the best standards and banking norms and practices and based on the concept of three lines of defense, which determines the responsibilities of all parties for managing risks and addressing their impact; taking into account the separation between risk, business and operations (executive) departments.

The Board of Directors is responsible for general risk management policies, monitoring their implementation and approving risk management strategies and risk appetite. The Bank has set up the Board Risk Committee, which operates within the framework of an effective internal control system, and is responsible for developing the risk strategy and implementing the risk structure, principles and appetite of the Group. The Committee is also responsible for risk management decisions, determining the risk appetite and reporting any potential risks to the Board of Directors.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (continued)

The Risk Management Department is responsible for managing all types of risks in terms of:

- Implementation of the risk management policies and procedures approved by the Board of Directors.
- Analyzing all types of risks (credit and credit control, market, operational, liquidity, process, information security, strategy, and reputation)
- Developing measurement methodologies and tests for each type of risk.
- Providing the Board of Directors, through the Risk Management Committee and Senior Management, with statements and information on risk measurement, including, but not limited to, capital adequacy tests in accordance with Basel III, internal capital adequacy assessment process (ICAAP), liquidity tests; including maturity gap analysis and liquidity indicators approved by the Central Bank of Iraq and Basel committee, Risk Appetite Statement, interest rate risk in the banking book (IRRBB), stress tests, and many other tests and measurements.

Credit Risks and Risk of Concentration of Assets and Liabilities

The Risk Management Department is responsible for applying adopted risk management procedures to ensure that the Bank maintains independent audit processes. Furthermore, the Risk Management Department works closely with and reports to the Risk Management Committee to ensure that the adopted procedures conform to the adopted risks structure.

The Bank manages different banking risks in various ways. There is a documented plan that identifies risks and means of facing and mitigating them. Risks resulting from normal circumstances are measured based on statistical measurement models that study risk probabilities derived from previous experiences, and the required adjustments are foreseen in a way that reflects the variables of the prevailing economic environment. Moreover, the group carries out stress tests for potential scenarios under unlikely but possible circumstances.

Credit Risks

Credit risks are risks that might arise from default of or inability of the other party of the financial instrument to fulfil its obligations toward the Bank, resulting in losses. The Bank manages credit risks by putting ceilings for the credit facilities' amounts as instructed by the Central bank of Iraq. Furthermore, the Bank monitors credit risks and evaluates the customers' credit situation and obtains suitable guarantees from them.

The Bank minimizes assets and liabilities concentration risks by distributing its activities over several sectors, noting that the Bank operates in two geographical regions; Iraq and the Lebanese Republic.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Credit Risks and Risk of Concentration of Assets and Liabilities

1. Credit Risk Exposures (after deduction of impairment loss and interest in suspense and before guarantees and other risk mitigation tools) are as follows:

	2020 IQD (000)	2019 IQD (000)
Financial Position Statement Items:		
Cash with the Central Bank	706,059,286	492,150,435
Due from Banks and Financial Institutions	191,080,054	139,197,329
Direct Credit Facilities – Net:		
Retail	11,161,774	15,676,003
Corporates	130,468,144	133,926,715
Investments in Associates	1,044,964	989,966
Financial Assets at Fair Value through Other Comprehensive Income	4,738,042	4,182,827
Financial Assets at Amortized Cost	162,810,723	97,250,248
Other Assets	18,883,950	139,430,575
Total Financial Position Statement Items	1,226,246,937	1,022,804,098
Off financial position statement items		
Letters of Guarantee	55,243,976	62,215,829
Letters of Credits	4,085,435	3,710,284
Total off financial position statement items	59,329,411	65,926,113
Total items on and off the financial position statement	1,285,576,348	1,088,730,211

The table above represents the Bank's maximum credit risks as at 31 December 2020 and 2019 without taking the guarantees or other credit risk mitigation tools into consideration. As for financial position asset items, the abovementioned exposure is based on the balance as presented in the financial position statement.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

2. Credit exposures are classified by the level of risk as at 31 December 2020 according to the following table:

	Retail IQD (thousand)	Corporates IQD (thousand)	Government and Public Sector IQD (thousand)	Banks and Other Financial Institutions IQD (thousand)	Total IQD (thousand)
2020					
Low Risk*	7,433,602	3,170,773	145,031,069	837,623,237	993,258,681
Acceptable Risk**	1,211,685	19,294,953	-	4,963,922	25,470,560
Past Due:					
Up to 30 Days	15,339	-	-	-	15,339
From 31 Up to 60 Days	22,873	496,768	-	-	519,641
Watch list	12,862	1,797,487	-	-	1,810,349
Non-Performing:	12,651,580	162,492,049	29,757,890	71,110,550	276,012,069
Substandard	61,377	33,368	-	71,110,550	71,205,295
Doubtful	1,351	13,834,040	-	-	13,835,391
Loss	12,588,852	148,624,641	29,757,890	-	190,971,383
Total	21,296,867	184,957,775	174,788,959	913,697,709	1,294,741,310
Less: Interest in Suspense	(3,410,607)	(8,286,220)	-	-	(11,696,827)
Credit Impairment Provision	(6,688,007)	(36,411,710)	(5,071,227)	(8,626,602)	(56,797,546)
Net	11,198,253	140,259,845	169,717,732	905,071,107	1,226,246,937
2019					
Low Risk*	6,464,062	691,991	99,436,496	695,727,342	802,319,891
Acceptable Risk**	1,760,423	34,352,310	1,664,544	60,361,681	98,138,958
Past Due:					
Up to 30 Days	13,317	11,374,154	-	-	11,387,471
From 31 Up to 60 Days	1,609	293,686	-	-	295,295
Watch list	3,493	-	-	-	3,493
Non-Performing:	35,491,279	125,496,143	-	-	160,987,422
Substandard	3,602	-	-	-	3,602
Doubtful	76,379	2,787,866	-	-	2,864,245
Loss	35,411,298	122,708,277	-	-	158,119,575
Total	43,715,764	160,540,444	101,101,040	756,089,023	1,061,446,271
Less: Interest in Suspense	(3,484,837)	(4,218,146)	-	-	(7,702,983)
Credit Impairment Provision	(12,377,690)	(18,561,500)	-	-	(30,939,190)
Net	27,853,237	137,760,798	101,101,040	756,089,023	1,022,804,098

* Cash on hand balances were excluded from low-risk assets because they were in the possession of the Bank and were not exposed to credit risks.

** All balances deposited in government banks and the Central Bank in the Kurdistan region were classified within the acceptable risk assets due to being deposited in government banks.

As for distributing the fair value of the provided collaterals against facilities (risk mitigation tools), the figures of the provided collaterals against credit facilities were updated and presented at market value of the relevant assets at the preparation date of the financial statements for 2020, and at contractual value in 2019. The impact of these collaterals was accordingly taken into account when calculating the provisions for expected credit loss. The table below shows customer collaterals individually and according to the collateral value at the valuation date.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Credit Risks and Risk of Concentration of Assets and Liabilities (Continued)

	Retail IQD (thousand)	Corporate IQD (thousand)	Government and Public Sector IQD (thousand)	Total IQD (thousand)
2020				
Low Risk	13,068,489	700,000	-	13,768,489
Acceptable Risk	461,950	37,528,476	-	37,990,426
Past Due:				
Up to 30 Days	-	-	-	-
From 31 Up to 60 Days	-	6,931,528	-	6,931,528
Watch List	-	-	-	-
Non-Performing:	23,330,397	256,628,963	-	279,959,360
Substandard	-	-	-	-
Doubtful	220,000	17,502,153	-	17,722,153
Loss	23,110,397	239,126,810	-	262,237,207
Total	36,860,836	294,857,439	-	331,718,275
Gold Margins	12,174,969	-	-	12,174,969
Cash Margins	893,520	-	-	893,520
Real Estate	23,792,347	294,857,439	-	318,649,786
Total	36,860,836	294,857,439	-	331,718,275

	Retail IQD (thousand)	Corporate IQD (thousand)	Government and Public Sector IQD (thousand)	Total IQD (thousand)
2019	8,169,857	-	-	8,169,857
Low Risk	277,500	19,503,937	-	19,781,437
Acceptable Risk				
Past Due:	30,000	14,371,437	-	14,401,437
Up to 30 Days	-	437,500	-	437,500
From 31 Up to 60 Days	-	-	-	-
Watch List	28,946,240	145,955,844	-	174,902,084
Non-Performing:	-	-	-	-
Substandard	40,000	-	-	40,000
Doubtful	28,906,240	145,955,844	-	174,862,084
Loss	37,393,597	165,459,781	-	202,853,378
Total	8,169,857	-	-	8,169,857
Gold Margins	29,223,740	165,459,781	-	194,683,521
Real Estate	37,393,597	165,459,781	-	202,853,378
Total				

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Credit Risks and Risk of Concentration of Assets and Liabilities (Continued)

3. Credit exposure concentration by geographical distribution was according to the following table:

Geographical Area	In Iraq IQD (thousand)	Outside Iraq (Middle East) IQD (thousand)	USA IQD (thousand)	Total IQD (thousand)
Item				
Balances with the Central Bank	680,942,455	25,116,831	-	706,059,286
Due from banks and financial institutions	11,434,257	109,802,539	69,843,258	191,080,054
Direct credit facilities – Net	125,985,753	15,644,165	-	141,629,918
Retail	11,161,774	-	-	11,161,774
Corporates:	114,823,979	15,644,165	-	130,468,144
Investments in associates	1,044,964	-	-	1,044,964
Financial assets at fair value through other comprehensive income	4,738,042	-	-	4,738,042
Financial assets at amortized cost	133,052,833	29,757,890	-	162,810,723
Other assets	16,740,010	2,143,940	-	18,883,950
Total for 2020	973,938,314	182,465,365	69,843,258	1,226,246,937
Total for 2019	722,143,781	287,267,284	13,393,033	1,022,804,098

4. Credit exposure concentration by economic sectors was according to the following table:

Economic Sector	Financial IQD (thousand)	Commercial IQD (thousand)	Industrial IQD (thousand)	Real State and Constructions IQD (thousand)	Agricultural IQD (thousand)	Services IQD (thousand)	Retail IQD (thousand)	Governmental and Public Sector IQD (thousand)	Total IQD (thousand)
Item									
Cash with the Central Bank	706,059,286	-	-	-	-	-	-	-	706,059,286
Due from Banks and Financial Institutions	191,080,054	-	-	-	-	-	-	-	191,080,054
Direct Credit Facilities – Net	-	31,443,148	18,414,775	69,859,387	617,219	1,767,692	19,527,697	-	141,629,918
Investments in Associates	1,044,964	-	-	-	-	-	-	-	1,044,964
Financial Assets at Fair Value	3,918,958	-	1,099	529,650	288,335	-	-	-	4,738,042
Financial Assets at Amortized Cost	-	-	-	-	-	-	-	162,810,723	162,810,723
Other Assets	2,967,845	2,869,635	-	4,844,779	-	-	1,294,682	6,907,009	18,883,950
Total for 2020	905,071,107	34,312,783	18,415,874	75,233,816	905,554	1,767,692	20,822,379	169,717,732	1,226,246,937
Total for 2019	756,089,023	41,097,187	19,352,349	85,396,752	575,868	289,868	18,902,011	101,101,040	1,022,804,098

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Market Risks

Market risks are risks that cause the fair value or cash flows of financial instrument to fluctuate due to change in market prices such as interest rates, currency exchange rates and shares prices. Market risks arise as a result of open positions in the rates of interest and currencies and in investment in shares. These risks are monitored according to specific policies and procedures and through specialized committees and concerned bodies. Market risks include interest rate risks, equity risks, currency risks, and risks of change in shares prices.

The Sensitivity Test is based on estimating risks of incurring a loss in the fair value due to changes in interest rates and foreign currency exchange rates. The fair value is calculated based on the current value of the future cash flow that will be affected by the changes in rates.

1. Interest Rate Risk

The Bank seeks to secure financing to meet its long-term investments at fixed interest rates as much as possible, in order to overcome any changes in interest rates of sources of funds. The Bank also carries out short-term investments to overcome any potential changes.

Sensitivity of the income statement is represented by the effect of assumed potential changes in interest rates on the bank's profit for one year, and is calculated for financial assets and liabilities that carry floating interest rates as at 31 December 2020.

Sensitivity of equity items is calculated by revaluing the financial assets available for sale at fixed interest rate, including the impact of any related hedges and swap contracts provisioned as a hedge for cash flows as at 31 December to impact assumed changes in interest rates. The total sensitivity of shareholders' equity is based on the assumption of the existence of parallel transformations in the yield curve.

2020 / Sensitivity of Interest Rates	Change (Increase) in interest Rate	Sensitivity of Interest Income IQD (thousand)	Sensitivity of Shareholders' Equity IQD (thousand)
Currency			
Equalized US Dollar	2%	(2,901,763)	-
IQD	2%	(42,481)	
Total Impact		(2,944,244)	
2019 / Sensitivity of Interest Rates			
US Dollar equivalent	2%	(370,931)	
IQD	2%	(452,880)	
Total Impact		(823,812)	

Should there be a negative change, the impact becomes equal to the change above and the sign is switched. The figures indicate the absence of any significant impact of the change in interest rates in the Bank.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Market Risks (Continued)

2. Currency Risks

Foreign Exchange Risks are the risks of change in the value of the financial instruments due to change in foreign currency exchange rates. The Iraqi dinar is the main currency of the Bank. The Board of Directors sets limits in the financial position statement for each currency in the Bank. The foreign currency position is monitored daily and hedge strategies are implemented to ensure the position stays within the set limits.

The Bank's investment policy states that positions with main foreign currencies can be adopted, provided that the total financial position of all currencies does not exceed 20% of the basic and backup capital according to local instructions. Foreign currency positions are monitored on a daily basis, and advanced market instruments can be used to hedge against exchange rates risks within restrictions that protect the Bank from being exposed to any further risks. Based on the cash management instructions of the Central Bank of Iraq regarding cash controls – banks' permissible foreign cash positions as provided for in their letter No. 9/3/180 dated 30/6/2020, this ratio was adjusted to 20% of the Bank's Tier 1 capital and Tier 2 capital.

Following is a table showing the impact of potential changes in the IQD exchange rate against foreign currencies in the income statement, with all other impactful variables remaining unchanged, noting that the underlying exchange rate of the financial statements as of December 31, 2020 was IQD 1460 per USD, and LBP 1507.5 per USD (i.e. IQD 1.033 per LBP).

	Change in Currency Exchange Rate	Impact on Profits and Losses IQD (thousand)	Impact on Shareholders' Equity IQD (thousand)
2020			
Currency			
US Dollar	5%	202,289	-
Euro	5%	56,052	-
Lebanese Pound*	5%	-	993,975
Total		258,341	993,975
2019			
Currency			
US Dollar	5%	4,741,811	
Euro	5%	120,242	
Lebanese Pound	5%	-	827,739
Total		4,862,053	827,739

*Official exchange rate issued by Banque Du Liban was adopted to convert LBP to USD, which was LBP 1507 per USD, and then to IQD.

Should there be a negative change, the impact becomes equal to the change above and the sign is switched. There might be significant risks resulting from the change in the exchange rates of other currencies if Banque Du Liban adopts the rate of the parallel market to adjust the official exchange rate of USD against LBP which dropped significantly below the official exchange rate by more than 9 folds.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Market Risks (Continued)

3. Share Price Risks

Share price risks result from change in the fair value of investments in shares. The Bank manages these risks by diversifying investments in several geographical regions and economic sectors. As for the investments in shares owned by the Bank, part of them is listed in the Iraq Stock Exchange, and the other part is unlisted, where the impact on these shares will be 1% regarding the sensitivity of profits and losses, and 5% regarding the impact of change on shareholders' equity, as all of these investments are available for sale.

2020	Change in Index IQD (thousand)	Impact on Profits and Losses IQD (thousand)	Impact on Shareholders' Equity IQD (thousand)	Total IQD (thousand)
Investments available for sale	1%	-	-	-
	5%	-	289,150	289,150

Noting that the ratio of investments in financial assets at fair value to shareholders' equity was 2.1%

2020	Change in Index IQD (thousand)	Impact on Profits and Losses IQD (thousand)	Impact on Shareholders' Equity IQD (thousand)	Total IQD (thousand)
Investments available for sale	1%	42	-	42
	5%	-	209,000	209,000

Noting that the ratio of investments in financial assets at fair value to shareholders' equity was 1.9%

There is no significant impact of the change in the investments value on profits, losses and shareholders' equity.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Market Risks (Continued)

4. Interest Re-pricing Gap

The classification is based on the interest re-pricing or accrual periods, whichever is earlier.

	Less Than 1 Month IQD (thousand)	1-3 Months IQD (thousand)	3-6 Months IQD (thousand)	6 Months to 1 Year IQD (thousand)	More Than 1 Year IQD (thousand)	Items with No Interest IQD (thousand)	Total IQD (thousand)
2020							
Assets:							
Cash and Balances with the Central Bank	-	-	-	-	-	843,250,137	843,250,137
Due from Banks and Financial Institutions	1,153,250	-	-	87,600,000	-	102,326,805	191,080,055
Direct Credit Facilities, Net	3,183,090	1,562,285	3,183,090	5,042,721	12,537,102	116,121,630	141,629,918
Investments in Associates	-	-	-	-	-	1,044,964	1,044,964
Financial Assets at Fair Value	-	-	-	-	-	4,738,042	4,738,042
Financial Assets at Amortized Cost	9,398,750	15,900,000	-	9,398,750	103,426,560	24,686,663	162,810,723
Property and Equipment, Net	-	-	-	-	-	55,805,957	55,805,957
Intangible Assets	-	-	-	-	-	284,493	284,493
Other Assets	-	-	-	-	773,768	18,110,180	18,883,948
Total Assets	13,735,090	17,462,285	3,183,090	102,041,471	116,737,430	1,166,368,871	1,419,528,237
Liabilities:							
Due to Banks and Financial Institutions	-	-	-	-	-	893,442	893,442
Customers' Deposits	389,594,827	466,914	1,941,637	2,433,000	-	677,935,688	1,072,372,066
Cash Margins	-	-	-	-	-	19,682,924	19,682,924
Income Tax Provision	-	-	-	-	-	4,578,241	4,578,241
Miscellaneous Provisions	-	-	-	-	-	7,892,235	7,892,235
Borrowed Funds	721,088	-	1,824,597	-	1,265,453	-	3,811,138
Other Liabilities	-	-	-	-	-	31,862,339	31,862,339
Total Liabilities	390,315,915	466,914	3,766,234	2,433,000	1,265,453	742,844,869	1,141,092,385
Interest Re-pricing Gap	(376,580,825)	16,995,371	(583,144)	99,608,471	115,471,977	423,524,002	278,435,852
2019							
Total Assets	63,424,778	4,011,183	19,235,662	136,444,155	34,583,261	875,045,166	1,132,744,205
Total Liabilities	320,241,382	2,301,840	4,374,578	5,253,000	1,191,320	525,740,661	859,102,781
Interest Re-pricing Gap	(256,816,604)	1,709,343	14,861,084	131,191,155	33,391,941	349,304,505	273,641,424

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Market Risks (Continued)

5. Risk of Foreign Currencies Concentration

Item	US Dollar	Euro	Lebanese Pound
2020			
Assets			
Cash and Balances with the Central Bank	241,546,780	146,501	9,126,241
Due from Banks and Financial Institutions	176,468,740	2,628,089	938,281
Direct Credit Facilities, Net	62,489,460	1,787	8,327,774
Investment in Associates	-	-	-
Financial Assets at Fair Value	-	-	-
Financial Assets at Amortized Cost	161,227,800	-	-
Property and Equipment, Net	2,920	-	-
Intangible Assets	-	-	473,365
Other Assets	16,744,740	85,757	342,699
Total Assets	658,480,440	2,862,134	19,208,360
Liabilities			
Due to Banks and other Financial Institutions	702,260	176,873	-
Customers' Deposits	628,319,760	244,764	925,886
Cash Margins	15,992,840	1,429,280	66,589
Income Tax Provisions	8,760	-	159,410
Miscellaneous Provisions	109,500	-	155,539
Borrowed Funds	1,889,240	-	1,922,024
Other Liabilities	8,687,000	169,727	2,791,842
Total Liabilities	655,709,360	2,020,644	6,021,290
Net Concentration on Financial Position Statement	2,771,080	841,490	13,187,070
Contingent Liabilities off Financial Position Statement	57,935,697	1,809,048	94,658

Item	US Dollar	Euro	Lebanese Pound
2019			
Total Assets	523,458,390	3,274,572	13,737,669
Total Liabilities	443,764,090	1,469,428	2,756,058
Net Concentration on Financial Position Statement	79,694,300	1,805,145	10,981,611
Contingent Liabilities off Financial Position Statement	51,140,538	2,587,638	92,483

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Liquidity Risk

Liquidity risk is represented by the Bank's inability to secure the financing required to fulfil its obligations on their due dates. To protect the Bank from these risks, the management diversifies its financing sources, manages assets and liabilities and adapts their due dates and maintains sufficient balance of cash and cash equivalents and negotiable securities.

First: The table below summarizes the distribution of (undiscounted) liabilities based on the remaining period of the contractual due date as at the date of the financial statements:

	Less Than 1 Month IQD (thousand)	1-3 Months IQD (thousand)	3-6 Months IQD (thousand)	6 Months to 1 Year IQD (thousand)	1 Year to 5 Years IQD (thousand)	With no Due Date IQD (thousand)	Total IQD (thousand)
2020							
Liabilities:							
Due to Banks and other Financial Institutions	-	-	-	-	-	893,442	893,442
Customers' Deposits	24,259,391	466,914	1,941,637	2,433,000	-	1,043,271,124	1,072,372,066
Cash margins	-	-	-	-	-	19,682,924	19,682,924
Income Tax Provisions	-	-	4,578,241	-	-	-	4,578,241
Miscellaneous Provisions	356,000	712,000	1,068,000	2,136,000	3,620,235	-	7,892,235
Borrowed Funds	721,088	-	1,824,597	-	1,265,453	-	3,811,138
Other Liabilities	17,830,141	1,090,096	7,199	-	-	12,934,903	31,862,339
Total Liabilities	43,166,620	2,269,010	9,419,674	4,569,000	4,885,688	1,076,782,393	1,141,092,385
Total Assets	13,735,090	17,462,285	3,183,090	102,041,471	116,737,430	1,166,368,871	1,419,528,237
Liquidity Gap	(29,431,530)	15,193,275	(6,236,584)	97,472,471	111,851,742	89,586,478	278,435,852
Cumulative Liquidity Gap	(29,431,530)	(14,238,255)	(20,474,839)	76,997,632	188,849,374	278,435,852	-
2019							
Liabilities:							
Due to Banks and other Financial Institutions	-	-	-	-	-	1,837,222	1,837,222
Customers' Deposits	20,063,304	2,301,840	3,779,578	5,253,000	-	769,777,135	801,174,857
Cash margins	1,206,499	1,539,260	3,843,686	9,810,998	1,059,664	-	17,460,107
Income Tax Provisions	-	-	1,976,120	-	-	-	1,976,120
Miscellaneous Provisions	356,000	712,000	1,068,000	2,136,000	3,124,090	-	7,396,090
Borrowed Funds	721,088	-	595,000	-	1,191,320	-	2,507,408
Other Liabilities	14,144,548	974,993	16,044	-	-	11,615,392	26,750,977
Total Liabilities	36,491,439	5,528,093	11,278,428	17,199,998	5,375,074	783,229,749	859,102,781
Total Assets	63,424,778	4,011,183	19,235,662	136,444,155	34,583,261	875,045,166	1,132,744,205
Liquidity Gap	26,933,339	(1,516,910)	7,957,234	119,244,157	29,208,187	91,815,417	273,641,424
Cumulative Liquidity Gap	26,933,339	25,416,429	33,373,663	152,617,820	181,826,007	273,641,424	-

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

Sector-specific Analysis

A. Bank Activity Information:

Sectors are measured based on reports that are used by the Managing Director and the key decision maker of the Bank through the following four main business sectors:

- **Retail accounts:** Includes following up on the current and savings accounts of individuals, as well as granting them loans and providing transfer services.
- **Corporate Accounts:** Includes following up on current deposits, direct credit facilities and transfers related to customers from private sector corporations.
- **Currency Exchange Activities:** This activity is related to providing foreign currency sale and purchase services for customers.
- **Financial Brokerage:** This sector includes providing brokerage services to customers to enable them to trade in the financial market.



Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

The following table provides information about the Bank's business sectors by activity:

	Retail IQD (thousand)	Corporate IQD (thousand)	Treasury IQD (thousand)	Brokerage IQD (thousand)	Other IQD (thousand)	Total	
						2020 IQD (thousand)	2019 IQD (thousand)
Total Income	5,835,831	20,364,614	33,459,686	-	891,933	60,552,064	39,887,680
Credit Facilities Impairment Deficit	-	(2,275,841)	(8,239,766)	-	2,524,761	(7,990,846)	(556,920)
Business Sector Results	5,835,831	18,088,773	25,219,920	-	3,416,694	52,561,218	39,330,760
Non-distributed Expenses	(4,017,904)	(10,714,411)	(12,053,713)	-	-	(26,786,028)	(28,493,566)
Pretax Profit (Loss)	1,817,927	7,374,362	13,166,207	-	3,416,694	25,775,190	10,837,194
Income Tax	(272,689)	(1,447,530)	(2,832,402)	-	(1,022,498)	(5,575,119)	(3,538,590)
Net Profit (Loss) for the Year	1,545,238	5,926,832	10,333,806	-	2,394,196	20,200,071	7,298,604
Total Sector Assets	158,013,230	130,635,719	1,074,788,839	768,881	55,321,568	1,419,528,237	1,132,787,848
Total Sector Liabilities	466,905,154	628,960,973	16,032,155	10,630	21,575,251	1,133,484,163	862,059,609
Capital Expenses	-	-	-	-	7,673,204	7,673,204	14,734,371
Depreciations	-	-	-	-	1,948,884	1,948,884	1,654,482

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

B. Geographical Distribution Information

This sector represents the geographical distribution of the Bank's business. The Bank performs its activities primarily in Iraq, which represents the local business. The Bank also performs international activities through its branch in Beirut in the Lebanese Republic.

	In Iraq		Outside Iraq		Total	
	2020 IQD (thousand)	2019 IQD (thousand)	2020 IQD (thousand)	2019 IQD (thousand)	2020 IQD (thousand)	2019 IQD (thousand)
Total Income	55,284,029	31,492,388	5,268,035	8,395,292	60,552,064	39,887,680
Total Assets	1,186,424,631	971,792,429	233,103,606	160,995,419	1,419,528,237	1,132,787,848
Capital Expenses	7,673,204	14,734,371	-	-	7,673,204	14,734,371

33. Capital Management

The Bank manages the capital structure and makes out the necessary amendments to it in light of changes in business conditions. The Bank did not make any amendments to the objectives, policies and procedures related to the capital structure during the current and previous years.

The Bank manages the capital on a fixed basis to cover the risks associated with its activities. This process includes measuring capital adequacy in accordance with the ratios set by the Central Bank of Iraq.

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

The Central Bank of Iraq issued resolution number 9/3/1747 dated 6/10/2010 which states that all banks operating in Iraq must increase their capital to IQD 250 billion.

During 2020, the Central Bank of Iraq adopted Basel III Standard in calculating capital adequacy ratio, whereas this ratio became applicable during 2020. Accordingly, changes made to the Bank's policies, regulations and capital management methods.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

Capital Adequacy

	2020 IQD (000)	2019 IQD (000)
Tier 1 Capital		
Paid-in Capital	250,000,000	250,000,000
Disclosed Reserves Adequacy	13,935,266	12,912,038
Retained Profits (Losses)	17,190,636	14,376,083
Investments in Banks and Financial Institutions	(3,721,920)	(4,124,918)
Intangible Assets (Software and Systems)	(284,493)	(565,744)
Capital Control Adjustments as a Result of Applying IFRS 9	(61,661,268)	-
Total Tier 1 Capital	215,458,221	272,597,459
Tier 2 Capital		
Balance of required provision for debt instruments listed in Stage 1, not exceeding 1.25% of risk-weighted assets total	8,590,705	-
Miscellaneous Provisions	1,442,193	1,727,214
Fair Value Reserve	-	(3,646,697)
Total Tier 2 Capital	10,032,898	(1,919,483)
Total Tier 1 and Tier 2 Capital	225,491,119	270,677,976
Total Risk Weighted Assets On-Balance Sheet	687,256,387	271,364,421
Total Risk Weighted Assets Off-Balance Sheet	-	15,451,972
Total Market Risks	19,130,641	-
Operational Risks	82,635,767	153,865,000
Total	789,022,795	420,630,545
Capital Adequacy %	28.58%	64%

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

33. Analysis of the Accrual of Assets and Liabilities

The following table illustrates the analysis of assets and liabilities based on their expected period of recovery or settlement.

2020	Up to One Year IQD (thousand)	More Than One Year IQD (thousand)	Total IQD (thousand)
Assets:			
Cash and Balance with the Central Bank	843,250,137	-	843,250,137
Due from Banks and Financial Institutions	191,080,055	-	191,080,055
Direct Credit Facilities, Net	12,971,186	128,658,732	141,629,918
Investments in Associates	-	1,044,964	1,044,964
Financial Assets at Fair Values through Other Comprehensive Income	-	4,738,042	4,738,042
Financial Assets at Amortized Cost	34,697,500	128,113,223	162,810,723
Property and Equipment, Net	-	55,805,957	55,805,957
Intangible Assets	-	284,493	284,493
Other Assets	15,871,718	3,012,230	18,883,948
Total Assets	1,097,870,596	321,657,641	1,419,528,237
Liabilities:			
Due to Banks and Financial Institutions	893,442	-	893,442
Costumers' Deposits	1,072,372,066	-	1,072,372,066
Cash Margins	19,682,924	-	19,682,924
Income Tax Provision	4,578,241	-	4,578,241
Miscellaneous Provisions	4,272,000	3,620,235	7,892,235
Borrowed Funds	2,545,685	1,265,453	3,811,138
Other Liabilities	31,862,339	-	31,862,339
Total Liabilities	1,136,206,697	4,885,688	1,141,092,385
Net	(38,336,101)	316,771,953	278,435,852

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

33. Analysis of the Accrual of Assets and Liabilities (Continued)

2019	Up to One Year IQD (thousand)	More Than One Year IQD (thousand)	Total IQD (thousand)
Assets:			
Cash and Balance at the Central Bank	551,316,536	-	551,316,536
Cash and Balance at Banks and Financial Institutions	139,197,329	-	139,197,329
Direct Credit Facilities, Net	13,465,414	136,137,304	149,602,718
Investments in Associates	-	989,966	989,966
Financial Assets at Fair Values Through Other Comprehensive Income	-	4,182,827	4,182,827
Financial Assets at Amortized Cost	72,925,988	24,324,260	97,250,248
Property and Equipment, Net	-	50,208,262	50,208,262
Intangibles	-	565,744	565,744
Other Assets	135,579,180	3,851,395	139,430,575
Total Assets	912,484,447	220,259,758	1,132,744,205
Liabilities:			
Due to Banks and Financial Institutions	1,837,222	-	1,837,222
Costumers Deposits	801,174,857	-	801,174,857
Cash Margins	16,400,443	1,059,664	17,460,107
Income Tax Provision	(1,976,120)	-	1,976,120
Miscellaneous Provisions	4,272,000	3,124,090	7,396,090
Borrowed Funds	1,316,088	1,191,320	2,507,408
Other Liabilities	26,750,977	-	26,750,977
Total Liabilities	853,727,707	5,375,074	859,102,781
Net	58,756,740	214,884,684	273,641,424

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2020

33. Risk Management (Continued)

33. Contingent Liabilities and Commitments

A. Credit Liabilities and Commitments

	2020 IQD (000)	2019 IQD (000)
Letters of Guarantee	55,243,976	62,215,829
Letters of Credit	4,085,435	3,710,284
	59,329,411	65,926,113

B. Total unpaid operating contracts as at 31 December 2020 was IQD (zero) and construction contracts were IQD (11,499,024) thousand, of which IQD (1,753,230) thousand are paid and IQD (9,745,794) thousand remaining.

34. Litigation against the Bank


There are no significant lawsuits filed against the Bank of Baghdad as at 31 December 2020. In the opinion of the management, no provision needs to be created for lawsuits.

35. Comparative Figures

Some comparative figures have been reclassified in line with current year's classification. However, this adjustment did not have any effect on the statement of changes in shareholders' equity and statement of income and other comprehensive income for the year ended December 31, 2020.

Additional Information as Required by the Iraqi Securities Commission 2020





Bank of Baghdad Branch Network
Members of the Board of Directors
Members of Executive Management
Major Shareholders' Equity for 2020
Organizational Chart
Number of securities held by members of the Board of Directors
Number of securities held by members of the Executive Management



Additional Information as Required by the Iraqi Securities Commission 2020

a. Chairman's Statement (pp 6 – 8)

b. Board of Directors' Report (pp 10 – 33)

1. Bank's Main Activities

Providing comprehensive banking and credit products and services, accepting deposits of all types, opening current; demand; savings and term accounts and providing retail and corporate finance, in addition to trade finance, opening inward and outward documentary credit, issuing local and international letters of guarantee for all customers in various economic sectors, providing banking services including domestic and cross-border transfers, issuing credit and ATM cards, issuing certified bills of exchange and instruments and providing online banking services.

2. Bank of Baghdad Branch Network

Name of Branch	Address	Opening Year	Number of Employees
Head Office	Baghdad Governorate – Karrada Kharej – Near the National Theatre	1992	252
Main	Baghdad Governorate – Karrada Kharej – Near the National Theatre	1992	27
Al-Sebaa	Baghdad Governorate – Al-Sebaa District – Al-Sebaa Square	1992	12
Hella	Babil Governorate / Hella – 40 Str. – Near Electricity Co.	1992	37
Al-Mansour	Baghdad Governorate – Al-Mansour 14 Ramadan Str. – Near Al-Mamoun Intersection	1993	25
Al-Zahraa	Baghdad Governorate – Kathimyaa – Al-Zahraa Str. – Bab Al-Morad Entrance / Al-Qattana Sub-district	1996	15
Karbala	Karbala Governorate – Al-Baladiyyah District – Al-Trabiya Str. – Opposite Abtal Al-Taff Square	1999	23
Kirkuk	Kirkuk Governorate – Al-Mohafatha Str. – Opposite the Children Hospital	1999	14
Al-Hamra	Baghdad Governorate – Al-Shorta Tunnel – Al-Kaneesa Str. – Opposite Mar Yousef Church	2000	9
Jamila	Baghdad Governorate – Jamila - Al-Alwa Str. – Opposite Rusafa Power Station	2000	14
Basra	Basra Governorate – Kuwait Str. – Opposite the Central Market	2001	49
Baqouba	Diyala Governorate – Baqouba - Takiyya – Near Al-Farouq Mosque	2001	18
Fallouja	Al-Anbar Governorate – Fallouja – Main str. – Near Fallouja Municipality	2001	7
Palestine	Baghdad Governorate – Beirut Square – Opposite the street leading to Rusafa Education Office	2002	14
Mahmoudiyya	Baghdad Governorate – Mahmoudiyya – Qaem Maqamiyya (provincial district) Str. - Opposite the Municipal Council	2002	14
Najaf	Najaf Governorate – Kufa – Jumhuriyya District - Opposite Imam Muslim Bin Aqil Gas Station	2003	14
Al-Bayyaa	Baghdad Governorate – Al-Bayyaa – 20 Str. - Near Al-Bayyaa Intersection – Al-Amel District	2004	15
Sulaimaniyya	Sulaimaniyya Governorate – Al-Aqariyya District – Khan Zad Str. – Opposite the Central Bank	2005	23

Dahuk	Dahuk Governorate – Al-Khoyoul Square – Next to AsiaCell	2008	12
Erbil Shorash	Erbil Governorate – 60 Str. – Near Jalil Al-Khayyat Mosque	2008	23
Diwaniyya	Al-Qadisiyya Governorate – Diwaniyya – Um Al-Khail – Near Al-Diwaniyya Municipality	2008	17
Kut	Wasit Governorate – Kut – Dor Al-Mualimeen – Opposite Kut Hotel	2008	16
Tikrit	Salahuddin Governorate – Tikrit– 40 Str. – Near Al-Azaem Restaurant	2009	7
Al- Harithiyya	Baghdad Governorate – Al-Harithiyya – Baghdad Mall	2009	6
Um Qasir	Basra Governorate – Um Qasir Area – 24 Str. Near the Water Project	2009	12
Amara	Maysan Governorate – Al-Amara – District 28 – Opposite Amara Notary Public	2009	21
Nasiriyya	Dhi Qar Governorate – Al-Nasiriyya – Al-Shibani Str. – Near Al-Shibani Statue	2009	15
Beirut	Lebanese Republic – Beirut – El Hesen Seaport Area – Daouk Str. Beirut Tower Building	2010	19
Down Town	Erbil Governorate – Down Town Complex – Opposite Shara Wani Ministry	2010	4
Samawa	Muthanna Governorate – Samawa – Officers District – Opposite Al-Hussein Teaching Hospital	2011	16
Al –Nasr Office	Baghdad Governorate – Green Zone – Al-Kindi Str.	2011	2
Al-Qurna	Basra Governorate – South Rumaila Field – BP Co.	2015	2
Al-Shaab / Mansour Mall	Baghdad Governorate – Al-Mansour – Mansour Mall	2015	7
Dahuk Office	Dahuk Governorate – Near Dahuk Private Hospital	2019	3
Al-Rashid	Baghdad Governorate – Green Zone – Royal Tulip Hotel	2019	2
Itelaf Office	Erbil	2020	2

3. a. Members of the Board of Directors and Their Resumes



Usam Ismail Sharif Hussein Al-Ani

Chairman

Date of Birth: 1939
Member since: 2014
Membership Type: Personal

Academic Qualifications:

- Bachelor of Economy – University of Baghdad - 1962

Practical Experience:

- Extensive experience in Iraqi economy
- Established and owns several industrial, agricultural and tourism enterprises
- Banking experience from working in the banking sector

Other Current and Previous Board Memberships

- Baghdad Chamber of Commerce – 1965
- Bank of Baghdad Chairman



Masoud Mahmoud Jawhar Hayat

Vice Chairman

Date of Birth: 11/09/1953
Member since: 2014
Membership Type: Personal

Academic Qualifications:

- Bachelor of Economy – Kuwait University - Kuwait
- Postgraduate Degree in Banking Studies – Institute of Banking Studies - Kuwait

Practical Experience:

- 40 years of experience in the regional commercial and investment banking sector and asset management
- Held leadership positions in the companies and banks of Kuwait Projects Company Holding (KIPCO) since joining it in 1997
- Worked in a number of executive positions in Al Ahli Bank of Kuwait for over 20 years, the last of which was the position of Acting CEO and Advisor to the Board of Directors

Other Current and Previous Board Memberships

Current Memberships

- Chairman of United Gulf Bank
- Chairman - United Gulf Holding Company
- Chairman - Tunis International Bank

- Vice Chairman – Gulf Bank Algeria
- Vice Chairman – FIMBank - Malta
- Vice Chairman – Burgan Bank
- Board Member – Jordan Kuwait Bank
- Board Member – North Africa Holding Co.
- Board Member - KAMCO
- Board Member - Masharee Al Khair Charity Org.

Previous Memberships

- Board Member – BIAT Bank – Tunisia (1989 – 1995)
- Board Member – Bank of Bahrain and Kuwait (1986 – 1988) and (1991 – 1995)
- Board Member – Industrial Investments Co. (1993 – 2001)
- Board Member – Untied Fisheries Co. (1997 – 2001)
- Board Member – Gulf Insurance Co. (1997 – 2001)
- Board Member – International Investor (2005 – 2009)
- Chairman – KAMCO Asset Management (1998 – 2010)
- Board Member – Managing Director – United Gulf Bank (1997 – 2009)
- Board Member – Wataniya Communications – Algeria (1997 – 2009)
- Chairman - United Gulf Financial Services Company (1997 - 2009)
- Board Member & Secretary - Union of Investment Companies (1997 - 2009)
- Managing Director - Burgan Bank (2009 - 2010)
- Chairman - Syria Gulf Bank (2005 - 2016)

**Basil Hossam Al Din Shakir****Board Member – Managing Director**

Date of Birth: 13/10/1960

Member since: 2016

Membership Type: Personal

Academic Qualifications:

- Bachelor of Chemical Engineering 1985 – University of Oklahoma - USA
- Specialized course in treasury and investment management - Euromoney
- Specialized course in sales management – University of Michigan / School of Business
- Specialized course in Islamic Investment Funds – Bahrain Institute of Banking and Finance
- Specialized course in securities (Series 6) - National Association of Securities Dealers (NASD)
- Specialized course in futures and options (Series 3)
- Specialized course in Islamic investment transaction structure - Bahrain Institute of Banking and Finance

Practical Experience:

Mr. Basil Hossam Al Din Shakir held various positions in the banking sector in Iraq and abroad, mainly:

- Managing Director of Bank of Baghdad since 2016 to date

- Managing Director of Credit Bank of Iraq (2012 – 2015)
- Managing Director of Trade Bank of Iraq (2007 – 2010)

Other Current and Previous Board Memberships

- Board Member and Managing Director – Bank of Baghdad (Current)
- Board Member and Managing Director – Credit Bank of Iraq (Previous)
- Board Member and Managing Director – Trade Bank of Iraq (Previous)

**Adel Mohammad Al-Hassoon****Board Member**

Date of Birth: 1943

Member since: 2014

Membership Type: Personal

Academic Qualifications:

- Bachelor of Trade and Economy
- CPA

Practical Experience:

- Vice Chairman of the Board of Supreme Audit
- CEO of the Oil Marketing Company (SOMO)
- Chairman of the Free Zones Advisors Committee
- President of Iraqi Union of Accountants and Auditors
- Secretary General of the Arab Federation of Accountants and Auditors (AFAA)
- Chairman of the Iraqi Association of Certified Accountants
- Member of the International Advisory and Monitoring Board - UN
- Member of the Financial Expert Committee supervising the Development Fund of Iraq (DFI)
- Member of the Auditing Profession Board in Iraq
- Dean of the Arab Institute of Certified Public Accountants

Other Current and Previous Board Memberships:

- Board member – Bank of Baghdad



Saadon Abdullah Hussein Ali
Board Member

Date of Birth: 02/10/1961
Member since: 2014
Membership Type: Personal

Academic Qualifications:

- Bachelor of Finance Management and Financial Accounting – Ashland University - USA
- Diploma in Business for Banks – Public Authority of Applied Education

Practical Experience

- Over 30 years of experience in financial accounting, banking sector and commercial and industrial investment sector.
- Vice Chairman and CEO of Qurain Petrochemical Industries Co. since 2012
- Held a number of positions and was a member of the boards of directors of a number of local and regional banks and commercial and industrial investment companies.
- General Manager, then CEO and Managing Director of Kuwait Investment Projects Company (KAMCO) (2006 – 2012)
- Head of the Budget Department (Abdullah Port Refinery) of Kuwait National Petroleum Company (1989 – 1997)

Other Current and Previous Board Memberships:

Current Memberships

- Board Member – Burgan Bank
- Board Member – Bank of Baghdad
- Vice Chairman and CEO - Qurain Petrochemical Industries Co.
- Board Member – United Industries Co.
- Chairman – Insha'a Holding
- Board Member - Advanced Technology Company
- Chairman – United Oil Industries Co.
- Board Member – United Gulf Holding Co.
- Chairman – KAMCO Real Property Investments

Previous Memberships

- Board Member - Bank of Kuwait and Middle East (2003 – 2004)
- Managing Director and CEO – Kuwait Investment Projects Co (KAMCO) (2010 – 2012)
- Board Member – Kuwait Chemical Industries Co. (1997 – 2000)



Naman Shakir Naman Mahmoud
Board Member

Date of Birth: 26/01/1948
Member since: 2016
Membership Type: Personal

Academic Qualification:

- Bachelor of Law

Practical Experience:

- Board Member of (previously) Trade Bank of Iraq
- Member of Iraq Bar Association – President of the Bar Association – Attorney-at-law
- Legal advisor to several companies and (previously) Trans Iraq Bank
- Provided legal advice to certain Iraqi banks.

Other Current and Previous Board Memberships:

- Board Member of Bank of Baghdad (Current)
- Board Member of Trade Bank of Iraq (2006) (Previous)
- Board Member of Baghdad Soft Drinks Co. (Previous)



**Ghassan Ahmad Saleem Bani
Al-Marjah**

Board Member

Date of Birth: 04/03/1960

Member since: 20/07/2019

Membership Type: Personal

Academic Qualifications

- Master in Business Administration
- Coventry University - UK

Practical Experience

- Over 38 years of experience in
banking sector
- COO - Burgan Bank - Kuwait

**Other Current and Previous Board
Memberships:**

- Board Member of Bank of
Baghdad (Current)

b. Members of Executive Management and Their Resumes:



**Hazem Abdel Jabbar
Abdel Jader**

Assistant Managing Director

Date of Birth: 22/12/1961

Date of Appointment: 01/03/1993

Academic Qualification:

- Bachelor of Economy and Administration – Mustansiriyah University
- Baghdad - Iraq

Practical Experience:

Mr. Hazem has 26 years of banking experience with the Bank of Baghdad where he held several positions, namely:

- Assistant Managing Director – Bank of Baghdad (since 01/04/2015 to date)
- COO – Bank of Baghdad (12/02/2014 – 31/03/2015)
- Rusafa Branches Manager – Bank of Baghdad (12/06/2012 – 11/02/2014)
- Head of Main Office – Bank of Baghdad (31/12/2008 – 11/06/2012)
- Al-Hamra Branch Manager – Bank of Baghdad (10/05/2006 – 19/09/2007)
- Worked in several positions in the Bank of Baghdad (1993– 2007)



**Ahmad Tawfiq Khalil Al-Jada'a
Al-Qawasmi**

Chief Financial Officer

Date of Birth: 17/07/1979

Date of Appointment: 23/07/2018

Academic Qualifications:

- Master of Bank Management – The Hashemite University – Zarqa / Jordan
- Bachelor of Accounting - The Hashemite University – Zarqa / Jordan

Practical Experience

- CFO – Bank of Baghdad (23/07/2018 to date)
- CFO – Ashur International Bank (12/2013 – 07/2018)
- Studies and Product Development Officer – Bank of Jordan (04/2007 – 11/2013)
- Researcher at the SME Center – Arab Academy for Financial and Banking Sciences (04/2006 – 04/2007)
- Accountant and auditor – Khalifa and Rayyan for Financial Consultancy (2002 – 04/2006)
- Internal Audit Advisor – Jordan Chamber of Industry (2009 to date)
- Advisor to several international and local establishments and companies (2003 to date)



Amal Ahmad Mathlloum

Compliance Manager – Compliance Controller

Date of Birth: 5/8/1978

Date of Appointment: 21/10/2001

Academic Qualification:

- Bachelor of Banking Sciences – Al-Mansour University College – Baghdad - Iraq
- Certified Compliance Controller Certificate - Global Academy of Finance and Management - Baghdad - Iraq
- CFC - Global Academy of Finance and Management - Baghdad - Iraq
- CROM - Global Academy of Finance and Management - Baghdad - Iraq
- Professional member - Global Academy of Finance and Management - Baghdad - Iraq.
- Money Laundering Consultant (CAMC)
- International Diploma in Compliance and Money Laundering (IDCAML)

Practical Experience:

- Compliance Controller – Bank of Baghdad (11/2017 to date)
- Assistant Compliance Controller – Bank of Baghdad (05/2017 – 10/2017)
- Jadriya Branch Manager – Bank of Baghdad (2009 – 04/2017)
- Worked in several positions in Bank of Baghdad since 2001



Khalil Ibrahim Mahdi Eidan
Head of Legal Department

Date of Birth: 04/01/1963
Date of Appointment: 08/04/2008

Academic Qualifications:

- Bachelor of Law - Al-Turath College - Iraq.
- Diploma in Office Management.

Practical Experience

- Legal experience in Bank of Baghdad as an Attorney-in-law and Head of Legal Department for more than 12 years since 04/2008 to date.
- International Certified Arbitration Expert.
- International Certified Expert and Advisor in the field of intellectual property protection.
- Over 23 years of management experience in government departments.



Rami Hussein Mahmoud Al-Mubassat
Chief Credit Officer

Date of Birth: 26/02/1972
Date of Appointment: 14/05/2018

Academic Qualification:

- Bachelor of Accounting – University of Baghdad - Iraq

Practical Experience:

- Chief Credit Officer – Bank of Baghdad - Iraq (05/2018 to date)
- Credit Manager – Iraqi Islamic Bank (05/02/2018 – 10/05/2018)
- Risk Management Manager – Trust International Islamic Bank (08/2017 – 11/2017)
- Risk Management Manager – Ashur International Bank for Investment (09/2016 – 07/2017)
- Credit Manager – Ashur International Bank for Investment (11/2014 – 08/2016)
- Corporate Relations Manager – National Bank of Iraq (11/2013 – 10/2014)
- Corporate Relations Manager – Capital Bank of Jordan (04/2011 – 10/2013)
- Credit Rating Manager – Bank of Jordan (03/2007 – 07/2010)
- Credit Analyst – Arab Bank – Jordan (12/1994 – 02/2007).



Samer Raad Enad
Chief IT Officer (CITO)

Date of Birth: 12/12/1975
Date of Appointment: 24/06/2018

Academic Qualifications:

- Higher Diploma in Computer Science / Artificial Intelligence – University of Technology – Baghdad - Iraq
- BSc. in Computer Science – Al Rafidain University College – Baghdad – Iraq
- Member of ISACA – Baghdad Chapter CDPSE by ISACA
- VIP Member in GAFFM - Iraq Branch

Practical Experience:

- Chief IT Officer – Bank of Baghdad (2018 to date)
- Head of Issuing & Acquiring Department –Iraq Electronic-Gate for Financial Services / Company (SWITCH)(10/2017 – 06/2018)
- Main Branch Manager & Head of Banking and Technology Business Development Department – Al Arabiya Islamic Bank (10/2016 – 9/2017)
- IT Manager – Bank of Baghdad (06/2002 – 05/2015)



**Abdel Qader Abdel Khaleq
Abdel Salam**

**Head of Money Laundering and
Terrorism Financing Reporting
Department**

Date of Birth: 23/12/1973
Date of Appointment: 18/03/2020
Resignation Date: 1/8/2019

Academic Qualification:

- Bachelor of Computer Science – Al Rafidain University College – Baghdad – Iraq

Practical Experience:

- Head of Money Laundering and Terrorism Financing Reporting Department – Bank of Baghdad (18/03/2020 to date)
- Compliance Controller – Ziraat Bank – Turkey (2019)
- Research and Development Manager – Arabiya Islamic Bank (2018)
- Head of Reporting Unit – Arabiya Islamic Bank (2017)
- Head of Reporting Unit – Credit Bank of Iraq (2016)
- Rubaie Branch Manager – Dar Al Salam Bank (2011 – 2015)
- Held the position of Alternate Director at branches - Dar Al Salam Bank (2010 – 2011)
- Head of Branches Monitoring Division - Dar Al Salam Bank (2009 – 2010)
- Worked in several positions in Dar Al Salam Bank (2000 - 2009)
- Officer of Internet Unit in Ministry of Transportation (1999 - 2000)



Mohammad Adnan Ahmad
Chief Human Resources Officer

Date of Birth: 11/12/1956
Date of Appointment: 15/07/2015

Academic Qualifications:

- Bachelor of Public Administration – University of Baghdad - Iraq
- Course in organization and methods - The National Center for Consulting and Administrative Development
- Course in middle management - The National Center for Consulting and Administrative Development
- Course in senior management- Organization of Arab Petroleum Exporting Countries (OAPEC) – Tunisia
- Training-managers development course – Professional Management Expertise Center - Egypt
- Course for personnel managers – The National Center for Consulting and Administrative Development
- Specialized program for advanced HR management system (HR Advance) – Iraqi Private Banks League

Practical Experience:

- Chief Human Resources Officer - Bank of Baghdad (2015 to date)
- Over 20 years of experience in planning, organization, reorganization and organizational structure preparation.



Murooj Hadi Ridha
Internal Audit Manager

Date of Birth: 23/09/1972
Date of Appointment: 30/08/2018

Academic Qualifications:

- Bachelor of Accounting and Economy – University of Baghdad - Iraq
- CPA – Arab Institute of Certified Public Accountants – Baghdad – Iraq
- Member of the Iraqi Association of Certified Accountants – Iraq
- Member of Iraqi Union of Accountants and Auditors– Iraq
- Fellow of the Arab Institute of Certified Accountants – Iraq
- Member of the American Institute of Internal Auditors

Practical Experience:

- Internal Audit Manager – Bank of Baghdad (02/2020 to date)
- Money Laundering and Terrorism Financing Reporting Manager (07/2018 – 08/2020)
- Financial Control Manager – Standard Chartered – Baghdad branch (2017 – 07/2018)
- Inspection and Internal Audit Manager – Bank of Baghdad (2015 – 2017)
- Budget Analyst – Accounts Department – US Embassy (2010 – 2013)
- Senior Financial Management Advisor in American development project – USAID (2007 – 2010)
- College Professor – Assistant Lecturer - Al Turath University College (2004 – 2009)
- Accountant and Auditor – Sajeda Hameed Ahmad Al-Ani Office (1997 – 2004).



Mutasem Ismail Masoud
Chief Central Operations Officer

Date of Birth: 15/12/1968
Date of Appointment: 02/05/2019

Academic Qualifications

- Bachelor of Administrative Sciences – Mutah University – Jordan

Practical Experiences

- Chief Central Operations Officer – Bank of Baghdad (2019 to date)
- Banking Operations Manager – Iraqi Islamic Bank for Investment and Development (11/2017 – 04/2019)
- Banking Operations Manager – Ashur International Bank (10/2013 – 11/2017)
- Held several positions – Bank of Jordan (2005 - 2013)
- Business Process Engineering Manager
- Banking Programs Development and Examination Manager
- Banking Operations Assistant Manager
- Worked in several positions at Bank of Jordan (1992 – 2004)
- Facilitations Officer
- Accounting Officer (Branches)
- Letters of Guarantee
- Foreign Currency
- Customer Service
- Banking Services (Borders Posts)
- Teller



Mona Najah Faraj
Main Branch Manager

Date of Birth: 04/11/1977
Date of Appointment: 21/08/2001

Academic Qualifications:

- Bachelor of Commercial and Banking Sciences – Al Mansour University College – Baghdad - Iraq

Practical Experience:

- Main Branch Manager – Bank of Baghdad since 23/01/2020 to date
- Main Branch Assistant Manager – Bank of Baghdad (2008 – 2020)
- Worked in several positions at Bank of Baghdad since 2001



Nabil Abdel Horr Toman Ali Al Jobouri
Risk Management Manager

Date of Birth: 11/02/1971
Date of Appointment: 03/2015

Academic Qualifications:

- Bachelor of Accounting – University of Baghdad - Iraq
- CPA and Auditor – Arab Institute of Certified Public Accountants – Baghdad - Iraq
- Fraud Management Professional Certificate - APMC
- Fellow of the Arab Institute of Certified Public Accountants - Iraq
- Member of the Iraqi Association of Certified Accountants - Iraq
- Member of the Union of Accountants and Auditors – Iraq
- Certified Advisor with the Union of Accountants and Auditors – Iraq
- Certified Director of Anti-corruption Operations Department since 2016

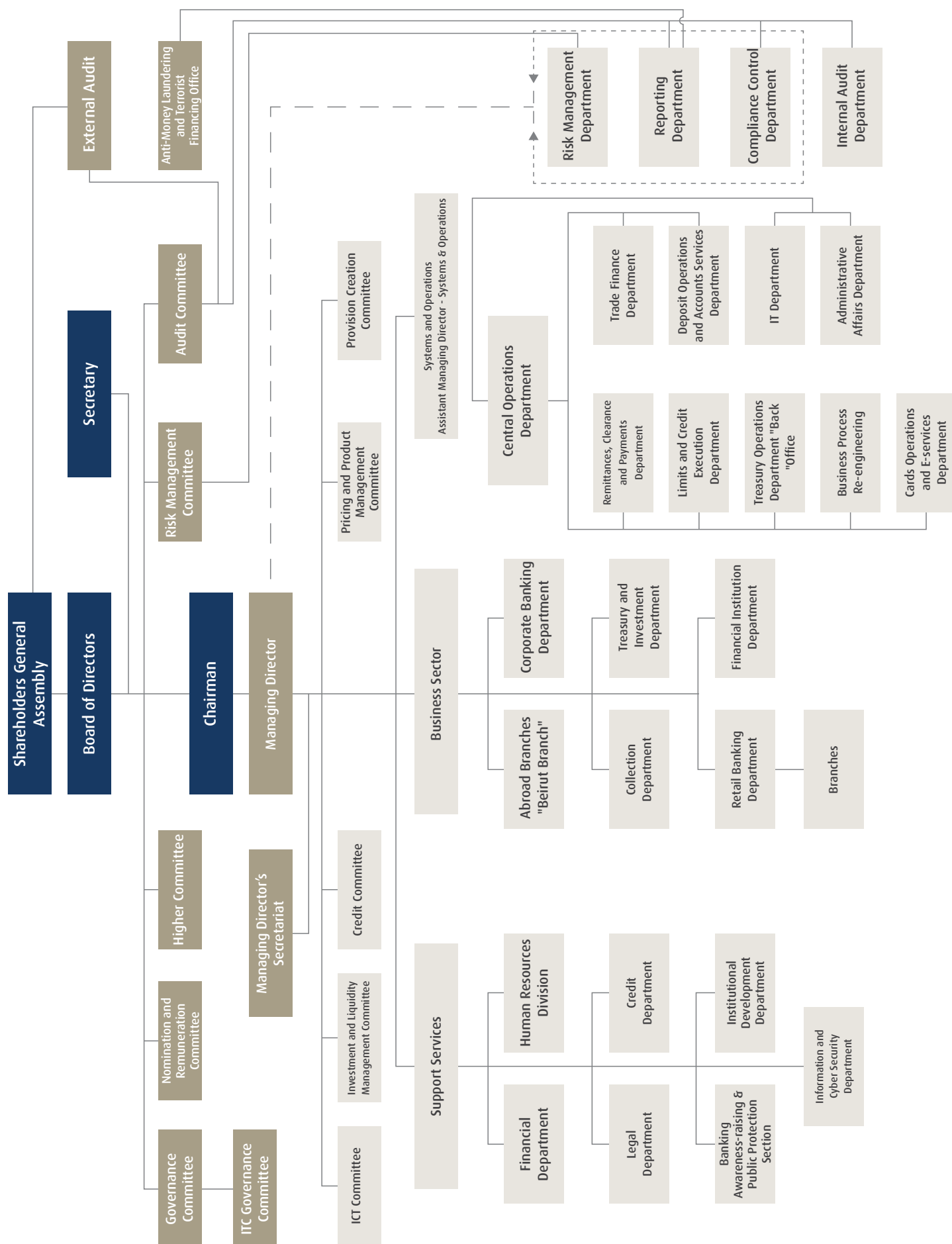
Practical Experience:

- Risk Management Manager – Bank of Baghdad (2015 to date)
- Audit Partner - Grant Thornton International: Audit & Advisory (2012 – 2015).
- Certified Auditor since 2010.
- Head of the Internal Audit Department – Office of the Vice President of Iraq (2009 – 2015)
- External Audit Manager – Ernst & Young (2004 – 2009)
- External Audit Manager – Adel Al Hassoon Co. (1998 – 2004)
- Lecturer at the Iraqi Association of Certified Accountants
- Trainer at Ernst & Young – Internal control and audit of government institutions

4. Major shareholders' equity for 2020 was as follows:

Name of Shareholder	Nationality	Number of Shares 2020	Capital %	Number of Shares 2019	Capital %
Burgan Bank	Kuwaiti	129,478,438,076	51.79%	129,478,438,076	51.79%
EUPHRATES IRAQ FUND LTD	American	12,099,685,692	4.84%	1,745,000,000	0.70%
SANSAR CAPITAL FRONTIER FUNDL.P.	American	8,443,512,010	3.38%	8,535,233,899	3.41%
Rajeha Ismail Sahrif	Iraqi	4,605,170,650	1.84%	4,605,170,650	1.84%
IMPERA IRAQ OPPORTUNITIES HOLDING Ltd.	European	4,416,100,000	1.77%	6,200,000,000	2.48%
Hatoon Real Estate Co.	Kuwaiti	3,673,150,000	1.47%	3,673,150,000	1.47%
Abdel Aziz Kamel Sharif Al-Ani	Iraqi	3,183,084,677	1.27%	3,183,084,677	1.27%
Ali Nabil Ismail Sharif	Iraqi	2,851,910,088	1.15%	2,886,910,088	1.15%

- Neither the Bank nor any of its products or services enjoy any government protection or privileges under laws and regulations or otherwise.
- There are no decisions issued by the government, international organizations or otherwise that have any material impact on the Bank's business, products or competitiveness.
- The Bank's organization structure is on the following page.



8. Number and qualifications of Bank's employees:

A-

Qualification	No. of Employees
Doctorate	—
Master	14
Higher Diploma	1
Bachelor	388
Diploma	73
Secondary Education	61
Below Secondary Education	231
Total	768

b. Training courses' venues during 2020.

Course Venue	No. of Courses	No. of Beneficiaries
Inside the Bank	5	104
Outside the Bank	28	65
Total	33	169

c. Course classification by activity, number of courses and number of participants during 2020.

#	Type of Activity	No. of Courses	No. of Participants
1	KYC system	3	57
2	Controls and instructions related to banking awareness and public protection	3	36
3	Information security and confidentiality	3	4
4	Accounting for financial institutions	2	4
5	Combating money laundering and terrorism financing	2	3
6	MS Excel	1	24
7	Treasury and Investment	4	6
8	E-payments	2	2
9	Bank letters of guarantee	1	1
10	Credit and SME financing	1	2
11	Government Guide for banking institutions	1	3
12	IT Course	1	1
13	Bank Transfers	1	1
14	Compliance	1	3
15	Risk Management	2	4
16	Human Resources	1	3
17	Internal Audit	1	11
18	Bank Branches Management	1	2
19	Credit Cards and ATM	2	2
Total		33	169

d. Names and job titles of five employees with the highest salary

#	Name	Job title
1	Basil Hossam Al Din Shakir Al Dahi	Managing Director
2	Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director
3	Mutasem Ismail Masoud	Chief Central Operations Officer
4	Rami Hussein Mahmoud	Chief Credit Officer
5	Rasim Assem Sedqi	Head of Trade Finance Department

Below is a summary of senior management's benefits (salaries, allowances and other benefits):

	2020 IQD	2019 IQD
Salaries	1,622,539	1,694,426

9. Risk Description

a. Credit risk:

Credit risk arises from the potential inability and/or unwillingness of the borrower or third party to meet their obligations in due times. This risk includes items on financial statements such as direct facilities (cash credit) and items off consolidated financial statements such as documentary credits and letters of guarantee; which results in the Bank incurring financial loss.

b. Operational risk:

The risk arising from the potential inefficiency or failure of internal operations, employees and systems, or from external events including legal risks.

c. Compliance risk:

The risk arising from the potential non-compliance with the laws, regulations and instructions in force, or banking and ethical regulations issued by local and international regulatory authorities, including the Bank's internal policies.

d. Liquidity risk:

The risk arising from the Bank's potential inability to provide the necessary funds to meet its obligations on due dates, or to finance its activities without incurring high costs or losses.

e. Market risk:

The risk that positions on or off the financial statements might incur loss due to fluctuations in market prices, including fluctuations in interest rate, share price and foreign exchange rates.

Market risk arises from changes in the political and/or economic conditions of the market, fluctuation in foreign exchange rates, fluctuation in interest rate, fluctuation in the acquisition of uncovered positions, gaps in the accrual of assets and liabilities and repricing.

f. Interest rate risk:

g. Foreign exchange risk:

This risk arises from fluctuations in foreign exchange rates.

h. Share price risk:

Share price risk arises from changes in the fair value of investment in shares.

10. Bank's activities and achievements:

These were covered separately and independently in the Board of Directors' Report (pp 12 – 20); supported with figures and a description of the key incidents experienced by the Bank in 2020.

11. Financial impact of non-recurring incidents that are not part of the Bank's main activity:

No non-recurring incidents had any financial impact on the Bank in 2020.

12. Analysis of the Bank's financial position and business results:

This was covered as part of the analysis of the Bank's business results (pp 21 – 32).

13. Significant future developments and the Bank's future plan:

Future developments, the Bank's strategic projects and orientation and Board of Directors' expectations regarding the Bank's business results were covered as part of the Bank's future plan for 2021 which was separately detailed on pages (10 – 32) and summarized on page (33).

14. Statement of the number of securities issued by the Bank

a. Number of securities held by members of the Board of Directors and their relatives:

Name	Capacity	Nationality	No. of Shares 2020	No. of Shares 2019
Usam Ismail Sharif	Chairman	Iraqi	1,552,676,717	1,552,676,717
Sharif Usam Ismail	Children	Iraqi	741,117,025	741,117,025
Zaid Usam Ismail Sharif	Children	Iraqi	500,087,858	500,087,858
Hamad Usam Ismail Sharif	Children	Iraqi	803,617,273	803,617,273
Hasan Usam Ismail Sharif	Children	Iraqi	710,314,063	710,314,063
Milda Usam Ismail Sharif	Children	Iraqi	222,796,030	222,796,030
Badra Usam Ismail Sharif	Children	Iraqi	701,890,813	701,890,813
Masoud Mahmoud Jawhar	Vice Chairman	Kuwaiti	2,000	2,000
Basil Hossam Al Din Shakir	Board Member (Managing Director)	Iraqi	200,000	200,000
Adel Mohammad Al-Hassoon	Board Member	Iraqi	179,650,904	179,650,904
Inaam Hadi Mousa	Wife	Iraqi	10,435,812	10,435,812
Saadon Abdullah Ali	Board Member	Kuwaiti	2,000	2,000
Naman Shakir Naman	Board Member	Iraqi	5,000,000	5,000,000
Ghassan Ahmad Saleem	Board Member	Canadian	25,000	25,000

b. Number of securities held by members of the Executive Management and their relatives:

Name	Capacity	Nationality	No. of Shares 2020	No. of Shares 2019
Basil Hossam Al Din Shakir	Managing Director	Iraqi	200,000	200,000
Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director	Iraqi	1,256,239	1,256,239

15. Benefits and allowances received by members of the Board of Directors and Executive Management:

a. Benefits and allowances received by members of the Board of Directors in 2020

Name	Job Title	Annual Salary*	Cash Allowance*	In-kind Allowance*	Total Annual Benefits*
Usam Ismail Sharif	Chairman	-	-	-	-
Masoud Mahmoud Jawhar Hayat	Vice Chairman	-	-	-	-
Basil Hossam Al Din Shakir	Board Member (Managing Director)	284,985,083	-	-	(284,985,083)
Adel Mohammad Hassoon	Board Member	-	-	-	-
Saadon Abdullah Ali	Board Member	-	-	-	-
Naman Shakir Naman	Board Member	-	-	-	-
Ghassan Ahmad Saleem	Board Member	-	-	-	-
Total		284,985,083	-	-	284,985,083

b. Benefits and allowances received by members of the Executive Management during 2020

The Benefits and allowances received by members of the Executive Management amounted to IQD 1,622,539 thousands in 2020.

16. Donations, grants, community service contributions, travel, hospitality and advertising expenses:

a. Donations:

Amounts in IQD thousand

Beneficiary	Amount
Community-based Initiatives Fund – CBI	72,000
Covid-19 Pandemic (Baghdad) - CBI	150,000
Covid-19 Pandemic (Kurdistan) - CBI	100,000
Other donations	4,357
Total	326,357

b. Advertising and publicity expenses:

Amounts in IQD thousand

Beneficiary	Amount
External parties	4,000
Total	4,000

c. Travel and hospitality expenses:

Amounts in IQD thousand

Expense	Amount
Travel expenses	137,606
Hospitality expenses	13,671
Total	151,278

17. a. Details of contracts, projects and engagements between the Bank and associates, subsidiaries, Chairman, Board Members, Managing Director or any Bank employee or relatives thereof

	Name	Nature of Relationship	Type of Contract or Service	Amount in IQD
1	Al-Amin Insurance Co.	Associate	Loan and property insurance	390,396
2	Al-Amin Real Estate Co.	Subsidiary of major shareholders and Board Members	Consultancy fees for the main office building	87,000
3			Rehabilitation and restoration of Mosul branch	87,000
4			Rehabilitation and restoration of Al Salam Mall branch	15,330
5			Consultancy fees and examination of Basra soil	29,200
6			Consultancy fees and examination of Al Adhamiyah soil	11,461
7			Consultancy fees for Al Nidal building	87,000
8	United Gulf Bank	Other parties	Consultancy fees for Al Nidal building	892,126
9	Oversees Technology Solutions	Subsidiary of major shareholders and Board Members	Consultancy fees	837,085
Total				2,436,598

b. Audit contracts

Amounts in IQD thousand

Description	No. of Contracts	Annual Contract Value
Mr. Zuhair Mahmoud Hussien Al-Bahrani – Mr. Saad Rasheed Jasim	2	91,000
Deloitte & Touche - Beirut	2	42,135
Fodecir de Mopin Orion - Beirut	2	19,447

18. Reserve balances and application:

Details of the reserve balance and its applications were covered as part of the financial analysis of the Bank's results on pages (21 – 32).

C. Bank's annual financial statements

The Bank's annual financial statements for 2020 audited by Bank's auditor, Mr. Zuhair Mahmoud Hussien Al-Bahrani and Mr. Saad Rashied Jasim, were included in the second part of the report on page (36).

D. Bank's auditor's report

Bank's auditor's report which shows that the audit procedures were carried out in accordance with IFRS instructions and requirements and the requirements and provisions of the Iraqi Companies Law and Banking Law, was included in the outset of the Bank's financial statements on page (36)

E. Lawsuits

There are a number of lawsuits filed against and by the Bank, and the Bank's management believes that sufficient provisions were booked for this purpose.

F. Lands and real estate

1. Lands

*Amounts are rounded to nearest thousand

Location	Real Estate No.	Land Value	Land Area	CBI's Approval No.	Comments
Al-Adhamiya	6/273 M 26 Hibat Khaton	1,545,098	666,25 m2	5097/3/9	Unutilized land
Sulaimaniyya	107/359, 107/35 and 107/212 M 8 Eblakh	6,022,242	1097,03 m2	5379/3/9	Unutilized land
Rusafa	Al-Rusafa Al-Waziriyya 7/7390 M14	720,000	480 m2	7979	Unutilized land
Nineveh	Nineveh 14/6/M 41	302,999	303,3 m2	20215	Unutilized land
Hella	Hella 3/16 M 38 Mahdiyyat W Krad	1,300,000	395,2	-	Utilized land
Al-Bayyaa	M/Alkhor 3748/19	209,280	261,61	9/3/183	Utilized land
Jameela / Sader City	Al-Waziriyya 2979/1M/4	1,200,000	600	9/3/188	Utilized land
Rusafa	Al-Batawin / 76/150	358,662	915,8	9/3/80	Utilized land
Kathimiyya	Qattana /33/1108	22,593	265,8	9/3/9447	Utilized land
Karkh	Al-Dawoudi / 4517/7 M 20	967,600	967,6	9/3/9447	Utilized land
Rusafa	175/180	166,957	251,75	9/3/1509	Utilized land
Baghdad / Mahmoudiyya	36/426	15,000	203,79	9/3/901	Utilized land
Fallouja	816/9	10,320	285,75	9/3/98	Utilized land
Diyala	Takiyya 76/371	47,466	264	9/3/1461	Utilized land
Nineveh	Sheikh Abu Al-Alaa 17/4	3,750	165,45	9/3/9447	Utilized land
Kirkuk	M 9/108/66 Sari Kahiya	750,000	606	9/3/1102	Utilized land
Erbil Shorash	Warsh 46/51/17	1,700,000	724,54	9/3/573	Utilized land
Dahuk	6/1 M 81 Dahuk North	700,000	301	9/3/1447	Utilized land
Muthanna	23/14 M 4 West Samawa Gradens	237,870	264,3	9/3/899	Utilized land
Lebanon	Division 6 Property 1401 Beirut / Huson area	4,025,600	600	9/3/234	Utilized land
Basra	47/668	96,000	122,87	9/3/1562	Utilized land
Kut	2915/1 M 39 Hora	371,250	274,8	9/3/2145	Utilized land
Erbil Nashtman	3/364 M 45 Warsh	2,025,666	355	9/3/392	Utilized land
Dahuk	Easter Dahuk District 9/344-80	818,125	1375	9/2/12432	Utilized land
Basra / Breiha	51/2	3,968,131	87/22/1	-	Utilized land
Total		27,584,614			

2. Real estate

*Amounts are rounded to nearest thousand

#	Location	Real Estate No.	Real Estate Value	CBI's Approval No.	Comments
1	Al-Bayyaa	M/Alkhor 3748/19	304,405	183/3/9	Building / Utilized
2	Jameela / Sader City	Al-Waziriyya 2979/1M/4	398,599	188/3/9	Building / Utilized
3	Rusafa	Al-Batawin / 76/150	989,785	80/3/9	Building / Utilized
4	Kathimiyya	Qattana /33/1108	29,834	9447/3/9	Building / Utilized
5	Karkh	Al-Dawoudi / 4517/7 M 20	922,090	9447/3/9	Building / Utilized
6	Rusafa	175/180	288,513	1509/3/9	Building / Utilized
7	Baghdad / Mahmoudiyya	426/36	85,396	901/3/9	Building / Utilized
8	Fallouja	9/816	54,144	98/3/9	Building / Utilized
9	Diyala	Takiyya 76/371	126,120	1461/3/9	Building / Utilized
10	Nineveh	Sheikh Abu Al-Alaa 17/4	60,497	9447/3/9	Building / Utilized
11	Kirkuk	M 9/108/66 Sari Kahiya	130,923	1102/3/9	Building / Utilized
12	Erbil Shorash	Warsh 46/51/17	3,200,000	573/3/9	Building / Utilized
13	Dahuk	1/6 M 81 Dahuk North	600,000	1447/3/9	Building / Utilized
14	Muthanna	14/23 M 4 West Samawa Gradens	521,350	899/3/9	Building / Utilized
15	Lebanon	Division 6 Property 1401 Beirut / Huson area	1,985,523	234/3/9	Building / Utilized
16	Basra	668/47	127,108	1562/3/9	Building / Utilized
17	Kut	1/2915/ M 39 Hora	362,647	2145/3/9	Building / Utilized
18	Erbil Nashtman	364/3 M 45 Warsh	2,705,541	392/3/9	Building / Unutilized
19	Dahuk	Eastern Dahuk District 9/344-80	9,499,527	12432/2/9	Building / Utilized
20	Hella	Hella 3/16 M 38 Mahdiyyat W Krad	3,727,405		Building / Utilized
Total			26,119,415		

e. Representations

In accordance with the disclosure instructions issued by the Securities Commission:

1. The Board of Directors of the Bank of Baghdad hereby represents that, to the best of its knowledge, there are no material issues that might affect the Bank's business continuity in 2021.
2. The Board of Directors of the Bank of Baghdad hereby acknowledges its responsibility for the preparation of the financial statements for the year 2020, and that the Bank has an effective control system in place.

Board of Directors	Job Title	Signature
Usam Ismail Sharif Hussein Al-Ani	Chairman	
Masoud Mahmoud Jawhar Hayat	Vice Chairman	
Adel Mohammad Al-Hassoon	Board Member	
Saadon Abdullah Ali	Board Member	
Naman Shakir Naman	Board Member	
Basil Hossam Al Din Al-Dhahi	Board Member	
Ghassan Ahmad Saleem	Board Member	

3. The Chairman, Managing Director and Chief Financial Officer hereby attest to the validity, accuracy and completeness of the information and data included in the Annual Report of the Bank of Baghdad for 2020.

Chief Financial Officer – Bank of Baghdad
Ahmad Tawfiq Al-Jada'a Al-Qawasmi

Managing Director – Bank of Baghdad
Basil Hossam Al Din Shakir

Chairman – Bank of Baghdad
Usam Ismail Sharif

Ladies and gentlemen, members of the General Assembly of the Bank of Baghdad,

Audit Committee's Report for 2020

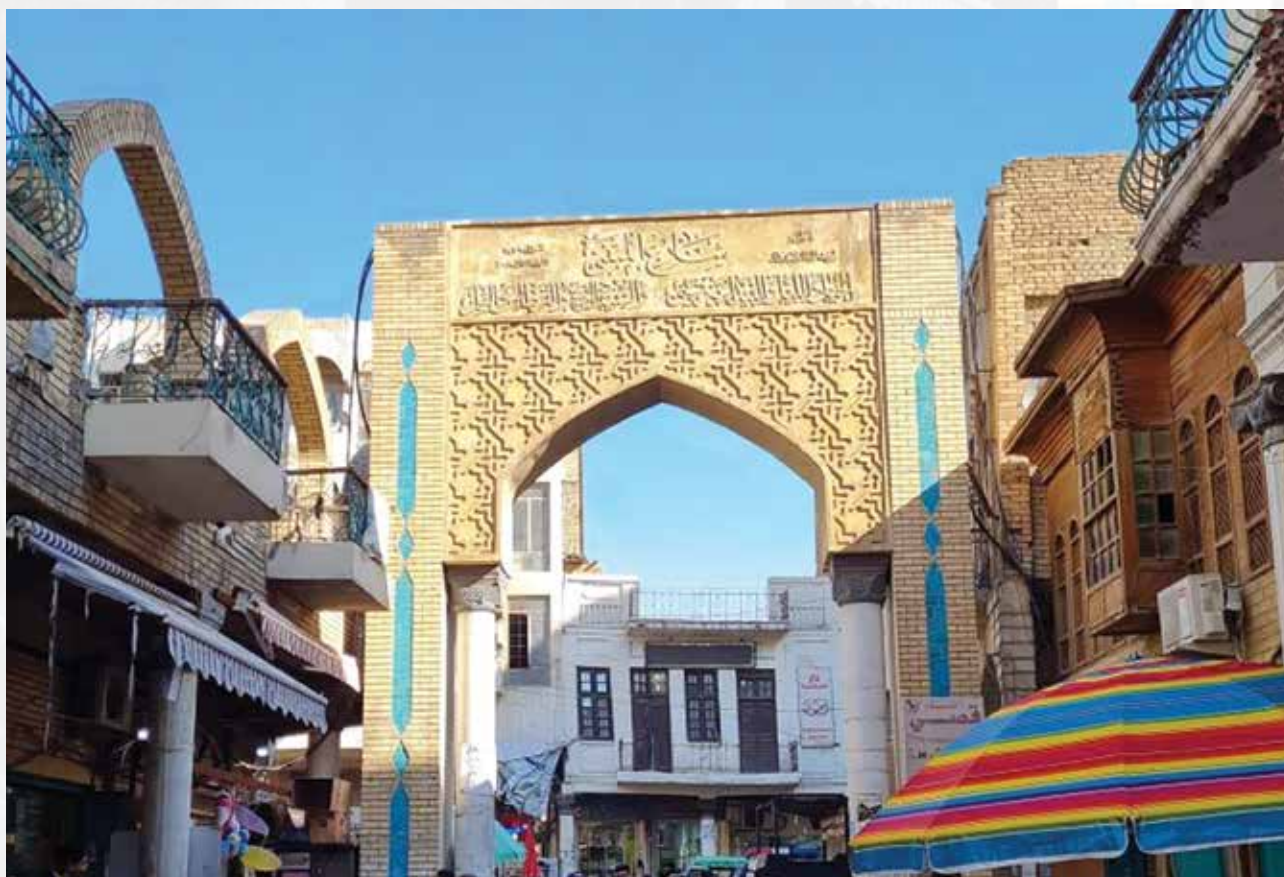
In accordance with the provisions of Article (24) of the Banking Law No. (94) for 2004, and based on the Bank's corporate governance requirements which aim to improve the Bank's risk management, control and shareholders' and depositors' rights protection systems, we are pleased to submit our report for 2020.

1. The Committee has performed its duties in 2020 and reviewed and followed up on all comments and recommendations contained in auditors' reports, as well as previous reports thereof and reports of the Central Bank of Iraq on the results of control and auditing activities carried out for 2020.
2. The Committee has reviewed the reports issued by the Internal Audit Department of the Bank of Baghdad, approved and followed up on the recommendations and comments therein, and reviewed the Bank Compliance Controller's report.
3. Having reviewed the Bank's consolidated financial statements for 2020, the results of its activities and its cash flows and the report of the external auditors, which reflected an overall situation that is appropriate with the nature of the stage of economic activity in Iraq and the difficulties and problems that faced the banking activity in general, the Committee recommends the same to be approved.
4. The Committee has examined the Bank's activity-based budget for 2021 and the amendments thereto, together with the relevant proposed action plan, and recommended the same to be submitted to the Board of Directors for approval.
5. The Committee continued its efforts to develop the executive management's performance, which focused on:
 - a. Developing the Bank's executive and job-specific competencies to maintain its leadership and filling job vacancies in key departments with qualified and appropriate leadership to manage them.
 - b. Following up on the progress and completion of the Bank's information system development projects, and supporting the executive management's orientation towards increasing technology-based services and automation, as well as ensuring the completion of these projects according to the approved schedule; due to their strategic importance for the Bank.
 - c. The Executive management's implementation of the employee performance appraisal mechanism for 2020, and submitting the results to the Nominations Committee.
6. The Committee has reviewed the Annual Internal Audit Plan for 2020, which was prepared comprehensively for all central departments and branches of the Bank. After studying this plan, the Committee recommended the same to be approved by to the Board of Directors.
7. The Committee has reviewed the Employee Training Plan for 2020 and recommended the same to be approved with a focus on the implementation of the proposed policies and procedures and in accordance with the new Management Structure of the Bank, as well as the job description and other requirements of the Bank's corporate governance.
8. The Committee has followed up on the progress of the implementation of IFRS 9 and the method and mechanism used for calculating the impact thereof, and recommended the same to be approved by the Board of Directors. The Committee is closely following up on the effect of said figures on the financial statements for 2020 and the structure of Bank's equity so as to comply with said standard's implementation requirements upon the approval of the same by the Central Bank and regulatory authorities.
9. The Committee commends the executive management's efforts to collect non-performing debts in 2020, and stresses the need to increase the rate of collection of non-performing debts as at 31/12/2020.
10. The Committee has reviewed the investments of the Bank's branch in the Lebanese Republic, and stresses the importance of monitoring and hedging for the developments and expected effects of the rapidly changing economic conditions in Lebanon.
11. The Committee recommends the assignment of the certified accountant Farqad AL Salman (Farqad AL Salman Company and Co.) and reassignment of the certified accountant (Saad Rasheed Jasim) to audit the Bank's accounts for 2021 as per the List of Fees approved by the Board of Accounting and Auditing.

Chairman of the Audit Committee
Adel Mohamed El Hassoon, CPA



Governance Report





First Component (The Board of Directors)
Second Component (Planning and Policy Making)
Third Component (Control Environment)
Fourth Component (Relationship with Shareholders)
Fifth Component (Transparency and Disclosure)



Governance Report

Based on its strategic vision, the Board of Directors pays all due attention to sound corporate governance practices and applications in accordance with banking laws and instructions of the Central Bank of Iraq. The Board is also committed to applying the Corporate Governance Manual in line with the Iraqi banking environment and the legislative and legal frameworks governing the Bank's activities.

In addition, the Bank reviews, develops and amends the Corporate Governance Manual from time to time and whenever necessary; in line with the Bank's changing needs and expectations, as well as changes in the banking market.

First Component (The Board of Directors)

- Chairperson of the Board of Directors

As part of its effort to follow best management practices, the Bank ensured complete separation between the Chairperson and Managing Director functions; with clearly defined duties and responsibilities of each.

The Board of Directors of the Bank of Baghdad consists of seven members elected by the General Assembly for a term of four years. Board members have the experience and qualifications that enable them to express their independent opinions in Board discussions. Furthermore, the fulfillment of the policy of compliance with the corporate governance requirements in question is verified, and the Chairperson is elected by members of the Board.

In this context, the Board of Directors held (13) meetings in 2020, each based on a specified agenda, and the discussions and decisions thereof were recorded in official minutes prepared by the Board Secretary.

Members of the Board of Directors*

Name	Position	Membership Nature	No. of Meetings Attended	Loans Granted to Him /Her (IQD)
Usam Ismail Sharif	Chairman of the Board	Personal	13	None
Massoud Mohammad Jawhar Hayat	Deputy Chairman	Personal	13	None
Basil Hossam Al Din Shakir	Board Member (Managing Director)	Personal	13	None
Addel Mohammad Al Hassoon	Board Member	Personal	13	None
Saadoun Abdullah Ali	Board Member	Personal	13	None
Naman Shakir Naman	Board Member	Personal	13	None
Ghassan Ahmad Saleem	Board Member	Personal	13	None

*The Central Bank of Iraq initially approved the nomination of the members of the Board of Directors according to their letter No. 9/2/7984 on 28/6/2020.

Board members' memberships in the board of directors of Iraqi shareholding companies:

Name	Memberships in the Boards of Directors of Iraqi Shareholding Companies
Usam Ismail Sharif Chairman of the Board of Directors	None
Massoud Mahmoud Jawhar Hayat Deputy Chairman	None
Basil Hossam Al Din Shakir Board Member (Managing Director)	None
Addel Mohammad Al Hassoon Board Member	None
Saadoun Abdullah Ali Board Member	None
Naman Shakir Naman Board Member	None
Ghassan Ahmad Saleem Board Member	None

*Only Board members' memberships in Iraqi shareholding companies are stated, noting that other memberships in the boards of directors of shareholding companies outside Iraq are stated in their respective CVs.

- Board Committees

Pursuant to the Corporate Governance Manual, and in order to facilitate the fulfillment of its responsibilities, the Board of Directors sets up several committees, namely: The Audit Committee, Corporate Governance Committee, Risk Management Committee, Senior Committee and Nomination and Remuneration Committee.

Governance Report

The Audit Committee

The Audit Committee comprises four elected Board members, the majority of whom; including the chairperson of the committee; are independent members. All members of the committee are required to be academically qualified and have proper practical experience in the fields of accounting, finance or other similar fields related to the Bank's activities. Furthermore, the chairperson of the committee may not be the chairperson of the Board or any other Board committee.

Members of the Audit Committee	No. of Meetings Attended	Position	Qualifications	Experience
Addel Mohammad Al Hassoon	3	Chairman	<ul style="list-style-type: none"> Bachelor of Business and Economy CPA 	<ul style="list-style-type: none"> Vice Chairman of the Board of Supreme Audit CEO of the Oil Marketing Company (SOMO) Chairman of the Free Zones Advisors Committee Dean of the Arab Institute of Certified Public Accountants Chairman of the Iraqi Association of Certified Accountants Head of the Iraqi Union of Accountants and Auditors Secretary General of the Arab Federation of Accountants and Auditors Member of the International Advisory and Monitoring Board of the UN (UN IAMB) Member of the Iraqi Auditors Board Member of the Committee of Financial Experts overseeing the Development Fund for Iraq
Saadoun Abdullah Ali	3	Member	<ul style="list-style-type: none"> Bachelor of Financing Management and Financial Accounting Higher Diploma in Business for Banking 	<ul style="list-style-type: none"> Over 30 years of experience in financial accounting, banking sector and commercial and industrial investment sectors Vice Chairman and CEO of Qurain Petrochemical Industries Co. since 2012 Worked in a number of positions and was a member of the boards of directors of a number of local and regional banks and commercial and industrial investment companies. General Manager, then CEO and Managing Director of Kuwait Investment Projects Company (KAMCO) (2006 – 2012) Head of the Budget Department (Abdullah Port Refinery) of Kuwait National Petroleum Company (1989 – 1997)
Naman Shakir Naman*	3	Member	<ul style="list-style-type: none"> Bachelor of Law 	<ul style="list-style-type: none"> Board Member of (previously) Trade Bank of Iraq Member of Iraq Bar Association – President of the Bar Association – Attorney-at-law Legal advisor to several companies and (previously) Trans Iraq Bank Provided legal advice to certain Iraqi banks.

In general, the responsibility of the Audit Committee does not eliminate the responsibility of the Board and Executive Management with respect to monitoring the adequacy of the Bank's internal control systems.

- The committee held (3) meetings in 2020.

The Corporate Governance Committee

The Corporate Governance Committee comprises an elected chairperson and at least two independent members, and is responsible for directing and overseeing the preparation of the Corporate Governance Manual, as well as updating and monitoring the implementation of the same.

Members of the Corporate Governance Committee	No. of Meetings Attended	Position	Qualifications	Experience
Usam Ismail Sharif	3	Chairman	<ul style="list-style-type: none"> Bachelor of Economy 	<ul style="list-style-type: none"> Extensive experience in Iraqi economy Establishes and owns several industrial, agricultural and tourism enterprises Banking experience from working in the banking sector Baghdad Chamber of Commerce – 1965 Chairman - Bank of Baghdad
Massoud Mahmoud Jawhar Al Hayat	3	Member	<ul style="list-style-type: none"> Bachelor of Economy Postgraduate degree in banking studies 	<ul style="list-style-type: none"> 40 years of experience in the regional commercial and investment banking sector and asset management Held leadership positions in the companies and banks of Kuwait Projects Company Holding (KIPCO) since joining it in 1997 Worked in a number of executive positions in Al Ahli Bank of Kuwait for over 20 years, the last of which was the position of Acting CEO and Advisor to the Board of Directors
Ghassan Saleem Ahmad	3	Member	<ul style="list-style-type: none"> Master of business administration – Coventry University - UK 	<ul style="list-style-type: none"> 38 years of banking experience COO of Burgan Bank

-The Committee held (3) meetings in 2020.

Risk Management Committee

The committee comprises three Board members, including at least one independent member, and is responsible for managing and dealing with all risks in Bank's business. This committee may include members of the Senior Executive Management.

Members of the Corporate Governance Committee	No. of Meetings Attended	Position	Qualifications	Experience
Saadoun Abdullah Ali	3	Chairman	<ul style="list-style-type: none"> Bachelor of Finance Management and Financial Accounting Diploma in business for banks 	<ul style="list-style-type: none"> As described in previous committees
Ghassan Saleem Ahmad	3	Member	<ul style="list-style-type: none"> Master of Business Administration – Coventry University - UK 	<ul style="list-style-type: none"> As described in previous committees
Addel Mohammad Al Hassoon	3	Controller	<ul style="list-style-type: none"> Bachelor of Business and Economy CPA 	<ul style="list-style-type: none"> As described in previous committees

-The Committee held (3) meetings in 2020.

Governance Report

The Senior Committee

The Senior Committee comprises four elected Board members, and may include an independent member who is not a member of the Audit Committee. Furthermore, members of the Senior Executive Management may attend committee's meetings for purposes related to their recommendations.

Members of the Senior Committee	No. of Meetings Attended	Position	Qualifications	Experience
Usam Ismail Sharif	3	Chairman	• Bachelor of Economy.	• As described in previous committees.
Massoud Mahmoud Jawhar Hayat	3	Member	• Bachelor of Economy • Postgraduate degree in banking studies	• As described in previous committees.
Ghassan Ahmad Saleem	3	Member	• Master of Business Administration – Coventry University - UK	• As described in previous committees

-The Committee held (3) meetings in 2020.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises three elected members, of whom at least two are independent members; including the chairperson who may not be a member of any other committee.

Members of the Nomination and Remuneration Committee	No. of Meetings Attended	Position	Qualifications	Qualifications
Massoud Mahmoud Jawhar Hayat	3	Chairman	• Bachelor of Economy • Postgraduate degree in Banking Studies	• As described in previous committees
Saadoun Abdullah Ali	3	Member	• Bachelor of Finance Management and Financial Accounting • Diploma in business for banks	• As described in previous committees
Naman Shakir Naman	3	Member	• Bachelor of law	• As described in previous committees

-The Committee held (3) meetings in 2020.

Board Secretariat

Meetings minutes are important to the Bank, shareholders and regulatory authorities because they represent the permanent record of the activities and decisions of the Board and various Board committees. Therefore, given the important role of the Board secretary, the duties and responsibilities of the Board secretariat are defined in the Bank's Corporate Governance Manual.

- Senior Executive Management

Members of the Senior Executive Management, including the Managing Director, fulfill the rudiments applicable to members of Senior Executive Management under the Bank's Corporate Governance Manual. The names and positions of members of Senior Executive Management are as follows:

Name	Position
Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director
Ahmad Tawfiq Khalil Al-Jada'a Al-Qawasmi	Chief Financial Officer (CFO)
Amal Ahmad Mathloun	Compliance Controller
Khalil Ibrahim Mahdi Eidan	Head of the Legal Department
Rami Hussein Mahmoud Al Mubassat	Chief Credit Officer (CCO)
Samer Raad Enad	Chief IT Officer (CITO)
Abdel Qader Abdel Khaleq Abdel Salam	Money Laundering and Terrorism Financing Reporting Manager
Mohammad Adnan Ahmad	Chief Human Resources Officer (CHRO)
Motassim Ismail Massoud	Central Operations Manager
Murooj Hadi Ridha	Internal Audit Manager
Nabil Abdel Horr Toman Ali Al Jobouri	Risk Management Manager
Mona Najah Faraj	Main Office Manager

- Conflict of Interest

In the Corporate Governance Manual, the Board of Directors stressed that every Board member must state his/her association with the Bank and the nature of his/her relationship, avoid conflict of interest, comply with the Code of Professional Conduct in this respect and provide a written declaration to this effect on an annual basis or whenever necessary due to new development.

Second Component (Planning and Policy Making)

The Board of Directors develops the Bank's general policy and strategic orientation, and sets and oversees the achievement of the general objectives of the Executive Management.

Third Component (Control Environment)

The Board of Directors adopts a general framework for internal control in order to verify:

- The effectiveness and efficiency of operations.
- The credibility of financial reports.
- Compliance with the laws and regulations in force.

Governance Report

Furthermore, the Board stresses the implementation of a general framework for internal control that enables the Board to follow up on its duties and take any necessary action within the following framework:

1. Internal audit

The Bank realizes that an effective internal audit department helps mainly in enhancing the internal control systems and general framework for managing the risks associated with the Bank's various activities. The Internal Audit Department operates by:

- a. Preparing the Internal Audit Charter and having it approved by the Board of Directors, such that it includes the duties, responsibilities, authorities and working methodology of the Audit Department.
- b. Developing internal audit procedures in line with the Bank's new organization.
- c. Developing an annual audit plan approved by the Audit Committee, such that it covers most of the activities of the Bank and its organizational units, depending on their respective risk level.
- d. Preparing an annual report on the adequacy of the internal control systems to minimize risks, and providing appropriate recommendations to address weaknesses.
- e. Staffing the department with adequately qualified and experienced individuals to audit all activities and operations; including qualified staff to assess the risks associated with information and related technologies.
- f. Following up on the violations and other comments highlighted in the reports of the regulatory authorities and external auditor, and ensuring that the same are addressed and that the Executive Management have appropriate controls to prevent such violations in the future.
- g. Ensuring that there are appropriate procedures in place for receiving, processing and keeping clients' complaints and comments related to the accounting system, internal control and audit processes, and reporting on the same periodically.
- h. Keeping audit reports and documents for the period specified in the relevant legislation in force, in an orderly and secure manner; such that the same are readily accessible to the regulatory authorities and internal auditor,
- i. Reviewing the Bank's reporting processes to ensure the accuracy, reliability and timeliness of key information about financial and administrative matters and operations.
- j. Ensuring compliance with the Bank's internal policies, international standards and procedures and relevant laws and regulations.
- k. The Internal Audit Department reports to the Chairperson of the Audit Committee.

2. External audit

The external auditor represents another level of control over the credibility of the financial statements issued by the Bank's accounting and information systems, particularly with respect to expressing a clear and explicit opinion on the fairness of said statements and their reflection of the actual situation within a certain period. When dealing with external audit companies and offices, the Bank observes the Bank's interest, professionalism of these offices and the Bank's experience with different companies and offices, and ensures that a new company is contracted every five years; such that the new company works together with the old company in the first year.

3. Risk management

The management of the Bank of Baghdad pays special attention to Basel III requirements as a framework for enhancing and increasing the Bank's ability to improve its control environment and deal with all types of risks. Practical steps have been taken in this direction, including the establishment of departments specialized in managing various risks (credit, operating, market) and staffing them with qualified personnel and automated systems.

In this context, the Bank has enhanced the frameworks that govern the management of credit risk by establishing the relevant departments, in addition to updating and developing risk management policies and procedures that would maintain the quality of the credit portfolio.

As for operating risk, the Bank has developed a risk profile for every one of its units, in addition to creating a database for operating mistakes.

As for market risk, the Bank has established a section responsible for managing all types of market risks, and staffed it with qualified personnel.

The Risk Management Department operates within the following general framework:

- a. The Risk Management Department submits its reports to the Risk Management Committee of the Board of Directors in a periodic manner. As for day-to-day operations, the Department reports to the Managing Directors.
- b. The Risk Management Department is responsible for:
 - Developing risk policies for all types of risks, and having the same approved by the Board of Directors.
 - Analyzing all risks; including credit risk, market risk, liquidity risk and operating risks.
 - Developing measurement and control methodologies for each type of risk.
 - Providing the Risk Management Committee of the Board of Directors with recommendations regarding risk limits and approvals, and reporting on and recording exemptions from the risk management policy.
 - Providing the Board and Senior Executive Management with information about risk measurements and the Bank's risk matrix, while the Board regularly reviews the Bank's qualitative and quantitative risk statistics.
 - Approving the self-assessment of risks and developing risk indicators.
 - Preparing a historical database of losses and identifying and classifying the sources of loss according to the type of risk.
 - Providing the necessary equipment and appropriate automated systems to manage the Bank's risks.
- c. The Bank's committees, such as the credit committees, assist the Risk Management department in carrying out its duties in accordance with the authorities specified for said committees.
- d. Including information about risk management, in terms of its structure; nature of its processes and its latest developments, in the Bank's annual report.
- e. Conducting a periodic stress test to assess the Bank's ability to withstand shocks and deal with high risks. The Board plays a key role in adopting the assumptions and scenarios used, discussing test results and approving the actions to be taken based on said results through the Risk Management Committee.
- f. Internal assessment of capital adequacy, which is a comprehensive and effective approach that can identify all potential risks, taking into consideration the Bank's strategic plan and capital plan. This approach is periodically reviewed, its implementation is checked to ensure that the Bank maintains sufficient capital to deal with potential risks.
- g. Providing information about the Bank's risks to be used for disclosure and publishing purposes.

4. Compliance, combating money laundering and terrorism financing and client complaints

As part of the Bank's compliance with the requirements of the regulatory authorities, the Compliance Department was established to oversee compliance with laws, regulations, legislations and international and ethical standards and requirements issued by various regulatory authorities, and the Bank's internal policies; and staffed said department with qualified personnel. As for compliance management, all the laws, regulations and instructions governing the Bank's activities were identified, and all employees were educated on the concept of compliance by means of brochures and training courses. In addition, the Anti-money Laundering and Terrorism Financing Policy was developed in line with the Anti-money Laundering and Terrorism Financing Regulations. Furthermore, an independent section was established to handle client complaints.

Governance Report

The general framework for the Compliance and Anti-money Laundering and Terrorism Financing Department is as follows:

- a. Preparing the compliance policy and developing and reviewing it periodically (at least once a year) and whenever necessary.
- b. Implementing the compliance policy in the Bank.
- c. Developing an effective methodology to ensure the Bank's compliance with all the laws and legislations in force and any relevant guidance or manuals.
- d. Submitting periodic reports on the results of its activities and compliance monitoring to the Compliance Committee / Board of Directors.
- e. Developing and implementing specialized policies for:
 - Combating money laundering and terrorism financing,
 - Meeting the FATCA requirements.
 - Managing and processing client complaints.

5. Financial reports

The Bank's Executive Management undertakes the following functions:

- a. Preparing the financial reports in accordance with International Accounting Standards.
- b. Submitting the reports to the members of the Board of Directors in every periodic meeting thereof.
- c. Publishing the Bank's financial statements every three months.
- d. Sending the financial reports and business reports in full to shareholders on an annual basis.

6. Professional conduct

The Bank has a Code of Professional Conduct that is approved by the Board of Directors and communicated to all Bank employees. The Compliance Department checks compliance with this code.

Fourth Component (Relationship with Shareholders)

The law ensures every shareholder the right to vote in general meetings, and the right to discuss the matters on the agendas of ordinary and extraordinary general meetings. In addition, every shareholder has the right to suggest other items for the agendas of ordinary general meetings provided that such suggestion is approved by shareholders representing at least (10%) of the shares recorded in the meeting. To further strengthen this relationship, the Board of Directors uses all appropriate means to encourage shareholders, particularly minority shareholders, to attend the annual general meeting and vote personally or by proxy. The Board also provides shareholders with:

- Copies of the annual report sent to their postal addresses.
- Invitations to general meetings, along with relevant agendas.
- All information and media materials for shareholders in general.

Furthermore, every shareholder has the right to review the shareholders' register with respect to their shares. The Board also ensures that dividends are distributed to shareholders in a fair manner according to their respective shares.

Fifth Component (Transparency and Disclosure)

Based on the instructions of the Central Bank of Iraq regarding banking awareness and public protection controls no. 9/1/7/427 dated 7/11/2016, a department for managing and addressing client complaints was established, whereas the said Department is administratively linked to the Managing Director.

The Bank's management and handling of client complaints are based on the following grounds:

1. The Department shall investigate the complaint submitted by its clients who deal or have accounts with the Bank.
2. Complaint submission means shall be determined, which should be a minimum of (3):
 - Email customer.care@bankofbaghdad.com.iq.
 - Department mobile phone (009647739283002)
 - Personal visit to the Department at the head office.
 - Social media account (Facebook) www.facebook.com/baghdadBank
 - Complaint Box placed at all of the Bank's branches

3. The subject matter of the complaint should not have been raised before the judiciary or the Central Bank.
4. Client complaints shall be examined and evaluated to determine the actual fact, concentration, classification and impact thereof.
5. The Department shall provide the clients with a written response to the subject matter of the existing complaint, supported by the appropriate justification and including the corrective measures, if any, to solve the same.
6. The Senior Management shall be provided with periodic statements that include a summary of the complaints; their degree of risk, concentration and classification, and the corrective measures taken to limit their reoccurrence in the future.
7. The Department shall submit a quarterly report to the Central Bank of Iraq that includes, at a minimum, an aggregate statistic of the number of complaints submitted to the Department and the measures taken against them, along with analyzing the quality and nature of the submitted complaints.
8. The Department shall provide its response to the client within a maximum period of (15) days from the date of submitting the complaint, and the customer shall be informed of the results of the investigation within (5) days from the date of completion of the investigation.

The following table shows a statistic of the complaints received from the clients in 2020 through the Complaint Box according to the nature and kind of complaint based on the instructions of the Central Bank no. 9/1/7/427 dated 7/11/2016.

Employee Behavior	Fees Levied on Clients	Credit Cards	Other	Total
6	3	6	1	16

These complaints have been dealt with within the following framework:

- Complaints were given reference numbers, which were provided to clients for follow-up.
- The complaints have been investigated, analyzed and responded to within the specified timeline in accordance with the nature and classification thereof.
- Suggested measures have been recommended to limit the reoccurrence of such complaints in the future. Those measures are represented in:
 - » Modifying work procedures when necessary.
 - » Taking disciplinary measures against the negligent employees.
 - » Qualifying and training employees on work procedures, products, communication skills with the clients, ...etc.
 - » Developing the Bank's different sites to receive clients and upgrade the services provided to them.

Bank of Baghdad's corporate governance includes dimensions related to integrity, honesty, objectivity and accountability for the decisions made by relevant parties in the Bank, as well as transparency, disclosure and openness to society. The Bank is interested in the overall disclosure of all credible information in a timely manner; to help the users of said information make accurate assessments of the Bank's financial situation, achievements, activities, risks and risk management; particularly as only disclosure provides the required transparency through accurate, timely and qualitatively and quantitatively complete information. Therefore, all the data required by all regulatory authorities are disclosed through the annual report.

Chairman of the Board of Directors – Bank of Baghdad
Usam Ismail Sharif



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Corporate Governance Manual

Board of Directors' Policies

Corporate Governance Manual

Manual No.	115
Date of preparation	September, 2015
Manual status	Amended

Manual Approval

Decision No.	Minutes of the fifth session
Decision date	28/4/2019

Manual Distribution List

The Managing Director	26/4/2020
Secretary of the Board of Directors	26/4/2020
Internal Audit and Inspection Department	26/4/2020
Legal Department	26/4/2020
Compliance Control Department	26/4/2020
Date the manual was circulated for use	27/4/2020
Manual amendment	
Date of amendment	October, 2018
Reasons for amendment	To comply with the requirements of the updated Governance Manual issued by the Central Bank of Iraq on 7/11/2018

Introduction

Working in the banking sector is distinguished from other sectors by its high risks, interconnectedness and complexity, which requires effective Corporate Governance, because its weaknesses may lead to the bank's exposure to problems, which may also affect other banks and the stability of the banking and financial sector as a whole.

The subject of the Corporate Governance has witnessed significant developments especially after the recent global financial crisis where a number of specialized organizations and bodies such as The Organization for Economic Cooperation and Development "OECD", Basel Committee on Banking Supervision, Financial Stability Board "FSB", Financial Accounting Standards Board "FASB", International Auditing and Assurance Standards Board "IAASB" and others have issued many principles governing corporate governance, and in light of these developments, the Central Bank of Iraq issued a Corporate Governance Manual, in line with internationally recognized best practices.

Among the basic principles on which Corporate Governance is based and which the Bank of Baghdad is committed to:

1. Separating the responsibilities of the Chairman of the Board of Directors from the responsibilities of the Managing Director
2. The chairman of the Board of Directors and any member of the board (except for the managing director) shall be non-executive
3. The existence of organizational structures in which tasks and competencies are distributed with definition and clarity, with the provision of effective control frameworks.
4. Treating all stakeholders with fairness, transparency and disclosure, enabling them to assess the bank's conditions, including its financial performance.
5. The relationship between "management" and stakeholders " shall be governed by accountability rules
6. The availability of an appropriate level of academic and practical qualifications, competence, integrity, honesty and good reputation in the members of the "Board of Directors" and "members of the senior executive management" in the bank

The Bank of Baghdad confirms its commitment to corporate governance practices, and the bank's board of directors is committed to applying professional performance standards in all the bank's activities, based on the instructions of the Central Bank of Iraq, and the requirements of the supervisory authorities and official authorities in Iraq, and the supervisory authorities in other countries in which a banker is present, or through his participation in banking groups.

The contents of the "Corporate Governance Manual" confirm the fairness of dealings and equality among shareholders, regardless of the size of their contributions and / or their nationalities by affirming the rights of shareholders as defined by Iraqi laws. Among the bank's obligations towards shareholders is to provide them with the necessary data and information about the bank, its activities and achievements.

The bank shall disclose the information that interest the (stakeholders) stipulated in the "Corporate Governance Manual" and a copy of the manual has also been uploaded to the Bank of Baghdad's website, and the bank allows those wishing from the public to view the manual.

Its annual report shall include details of the extent of its administration's commitment to the materials of the manual, and on the reasons for non-compliance - if any - with the material or articles of the manual.

The manual was approved by the Board of Directors in the fifth session on 28/4/2019, and a committee emanating from the Board was formed under the name of "Corporate Governance Committee" consisting of the Chairman of the Board and two Board members to follow up the implementation of the manual.

Specialists in the bank will review, amend and develop the manual in light of the instructions issued by the Central Bank of Iraq and the relevant laws.

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Manual References

This manual is issued based on the letter of the Central Bank of Iraq No. 9/6/422 on 21/11/2018 that defined the references in a set of Iraqi laws, and on the basis of a wide range of international references, and in particular the following:

1. The Iraqi legal references

1. The Central Bank of Iraq Law No. (56) of (2004)
2. Banking Law No. (94) of (2004)
3. Electronic Signature and Electronic Transactions Law No. (78) of (2012)
4. The AML/CFT law No. (39) of (2015)
5. Companies Law No. (21) of (1997)
6. Public Companies Law No. (22) of (1997) as amended
7. Foreigners Residence Law No. (188) of (1978) as amended

1. International references

1. Organization for Economic Co-Operation and Development "OECD"
G20/OECD Principles of Corporate Governance
2. International finance corporation
3. Basel Committee on Banking Supervision
 - A. Principles for Enhancing Corporate Governance
 - B. Core Principles for Effective Banking Supervision
4. Financial Accounting Standards Board- FASB
5. International Financial Reporting Standards, IFRS
6. International Auditing and Assurance Standards Board, IAASB
7. Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements

Glossary

Corporate Governance

It is a set of comprehensive systems that define the relationships between the board of directors and the executive management of the bank, shareholders and other stakeholders. Governance deals with the system through which the Board of Directors directs the bank and monitors its activities and that affects:

- Determining the Banks' strategy
- Managing the bank's risk system.
- The bank's business and activities.
- The balance between adhering to the responsibility towards shareholders, protecting the interests of depositors, and taking the interests of other stakeholders into account.
- The bank's compliance with the applicable laws, instructions and controls.
- Disclosure and transparency practices.

Appropriateness

The availability of certain minimum requirements in the members of the bank's board of directors and members of the senior executive management

The Board

The Board of Directors of Bank of Baghdad

The Corporate Body

Shareholders Corporate Body

Senior Executive Management

(High-level employees as stated in Article (1) of the Banking Law No. (94) Of (2004) and in accordance thereto) and in accordance with the instructions of the Central Bank of Iraq and the organizational structure of the bank, including:

1. Managing Director and Associate Managing Director
2. Regional Director and Assistant Regional Director
3. The Director of each of:
 1. Accounts (Financial Manager)
 2. Credit
 3. Operations
 4. Trade Finance Department
 5. Risks
 6. Internal Audit
 7. Treasury
 8. Investment (investment portfolios)
 9. Compliance
 10. Human Resources (Personnel Affairs)
4. Any employee who has executive authority parallel to any of the powers of any of the aforementioned, and functionally directly related to the managing director or the regional director
5. Any other person at the level of a manager who is required by the Central Bank to comply with the requirements stipulated in the Central Bank of Iraq Law No. (56) Of (2004) and the Banking Law No. (94) Of (2004).

Manager

Any person who is authorized with powers, and is responsible for a group of officers in the bank

Stakeholders

Any stakeholder in the bank, such as depositors, shareholders, employees, creditors, customers (clients) and the relevant supervisory authorities

Qualifying Holding

The main contribution to the bank's capital of (10%) ten percent or more, directly or indirectly

Related person

With regard to the bank (according to Article (1) of the Banking Law No. 94 of 2004 it is):

1. Any bank manager.
2. Any person who has a relationship with the manager till a second-degree kinship relationship, or relative kinship, including the adoption or care of the manager's children and any other person residing in the manager's residence.
3. Any person who has (Qualifying Holding) in the bank, and in any project in which such person or bank manager owns a Qualifying Holding, and any manager of such person or project
4. Any project not subject to incorporation in the preparation of the financial statements of the bank, in which the bank owns a Qualifying Holding, and any manager of such a project
5. Managing Director or his assistant after leaving the job for two years
6. The external auditor (the external accounts controller) for the duration of his service and two years after the end of his contract with the bank
7. Any natural or legal person associated with the bank in a contractual relationship during the term of the contract

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Associated group

A group of individuals or companies with kinship ties or influential economic interests

Bank's capital

The paid-up capital and capital reserves

The Bureau

Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Bureau established according to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Law No.(39) of 2015

Control

It deems exist to control another company if the person:

1. Owns or controls directly, indirectly, or through one or more persons or having voting power (25%) or more of the voting shares of the company
2. Has the power to choose the majority of directors of the company, or
3. He exercises effective control as determined by the Central Bank.

Non-executive member

A member of the board of directors of the Bank of Baghdad who is not an employee of the bank or earn a salary therefrom

Executive member

A member of the board of directors who participates for a fee in managing the day-to-day business of the bank

Associated group

It is a group of individuals or companies that have kinship ties or influential economic interests

Independent member

A member of the Board of Directors of the Bank of Baghdad (whether in his personal capacity or as a representative of a legal person), who has no other relationship with the bank than his membership in the Board of Directors, which makes his judgment on matters free from any external considerations or matters. A member's dealings with the bank that arise due to the services or the usual business that the bank provides to its customers, and which are governed by the same conditions to which similar transactions with any other party are subject, and without any preferential conditions, are not considered among the matters affecting the independence of the member.

Committee

A committee emanating from the Board of Directors, and is mainly responsible for the financial reports and their monitoring and the accompanying disclosures, in addition to a set of other responsibilities.

The Committee

The Corporate Governance Committee in the Bank of Baghdad

The Manager (the Director)

A member of the bank's board of directors, whether in his personal capacity, or as a representative of a legal person, the managing director of the bank, or any employee therein

The internal auditor

The internal auditor at the Bank of Baghdad

The external auditor

The certified external auditor to audit the operations and accounts of the Bank of Baghdad

Cumulative voting

It is a voting method for selecting the members of the board of directors during a Corporate Body meeting, as each shareholder has a number of votes equal to the number of shares he owns, and he may vote in all of them for one candidate for membership in the board of directors or distribute them among the candidates he chooses without repetition of these votes. The main goal of this approach is to increase the chances of minority shareholders obtaining their representation on the board of directors through cumulative votes, as well as to reduce the control of a specific shareholder over board seats.

Chapter I: The Board of Directors

Section I: Composition of the Board of Directors

1. Members of the Board of Directors are appointed at the Corporate Body meeting for a period not exceeding four years, and a member may be reappointed for a period of four consecutive years.
2. The number of Board members shall not be less than (7) members who are elected at the Corporate Body meeting according to the cumulative voting system, provided that the number of independent members shall not be less than (4) members or one third of the members of the Board, with a member representing the minority of shareholders, where this member may be among the Independent Members
3. The Board shall have reserve members who shall be selected according to the method and percentages established for the original members in accordance with Paragraph (II) of Article (104) of the Companies Law No. (21) Of 1997.
4. The board elects from among its members a chairman and a vice-chairman.
5. The vice-chairman of the Board assumes the duties of the chairman when he is absent or is unable to chair the Board meeting
6. It is not permissible for any of the board members to be an executive employee of the bank except for the Managing Director.

Section II: Qualifications and independence of the Board's member

Selection of a Board Member:

1. Two-thirds of the board members shall have qualifications and banking, financial, accounting, administrative, economic, legal or similar competencies related to banking.
2. He shall not be a member of the board of directors of any other bank inside Iraq, a managing director, a regional director, or an employee therein, unless the latter is affiliated with that bank
3. The member may be a non-resident and a non-Iraqi
4. Fulfill the legal requirements stipulated in the Banking Law No. (94) Of 2004 and the Companies Law No. (21) Of 1997, as amended.

Conditions for the independence of a board member:

1. He shall not be a partner or employee of the bank's external auditor, and he was not a former partner or employee of the bank's external auditor, during the three years preceding the date of his election as a member of the board, and he shall not be related to the partner responsible for the audit process by first-degree kinship.
2. He shall not be a lawyer or legal advisor to the bank, or an auditor of the bank's accounts
3. He shall not, nor any company he is a member of its board, an owner of, or a principal shareholder in it, obtain credit from the bank the percentage of which exceeds (5%) of the bank's capital, and he shall not be a guarantor of credit from the bank whose value exceeds the same percentage.
4. He shall not be a member of the board of directors of any other bank inside Iraq, or managing director, regional director, or employee therein, unless the latter bank is affiliated with the Bank of Baghdad
5. He shall not be a member of the boards of more than five public shareholding companies inside Iraq, in his personal capacity in some of them, and in his capacity as a representative of a legal person, in others
6. He shall not be an manager (director) or an employee of another bank, or a managing director of another bank
7. He is not fully or partially engaged in the managing of the bank's operations in any way, with the exception of the managing director
8. He shall not be an employee of the bank or any of the parties associated with it during the previous three years

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9. He shall not have any kinship with any of the members of the Board or the senior management or any of the parties related to them up to the fourth degree.
10. He shall not be a major shareholder in the bank or his representative.
11. He shall not own, directly or indirectly (includes the ownership of shareholder family members or related parties) more than 5% of the shares of any company of any kind

Section III: Board of Directors Meetings

1. Board meetings shall not be less than (6) meetings per year whenever the need arises
2. Board meetings shall be held at the headquarters of the bank's management or in any other place inside Iraq, if it is not possible to hold them at the headquarters of the bank's management, provided that all members of the board attend or provide a written apology from those not present.
3. Board members are obligated to attend its meetings in person, and in the event that it is not possible to attend in person, the board member expresses his point of view through video or phone, after the approval of the Chairman of the board, and this method can be used in the event that the member does not attend a maximum of two times during the year
4. In the event that the number of absenteeism has reached (3 or more times during the year), the chairman of the board must notify the Corporate Body of the bank in order to take what it deems appropriate.
5. A Board meeting quorum is complete if (50%) of the members attend or (4) members, or whichever is more.
6. The decisions taken by the board are approved by the majority of the votes of the attending members, and if the vote is equal, then the vote of the chairman shall be the casting vote.
7. Board decisions are issued by the signature of all of its present members in person (or through video or phone) and the secretary of the board on the meeting minutes, and sealed with the bank's seal within a period not exceeding (10) working days, and the board is responsible for its decisions and their follow-up.
8. The Secretary of the Board shall accurately and completely write the minutes of the meetings of the Board and its committees, and record any reservations raised by any member, and that the bank shall keep all these minutes, and that the minutes be recorded visually and audibly and be kept with him.
9. The senior executive management is obligated, and at least five working days before the board meeting, to provide accurate and complete information to the members of the board regarding what will be presented in the meeting, and the board chairman verifies that before the meeting

Section IV: Duties and responsibilities of the Board of Directors

The board performs the following duties and assumes its responsibilities:

1. Formulating the vision, mission, goals, and strategic objectives of the bank in light of the directives of the Corporate Body, then directing the senior executive management to prepare a proposed strategy to be submitted to the board to achieve these goals, and the final approval of this strategy by the Corporate Body, as well as the approval of the annual Action Plans prepared by the senior executive management which is in line with this strategy.
2. Supervising the senior executive management, following up on its performance, ensuring the soundness of the bank's financial conditions and its solvency, and adopting appropriate policies and procedures for supervision and periodic monitoring of the bank's performance
3. Adopting a policy for monitoring and reviewing the performance of the senior executive management, by setting "key performance indicators" to define, measure and monitor performance, and progress towards achieving the bank's corporate goals.
4. Ensuring that the bank has policies, plans and work procedures that include all its activities, and are in line with the relevant legislation, and that they have been circulated to all administrative levels, and that they are reviewed regularly
5. Determining the Core Values of the bank, and setting clear lines of responsibility and accountability for all bank's activities, and instilling a high culture of ethical standards, integrity and professional behavior for the bank's administration staff.

6. Assuming responsibility for the integrity of all bank operations, including its financial conditions, reputation, and responsibility for implementing the requirements of the central bank, as well as the requirements of supervisory authorities, owners, and other regulatory authorities related to its work, taking into account "stakeholders", and that the bank shall be managed within the legislation framework, and within the bank's internal policies, and that effective control is available constantly on the bank's activity including the Outsourced Activities.
7. The board performs the following tasks and duties
 1. Implementing the decisions of the Corporate Body and following up on that
 2. Submitting the final accounts and financial statements of the bank, and a comprehensive report on the results of implementing the annual plan to the Corporate Body for discussion and approval.
 3. Ensuring compliance with international standards in all activities and operations of the bank, according to the references referred to above, and other relevant references.
 4. Discussing and approving the annual plans and budgets related to the bank's activities and following up on their implementation
 5. Forming standing committees associated with the board, and temporary committees that are called for by the need from among the board members, or in addition to others
 6. Approving the selection of candidates to fill executive management positions, and periodically evaluating and following up their performance, supervising them and their accountability, and obtaining from them a clear explanation and clarification of the accountability matter.
 7. Appointing and terminating the services of the internal auditor, determining his fees and remuneration, and evaluating his performance
 8. Adopting internal control and monitoring systems for the bank and reviewing them annually, and ensuring that the internal and external auditors (i.e. the auditor as stated in Article (46) of the Banking Law No. (94) Of (2004), shall audit these systems at least once every year. The board shall include the bank's annual report, which confirms the adequacy of these systems
 9. Ensuring the independence of the external auditor (the auditor, as stipulated in Article (46) of the Banking Law No. (94) of (2004), beginning and continuing.
 10. Adopting an effective risk management strategy and monitoring its implementation, including the level of acceptable risks, and ensuring that the bank is not exposed to high risks. The Board shall be aware of the operating environment of the bank and the risks surrounding it, and ensures that there are necessary and sufficient tools and infrastructure for risks management in the bank, and are able to identify, measure, control and monitor all types of risks to which the bank is exposed.
 11. Ensuring that the bank applies the basic principles of (good governance) as stated in the "Governance Rules and the Internal Control System" in Chapter Twenty Four of Instructions No. (4) Of 2010 to facilitate the implementation of the Banking Law No. (49) of (2004)
 12. Ensuring the existence of adequate and reliable Management Information System – MIS to cover all the bank's activities.
 13. Disseminating the culture of governance in the bank and encouraging all employees and the executive management to apply its practices and attend training courses related to it. Moreover, the bank shall encourage its customers to apply the rules of governance in their organizations, as well as to verify that the credit policy of the bank includes the application of corporate governance for its customers, especially the companies. In this way, risks are assessed by weaknesses and strengths according to their corporate governance practices.
 14. Ensuring that the bank exercises its social responsibilities, including preparing and organizing appropriate "social initiatives" in the field of protecting the environment, health and education, and taking into account the provision of financing for projects and micro, small and medium-sized enterprises, at appropriate prices and deadlines.
 15. Ensuring that the bank is in line with the Sustainability Principles mentioned in Annex No.(1)

16. Taking the necessary measures to create a clear separation between the powers of shareholders, who own a "Qualifying Holding," on the one hand, and "senior executive management," on the other hand, with the aim of strengthening sound corporate governance, and it must find appropriate mechanisms to limit the effects of shareholders who own "Qualifying Holding" through the following, for example, but not limited to:
 - A. That none of the shareholders, who owns a "Qualifying Holding", occupies any position in the senior executive management, and the bank must adjust its positions within one year from the date of the final entry into force of this manual
 - B. That the senior executive management derives the powers solely from the board, and to operate within the framework of the mandate (authorization) granted to it by the board, when making the necessary decisions to manage banking operations and activities
17. Adopting an organizational structure for the bank that defines a clear administrative hierarchy, including board committees, and senior executive management
18. Determining the executive powers of the bank's business (whether the managing director or the executive management, whether it is for banking operations, granting credit, signing of transfers, checks, guarantees, warranties, borrowing, foreclosure and letters of guarantee).
19. Approving a subrogation plan for the executive management in the bank and reviewing it annually
20. Ensuring that the executive management is informed of the official website of the Anti-Money Laundering Bureau regarding the lists of freezing terrorist funds on a daily basis, and inform the Anti-Money Laundering Bureau and the Exchange Monitoring Department of the Central Bank immediately in the event that a person has been included in the list of freezing terrorist funds.
21. Determining the banking operations that require its approval, taking into account not to expand this, in violation of the supervisory role of the board, and not granting executive powers, including the powers to grant credit, to a member of the board of directors individually (including the chairman of the board, provided that the structure of the powers in the bank shall be amended to achieve this within a period of (90) ninety days from the date of the final entry into force of this manual.
22. The need to ensure its approval when appointing executive managers, such as the Chief Financial Officer and the Internal Audit Officer and those of their levels, after making sure that they have the required expertise
23. Since the Bank of Baghdad operates within a "banking holding company" that operates as a banking group, as stipulated in Article (1) of the Banking Law No. 94 of 2004, the following shall be adhered to:

Familiarizing itself with the group's structure, especially the complex structures, by knowing the links and relationships between the units and the parent company, and the adequacy of corporate governance within the group, with alignment between the parent company's corporate governance strategies and policies, provided that they do not violate the articles of this manual, or any instructions issued by the Central Bank, or other relevant supervisory authorities, later in this field, and in the event of a conflict, the prior approval of the Central Bank must be taken to address this in a manner that achieves compliance with this manual).
8. Evaluating the managing director's performance annually
9. The performance of the board as a whole must be evaluated at least once annually and the results of the evaluation are presented to the Corporate Body, by relying on a system to evaluate the board's work, provided that this system includes, as a minimum, the following:
 - A. Setting specific goals, and defining the role of the board in overseeing the achievement of these goals, in a manner that can be measured periodically
 - B. Identifying Key Performance Indicators (KPIs) & KPRs of the managing director and the executive management that can be extracted from the bank's strategic objectives and annual work plans and used to measure the performance of the executive management periodically.
 - C. Communication between the board and shareholders, and the necessity to carry out his communication periodically
 - D. The periodicity of the Board's meetings with the executive management
 - E. The member's role and duties in the Board's meetings and the extent of his commitment to attend, as well as comparing his performance with that of other members. Feedback must also be obtained from the relevant member in order to improve the evaluation process.

10. The bank shall provide the Central Bank with information related to the members of the boards or bodies of directors and the executive departments of its subsidiaries inside and outside Iraq, on a semi-annual basis, as well as upon any amendment thereof.
11. The board of directors shall supervise the quality of disclosure, transparency and all information about the bank

Section V: Duties and responsibilities of the Board's Chairman

The chairman of the board of directors shall undertake the following as a minim:

1. Ensuring the establishment of a constructive relationship between the board, on the one hand, and the senior executive management of the bank, and between the bank and the shareholders and other stakeholders, on the other hand.
2. Encouraging constructive criticism about the issues being discussed in general and those around which there is a divergence of views among members, and he encourages discussion and voting on those issues.
3. Ensuring that all board members receive the minutes of previous meetings signed by him, with the aim of being signed by all members
4. Members receive the agenda of any monthly or exceptional meeting at least one week in advance, provided that the agenda includes sufficient written information on the topics to be discussed in the meeting, and the handover shall be made by the Secretary of the Board.
5. Ensuring that there is a charter or bylaw that organizes and defines the work of the Board
6. Meeting the needs of the Board's members in terms of developing their experiences and continuous learning, and to allow the new member to attend an "Orientation Program" that takes into account the member's banking background, provided that this program shall include, as a minimum, the following topics:
 1. The corporate goals and objectives, the bank's strategy, annual action plans, and approved policies
 2. The bank's organizational structure, corporate governance, and code of professional conduct
 3. The financial condition of the bank
 4. The structure and types of risks the bank is exposed to, and its risk management framework
7. Sending an invitation to the Central Bank to attend meetings of the Corporate Body, within a sufficient period of not less than (15) fifteen days, so that its representative can be named
8. Ensuring that the Central Bank is informed of any material information

Section VI: Duties and responsibilities of the Board's Member

1. Each member of the Board of Directors shall undertake the following as a minimum:
 1. Familiarizing with the legislation and principles related to banking, the financial, administrative and operational environment of the bank, and keeping abreast of developments that take place in it, as well as external developments related to its business, including the requirements for appointment in senior executive management positions in the bank
 2. Attending board meetings, committee meetings, as appropriate, and Corporate Body meetings
 3. Not to disclose the bank's confidential information, or to use it for its own benefit or for the benefit of others
 4. He must prioritize the bank's interest in all transactions that take place with any other company, in which he has a personal interest, and not take advantage of the bank's commercial business opportunities for his own benefit, and avoid conflicts of interest. As well as disclosing to the Council in detail any conflict of interest, if any, with the obligation not to attend or participate in the decision taken at the meeting in which such topics were discussed, and that this disclosure be recorded in the minutes of the Board meeting.
 5. Active participation in the board's work, discussion, decision-making process and the board's activities

2. Members of the Board and its Committees should be able to communicate directly with the Senior Executive Management and the Board Secretary, and facilitate their carrying out the tasks entrusted to them, including the use, when necessary, at the Bank's expense, with external sources, in coordination with the Chairman of the Board, with an emphasis on not undertaking any From the members of the board to influence the decisions of the senior executive management, except through the deliberations that take place in the meetings and decisions of the board or the committees emanating from it

Section VII: Selection and appointment of the Managing Director

1. The board of directors shall appoint one of its members as a managing director of the bank
2. The managing director so appointed shall fulfill the following conditions as a minimum:
 1. His age shall not be less than (30) years
 2. He shall have a legal capacity and to be a decent and valid person
 3. He shall not be a partner or employee of the bank's external auditor, and he was not a former partner or employee of the bank's external auditor during the three years preceding the date of his election as a member of the board, and he shall not have a first-degree kinship with the partner responsible for the audit process.
 4. He shall not be a lawyer, legal advisor to the bank, or an auditor of the bank's accounts
 5. He, or any company where he is a member of its board, an owner of it, or a principal shareholder in it, shall not have obtained a credit from the bank exceeding 5% of the bank's capital, and he shall not be a guarantor of credit from the bank whose value exceeds the same percentage.
 6. He shall not be a member of the board of directors of any other bank inside Iraq, a managing director, a regional director, or an employee therein, unless the latter is affiliated with that bank
 7. He shall not be a member of the boards of more than five public shareholding companies inside Iraq, in his personal capacity in some of them, and in his capacity as a representative of a legal person, in others
 8. He shall work full-time to manage the day-to-day banking operations, in accordance with Article (18) of the Banking Law No. (94) Of (2004).
 9. He shall have at least a bachelor's degree in financial and banking sciences, business administration or accounting, economics, law, or similar disciplines related to banking.
 10. He shall have integrity, good reputation and technical adequacy
 11. He shall have actual work experience in the executive management in banks in accordance with the controls and instructions issued by the Central Bank of Iraq
3. The managing director shall be responsible for implementing the decisions of the board within the powers delegated to him.

Section VIII: Duties and responsibilities of the Board's Secretary

The board shall define the duties of the board secretary, so that it includes the following:

1. In relation to the Bank itself:
 1. Attending all board meetings, recording all deliberations, suggestions, objections, reservations, and how to vote on draft board decisions, with the necessity to adopt sound and image or any means he deems appropriate that ensures the recording of all notes mentioned during the board meeting with recording, keeping and documenting the records and minutes of Board meetings after being signed by the board members in addition to the sound and image (video).
 2. Presenting the topics after preparing a brief summary of each topic, stating the opinion of the senior executive management and its committees, linking the documents and papers with each topic, and submitting them to the Chairman of the Board for approval of their presentation
 3. Providing each member with an adequate summary of the bank's business, upon election or appointment, or upon request.

4. Deliberating with any new member, with the help of the legal advisor or the director of legal affairs of the bank, about the duties and responsibilities of the board, especially those related to legal and regulatory requirements, to clarify the duties, powers and other matters related to membership, including the membership period, and meeting dates
5. Providing each member of the board, upon his election, with the texts of laws related to the banks work and the instructions of the Central Bank related to the board work, including this manual, and provide him with a guide explaining the rights, responsibilities and duties of the member, and the duties and tasks of the Board Secretary
6. Determining the dates of the Board's meetings, in coordination with the Chairman of the Board
7. Ensuring that board members sign the board meeting minutes
8. Following up on the implementation of the decisions made by the Board, and following up the study of any issues raised in a previous meeting that had been postponed.
9. Keeping records, documents and minutes of board meetings
10. Following up the committees associated with the board and presenting their reports to the chairman of the board of directors.
11. Numbering the decisions in a sequence manner from the beginning of the year till its end so as each decision shall include the following:
 - A. Decision No.
 - B. Session No.
 - C. The date
12. Taking the appropriate procedures to ensure that the topics related to the draft decisions intended to be issued by the Board are in compliance with the legislations and instructions
13. Providing the Central Bank with the related decisions that are signed by the board members.
14. ??????
 - A. Requests of the board chairman to present the topics to the board
 - B. Requests of the external entities such as the Central Bank and the Companies Registrar
 - C. Requests of shareholders and the requests of the board members.
 - D. The auditor's report
 - E. Notifications and decisions issued by higher authorities
 - F. Committees' topics and reports
15. Concerning shareholders and Corporate Body meetings
Communicating with shareholders and helping in organizing Corporate Body meetings, in particular:
 1. Maintaining data of shareholders
 2. Preparing for Corporate Body meetings and cooperating with the board's committees
 3. Sending invitations to shareholders, the Central Bank and the Companies Registrar
 4. Ensuring the attendance of members of the Board of Directors, members of the Senior Executive Management and the External Auditor in the meetings of the Corporate Body
 5. Keeping records of the Corporate Body meetings

Section IX: Appropriateness of the Board's members

The Board members shall have the greatest degree of credibility, integrity, competence, the necessary experience, and the ability to comply, and it is the responsibility of the Board and the Nomination and Remuneration Committee associated with it to follow up on this.

1. The Board shall adopt an effective policy to ensure the appropriateness of its members, provided that this policy includes the minimum standards, requirements, and conditions that must be met by the nominated member as mentioned in Section II of this Manual, provided that this policy is reviewed whenever the need arises, with the development of sufficient procedures and systems to ensure that all members meet the criteria of appropriateness and continue to have them, and the bank shall provide the Central Bank with a copy of this policy, approved by its board of directors, within a maximum period of (120) one hundred and twenty days from the date of the final entry into force of this Manual.

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2. The Central Bank may object to the candidacy of any person for membership in the Board, if it is found that he does not fulfill any of the conditions mentioned in Section II of this Manual.
3. Any person who holds the presidency or membership of the board must sign a declaration, according to the attached form No. (1), provided that a copy thereof shall be kept at the bank and a copy at the Central Bank accompanied by the member's CV.
4. The chairman of the board shall ensure that the Central Bank is informed of any material information that may negatively affect the appropriateness of any of its members.

Section X: Inadmissibility to combine the positions of the Chairman of the Board and the Managing Director

It is not permissible to combine the positions of the Chairman of the Board and the Managing Director

Section XI: Limitations on responsibility and accountability – Board of Directors

With regard to the bank as a whole, the board shall carry out the following:

1. Adopting clear limits on responsibility, accountability and commitment, on the basis of the work manual that is approved by the Board of Directors, and obligating all the administrative levels of the bank with them
2. To ensure that the organizational structure clearly reflects the duties and tasks, provided that this includes, at least, the following levels of control:
 1. The Board itself
 2. Separate risk, compliance, and internal audit departments do not carry out day-to-day executive works
 3. Units or employees that are not involved in the day-to-day operations of the bank's activities such as Middle Office employees.
3. Ensuring that the senior executive management carries out its responsibilities related to managing the day-to-day operations of the bank, that it contributes to the application of corporate governance therein, that it delegates (authorizes) the powers to the employees, that it establishes an effective administrative structure that promotes accountability, and that it carries out the tasks in various fields and activities of work in a manner complies with the bank's strategy and with the policies and procedures approved by the Board
4. Adopting appropriate controls that enable it to carry out accountability of senior executive management
5. The chairman of the board, any of the board members, or the major shareholders must not be related to the authorized director by kinship below the fourth degree.

Section XII: Limitations on responsibility and accountability – Managing Director

The Managing Director, in addition to what is mentioned in the legislation, shall act on the following, according to a strategy approved by the Corporate Body, and work manuals approved by the Board of Directors, with the Central Bank being informed of this:

1. Developing the strategic orientation and contributing to the formation of the bank's strategy proposal
2. Supervising the implementation of the strategy, policies and action plans of the bank after being approved by the Corporate Body
3. Evaluating and following up the implementation of the bank's strategy with periodic key indicators
4. Implementing the Board's decisions
5. Communicating the bank's vision, mission and strategy to the employees
6. Providing guidance for implementing short, medium and long-term action plans
7. Informing the board of all important aspects of the bank's operations
8. Managing the day-to-day operations of the bank according to its powers

Chapter II: Board of Directors – The Board's Committees

Section I: The general framework for forming and following up the committees work

1. The board shall form committees from among its members where it defines their objectives and delegate powers to them, with a commitment not to take decisions alone without the bank's board of directors voting, and the board shall continuously follow up on the work of the committees to ensure the effectiveness of their role with the possibility of merging some committees according to the suitability of their competencies, provided that there be no conflict between the duties and responsibilities of these committees.
2. Ensuring that committees can easily access sufficient information from the administration, and any committee can obtain advice and technical support from external sources, provided that this be done with the knowledge and approval of the Board
3. Transparency must be observed in the formation of committees, with the names of their members disclosed in the annual report of the board
4. Specialization, experience, impartiality and non-conflict of interests must be observed in the formation of committees
5. Following up on the committees associated with the board of directors and present their reports and results to the chairman
6. Each committee shall have an internal charter that shows its tasks, scope of work, and procedures, including how to prepare reports to the board of directors, and what is expected of members of the board of directors of their membership in those committees
7. The bank shall provide the Central Bank of Iraq with a list that includes all committees affiliated with the work of the board, their tasks, work procedures, and the names of their members
8. Rapporteur of the Board's committee shall be selected from the Secretary of the Board or any executive employee selected by the committee except for the director of the department concerned with the work of the concerned committee
9. The chairperson of each committee formed shall be an independent board member

Section II: Organization of committees works

1. The committees hold regular meetings, and their number is determined according to the nature of the work of each committee
2. The committee's rapporteur shall organize the minutes of its meetings and writes down its recommendations or decisions according to the powers granted to him.
3. The chairman of the committee submits the minutes of its meetings and recommendations to the board of directors for approval, and its decisions for review
4. The committee's decisions are taken unanimously, or by a majority of votes, with recording the reservations of non-conformists
5. The committees undertake to submit periodic reports and a quarterly report on the results of their work to the Board of Directors
6. "Temporary committees" are formed by a decision from the board, its chairman, or at the request of the Central Bank of Iraq. The decision specifies the committee's composition, scope of work, its responsibilities, and the period required to complete its work.
7. The board may determine remuneration for participation in the work of the committees in accordance with the regulations in force
8. The term of membership in the committee is the same as that of the board of directors

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Section III: Corporate Governance Committee

The bank pays the necessary attention to the exercise of sound corporate governance and is committed to applying the highest professional performance standards to all bank's activities in accordance with the best international practices included in the Basel Committee on Corporate Governance and the Governance Manual in accordance with the instructions of the Central Bank of Iraq. Therefore, this committee aims to:

1. Establish a governance framework and manual for the bank, monitor its implementation, and amend it when necessary
2. Carry out periodic review of decisions and instructions issued from time to time by the supervisory authorities regarding the rules and practices of governance and submit recommendations to the Board of Directors regarding the changes that it deems necessary for the development and application of new standards and practices

Section IV: Audit Committee

(That is, the "Audit Committee" stipulated in Article (24) of the Banking Law No. (94) of 2004)

The Audit Committee shall audit (review) the following:

1. The scope, results and adequacy of the bank's internal and external audit
2. Accounting issues that have a material impact on the bank's financial statements
3. The bank's internal control and control systems
4. Compliance with the laws, regulations and controls applied to the bank
5. The creation of a safe working environment free from money laundering and terrorist financing operations
6. The work of any other committee may not be merged with the work of this committee

Section V: Nomination and Remuneration Committee

1. This committee works to provide support and advice to the Board of Directors to perform its oversight responsibility in the nomination and independence of board members and the integrity of the remuneration, benefits and salary strategy in the bank, as well as aiming to create a work attractant environment to attract human resources with the required expertise and skill
2. The main purpose of the Nomination and Remuneration Committee is the following:
 1. Providing support and advice to the Board of Directors on matters related to nomination, remuneration and human resources
 2. Supporting the Board of Directors in developing appropriate policies for the succession and replacement of members to ensure continuity and career progression
 3. Ensuring the transparency of appointing, renewing and replacing members of the Board of Directors and the managing director
 4. Independent evaluation of the effectiveness of the board of directors as a whole and the effectiveness of each member of the board of directors and the evaluation of the performance of executive directors
 5. Ensuring the transparency of salary, remuneration and compensation policies for members of the Board of Directors and managers and ensuring that these policies are consistent with the objectives of the bank.
 6. Coordination with human resources in the bank to set and implement the succession and job replacement policy

Section VI: Risk Management Committee

1. The Committee shall carry out the following duties:
 1. Reviewing the risk management framework in the bank
 2. Supervising the development of the risk management strategy and policy in line with the bank's ability and the extent of its risk appetite.

3. Reviewing the performance of the senior management in managing credit, market, liquidity, and operational risks, among others, and ensuring that the senior management implements the procedures and controls necessary to comply with the approved risk management strategy and policy of the bank.
4. Keeping abreast of developments that affect risk management in the bank, and submitting periodic reports thereon to the Board
5. Verifying that there is no discrepancy between the actual risks taken by the bank and the level of acceptable risk approved by the Board, and providing clear guidance on the level of acceptable exposure to activities.
6. Creating appropriate conditions that ensure the identification of risks of a material impact, and any activities carried out by the bank that may expose it to risks greater than the level of acceptable risks, and submit reports thereon to the Board of Directors and follow up their treatment

Section VII: The Higher Committee

The objective of the higher committee emanating from the board of directors is to supervise and approve decisions that their amounts exceed the powers of the executive management committees of the bank, based on the recommendations of these committees and in accordance with the policy and limits approved by the Board of Directors, especially those related to granting facilities or investment operations, in addition to ensuring the application of credit and investment policy.

Section VIII: Information and Communication Technology Governance Committee.

The committee seeks to ensure compliance with the objectives and processes of the Information and Communication Technology Governance Manual, as it is considered the ultimate responsible entity in this regard. It also aims, through adherence to controls, to meet the requirements of stakeholders and achieve the objectives of the institution, including the provision of the following:

1. Providing high quality information that supports the decision-making mechanisms of the bank
2. Sound management of information technology resources and projects in a manner that achieves the necessary benefit and reduces waste
3. Providing a distinct and supportive information technology infrastructure to achieve the bank's goals
4. Upgrading the various banking operations
5. Information and communication technology risk management that achieve protection for the bank's assets
6. Improved internal control system
7. Achieving compliance with instructions, laws and legislation, in addition to internal operation policies and procedure
8. Improving the level of satisfaction with IT by users
9. Managing third-party services that are assigned to carry out information technology tasks and actions

Section IX: Stakeholders rights

1. The board shall provide a specific mechanism to ensure communication with "stakeholders" through disclosure and providing indicative information about the bank's activities to "stakeholders" through the following:
 1. Meetings of the Corporate Body
 2. The annual reports and the governance report
 3. Quarterly reports that contain financial information, in addition to the Board's report on the bank's shares trading and its financial position during the year
 4. The bank's website
 5. Report on the Shareholder Relations Department

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2. The board shall ensure that a section of the bank's website is designated to shareholders' rights and encourage them to attend and vote at meetings of the Corporate Body, especially small shareholders, as well as publish documents related to the meetings, including the full text of the invitation and meeting minutes.
 3. Heads of the "Audit" and "Nomination and Remuneration" committees and any other committees emanating from the Board shall attend the annual meetings of the Corporate Body
 4. Representatives of the external auditors must attend the annual meeting of the Corporate Body in order to answer any questions that may be raised about the audit and the external auditor's report
 5. The necessity to vote separately on each issue raised in the annual meeting of the Corporate Body shall be observed
 6. Members of the Board are elected and re-elected during the annual meeting of the Corporate Body, and the external auditor is elected during the same meeting.
 7. After the end of the annual meeting of the Corporate Body, reports are prepared to inform shareholders / owners about the observations made during it and the results, including the results of the vote, the questions raised by the owners / shareholders, and the executive management's responses to them.
 8. The board shall ensure the effectiveness of the dialogue with the shareholders by providing the following factors as a minimum:
 1. Ensuring that the board members are aware of the shareholders' views, particularly with regard to the bank's strategies and governance systems.
 2. Holding regular meetings with major shareholders, non-executive and independent members to get acquainted with their opinions and views on the bank's strategies.
 3. Disclosing in the annual report of the steps taken by its members, specifically the non-executive members, in the framework of reaching an agreement and a common understanding of the views of the major shareholders regarding the performance of the bank.
- Heads of the "Audit" and "Nomination and Remuneration" committees and any other committees emanating from the Board shall attend the annual meetings of the Corporate Body

Section X: Disclosure and transparency

1. The board shall ensure the publication of financial and non-financial information of interest to stakeholders.
2. The annual report of the bank shall include a text stating that the board is responsible for the accuracy and adequacy of the bank's financial statements and the information contained in that report, and for the adequacy of the internal control and control systems
3. The board shall ensure that the bank adheres to the disclosures set by the "International Financial Reporting Standards, IFRS", the instructions of the Central Bank, legislation, and other relevant instructions and to ensure that the executive management is aware of the changes that occur to the IFRS and other relevant standards.
4. The board shall ensure that the bank's quarterly report and quarterly reports include disclosures that allow current or potential shareholders to view the results of operations and the financial position of the bank.
5. The disclosure is preferred in both (Arabic and English) languages.
6. The board shall ensure that the annual report includes, as a minimum, the following:
 1. A summary of the organizational structure of the bank indicating the committees emanating from the Board of Directors and any changes therein
 2. A summary of the duties and responsibilities of the Board's committees, and any powers the council has delegated to those committees
 3. Information of interest to "stakeholders" stated in the Bank's Corporate Governance Manual, and the extent of its commitment to implementing the manual's provisions.
 4. Ensure that the bank's corporate governance report is prepared and included in the annual report

5. Information about each member of the board, in terms of his qualifications, experiences, and the amount of his contribution to the bank's capital, its membership in the board's committees, the date of its appointment, any memberships it holds in the boards of other companies, the remuneration in all its forms that he obtained from the bank for the previous year, as well as the loans granted to him from the bank, and any other operations that took place between the bank and the member, or between related parties
6. Information about risk management, including its structure, the nature of its operations, and the developments that took place
7. The number of times the board and its committees meet and the number of times each member attends these meetings
8. Names of each of the board members and the senior executive management who resigned during the year
9. A summary of the remuneration policy at the bank, with disclosure of all forms of remuneration of board members separately, and the remuneration of all its forms that were awarded to the senior executive management, separately, for the previous year
10. Names of shareholders who own (1%) one percent or more of the bank's capital, with specifying the Ultimate Beneficial Owner of these contributions or any part thereof, and to clarify whether any of these contributions are totally or partially mortgaged.
11. Declarations from all members of the Board that the member did not obtain any benefits through his work in the bank, and he did not disclose them, whether those benefits were material or in-kind, and whether they were for him personally or for any of those related to him, for the previous year
12. Disclosure by the executive management of the bank under the title "Management Discussion and Analysis" (MD&A), where it allows investors to understand the results of the current and future operations, and the financial condition of the bank, including the possible impact of known trends, accidents, and uncertainties, and the bank undertakes to commit that all the explanations contained in this disclosure are approved, complete, fair, balanced and understandable, and are based on the published financial statements of the bank.
13. Code of Business Conduct and the names of each of the board members, the executive management, and those who resigned during this year
14. Publish a report on corporate governance practices
15. The bank's sustainability policy and what has been done in this regard

Chapter III: Executive Management Committees

The senior management forms committees to assist it in carrying out its tasks and submitting reports to the relevant board committees on a regular basis to ensure the effectiveness of oversight and supervision. Executive management committees are formed of at least three members, and members of the board of directors can attend as an observer to help them, and the committees send their meeting dates to the board of directors before the meeting in order for any board members to attend as an observer if he so desires.

Section I: Credit Committee

This committee emanates from the executive management and its main purpose is to supervise and approve credit decisions and grant banking facilities in accordance with the policy and limits approved by the Board of Directors, in addition to ensuring the implementation of the credit policy and initial approval of credit products before submitting them to the relevant board committees to obtain the final approval in terms thereof. Among its objectives:

1. Setting policies, limits and directives under which credit strategies shall apply (within the limits set by the Board).
2. Submitting recommendations to the Board regarding acceptable credit or collateral
3. Approving the recommendations within the powers granted
4. Confirming the application of the credit policy and terms of credit products
5. Achieving the objectives of granting credit in accordance with sound rules and applying the established credit controls

Section II: Investment and Liquidity Management Committee

The main objective of the Investment and Liquidity Management Committee is represented by the following:

1. Assist in developing investment guidelines and overseeing investment activities based on the approval of the Board. The committee shall regularly monitor the results of investments, and review the extent of compliance with the investment objectives of the bank and the guidelines. Reports on the overall investment results must be prepared periodically to the committee, in order to facilitate the smooth and effective implementation of the bank's investment operation and ensures the existence of a system that allows for an independent and comprehensive evaluation of the bank's policies and procedures related to the current and future investment to achieve:
 1. Ensuring that investment operations are conducted objectively and based on sound principles
 2. The existence of written and precautionary investment policies
 3. Enhancing investment portfolios with appropriate and required documents and papers
 4. The existence of standards that define the guarantees in terms of type and size and are acceptable by the management
 5. The periodic evaluation of investment portfolios
 6. Periodic verification and monitoring
2. The committee shall manage the assets and liabilities of the bank's balance sheet in terms of structure, distribution of risks, calculation of returns and their risks and their impact on profitability, in addition to monitoring liquidity, cash flows, record of entitlements and foreign exchange dealing centers, so that it makes appropriate corrective adjustments based on trends and expected market conditions. It is also entrusted with the tasks of monitoring and following up the results of the bank's financial investments, and accordingly it aims to achieve the following:
 1. Increasing the profitability and maximizing capital and shareholder equity
 2. Reducing the risk of market changes
 3. Optimizing the sources of funds
 4. Protecting the bank from financial crises that may arise from changes in local and international currency rates or rates of return for investments and financing.
 5. Identifying, measuring and managing the types of risks facing the bank on a permanent and continuous basis (liquidity risk, market risk, return rates ...).
 6. Effective management of the bank's financial position

Section III: Information and Communication Technology Committee

This committee is considered as the information technology steering committee to ensure the process of strategic alignment of information technology to achieve the strategic objectives of the bank in a sustainable manner, and this also means that operations and projects related to information technology must be consistent with the strategy of the institution and ensures that the needs of stakeholders are met, including the achievement of value, the optimal handling of Risks, and optimal use of resources.

Section IV: Appropriations Committee

This committee emanates from the executive management and the main purpose of the appropriations formation committee is to ensure that the bank has an acceptable system for follow-up, evaluation, hedge, and provisioning, in addition to monitoring the credit granting process and measuring expected credit losses through a future look at credit exposures.

Also, ensuring that all necessary work is undertaken to verify the correctness and integrity of the methodologies and systems used in the framework of implementing standard 9 and providing the necessary support for this

Section V: Pricing and Product Management Committee

The objective of the Pricing and Product Management Committee is to:

1. Review and approve the proposals for new products and services
2. Amend the terms of current products and services
3. Adjust the prices of current products and services (i.e. fees / commissions / interest rates ...).
4. Manage and evaluate product and service performance throughout its life cycle or function
5. Monitor and address any risks inherent in products or services that may affect customer experience and service

Chapter IV: The Executive Management of the Bank

Section I: Appropriateness of members of the senior executive management

1. Members of the senior executive management shall have the greatest degree of credibility, integrity and efficiency, and the necessary banking experience, the ability to commit, and devote time to the work of the bank, and it is the responsibility of the Board and the Nomination and Remuneration Committee to ensure this
2. The board should adopt a policy to ensure the appropriateness of the members of the senior executive management in the bank, provided that this policy includes the minimum standards, requirements and conditions that must be provided by the member of the senior executive management, and the board shall review this policy from time to time, and establish sufficient procedures and systems to ensure that all members of the senior executive management has met the standards of safety, and that they continue to do so, and the bank shall provide the Central Bank with a copy of this policy, within a maximum period of (90) ninety days from the date this manual comes into effect.
3. Scope of its work:
 1. The senior executive management consists of the bank's officials according to Article (2) of this guide
 2. The senior executive management exercises its powers and performs its responsibilities according to the authorization and decisions issued by the Board of Directors.
 3. The senior executive management is accountable to the board of directors for the achievement of the bank's objectives and operations
 4. Board members shall have no right to interfere in the daily operational business of the bank
4. The executive management shall perform the following tasks:
 1. Preparing and implementing strategic and operational plans, after approval by the Board of Directors, ensuring their effectiveness, and submitting proposals for their development or amendment
 2. Implementing relevant laws, regulations and instructions and policies and directives issued by the Board of Directors with responsibility, trust and responsibility.
 3. Presenting recommendations on making important decisions related to banking operations, including managing deposits, loans, and investments, and providing local and international services in terms of requirements, implementation method and continuous improvement.
 4. Reviewing plans for expanding new branches and offices and working on their implementation
 5. Preparing and developing policies and procedures for all business details
 6. Preparing an organizational structure for the bank that includes defining duties and responsibilities and allocating them to the organizational formations and defining vertical and horizontal lines of communication
 7. Preparing the necessary annual budgets for the bank
 8. Adhering to the internal control systems that are sufficient to protect the bank's funds and assets, and to ensure the good and safety of financial information and behavior, and work to implement them.
 9. Establishing appropriate systems to manage risks of all kinds
 10. Providing the internal and external oversight bodies with the reports and information they request and facilitate the completion of their control and inspection tasks.

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11. Ensuring compliance with international standards in all activities and operations of the bank
 12. Submitting periodic reports to the Board of Directors on the bank's business
 13. Maintaining accurate and proper records and information systems for all activities and decisions and supporting them with the necessary documents
 14. Discussing and following up the workflow in the bank and proposing solutions
 15. Coordinating between different departments to ensure compatibility, harmony and integration
 16. Determining the needs of human resources, and follow-up on their training to develop their performance
 17. Monitoring the financial position of the bank and achieving appropriate profits, within the framework of the sound exchange between risk and return, and in accordance with its annual plan
 18. View the official website of the Anti-Money Laundering Bureau regarding the freezing terrorist funds lists daily, and inform the Anti-Money Laundering Bureau and the Exchange Control Department at the Central Bank immediately in the event that a person has been listed on the of freezing terrorist funds list.
5. The need to obtain the approval of the Board when appointing any of the members of the senior executive management in the bank
 6. The following conditions must be met by whoever is appointed to the senior executive management of the bank
 1. He shall not to be a member of the board of directors of any other bank, unless the other bank is affiliated with that bank
 2. He shall work full-time to manage the bank's business
 3. He shall have a university degree, as a minimum, in financial or banking sciences, business administration, finance, accounting, economics, law, information technology, or any of the similar specializations of these disciplines that are related to bank business
 4. He shall have experience in the field of banking business, or related work, of no less than five years, with the exception of the position of managing director or regional director, whose experience in banking or business related to financial sector activities must be at least ten years
 7. A non-objection must be obtained from the Central Bank, before appointing any member to the senior executive management, and therefore the bank must, before appointing any member to the senior executive management, obtain from the candidate for appointment his CV, accompanied by documents and academic certificates, experience certificates, certificate of good conduct and other necessary supporting documents, and asking the candidate to sign the accompanying declaration No. (2), and the bank must provide the Central Bank with a copy of the declaration accompanied by the member's CV.
 8. The Central Bank may summon any person nominated for a position in the senior executive management of any bank to conduct a personal interview with him prior to the appointment, and the Central Bank may, in the cases it deems necessary, summon any member of the board of any bank to interview him.
 9. The manager, who has been removed from his position by the Central Bank, may not become a member of the board of any bank, or a managing director of any bank, or for any bank's branch, or work as an administrative or within the senior executive management in any other bank.
 10. The Central Bank must be notified of the removal or resignation of any member of the senior executive management, within (3) three days, and it must be notified of the reasons for this removal or resignation
 11. A person, who was an employee of the senior executive management in a bank whose license was revoked, or whose liquidation was decided during the period of his tenure, may not work within the senior executive management in any other bank unless the Central Bank decides otherwise.

Section II: Periodic evaluation of performance

1. The Corporate Body shall adopt a system for evaluating the Board's work and the work of its directors, provided that this system guarantees, as a minimum, the following:
 1. Establishing specific goals, and defining the role of the board in achieving these goals, in a manner that can be measured periodically
 2. Identifying Key Performance Indicators "KPIs" that can be derived from the strategic goals, annual action plans and use them to measure the Board performance periodically.
 3. Communication between the board and shareholders, and the necessity to carry out his communication periodically
 4. The periodicity of the Board's meetings with the senior executive management
 5. The member's role and duties in the Board's meetings as well as comparing his performance with that of other members. Feedback must also be obtained from the relevant member in order to improve the evaluation process.
2. The bank shall provide the Central Bank with information related to the chairman of the board, members of the board, and members of its senior executive management, including the committees emanating from the board according to the attached forms numbered (4/1, 4/2, 4/3 and 4/4) on a semi-annual basis, as well as when any modification occurs on them.
3. The bank shall provide the Central Bank with information related to the members of boards or bodies of directors and senior executive departments of its subsidiaries inside and outside Iraq according to the accompanied forms (5/1, 5/2 and 5/3) on a semi-annual basis, as well as when any modification occurs on them.
4. The Central Bank may, at any time, invite members of the Audit Committee, the Director of the Bank's Internal Audit Department, or the Director of the Compliance Department to discuss any matters related to their work.
5. The board shall adopt a system for measuring and evaluating the performance of the bank's managers, who are not members of the board, and the managing director, provided that this system includes the following as a minimum:
 1. An appropriate weight is allocated to measure the performance of compliance with the risk management framework, the application of internal controls, and the regulatory and supervisory requirements
 2. That "gross revenues" and "net income" are not the only element in measuring performance. Rather, other elements to measure the performance of managers, such as risks related to basic operations, customer (client) satisfaction, etc., should be taken into consideration, wherever this is applicable.
 3. Non-abuse of influence and conflict of interest
6. The Corporate Body shall establish procedures for determining the remuneration of the Board members, depending on the measurement and evaluation system approved by it.

Section III: Financial remunerations for administrative staff

1. The policy for granting financial remunerations must have the following elements as a minimum
 1. To encourage the retention of managers with the necessary competencies, skills and experience, and to attract them, motivate them, and improve their performance
 2. To be designed to ensure that it is not used in a manner that affects the solvency and reputation of the bank
 3. It takes into account the risk, liquidity position and dividends timing
 4. That the remuneration award component is not based on current year performance only, but also on his performance in the medium and long term, i.e. from (3-5) years
 5. That it expresses the bank's objectives, core values, and strategy.
 6. That the form of remuneration be defined, such as in the form of fees, salaries, allowances, bonuses, stock options, or any other benefits
 7. That it includes the ability to postpone paying a reasonable percentage of remuneration, so that this percentage is determined for the period of postponement based on the nature of the work, its risks, and the activities of the concerned manager
 8. That financial remuneration are not granted to the managers of control departments (risk management, auditing, compliance and others) depending on the results of the work of the departments that they monitor, without taking into consideration the results of their audit work and the quality of the control reports issued by those departments.

Section IV: Conflict of interest

1. The managers of the bank must avoid conflicts of interest
2. The Board of Directors shall ensure that due diligence is taken to arrange the affairs related to the bank's business and matters related to the personal business in a manner that avoids a conflict of its personal interests with the interests of the bank.
3. The board must adopt a policy and procedures to address conflicts of interest, which may arise when the bank is part of a banking group, and disclose any conflict of interest that may arise from the bank's association with companies within the group.
4. The board shall adopt policies and procedures for dealing with stakeholders, including the definition of these parties, taking into account the legislation, policies, procedures and their monitoring mechanism, so that it is not allowed to overcome them.
5. The supervisory departments in the bank shall ensure that the stakeholders' operations are carried out in accordance with the approved policies and procedures. The audit committee should review all stakeholder transactions, monitor them, and inform the Board about these transactions.
6. The board shall adopt controls for information sharing among different departments, so as to prevent its exploitation for personal benefit
7. The board shall adopt policies and a code of professional conduct and circulate them to all managers, so that they include, as a minimum, the following:
 1. None of the employees exploiting internal information in the bank for their personal benefit
 2. The senior executive management consists of the bank's officials according to Article (2) of this guide
 3. The senior executive management exercises its powers and performs its responsibilities according to the authorization and decisions issued by the Board of Directors.
 4. The senior executive management is accountable to the board of directors for the achievement of the bank's objectives and operations
 5. Board members shall have no right to interfere in the daily operational business of the bank
8. The board shall ensure that the senior executive management has high integrity in conducting its business, implements the approved policies and procedures, and avoids conflicts of interest.
9. No bank may extend credit to a related person or a high-ranking bank employee:
 1. If the board of directors, in the case of the local bank, does not approve the credit and its financial terms and provisions
 2. If the credit is granted to a manager in a bank, or to a high-ranking bank employee, and the credit will result in exceeding the total amount of the credit disbursed from the bank to that person, and due, including the credit granted to one or more of the bank's subsidiaries, exceeds the equivalent (50%) fifty percent of the annual bonus for that person, or if the credit will result in the total amount of credits disbursed and due to all related persons exceed (10%) ten percent of the sound capital and sound reserves, or a lesser percentage as determined by the regulations issued by the Central Bank, provided that the aforementioned limits of percentages do not apply to any credit secured by a mortgage on ownership (real estate) of a local evaluator whose value exceeds the appraised value and according to the opinion of the Central Bank and at the time of granting the credit the value of the original amount of the credit not less than a third of the original amount, or:
 3. If the credit is granted on terms and conditions less favorable to the bank than the terms and conditions that the bank offers to the public, in accordance with the established norms when granting credit
 4. If the credit is not fully secured to the extent and method specified by the regulatory regulations issued by the Central Bank
10. The bank shall have no right to buy assets from or sell assets to a related person, any natural person, any employee or official in the bank, or a related person.

11. The bank shall have no right to purchase assets from a related person, any natural or legal person
 1. If the board of directors, in the case of the local bank, does not agree to the financial terms and conditions for purchasing the assets
 2. If the assets were purchased according to terms and conditions less favorable to the bank than the terms and conditions that the bank offers to the public in accordance with the customary norms when purchasing the assets
12. The bank shall provide the Central Bank with the number of shares pledged by the bank's shareholders who own (1%) or more of the bank's capital, and the pledgee of these shares
13. The bank's audit committee is immediately informed of any credit provided by a bank in the case of a local bank to or purchasing assets from a related person, or a high-ranking bank employee. In the event that the bank provides this credit or purchases assets from a related person in violation of the provisions of paragraph 2-8 of Clause 8 of this Article, the credit must be paid immediately. The members of the board or the managing director, as the case maybe, are personally, collectively and individually responsible for paying the value of the principal value of the granted credit in violation of Paragraph (h) of this Article, with their knowledge and without their opposition, and for the payment of interest and other fees related to that credit.
14. The Central Bank may instruct a bank to deduct any loan offered to a related person, or a high-ranking bank employee, from the capital for the purposes of calculating the percentage.
15. The above restrictions do not apply to the shares of credit denominated in Iraqi dinars that are fully guaranteed, in accordance with the method specified by the regulations issued by the Central Bank, with deposits in a separate account with the bank and denominated in Iraqi dinars, or credit shares fully guaranteed by the principal of capital and interest by the Iraqi government, or by any department or agency of the Iraqi government determined by the Central Bank.
16. Board members shall obtain important information in a timely, clear and accurate manner in order to be able to fulfill their duties and perform their duties to the fullest extent.

Chapter V: The regulatory environment

Section I: Internal Audit

The internal audit ensures the availability of the necessary periodic evaluation of the quality and performance of the bank's accounts, in compliance with international standards, and submits periodic reports to the Board of Directors, the bank's management and stakeholders on the effectiveness and appropriateness of the processes and internal control procedures approved and implemented by the bank's management

1. Rules for selecting the employees of the internal audit department
 1. That the director of internal audit department and his assistant be among those who hold at least a bachelor's degree in accounting, banking management, financial and banking sciences, or one of the specializations related to banking work and have experience in the field of supervision in accordance with the regulations and instructions issued by the Central Bank of Iraq
 2. It shall taken into account in the selection of internal audit personnel that they be specialists in accounting and auditing and have sufficient experience
 3. A policy of exchanging roles and responsibilities between employees of the Internal Audit Department and not interfering in the executive operations of the rest of the bank formations must be followed.
2. Tasks of the Internal Audit Department
 1. The board shall verify that the internal audit department is subject to direct supervision by the audit committee, and that it reports directly to the head of the audit committee to ensure its independence.
 2. The authority to communicate directly with the board of directors, the chairman of the board of directors, the audit committee, the external auditor, and the compliance officer in the bank
 3. Submit monthly, quarterly and semi-annual reports on business results to the Audit Committee
 4. If the credit is not fully secured to the extent and method specified by the regulatory regulations issued by the Central Bank

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3. The bank shall have no right to buy assets from or sell assets to a related person, any natural person, any employee or official in the bank, or a related person.
4. Prepare a work manual for the internal audit department's policies and procedures, provided that the manual is approved by the audit committee and the board of directors, and is subject to review and update by the audit committee every year or two years at least
5. Examine and evaluate the internal control points in all bank's business, and diagnose strengths and weaknesses for the purpose of remedying them.
6. The structure of the internal control and control systems is reviewed by the Audit Committee and the Internal Audit Department at least once a year or whenever the need arises.
7. The board shall ensure that the Internal Audit Department in the bank is capable of carrying out the following tasks, as a minimum:
 1. Verify the availability of adequate internal control and control systems for the activities of the bank and its subsidiaries and adhere to them
 2. Verify compliance with the bank's internal policies, international standards, central bank regulations, instructions, and controls it issues, and other relevant legislation.
 3. Audit financial and administrative matters, in order to ensure that the key information about financial and administrative matters is accurate, reliable, and timely.
 4. Review compliance with the Corporate Governance Manual
 5. Review the validity and comprehensiveness of "Stress Testing" in accordance with the methodology approved by the Board
 6. Ensure the accuracy of the procedures followed for the internal evaluation process of Internal Capital Adequacy Assessment Process - ICAAP
8. The bank, based on the audit committee's recommendation, must inform the Central Bank at least thirty (30) days prior to the date of the Corporate Body meeting of its desire to nominate the external auditor for election (or re-election) by the Corporate Body.
9. The Board shall ensure and strengthen the independence of the internal auditors, give them an appropriate position in the career progression of the bank, and ensure that they are qualified to carry out their duties, including their right to access all records and information, and to communicate with any employee within the bank, so that they can perform the tasks assigned to them and prepare their reports without any outside interference, and they may not be assigned to any tasks and duties outside the scope of their work
10. The Board shall take the necessary measures to enhance the effectiveness of internal auditing through:
 1. Giving the necessary importance to the audit process and entrenching that in the bank
 2. Continue to correct the audit notes

Section II: Internal control and control systems

1. The structure of the internal control and control systems is reviewed by the Audit Committee and the Internal Audit Department at least once a year.
2. The board shall include within the annual report of the bank a report on the adequacy of the internal control and control systems in relation to Financial Reporting where the report shall include, as a minimum, the following:
 1. A paragraph explaining the executive management's responsibility for setting up internal control and control systems for financial reporting in the bank and maintaining these systems
 2. A paragraph about the framework that the executive management has used to assess the effectiveness of the internal control and control systems
 3. The executive management's assessment of the effectiveness of the internal control and control systems, as they are on the date of the financial statements included in the bank's annual report.
 4. Ensure compliance with international standards in all activities and operations of the bank

5. Ensure that there is an Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Bureau linked to the Board and responsible for implementing the policies of Know Your Customer (KYC) and the tasks and duties resulting therefrom, including the Bureau's preparation of periodic reports on its activities.
6. Foreign Accounts Tax Compliance Act- FATCA
7. Disclosure of any weaknesses in the internal control and control systems of material value, since any material weakness is a clear "point" or "group of weaknesses" that leads to the possibility of preventing or disclosing an incorrect statement that has a material effect
8. A report by the external auditor expressing his opinion on the executive management's assessment of the effectiveness of internal control and control systems
3. The bank shall establish procedures that enable employees to report, in a confidential and timely manner, the existence of concerns about possible violations, in a manner that allows the investigation to take place, independently of these concerns and their follow-up, and through the implementation of these procedures by the audit committee

Section III: Risk Management

1. The risk management shall monitor the bank's executive departments to meet the specified levels of acceptable risks
2. The Board shall ensure that violations of the acceptable levels of risk are addressed, including accountability of the relevant senior executive management regarding these violations.
3. The board shall ensure that the risk management department conducts "Stress Tests" periodically to measure the bank's ability to withstand shocks and face high risks, and for the board to have a major role in adopting the assumptions and scenarios (scenes) used, discussing test results, and adopting measures to be taken based on these results.
4. The Board shall adopt the methodology for the internal assessment of the adequacy of the bank's capital, in line with the decisions of the Basel Committee on Banking Supervision No. 2 and Basel No. 3 and any other international standards, so that this methodology is comprehensive, effective, and able to identify all risks that the bank may face, and takes into account the bank's strategic plan. And the capital plan, reviewing this methodology periodically, verifying its application, and ensuring that the bank maintains sufficient capital to meet all the risks it faces.
5. The Board, before approving any expansion of the bank's activities, must take into consideration the risks involved and the capabilities and qualifications of the risk management employees.
6. The board shall ensure the independence of risk management in the bank, by submitting its reports to the Risk Management Committee, and granting this department the necessary powers to enable it to obtain information from other bank departments and cooperate with other committees to carry out their duties.
7. The board shall approve a document for the acceptable risks to the bank
8. The policies approved by the Board of Directors must include the acceptable limits of the risks that the bank may be exposed to, with the necessity for those limits to be consistent with the bank's ability to accept risks and the extent of this being appropriate with the size of the capital
9. Measuring the extent of the continuity of suitability of the work steps for measurement, following up and monitoring risks, and making any adjustments to them if necessary in accordance with the market developments and the environment in which the bank operates
10. The use of appropriate and effective information and communication systems, especially in relation to the following up and monitoring risks process and ensuring the efficiency of the information management system in a manner that allows the senior management of the bank, the risk committee and the board to be provided with periodic reports (monthly at least) that reflect the bank's commitment to the specified risk limits and clarify the violations of these limits, their causes and the corrective plan necessary for it.

11. Risk management tasks consist of the following as a minimum:
 1. Review the Risk Management Frame in the bank prior to its approval by the Board.
 2. Implement the risk management strategy in addition to developing policies and work procedures to manage all types of risks
 3. Develop methodologies for identifying, measuring, monitoring and controlling each type of risk
 4. Submit a report to the Board, through the Risk Management Committee, and a copy for the Senior Executive Management, which includes information on the actual "Risk Profile" of all bank's activities in comparison with the accepted Risk Appetite and following up treatment of negative deviations
 5. Study and analysis of all types of risks faced by the bank
 6. Verify the integrity of risk measurement mechanisms with the "Management Information Systems MIS" used
 7. Submit recommendations to the Risk Management Committee on bank Exposures to risks, and record cases of exceptions from the risk management policy.
 8. Provide the necessary information about the bank's risks, to be used for disclosure purposes

Section IV: Compliance Management

1. The board shall adopt a clear policy to ensure that the bank is in compliance with all relevant legislation and instructions review this policy periodically and verify its implementation.
2. The Board shall approve the duties and responsibilities of the Compliance Department
3. The Compliance Department submits its reports to the Audit Committee with a copy to the Managing Director
4. The bank shall form an independent compliance department, to be provided with trained human resources, and adequately rewarded, in line with the Central Bank's instructions issued in this regard.
5. The Compliance Department shall prepare effective policies and procedures to ensure that the bank is in compliance with all legislation and instructions in force, and any relevant instructions and manuals, and the bank shall document the duties, powers and responsibilities of the Compliance Department, which are circulated within the bank.
6. The Board approves and monitors the compliance policy, and its preparation, development, and ensuring that their implementations in the bank are among the powers of the Compliance Department.

Section V: Management of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)

(In accordance to Articles 10 – 14 of AML/CFT Law No.(39) of 2015)

1. The bank takes the following customers due diligence measures
 1. Identify and verify the identity of the customer and the real beneficiary through documents, data or information from reliable and independent sources.
 2. Identify and verify the identity of any person acting for a client's account, and ensure that this person has the authority to act in this capacity
 3. Understand the purpose and nature of the business relationship, and additional information may be requested in this regard
 4. Identify the identity of the ownership and control of legal persons and legal arrangements
 5. Continuous follow-up in everything related to the business relationship and examining any transactions that take place to ensure that they are consistent with what is available on the customer in terms of information, commercial activities, risk pattern, and the sources of his funds when necessary
2. Due diligence measures are implemented in the following cases:
 1. Before and during the opening of the account or the establishment of a business relationship with the customer
 2. Carrying out a process for an occasional customer whose value exceeds the amount determined by the AML / CFT Board with a statement issued for this purpose and published in the Official Gazette, whether it is a single operation or several operations that appear to be related. If the value of the operation is not known at the time of its execution, the identity of the client must be ascertained as soon as the amount of the operation was determined or when it reaches the specified limit.

3. Carrying out an electronic transfer in favor of an occasional customer whose value exceeds the amount determined by the AML / CFT Board with a statement issued for this purpose, and published in the Official Gazette
 4. Suspicion of committing money laundering or terrorist financing
 5. Doubt about the correctness, accuracy or sufficiency of the identifying data
 6. Postponing verification of the identity of the customer or the true beneficiary until after the establishment of the business relationship, as part of what the supervisory authorities draw.
 7. The rules of customer due diligence of the bank are specified by instructions issued by the governor
 8. If any bank is unable to adhere to the customer due diligence measures, it is not permissible to open an account, initiate a business relationship, execute a transaction, or any operations, and the business relationship must be terminated if it exists and inform the office about the customer
 9. Banks apply due diligence measures towards existing customers based on their relative importance and risks at appropriate times, taking into account the validity and adequacy of the data previously obtained
3. The bank shall keep the following records, documents and papers for a period of (5) five years from the date of the termination of the relationship with the customer or from the date of closing the account or executing a transaction for an occasional customer, whichever is longer, and ensures that they are available to the competent authorities as soon as possible.
1. Copies of all records obtained through the due diligence process in verifying transactions, including documents indicating identities of actual beneficiaries customers, accounting files and business correspondence
 2. All records of local and international transactions, whether actually implemented or that there was an attempt to implement them provided that these records are detailed to the extent that it is permissible to re-represent the steps of each transaction separately.
 3. Copies of the notifications sent to the AML / CFT Bureau and what is related to it, up to the expiration of (5) five years from the date of submitting the notification or the date of the final ruling in a lawsuit related to it, even if it exceeded that period.
 4. Records related to the risk assessment or any information scheduled to be conducted or updated
4. The Bank shall:
1. Prepare and implement programs to prevent money laundering and terrorist financing, including:
 - A. Conduct an assessment of the money laundering and terrorist financing risks to which it is exposed
 - B. Establish internal policies, procedures and controls in line with the implementation of the obligations imposed in the field of AML / CFT.
 - C. Establish and apply appropriate standards of integrity when selecting employees
 - D. Continuous training for officials and employees to ensure raising their capabilities in the risks of money laundering and terrorist financing
 - E. An independent audit to test the effectiveness and application of policies and procedures
 2. Not to open or keep an account that is anonymous or fictitious
 3. Adhere to the names given to the bank that are prohibited to deal with, whether they are natural or legal persons, who is issued against them decisions by local or international authorities
 4. Non-disclosure to the customer, the beneficiary, or any person other than the competent authorities to implement the provisions of the above law
 5. Take the following actions:
 - A. Inform the AML / CFT Bureau immediately of any operation suspected of involving money laundering or terrorist financing
 - B. Provide the AML / CFT Bureau with the information and documents it requires immediately.
 - C. Submit all records to the courts and the competent authorities upon their request
 - D. Not to deal with fictitious banks, or enter into business relationships with them, or correspondent banking relationships with them, or with institutions sent to them that allow the use of its accounts from fictitious banks.

Section VI: External Audit

1. The board shall ensure a regular rotation of the external auditor between the audit firms and their subsidiary, affiliate, or associated companies in any way, every five years as a maximum, from the date of the election.
2. The first year (upon rotation) is for the new office in a joint manner with the old office
3. The old office may not be re-elected again before two years, at least, from the date of its last election with the bank, other than the joint audit function.
4. The audit committee shall verify the independence of the external auditor annually
5. The Board shall take appropriate measures to address weaknesses in the internal control and control systems, or any other points revealed by the external auditor.
6. The Board shall take appropriate measures to address weaknesses in the internal control and control systems, or any other points revealed by the external auditor.
7. The Board's contribution to strengthening the role of the external auditor to ensure that the financial statements reflect the bank's performance in all important aspects and show its true financial position.

Section VII: Suspicious transactions and information

Suspicious information and transactions are treated as follows:

1. If the board of directors, or any of its directors, officers, or employees becomes aware of the implementation of a banking transaction, or receiving, transferring, or paying an amount related to, or may be related to, any crime or illegal act, the bank shall immediately so notify the Central Bank.
2. The bank's disclosure of any information, in good faith, in accordance with Clause (1) above, is not considered a breach of bank confidentiality, and the Central Bank does not bear any responsibility for that.
3. The bank takes into consideration the cooperation of the Central Bank with the foreign authorities responsible for overseeing financial institutions, financial markets, foreign financial intelligence units, or foreign performance authorities, with regard to providing them with information and documents necessary to perform their duties, based on the provisions of the AML / CFT Law No. (39) of 2015

Section VIII: Control and inspection

The control and inspection activity carried out by the Central Bank includes the following, as a minimum:

1. Reviewing the data, documents, transactions, information, clarifications and evidence provided by banks for the purposes of implementing this law
2. Asking banks, and any of their branches, or subsidiaries, to provide and confirm in writing when it deems necessary, any additional information, documents, clarifications, or evidence.
3. To conduct, at any time, on-site inspection of a bank by one or more of its officers, or to do so by another person, or any other persons, appointed by the Central Bank for this purpose, in order to review, through the inspection, the bank's operations to verify its financial position and the extent of its compliance with the provisions of laws and regulations related to the management of its activities, and its commitment to internal policies, and the Central Bank has the right to inspect all banks on an ongoing basis once a year, at least, with the exception of banking representative offices that are inspected at least once every two years
4. Any person authorized to carry out the inspection process is subject to confidentiality requirements, and it is permissible to ask any director, officer, employee, or customer of a bank, its branches or subsidiaries, to provide him with all the necessary books, accounts, records and documents. Any information requested by the inspector that is deemed necessary and timely must be available during the inspection process.

5. The information obtained from the bank, which disclose its customers and their transactions, or any other private matters related to the bank's relationship with its customers, are confidential and shall not be disclosed except with the approval of the bank, or as permitted by law. The Central Bank shall limit the access to such information on every customer to its authorized employees
6. The inspectors submit a report to the Central Bank about the results of the inspection, and the Central Bank informs the relevant board of the inspection results.
7. The central bank may publish information obtained from banks in whole or in part, provided that such publication does not disclose confidential information, and the Central Bank shall not disclose private matters regarding the bank's operations except after obtaining the bank's approval for that, except for those information contained in the financial statements which are approved by the Board or information originally available for publication

Chapter IX: Shareholders' rights

1. Shareholders obtain all relevant information that enables shareholders to fully exercise their rights periodically and without delay.
2. Participating and voting in the Corporate Body meetings, taking into account the topics that the shareholders wish to bring up in such meetings.
3. Discussing the topics on the agenda of the Corporate Body and directing inquiries to the members of the Board
4. Election of the bank's board of directors
5. Providing shareholders with information on the location and date of the Corporate Body meeting and its agenda 30 days before the date of the meeting.
6. Nominating, electing and terminating the service of members of the Board of Directors, inquiring about their qualifications, experiences, and ability to perform their work, discussing the size of remuneration and financial incentives that members of the Board of Directors and senior executives receive, in addition to their right to submit any inquiry to the board regarding any non-professional practices
7. Small shareholders have the right to elect one or more members to represent them on the Board of Directors based on the cumulative voting mechanism.

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Annex No. (1)

Sustainability Principles

Sr.	Principles	The Text
1	Business Activities: Banking and environmental risk management	Incorporate environmental and social considerations into the decision-making process related to the organization's activities to avoid, reduce or compensate for negative impacts
2	Business Operations: The Environment and the Social Footprint	Avoiding, reducing, or compensating for the negative effects of the business's operations on the local and environmental communities in which it operates and, where possible, enhancing the positive effects.
3	Human Rights	Respecting human rights in the enterprise's business operations and activities
4	Women's economic empowerment	Promoting the economic empowerment of women through a workplace culture that includes both genders in the business operations of the enterprise and work to search for products and services specifically designed for women through commercial activities
5	Financial Inclusion	Seeking to provide financial services to individuals and societies considered traditional and that have limited or no access to the formal financial sector
6	Governance	Implement strong corporate governance practices and transparency
7	Capacity building	Developing the individual and sectoral institutions necessary to identify the management of social and environmental risks and opportunities associated with business activities and operations.
8	Cooperative partnerships	Cooperating with all sectors and making use of international companies to accelerate collective progress and improve the sector as a single unit in order to ensure that the institution's vision is in line with international standards and local development requirements
9	Reports	Reviewing and studying the progress reports regularly to meet these principles at the individual and sectoral organization level

