



2018

Annual Report

Cover photo by artist Widad Orfali

Visual artist Widad Orfali was born in Baghdad in 1929. She studied social service and art at the Beirut College for Girls where she graduated with a BA in Social Service. She also studied painting at Khalid Al-Jadder Studio at Queen Alia College, and visual arts at the Institute of Fine Arts in Baghdad. She is a member of the Iraqi Artists Syndicate and Association. Her career includes many achievements and more than 20 personal exhibitions.

Widad participated in the exhibition of Al-Mansour Club in 1957, and in most of the exhibitions organized by the Iraqi Artists Association. She organized many local exhibitions in Iraq, including the exhibition "Miniatures from the Arab Heritage" exhibition in 1980, which was the first exhibition using her new miniature style, and "Baghdad My City" exhibition in 1995.

She has taken her unique art to many countries and organized exhibitions around the world, including "Naksa in Pictures" exhibition in Amman, Jordan in 1968, a joint exhibition with Morag Mackay in London, England in 1969, "Dream Cities I" exhibition in Abu Dhabi, United Arab Emirates, in 1997, as well as many other exhibitions that she organized or participated in Germany, USA, Qatar, Lebanon and other countries.

Widad opened the first private art gallery in Iraq in 1983, which she called "Orfali Art Gallery". She published her diaries entitled "Widadiyat" in 2015, and a book entitled "Khawater" in 2017, which included a collection of poems, thoughts and songs.

The Bank's 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 2018.

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

Tel.: 009647702640281 | 009647801953156

Fax: 0096471775006

Web Site: www.bankofbaghdad.com.iq

 www.facebook.com/baghdadBank



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 well being 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.

Contents

Page No.

Board of Directors	3
Chairman's Statement	6
Directors' Report 2018	9
Consolidated Financial Statements for the Year Ended 31 December 2018	32
Additional Information as Required by the Iraq Securities Commission 2018	96
Bank of Baghdad Branch Network	98

Board of Directors

Chairman

Usam Ismail Sharif

Vice Chairman

Masoud Mahmoud Jawhar

Board Members

Adel Mohammad Al-Hassoon

Saadon Abdullah Hussein

Naman Shakir Naman

Toufiq Jawad Dajani

Managing Director

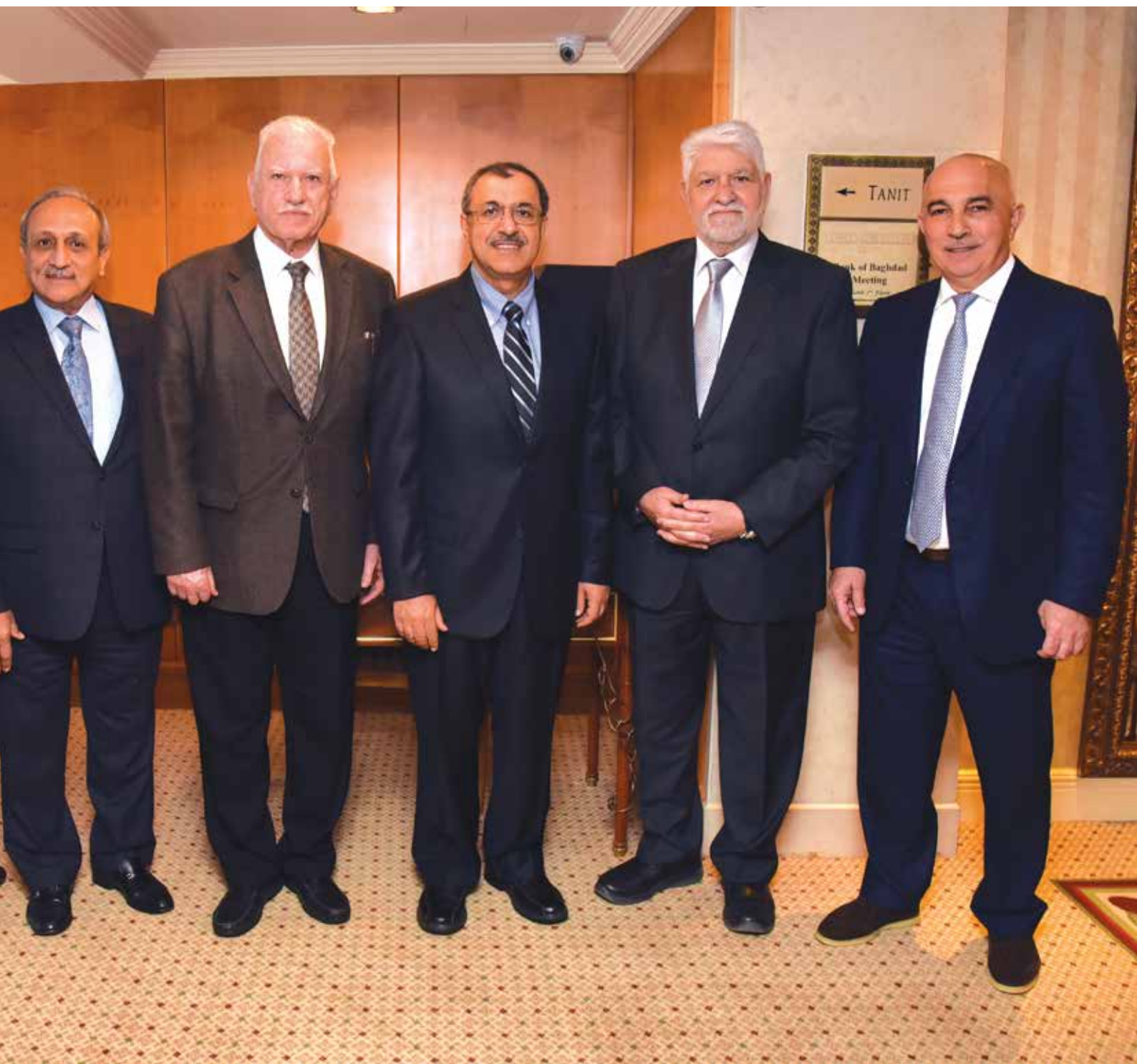
Basil Hossam Al Din Shakir

Auditors

Farqad Hassan Ahmad Al-Salman Co.

Zuhair Mahmoud Hussein Al-Bahrani





Chairman's Statement



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

Dear shareholders of the Bank of Baghdad,

Welcome to our annual meeting in which we review the key results of the Bank of Baghdad Group and its achievements during the year 2018, through which the Bank continues its over 25- year old journey.

You are all aware of the scale of the challenges that the Iraqi economy has experienced over the past years and their continued consequences throughout 2018 despite the remarkable improvement in security and the State's implementation of a number of economic measures. Yet, the economic growth in 2018 did not exceed (2.1%) and was mainly due to the increase in the volume of oil exports and investment in the oil sector. According to other economic indicators, the unemployment rate remained unchanged, while the State budget deficit decreased during the current year due to improved oil prices. However, capital projects related to infrastructure were not carried out, which affected this year's expected economic growth.

As a result of these conditions, there were different effects on various economic activities and sectors in Iraq. The banking sector was no exception; as it suffered from the consequences of this situation, not only in the form of decreased volume of business and increased risks and nonperforming loans, but also in form of decreased liquidity and inability to use the liquidity available at the region's Central Bank in operations. On the other hand, the lack of investment channels to exploit cash surpluses in the short and medium term and determine the percentage of balances with foreign banks by regulatory authorities, in addition to the substantial fines imposed by regulatory authorities on some banks, led to a decline in the profits of the banking sector in general and private banks in particular. In the same context, the double taxation in the Kurdistan region, which was paid for the previous years, contributed to the decline in shareholders' equity; as banks were not compensated for the amounts paid under this double taxation system in previous years, and the issue is still subject to discussion with the sectoral and regulatory authorities.

During 2018, the Central Bank of Iraq, through its strategy of managing monetary policy, managed to enhance monetary stability despite the conditions of the country, by striving to overcome these conditions by maintaining the Iraqi dinar's exchange rate against the US dollar within parallel market rates on one hand, and continuing to provide short and medium term credit lines to finance economic

sectors, including SMEs, at a preferential interest rate on the other. In terms of liquidity, CBI paid part of the cash with its branches in Sulaymaniyah and Erbil to Iraqi banks. It also continued its leading role in the development of electronic payment methods and domiciliation of salaries in Iraq. On the technical side, the Central Bank of Iraq issued its instructions for the application of capital adequacy in accordance with the Basel III standard, which started to be experimentally applied to the statements of the third and fourth quarters and will be adopted as of 2019.

In terms of global economic outlook, and despite the risks related to trade, the global economic performance is expected to grow by up to (3.7%), similar to the growth in 2018. Similarly in Iraq; given the economic and political conditions, the Iraqi economy is expected to achieve a growth rate of 6.5% during 2019, in light of the improvement in macroeconomic factors and the deficit of the general budget of the State, as well as the country's need for infrastructure reconstruction projects.

Dear Shareholders,

By reviewing the performance of the bank during the year 2018, we see that; despite the aforementioned economic conditions, the bank was able to improve its financial position and the volume of customer deposits and achieve some qualitative and quantitative achievements at the administrative and organizational level. The Bank also managed to maintain liquidity and improve the quality of its assets, which will help it maintain its position within the Iraqi banking sector.

On the financial level, the bank's results showed an increase in the financial position by IQD (22,951) thousand to IQD (1,113,538,557) thousand with a (2.1%) growth rate compared to the end of 2017. The Bank continued to enhance its liquidity by diversifying its sources of funds and focusing on low-cost deposits, which increased the balance of its deposits portfolio IQD (782,173,539) thousand with a growth rate of (5.2%) as at the end of the year.

In terms of utilization of sources of funds, the Bank maintained a high liquidity ratio to meet the developments and changing conditions, as its cash balance exceeded IQD (788,700,737) thousand accounting for (70.8%) of its total assets; exceeding the liquidity ratios set by the Central Bank of Iraq to 59.4% , in addition to LCR and NSFR which reached (253%) and (326%), respectively. In the same context, due to the overall situation of the Iraqi market ,the Bank sought to maintain its solvency ratio in excess of the requirements of global indices and the Central Bank of Iraq, as its capital adequacy ratio reached (127%). In order to improve the quality of and decrease the bank's credit portfolio, the collection department was established to deal with the portfolio, and qualified personnel were recruited to manage it, in addition to creating the required provisions in accordance with the instructions of the Central Bank of Iraq, as the coverage ratio of non-performing facilities reached (19.3%). As for other assets, a provision for doubtful assets was created, bringing their coverage ratio to (100%).

As for profitability, the Bank achieved a (1.7%) return per share, which was lower than last year, as the Bank's net profit dropped to IQD (4,152,102) thousand as a result of the decrease in revenues due to the decrease in net profit from currency exchange, although total expenses decreased.

Dear Shareholders,

As for administrative and organizational achievements, the Bank continued to upgrade its procedures and regulatory environment by adopting its new organizational structure in line with the Bank's aspirations and vision to reflect its commitment to the Corporate Governance Manual issued by the Central Bank of Iraq. The Bank started adopting and implementing a series of policies and procedures that will facilitate business and services. In terms of technology and communication systems, the relevant infrastructure was developed toward the centralized banking system, in addition to introducing certain systems that will help improve the Bank's operation and capacity and develop its control systems.

In order to meet customers' requirements, the bank has completed the deployment and development of its distribution channels, by opening new branches and starting the rehabilitation of the Mosul, Tikrit and Anbar branches to be part of its operating branches in 2019, in addition to expanding the electronic distribution channels in terms of ATMs, where the bank has (51) operating ATMs and plans to increase them to (62) next year. As for products, the Bank introduced several programs to meet the needs of customers, including the Personal Loan for Loans Against Gold and Employee Loan Program, in addition to the development of card services. With respect to its human resources, the Bank was keen on attracting the functional competences in the Iraqi market to develop its banking activities.

Dear Shareholders,

We at the Bank of Baghdad strive to improve our working methods and procedures and regulatory environment and to develop the technology bases of our branches and departments. We also strive to invest in human resources to maintain our competitive position and leadership, as well as to continue to meet the requirements of our customers and comply with the instructions of the regulatory authorities and international standards. In the upcoming period, the Bank will seek to take advantage of the opportunities available in the Iraqi market driven by the strength of our financial position, our customer base, our geographical proliferation and capital base, and we hope that the year 2019 will be a good year for Iraq and for the development of business activities.

Taken into account the requirements of the upcoming phase and in line with international standards and the Bank's policy of strengthening its capital base and enhancing its shareholders' equity, the Board of Directors decided to present a recommendation to the General Assembly to retain profits to meet these requirements and strengthen the Bank's equity base.

Finally, I would like to extend my thanks on behalf of the members of the Board of Directors to the Bank's shareholders and customers for their continued support, trust and loyalty to their bank, the Bank of Baghdad. I would also like to thank all public and private institutions, especially 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 Board of Directors

Directors' Report 2018

Activities and Achievements 2018

Analysis of the Financial Position and Business Results in 2018

Objective of the Future Plan for 2019



Directors' Annual Report on Bank's Activities

During the Year Ended 31/12/2018

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 December, 2018; 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 2018

The uncertainty that characterized Iraq in general and the Iraqi banking sector in particular continued throughout 2018. This uncertainty was reflected in the Iraqi economy in the form of a decline in economic growth in non-oil sectors, including the banking sector. Our Bank was no exception; as its profits declined as a result of the declined quality of its credit portfolio due to the prevailing economic conditions, in line with the Bank's policy of balancing profitability with risk and striving to improve the quality of its assets.

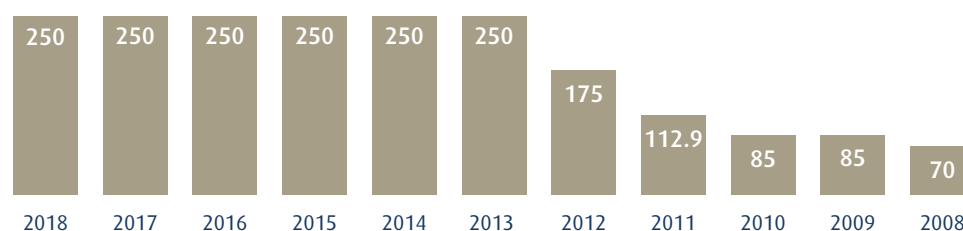
Financially, the Bank's performance was in line with market performance, by striving to achieve the best revenues at minimum risks under the current circumstances, and to meet the financing and banking needs of various economic sectors, despite the unfavorable economic conditions in Iraq.

In 2018, the Bank continued to implement a set of strategic plans and programs at all levels and in all administrative activities and operating services, in addition to the continued implementation of its adopted structure and attraction of functional competences to live up to the Bank's reputation and serve its customers on par with leading banks in the Arab region.

Bank's Activities and Business in 2018

The Bank continued to enhance its leading position in the Iraqi banking market, building on its journey and achievements over more than quarter a century, 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 has been working since its establishment on enhancing this base in line with the expansion of its banking activities, and to meet the requirements of the Central Bank of Iraq and legislative authorities in the countries where it operates.

Paid-up Capital



Financial Results

The Bank's financial results reaffirm its ability to achieve profits even under difficult economic conditions and unfavorable market requirements. The Bank's key indicators reflected good performance rates; as the capital adequacy ratio increased to (127%), statutory liquidity ratio reached (59.4%) and LCR and NSFR reached (253%) and (326%), respectively. Conversely, the non-performing facilities to total facilities ratio did not improve and remained at (82%).

The Bank's financial results reflected the above in profitability, as the Bank achieved net profit before tax and provisions of IQD (7,421,972) thousand compared to IQD (23,216,547) thousand in 2017. Meanwhile, the net profit before tax reached IQD (5,427,845) compared to IQD (9,577,266) in the

previous year; with a (43.3%) decrease due to the decline in revenue from foreign exchange and credit portfolio interest, although total expenses decreased.

As for the Bank's total assets, they increased by (2.1%) to IQD (1,113,538,558) thousand, while the Bank's equity – Bank shareholders' equity increased by IQD (2,435,874) thousand to IQD (266,742,72) thousand.

As for sources of funds, customer deposits reached IQD (782,173,539) thousand with an increase of IQD (35,575,827) thousand, that is (5.2%) compared to the end of the previous year; supported by the increase in current and savings accounts by IQD (26,656,073) and IQD (6,986,814), that is (6.34%) and (2.3%) respectively. Most of this growth was attributed to the corporate sector.

Moreover, the Bank continued to implement its finance programs and provide credit facilities to low-risk sectors, despite the prevailing economic conditions, in addition to collecting non-accrual loans; thus reducing the credit portfolio by (4.5%) to IQD (161,954,726) thousand.

With respect to main items of the income statement, total income reached IQD (36,568,001) thousand; dropping by IQD (16,906,085) thousand at the rate of (31.6%) compared to the previous year 2017. Net operating revenue from interest and commissions reached IQD (21,994,241) thousand accounting for (60.1%) of total income. Interest and dividends from investment reached IQD (3,926,777) thousand, foreign exchange profit reached approximately IQD (8,148,984) thousand and total expenses dropped by IQD (14,935,707) compared to the previous year 2017.

Bank's Products and Services

Bank of Baghdad continued to develop its financial services and products in line with the aspirations of its customers and its strategic plan in the retail, corporate and SME sectors by utilizing its available resources for future growth. In 2018, with respect to the market and customers, the Bank developed and launched a number of banking products and services and redistributed its branches and distribution outlets. As for operations, the Bank started to centralize special operations in departments and implement relevant modern work procedures, which helps accelerate services and standardize procedures, in order to improve efficiency and performance. As for human resources, the Bank worked on providing an efficient and professional work team to provide the best level of service through customer service staff in branches and customer relations managers and officers in the corporate and retail sectors.

Retail Services

In 2018, the Bank introduced several products to suit customers' preferences, including the Personal Loan for Loans Against Gold under which borrowers in the governorates of Hellah, Najaf, Karbla and Diwaniyya are granted no guarantor loans of up to IQD (15) million against jewellery, for a maximum repayment term of (6) months and competitive interest rates. In the same context, the Bank has launched the Employee Loan program for Bank's employees with new benefits, including a loan term of up to (3) years and a loan amount of up to IQD (25) million.

Also in 2018, with respect to cards, the Bank launched the One-time Password (OTP) services, under which Bank customers making purchases via any Visa-approved website receive an SMS with a one-time password to be used to complete the purchase; in order to protect customers' information. In addition, old SDA cards were replaced by new DDA cards with high security features for all customers. 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 2019, the Bank is planning to launch the Personal Loan for Salary program and enhance the Loans Against Gold by expanding it to all branches and amending the loan amount and term. The Bank will also issue the all new savings account product that will meet the requirements of many groups of

customers in terms of the fixed-term period, interest rate and interest payment intervals, in addition to preparing for 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.

Corporate Services

In 2018, and despite the challenges of the economic situation in Iraq, the Bank recruited special talents to manage and develop corporate banking activities, as part of the Bank's efforts to provide a complete team of specialists with the best banking experience in the region to meet the needs and requirements of corporate customers and provide them with the best banking services and solutions.

As for financing the SME sector in Lebanon, which is particularly important for the Bank of Baghdad given the importance of this sector in creating job opportunities, the Bank continued to provide loans to these enterprises through Banque du Liban Program, in addition to the Arab Trade Financing Program.

Network of Branches and Distribution Outlets

In 2018, the Bank continued its branch redistribution plan to reach new groups of customers by relocating Al-Harethiyyah branch to Baghdad Mall and Al-Emara branch to its new location. As for the 2019 branching plan, the Bank will open Al-Rashid Hotel and Najaf Mall branches and Dahouk office. The Bank will also move the Airport branch to its new location, rehabilitate and open Fallojah and Tekrit branches and continue to rehabilitate Mosul branch in preparation for its opening. This redistribution will serve the Bank's customers and reach its new target groups.

Electronic Distribution Outlets

The Bank continued to keep pace with the latest developments in electronic payment channels by updating its website and adding new ATM locations. The Bank also launched the USD withdrawal service in line with its vision of meeting the requirements of its clients. As for the SWIFT system, the Bank applied the requirements of the Content Security Policy (CSP) by complying with international requirements and creating a stand-alone security environment for this vital system. In addition, through the Automated Clearing House (ACH) system, the features of the corporate salaries payment function were used for their flexibility, convenience and timeliness. Furthermore, the Automated Clearing House (ACH) and Real-time Gross Settlement (RTGS) systems were connected to the banking system for timely and accurate completion of operations.

As for electronic payment channels, the Bank will work in updating and developing its electronic payments services by adding the deposit service to ATMs and introducing prepaid cards, in addition to entering the electronic collection project through its ATMs to assist its customers and meet their aspirations. As for its electronic outlets, the Bank increased them to (51) ATMs and is planning to further increase them to (62) by the end of 2019.

Organizational Methods and Technological Resources

In 2018, the Bank continued to upgrade its procedures and organizational environment by completing its strategic plan to become the leader of the Iraqi banking sector in terms of organizational methods, technology bases, communication systems and working policies and procedures in force in branches or departments that represent the overall standardized approach throughout the Bank, to enable it to achieve effectiveness and efficiency towards achieving its set objectives.

In terms of developing its organizational environment, the Bank amended the organizational structure and the organizational structures of its departments, which were approved by the Board on 15/10/2018, in line with the requirements and aspirations of the next phase; by adding committees of the Board, namely: The ICT Committee, Investment Committee and Assets and Liabilities Management Committee, in addition

to already existing committees; in order to comply with the Corporate Governance Manual and increase the Bank's control efficiency. Furthermore, the Banking Identity and Customer Experience Department, Banking Advice Department, Banking Education and Public Protection Division and Corporate Marketing Department were added to the organizational structure which is still in the pilot phase during which implementation feedback will be studied in order to making the necessary amendments during 2019.

As for working mechanisms, many procedures and mechanisms were amended and developed to be implemented by an independent contractor so as to provide the Bank with a clear working manual. The new working mechanisms were initially implemented in certain departments, including the Human Resources Department and Credit Department, and will be implanted in the remaining departments next year.

In 2018, in terms of developing its electronic systems, the Bank carried out a number of projects in line with its vision of providing its customers in Iraq with the best services. Main services included converting the back-up communication line connecting the branches and the main office from VSAT to Microwave, which helps improve the communication network and provide a back-up communication line for the main line to ensure uninterrupted banking services and activities in the main office and branches, thus improving service quality. On the other hand, the Bank created its own Data Center in Iraq in accordance with the latest international standards, and in compliance with the CBI's instructions to move the servers to Iraq. In addition, the Bank moved its website and e-mail domain to Iraq such that it became (www.bankofbaghdad.com.iq). As for electronic security and protection, the Bank completed updating Kaspersky to version (10.3), as well as updating Windows and WSUS applications via Kaspersky. As for systems, the Bank implemented the SIRON system for anti money laundering; which enables monitoring and detecting suspicious transactions as per a number of scenarios, in addition to activating the Bank's electronic settlement system.

In future, the Bank will implement the centralized version of the banking system (BANKS), having completed the preparation of the technical requirements including the Bank's communication infrastructure and moving the Data Center to Iraq, in addition to completing the testing of this version of the system which will enable the implementation of a set of relevant application, as well as benefiting from a wide range of state-of-the-art technological features provided by this new version of the system. Furthermore, the Bank will connect the KYC & FACTA system with the banking system and activate the Provision, Credit Bureau and Fixed Assets systems which provide great flexibility, high levels of compliance and timely and accurate retrieval of information.

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.

The strategy requires every head of department / division to identify the risks related to their departments / divisions as the person responsible for identifying and reporting such risks. In accordance with general and specific policies, the Bank's Risk Management Department focuses on identifying existing and potential financial and non-financial risks and ways to deal with the same, and periodically submits the necessary reports and recommendations to help the Bank achieve its strategic objectives within the adopted risk appetite.

The Bank has a senior risk management committee created by the Board of Directors to ensure adequate tools and measurements to identify, report, measure and mitigate risks. The committee also ensures the availability of effective internal control procedures to mitigate the impact of expected risks and implement governance requirements related to risk management.

The Risk Management Department undertakes several responsibilities to manage various types of risks in terms of:

- Implementing the risk management strategy and general and specific risk management policies approved by the Bank's Board of Directors;
- Analyzing all types of financial and non-financial risks;
- Developing measurement and control methodologies for all types of risks; and
- Providing the Board of Directors and Senior Risk Management Committee with the necessary reports related to qualitative and quantitative measurement of Bank's risks, along with the necessary recommendations to mitigate their impact.

First: Credit Risk Management

In this context, the Bank is enhancing its institutional frameworks that govern credit risk and strengthen internal control procedures by:

1. A group of independent specialized departments managing business requirements through the Corporate Banking Department responsible for managing corporate and SME credit, and the Retail Banking Department responsible for retail credit portfolios.
2. Separating various banking service departments (retail and corporate) from credit departments.
3. Having a set of approved policies and procedures that define the bases for identifying, measuring and managing these risks.
4. Determining credit concentrations by credit type, economic sector and geographical distribution, while credit risk divisions monitor these concentrations, each as per their jurisdiction.
5. Adopting an authorities matrix that includes a mechanism for granting and monitoring authorities and managing the relationship between various credit activities.
6. Preparing for applying IFRS 9 by preparing the necessary compliance reports as of the beginning of 2019.
7. The Bank follows different methods to mitigate credit risk as follows:
 - a. Providing an appropriate credit structure in line with its purpose, payment method and ideal and competitive costs of credit.
 - b. Studying and assessing credit transactions by the Credit Risk Division.
 - c. Ensuring the completion of all aspect of control over credit utilization and payment sources through the Credit Risk Control Division.
 - d. Acquiring and properly documenting adequate guarantees to hedge for any relevant risks.
 - e. Periodically assessing the guarantees in line with the nature, type and level of guarantee risks, in order to enhance the guarantees and ensure their coverage of the credit granted in a timely manner.

Second: Operational Risk Management

Operational risks are risks arising from inadequate or unsuccessful operations or systems, human factors or external events not related to the market or credit. Operational risk is inherent in Bank's activities and can be materialized in various forms; including fraud risk, business interruption risk, employees' inappropriate conduct and non-compliance with applicable laws and regulations. Such events may cause financial loss and regulatory fines, as well as other damages. The objective here is to keep operational risk at appropriate levels in light of the Bank's financial strength, business characteristics, markets and competition and regulatory environment.

The Bank manages risks using the three-tier defense model that supports the Bank's operational risk management approach using the Operational Risk Management Division's operating framework. The three lines of defense include:

1. First line of defense: Represented by the Bank's operational departments and divisions responsible for identifying, documenting and reporting operational risks related to their activities, while ensuring proper controls and assessments to mitigate these risks. To this end, the Bank ensures that appropriate skills and competencies are recruited.
2. Second line of defense: The Operational Risk Management Division working side by side with various departments and divisions of the Bank to develop risk management policies and guidelines, provide advice and guidance for effective risk management, set clear requirements, maintain an independent view of operational risks and establish remedial measures. The risk appetite is expressed by setting acceptable limits for operation loss and continuously monitoring said risks through reports on operating risks and key risk indicators.
3. Third line of defense: Internal and external audit working independently to ensure that the Bank's management manages operational risks effectively.

In addition, the Bank has carefully and effectively designed operations supported by solid internal control environment and functions. The Bank uses a sustainable broad-based risk management and control activities related to identifying, assessing, mitigating, monitoring and reporting operational risks (specific examples include: RCSAs, KRIs, Incident Management, Control Implementation, Procedures Management and Maintenance & Reporting).

The Operational Risk Management Division is also responsible for building a database for operational errors, in addition to analyzing and periodically reporting on the concentrations and types of such errors to the Senior Risk Management Committee, as well as creating the Risk Portfolio, Risk Register and Risk Matrix that covers all types of operational risks, control procedures and examination intervals; to ensure their efficiency and continuity in all Bank's departments.

Third: Market Risk Management

Market risk is the risk of loss of profit or shareholders' equity due to adverse movement of market factors, such as interest rate, credit differences, foreign exchange rates, basic commodities prices and share prices. The Bank is exposed to market risk mainly by participating in the following activities:

- Traditional banking activities of deposit collection and loan provision.
- Fixed-income shares and securities and other investments the fair value of which is directly affected by market factors.
- Foreign currency and derivative activities, mainly due to customers' activities.

The Bank manages market risk as follows:

- The Bank's trading market risks are immaterial.
- Controlling non-commercial market risks through market risk policies and limits controlled according to acceptable risk margins.
- Implementing stress tests that simulate whether historical and/or presumed incidents would cause loss beyond the risk appetite.

Market risk management includes the following risks:

1. Interest Rate Risk:

Interest rate risk arises from the potential impact of changes in interest rates on the value of other financial assets. The Bank is exposed to interest rate risks due to the inconsistency or gaps between

the amounts of assets and liabilities by various maturities or revised interest rates in a certain period of time. The Bank manages these risks by reviewing the rates of interest on assets and liabilities through the risk management strategy undertaken by the Assets and Liabilities Committee. The Bank follows a hedging policy for all financial assets and liabilities whenever necessary. This hedging relates to expected future risks.

The Bank develops and analyzes scenarios to measure the sensitivity of interest rate risk, in addition to providing a system for monitoring differences in repricing date to control and mitigate risks, observe the risk appetite, balance asset maturities with liabilities and interest gaps and hedge for interest rates.

2. Foreign Exchange Risk:

This risk arises from changes in the value of financial instruments due to fluctuations in foreign exchange rates. The Bank follows a well-informed policy for managing its foreign currency position. The Bank's investment policy includes a set of controls restricting this type of risk. This policy is monitored by the Market Risk Unit and includes:

- Preventing any violation of limits, and settling any parts in excess of the maximum limit for any currency.
- Every dealer must close the position immediately when loss reaches the maximum allowed limit.
- The Treasury and Investment Department analyzes and monitors open positions on a daily basis, and closes the positions in the event loss limits are exceeded or risk increases based on market movement.

3. Securities Price Movements Risk:

Securities price risk arises from changes in the fair value of investment in securities. The Bank manages this risk by diversifying its investments in several geographical locations and economic sectors.

Fourth: Liquidity Risk Management:

Liquidity risk is the risk of the Bank's inability to meet its short-term liabilities when they fall due; as a result of its inability to provide the necessary funds due to the inability to convert financial instruments, such as bonds or other assets, into cash without incurring loss in capital and/or income, as well as the Bank's inability to finance the increase in assets without having to liquidate assets at unfair prices or resorting to high-cost sources of funds. Liquidity risk is divided into:

1. Funding Liquidity Risk:

The risk of the Bank's inability to convert assets into cash or obtain finance (borrow) to settle liabilities.

2. Market Liquidity Risk:

The risk of inability to sell an asset in the market, or sell for substantial loss due to poor liquidity or market demand (Marketability Risk).

3. Operational Liquidity Risk:

The risk of inability to provide sufficient liquidity to finance operations within the operational cash supply to cover said operations.

The Bank manages liquidity risk within the following factors:

- A set of policies and procedures approved by the Board of Directors setting the bases for identifying, measuring, controlling, monitoring and managing liquidity risk.
- Always striving to maintain sufficient liquidity to finance expected and contingent cash flows in the event of capital market turmoil or bank-specific incidents that adversely affect the ability to obtain sufficient funding,

- Not relying on short-term finance for any purposes other than financing negotiable securities or assets associated with confirmed and clear market orders.
- Designing a comprehensive liquidity contingency plan to ensure the necessary liquidity in times of restricted or organized market pressure.
- Developing liquidity risk measurement, management and control tools by:
 - » The liquidity risk report in order of priority.
 - » Monitoring the limits and quality of the investment portfolio.
 - » Identifying, classifying and analyzing sources of funds depending on their nature.
 - » Monitoring the statutory liquidity by maintaining a sufficient amount of liquid (monetary and quasi-monetary) assets to cover liabilities.
 - » Balance the maturities of assets and liabilities, taking into consideration all cash inflows and outflows.
 - » Stress testing.

Fifth: Compliance Risk Management:

Compliance risk is the risk arising from the bank's potential non-compliance with the laws, legislations and instructions in force and professional and ethical laws and regulations issued by local and international regulatory authorities, including the Bank's internal policies. In this context, the Compliance Department was established as an independent department responsible for managing this type of risk in line with the following principles:

1. Developing the compliance policy and having it approved by the Board of Directors, such that it includes the bases for identifying, measuring and controlling these risks.
2. Evaluating and reviewing all working policies and procedures and ensuring the compliance with the laws and legislations governing Bank's activities.
3. Preparing and approving the FATCA policy.
4. Negotiating with various companies to purchase an automated system for managing FATCA requirements.
5. Amending the account opening forms to meet FATCA requirements.
6. Developing a mechanism and procedures for constantly updating customers' data using the Know Your Customer (KYC) form and CBI requirements.
7. Implementing and communicating the Code of Professional Conduct to all Bank employees.
8. Preparing and implementing compliance matrices that provide for minimizing violations of, and ensuring compliance with, laws and regulations.
9. Training and qualifying all Bank employees in all levels.
10. Providing the Senior Risk and Compliance Committee with periodic reports on violations and cases of non-compliance for every unit of the Bank.

As for combating money laundering, the Bank established an independent department to combat money laundering and terrorism financing in line with the following principles:

1. Preparing the Money Laundering and Terrorism Financing Combating Policy and having it approved by the Board of Directors in line with the Money Laundering Regulations and Law No. (39) for 2015, and implementing the same on the ground.
2. Activating automated systems that ensure the verification of all daily transactions of customers, and classify customers according to risk levels.
3. Automatically and periodically checking Bank's customers against black lists.

4. Periodically checking high-risk customers.
5. Continuously educating Bank employees, each as per their jurisdictions, and raising their awareness by enrolling them in internal and external training courses.

Sixth: Strategic Risk Management:

Strategic risk is the risk of unfulfilled objectives of the strategic plan; such as growth, market share and profitability, due to apparent or unanticipated adverse market conditions; such as new competition, new technology ... etc.

Strategic risk is managed by:

1. Describing and assessing the risk during annual or quarterly strategic planning; including continuous assessment of the performance of departments, divisions, executive management and Board of Directors;
2. Linking strategic risks to guiding procedures controlled by the acceptable risk margin;
3. Where possible, adopting a futuristic approach that takes into account any material (internal or external) changes or potential risk indicators that may affect the Bank's strategic objectives;
4. Reviewing all administrative decisions and major acquisitions in line with the Bank's strategy and risk appetite; and
5. Exerting due diligence by the Board of Directors, executive management and heads of various departments and divisions.

Seventh: IT & Security Risk Management:

IT risk is part of operational risk. It is the risk of loss arising from inadequate or unsuccessful operations or systems, human factors or external events. Information security risk management also aims to maintain data confidentiality, systems security and data retrieval reliability and flexibility. In particular, it includes: The infrastructure, applications and development, data readiness and quality, third party relations and data security mitigators by means of cyber security.

IT and security risk is managed by:

1. Demonstrating the risk appetite related to IT and security by observing fixed operational loss limits and constantly monitoring IT and security risk by means of IT and security risk reports.
2. Maintaining standards and complying with relevant CBI regulations covering control, compliance with policies and key risk indicators, in addition to collecting data and analyzing incidents to ensure that senior management and the Risk Committee of the Board of Directors are notified of material issues, as necessary.
3. The Bank has well-designed and effective operations supported by a strong internal control environment.
4. Contracting external sources specialized in assessing IT and security risks using the latest applications and systems used for this purpose.

As for internal audit, the Bank has updated the department's organizational structure and redrafted and approved the Audit Charter, in addition to internal audit policies and procedures and the development of department-specific audit programs.

Social Responsibility:

The Bank continued its role in social responsibility and community support by responding to CBI's initiative for donating to the Community-based Initiatives Fund with a monthly sum aimed at supporting local communities and catering for most-aggrieved groups from the events and conditions experienced by Iraq in order to alleviate the impact they have on them.

Network of Correspondent Banks

As for correspondent banks, the Bank this year added one bank to its network of correspondent banks worldwide, bringing the number of its correspondent banks to (13) banks, in order to cover all its foreign activities; particularly in the field of documentary credits and transfers.

List of Our Correspondent Banks

Name of Bank	Country
Citybank – New York	USA
Citybank - Dubai	UAE
Burgan Bank - Kuwait	Kuwait
Burgan Bank - Turkey	Turkey
Jordan Kuwait Bank	Jordan
United Gulf Bank	Bahrain
Bank Audi - Lebanon	Lebanon
Bank Audi - Jordan	Jordan
Capital Bank of Jordan	Jordan
National Bank of Kuwait	Kuwait
Intercontinental Bank	Lebanon
Al Baraka Bank	Bahrain
Bank of Beirut and the Arab Countries	Lebanon

Human Resources:

In line with its approach of continuous development and growth of human resources, the Bank continued to implement best administrative practices in order to improve its human resources as a key factor of its success. In 2018, the Bank commenced the implementation of its new organizational structure approved by the Board of Directors, and adopted the job descriptions for many positions and is expected to complete the job descriptions for all positions by the end of 2019.

Based on its strategy of developing its human resources, the Bank built a work team that is capable of meeting the Bank's current and future requirements and developing working methods, by means of training and recruitment of many local and Arab competencies to manage activities and transfer their expertise to Bank employees in accordance with international standards. In 2018, (301) employees received training.

Furthermore, the total number of employees of our Bank and all its branches reached (789) employees, of which (771) employees work in Iraq and (18) in Beirut branch as at the end of 2018.

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

#	Job Grade	Total	Percentage (%)
1	Employees	463	%58.7
2	Tellers	88	%11.2
3	Guards	155	%19.6
4	Workers	83	%10.5
Total		789	%100

Analysis of the Financial Position And Business Results for 2018



Assets

The Bank's assets increased by IQD (22,951) thousand with a growth rate of (2.1%) reaching IQD (1,113,538,558) thousand compared to IQD (1,090,587,442) thousand in 2017, as the Bank improved the quality and type of its assets and maintained balance between profitability and safe investments, 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) and net credit facilities items account for (85.4%) of total assets with (70.8%) and (14.5%) respectively.

By reviewing and analyzing the cash item, we find that it increased by (4.2%) compared to the end of the previous year as a result of the increase in customers' deposits; such that cash and balances with central banks increased by (21.2%) to IQD (61,261,251) thousand and balances with banks and banking institutions decreased by IQD (75,182,387) at the rate of (29.9%) in order to meet the requirements and instructions of CBI which require that foreign balances do not exceed allowed percentages.

On the other hand, in terms of credit facilities, the net credit portfolio decreased by (4.5%) due to the Bank's activation of the collection of outstanding debts and continuous collection of its dues from borrowers.

Despite having sufficient guarantees, and in order to maintain the quality of its assets, the Bank created provisions pursuant to the CBI Instructions No. (4) for 2010 to deal with any risk that may arise during this period. The provisions' non-performing loans coverage ratio reached (19.3%) of non-performing credit.

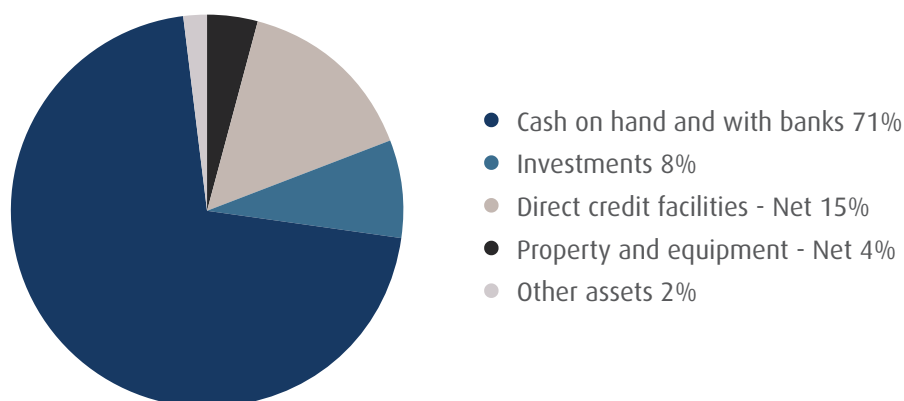
As for investments, and in line with its policy of investing in low-risk assets, the Bank maintained its investments in government bonds, the balance of which reached IQD (85,843,310) thousand, accounting for (7.7%) of total assets.

As for fixed assets, they decreased by (9.5%) to IQD (42,968,467) million due to the decision of the Federal Court of Cassation No. (1868 / Civil Panel / 1909) dated 16/4/2015 providing for the appropriation of the Bank's building in the governorate of Karbala and compensating the Bank therefor, in addition to restating the amounts paid as installments for the acquisition of lands and buildings under other assets.

Relative Materiality of Elements of the Bank's Financial Position 2018 Compared to 2017

	2018	Relative Materiality (%)	2017	Relative Materiality (%)	Growth (%)
Cash on hand and with banks	788,700,737	70.8%	756,843,153	69.4%	4.2%
Investments	91,059,609	8.2%	93,864,483	8.6%	-3.0%
Direct credit facilities - Net	161,954,726	14.5%	169,579,208	15.5%	-4.5%
Property and equipment - Net	44,217,458	4%	49,476,997	4.6%	-10.6%
Other assets	27,606,028	2.5%	20,823,601	1.9%	32.6%
Total assets	1,113,538,558	100%	1,090,587,442	100%	2.1%

Relative Materiality of Assets



Liquidity

The Bank's cash balances increased by (2.1%) to IQD (788,700,737) thousand; as the balance with CBI reached IQD (529,275,533) thousand accounting for (67.1%) of total cash balances, in which the share of investments was IQD (50) billion. As for the cash with CBI branches in Kurdistan District, it decreased by IQD (44,099,540) thousand during the year as a result of paying part of this sum to CBI bringing the balances with it to IQD (45,212,350) thousand as at the end of the year. As for the statutory reserve with central banks, its balance decreased to IQD (97,685,730) thousand compared to IQD (116,140,049) thousand.

As for foreign balances, they decreased by (28.9%), that is, IQD (66,532,807) thousand, due to the decrease in deposits with foreign banks in order to meet the requirements and instructions of CBI relating to exceeding the allowable percentage of foreign balances; as deposits with foreign banks reached the equivalent of IQD (119,000,000) thousand in US dollars at an average APR of (3.6%)

In terms of indicators and liquidity ratios, the statutory liquidity ratio reached (59.4%) and LCR and NSFR reached (253%) and (326%) respectively, which indicates the Banks' sound liquidity situation and its high ability to deal with contingencies.

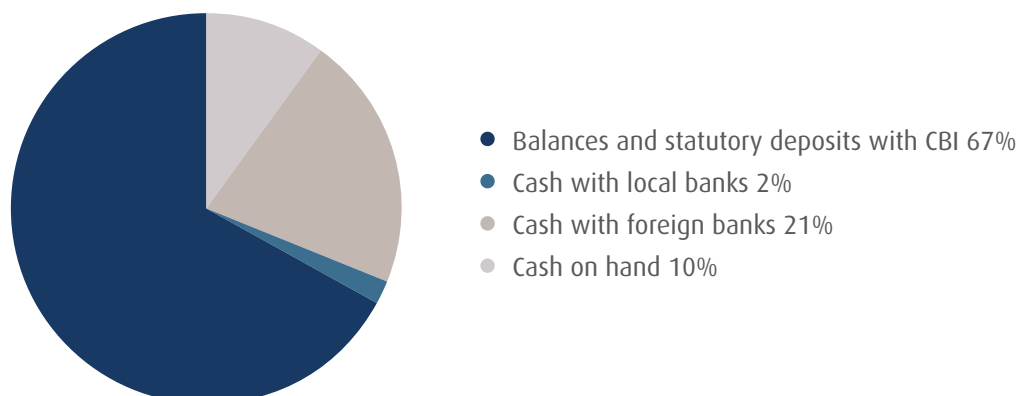
Figures in IQD thousand

Cash by Type	2018	Relative Materiality (%)	2017	Relative Materiality (%)
Cash on hand**	82,785,718	10.5%	65,392,552	8.6%
Statutory balances and deposits with CBI	529,275,533	67.1%	439,628,728	58.1%
Cash with local banks*	13,120,220	1.7%	21,769,800	2.9%
Cash with foreign banks	163,519,266	20.7%	230,052,073	30.4%
Total	788,700,737	100%	756,843,153	100%

* Restricted withdrawal balances with local banks and banking institutions reached IQD (11,183,078) thousand as at 31 December 2018, and IQD (11,183,078) as at 31 December 2017.

** Cash on hand in hot regions reached IQD (19,762) thousand.

Distribution of the Bank's Cash Balances as at 31/12/2018



Financial Investments

The Bank's investments decreased to IQD (91,059,609) thousand at the end of the year compared to IQD (93,864,483) thousand in 2017. The main reason was the effect of the loss of control and the non-inclusion of Al-Amin Insurance Company in the financial statements, the effect of which was approximately IQD (3) billion, of which investment in bonds accounted for (94.3%) and the shares accounted for (5.7%), respectively. The rate of return on investment was (4.3%), that is IQD (3,926,777) thousand, of which IQD (3,891,177) thousand was interest on bonds and IQD (35,600) thousand was dividends. Furthermore, these returns decreased by (30%) compared to the previous year due to the decrease in the return on investment in government bonds and treasury bills. As for the fair value of the shares, it decreased by IQD (283,310) thousand affected by the decline in prices in the Iraq Stock Exchange. 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 (000)
Iraqi Company for Financing SMEs*	14,8%	2,431,100,000	2,431,100
Al-Amin Insurance Company	48,5%	1,833,269,760	549,981
Gulf Commercial Bank	0,3%	999,515,949	189,908
Al-Amin Real Estate Investment Company	10,8%	754,943,915	626,603
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	-

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

Direct Credit Facilities - Net

Direct Facilities

Total direct facilities in 2018 decreased by IQD (7,161,346) thousand, at the rate of (3.7%), to IQD (195,322,441) thousand due to the Bank's adoption of a conservative credit policy based on market risk, as well as the economic situation in Iraq. The non-performing facilities ratio to total credit portfolio reached (81.7%). In order to improve the quality of its portfolio, the Bank activated the collection and processing of loans, while continuing its leading role in lending through retail and SMEs loans in cooperation with relevant initiatives of CBI and the Arab Trade Financing Program.

By analyzing the Bank's portfolio in terms of geographical distribution and sectors, we find that this portfolio reached IQD (165,757,886), accounting for (85%), in Iraq and IQD (29,564,555) in Beirut branch, accounting for (15%) of total portfolio. As for sectors, Retail loans accounted for (31%) with IQD (59,726,507) thousand and corporate loans accounted for (69%) with IQD (135,595,934) thousand.

On the other hand, credit portfolio provisions reached IQD (30,223,361) thousand which complies with the requirements of CBI pursuant to Instructions No. (4) for 2010 facilitating the implementation of the Banking Law No. (94) for 2004. Furthermore, IQD (541,920) thousand worth of interest was suspended, bringing the balance of interest in suspense accrued on the credit portfolio in 2018 to IQD (3,144,354) thousand.

Figures in IQD thousand

description	2018	2017	change
Total direct credit facilities	195,322,441	202,483,787	3.7%
Interest in suspense	(3,144,354)	(2,602,434)	20.8%
Provision for credit facilities Impairment loss	(30,223,361)	(30,302,145)	(0.02%)
Net direct credit facilities	161,954,726	169,579,208	(4.7%)

Equity

Bank shareholders' equity reached IQD (266,742,720) thousand, with an increase of IQD (2,435,874) thousand after excluding the effect of the fine imposed on the Bank for 2012 for the amount of IQD (10,670,878) thousand which was processed in retained profit from previous years. Furthermore, the Board of Directors decided to submit a recommendation to the general assembly to retain current year's profit for coming years.

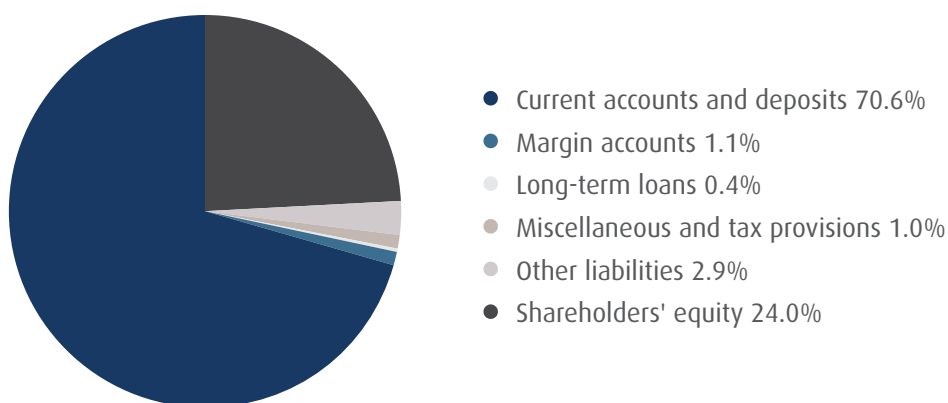
Capital Adequacy

The Bank's capital adequacy ratio reached (127%) compared to (116) in the previous year, which exceeds the requirements of international standards of Basel Committee and the requirements of CBI which are (8%) and (12%) respectively. This increase is due to the decline in the Bank's credit activity.

Figures in IQD thousand

	2018	Relative Materiality %	2017	Relative Materiality %	Growth %
Current accounts and deposits	786,385,703	70.6%	747,999,193	68.6%	4.9%
Margin accounts	12,262,924	1.1%	21,263,441	1.9%	(73.4%)
Long-term loans	4,864,363	0.4%	5,710,387	0.5%	(17.4%)
Miscellaneous and tax provisions	10,775,730	1.0%	16,457,698	1.5%	(52.7%)
Other liabilities	32,507,118	2.9%	32,885,561	3.0%	(1.2%)
Shareholders' equity	266,742,719	24.0%	266,271,165	24.4%	0.2%
Total liabilities and shareholders' equity	1,113,538,557	100%	1,090,587,445	100.0%	2.1%

Liabilities and Equity



Current Accounts and Deposits

Total amounts (current accounts and deposits) deposited with the Bank reached IQD (782,173,539) thousand at the end of 2018, with a growth rate of (5.2%); as a result of the increase in current and savings accounts. Current accounts and deposits accounted for (68.6%) of total liabilities. Deposits can be detailed as follows:

	2018	Relative Materiality %	2017	Relative Materiality %	Growth %
Current and demand accounts	446,878,491	57.1%	420,222,418	56.5%	6.3%
Saving deposits	309,295,635	39.5%	302,308,821	40.7%	2.3%
Term deposits	25,999,414	3.3%	21,066,474	2.8%	23.4%
Total deposits	782,173,539	100.0%	743,597,712	100.0%	5.2%

Provisions Balances

The Bank continued to follow a clear policy of hedging for any expected losses, and creating a provision for impairment of non-performing loans for each individual debt; in line with CBI requirements. The credit risk provision to non-performing facilities coverage ratio, minus interest in suspense, reached (19.3%), noting that in 2019, in accordance with the instructions of CBI, the bank will implement IFRS 9 on the mandatory implementation date. However, the effect of the implementation of this standard has not been determined to date.

In addition to miscellaneous provisions, the bank added provisions for the amount of IQD (1,812,057) thousand to achieve a coverage ratio of (100%) of total stolen cash balances. On the other hand, the Bank lost the lawsuit filed against it by a customer holding a current account with Irbil – Nashtamn branch, and paid IQD (2,641,140) thousand therefor from the provisions allocated in the previous year for this lawsuit, and reflected the other part in the expenses of the current year.

Furthermore, a provision for the amount of IQD (2,191,150) thousand was recorded in the statements of 2017 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 will follow up on these entitlements with the relevant authorities and will hedge for the remaining amount in the upcoming year if the matter is not determined by the relevant authorities.

As for the provision for potential loss by the currency exchange portal, in 2018 the Bank received a letter from CBI dated 13/9/2018 imposing a fine on the Bank for the year 2012 for the amount of IQD (10,670,878) for the amounts with which the Bank entered the currency exchange portal during that year. Based on IFRS 8, the Bank created a provision for these amounts from retained earnings and stated it as miscellaneous provisions stated as liabilities for the total fine amount, and the statements for 2017 were restated.

As for tax provisions, the Bank demonstrated its compliance with tax legislations in Iraq and Lebanon and obtained a tax clearance certificate for the year 2016 and completed its tax accounting. Tax for 2017 was paid and the Bank is still undergoing tax accounting with the General Commission of Taxes.

Figures in IQD thousand

Account Name	2018	2017
Provision for cash credit risk	30,223,361	30,302,145
Provision for contractual obligations risk	260,854	-
Provision for potential loss by the currency exchange portal	9,248,094	10,670,878
Tax provisions	1,266,782	3,466,448
Provisions for stolen cash and accounts receivable	38,575,026	36,765,780
Provisions for litigation expenses	-	2,320,372

Income Statement

In light of the circumstances experienced by the Iraqi economy in 2018, and due to the Bank's conservative policy aimed at dealing with contingencies, the Bank's net profit before tax decreased by (32.2%), that is, IQD (1,970,378) thousand to IQD (4,152,102) thousand compared to IQD (6,122,480) thousand as at the end of the previous years. Accordingly, the Bank's net profit after tax reached (1.7%) of capital.

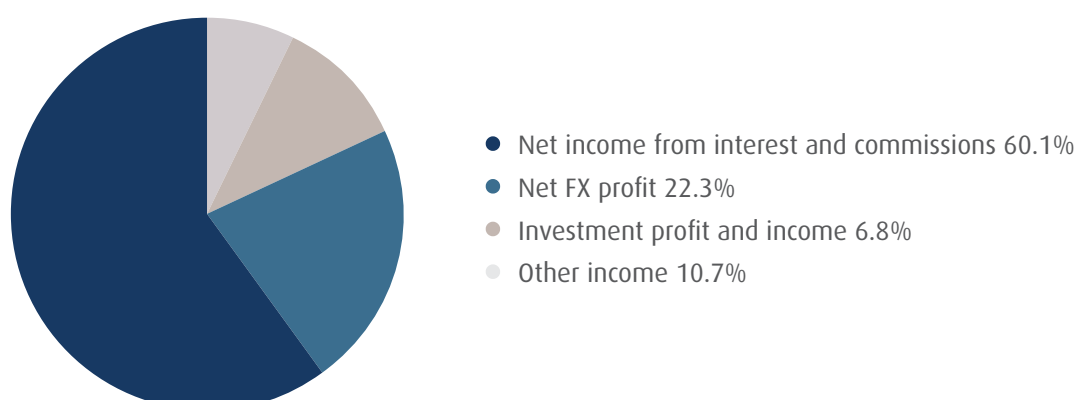
The main reason for this decline was the decline in revenue under the net foreign exchange profit item, due to the decline in exchange rates in the Iraqi market. The other reason was the decline in revenue from net interest due to two reasons; namely the decline in the proceeds of the credit portfolio as a result of the decline in its quality, and the decline in interest on Bank's deposits with banks as a result of the decline in the volume of foreign term deposits in line with the CBI requirements. In a different context, the Bank's other revenues increased as the Bank realized capital revenue arising mainly from the appropriation of its building in Karbala.

By analyzing revenue, we find that income from interest and commissions ranked first with IQD (21,994,241) thousand, accounting for (60.1%) of total income, as shown in the table and figure below:

Figures in IQD thousand

	2018	Relative Materiality %	2017	Relative Materiality %	Growth %
Net income from interest and commissions	21,994,241	60.1%	26,680,971	49.9%	(17.6%)
Net FX profit	8,148,984	22.3%	20,630,202	38.6%	(60.5%)
Investment profit and income	3,926,777	10.7%	5,696,495	10.7%	(31.1%)
Other income	2,497,999	6.8%	466,418	0.9%	435.6%
Total	36,568,001	100.0%	53,474,086	100.0%	(31.6%)

Relative Materiality of Bank's Sources of Income



Expenses

In 2018, expenses decreased by (29.1%) to IQD (31,140,156) thousand compared to IQD (43,896,820) thousand in 2017. This decline was primarily a direct result of the decline in provisions expenses; the contingent loss from stolen cash was covered, in addition to the decline in the value of credit provisions

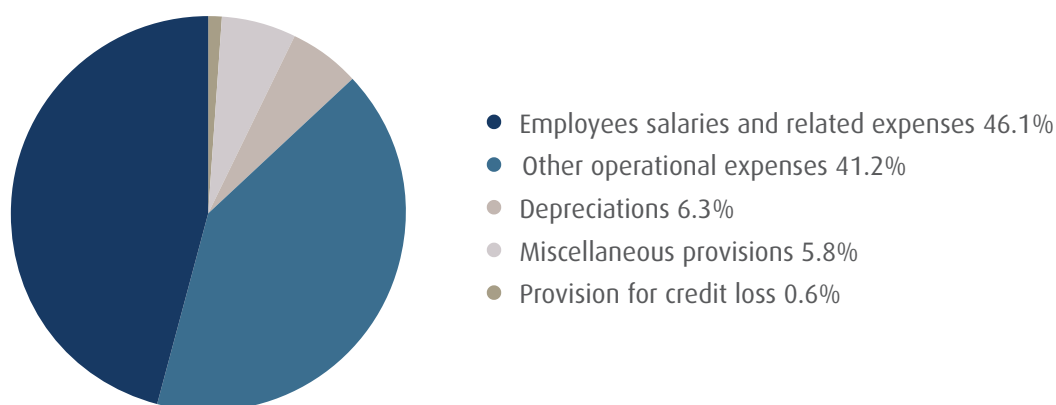
booked in 2018. Operational expenses had the second largest impact next to provisions expenses, as they decreased to IQD (12,838,496) thousand from IQD (13,583,470) as at the end of 2017; due to the decline in the tax and fees expenses item despite the increase in fines expenses , as well as rent and maintenance as a result of closing old branches and processing them in expenses.

As for employees' salaries expenses, they decreased to IQD (14,360,595) mainly due to the redistribution of branches and decline in the number of employees.

Figure in IQD thousand

	2018	Relative Materiality %	2017	Relative Materiality %	Growth %
Employees' salaries and related expenses	14,360,595	46.1%	14,760,405	33.6%	(2.7%)
Other operational expenses	12,838,496	41.2%	13,583,470	30.9%	(5.5%)
Depreciations	1,946,938	6.3%	1,913,644	4.4%	1.7%
Miscellaneous provisions	1,812,057	5.8%	8,577,248	19.5%	(78.9%)
Provision for credit loss	182,070	0.6%	5,062,033	11.5%	(96.4%)
Total	31,140,156	100.0%	43,896,820	100.0%	(29.1%)

Expenses



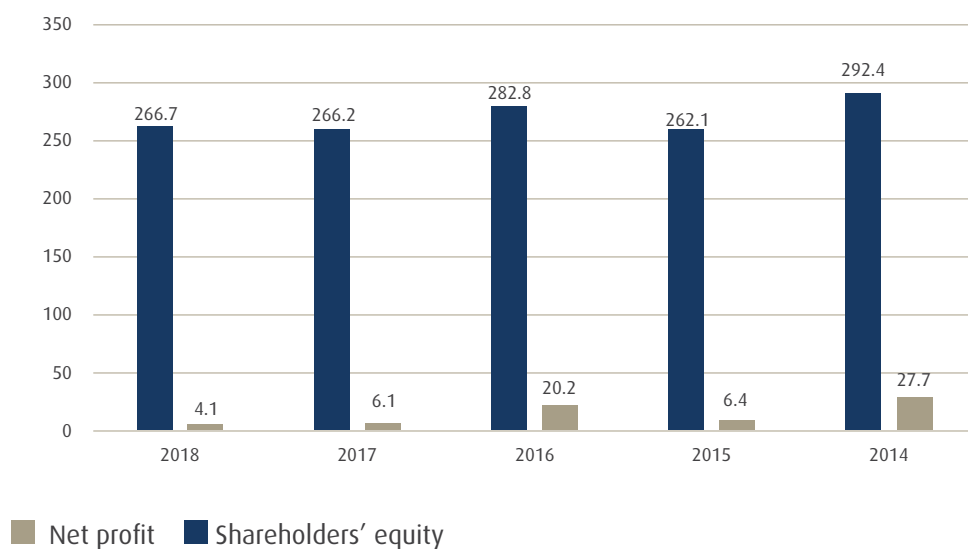
	2018	2017
Return on average Bank shareholder's equity	1,56%	1,58%
Return on capital	1,7%	2,5%
Return on average assets	0,38%	0,56%
Profit per employee after tax	5,272	7799
Interest income to average assets	1,37%	2,18%
Interest expense to average assets	0,49%	0,50%
Interest margin to average assets	0,88%	1,63%
Provision for non-performing facilities impairment loss coverage ratio - Net	19,26%	19,63
Non-performing facilities to total facilities ratio (minus interest in suspense)	81,70%	-

The Bank's Key Financial Indicators for the Years 2008 - 2018

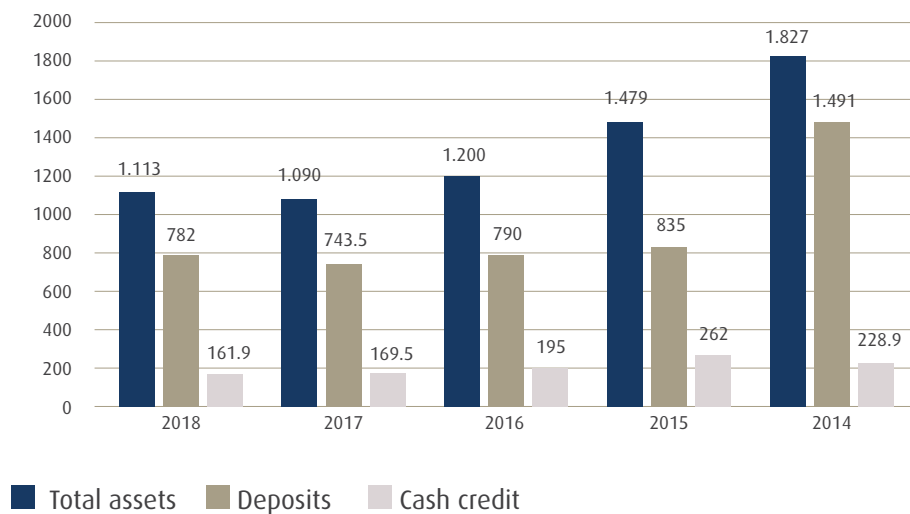
Amounts in IQD billion

Year	Capital	Total Assets	Deposits	Investment	Cash Credit	Shareholders' Equity	Net Profit	Number of Branches		
								Baghdad	Governorates	Branches Abroad
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 Financial Position



Objectives of the Future Plan 2019 of Bank of Baghdad Group

The objectives of Bank of Baghdad Group's future plan for 2019 were developed in line with 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.
- To maintain the Bank's competitive position in the Iraqi banking sector.

Market and Customers Aspect:

- To improve the Bank's developmental role in finance and foreign trade services for the retail and major corporation sectors alike, through a team of highly professional specialists.
- To increase the Bank's distribution outlets and markets by opening new branches and installing ATMs in target locations.
- To develop the electronic services for Bank's customers by developing deposit services, online services and cards.

Operations and Technology Aspect:

- 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 services and their timely introduction. Main projects include moving to the centralized version of the banking system, connecting electronic payment systems and activating the provisions and fixed assets systems.

Learning and Development Aspect:

- To continue to develop and improve the human resources by enhancing learning and development through specialized training and enhancing management competencies.
- To finalize the implementation of the Bank's organizational structure and address the necessary amendments thereto that may emerge during implementation.

Managing Director – Bank of Baghdad
Basil Hossam Al-Din Shakir



Chairman – Bank of Baghdad
Usam Ismail Sharif



Financial Statements And Auditor's Report



Independent Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Income and Other Comprehensive Income

Consolidated Statement Of Changes In Shareholder's Equity

Consolidated Statement of Cash Flows

Notes on the Consolidated Financial Statements

Independent Auditor's Report

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, 2018, 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 the International Standards on Auditing 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 in the financial statements, in addition to assessing the appropriateness of the accounting policies implemented and reasonableness of the accounting estimates made by 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 2018 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 Ministry of Trade / Companies Registrar dated 5/12/2018 placing Baghdad Financial Brokerage "under liquidation".

2. Since we have not audited the financial statements of Beirut Branch for the fiscal year 2018 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: International Financial Reporting Standards (IFRS)

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.

Since the electronic accounting system (Banks) adopted for recording the Bank's various activities (including financial and accounting statements) does not apply the International Financial Reporting Standards to the financial and accounting statements issued thereby, these reports relating to "the Banks final accounts for the fiscal year 2018" were reclassified by the Bank's management in accordance with said standards.

Third: Presentation of Comparative Figures of the Financial Statements of the Previous Year

1. The "comparative figures" of the financial statements of the previous year were re-presented to comply with the financial statements of the present year without affecting the results of activities after tax and financial position (except as stated in the following paragraph 2).
2. The balance of the miscellaneous provisions account carried forward from the previous year and the balance of retained earnings from the previous year (accumulated surplus) were adjusted; as explained in paragraph (Twelfth) of this report.

Fourth: Activities' Results

The activities for the present year 2018 resulted in net profit before provisions and tax were as follows:

	2017 IQD billion	2018 IQD billion
Profit before provisions	5,610	14,639
Net profit before tax	5,428	9,577
Net profit after tax	4,152	6,122

Fifth: Cash

1. The cash balance at the date of the balance sheet was approximately IQD (788,700) billion compared to approximately IQD (756,843) billion in the previous year (Note 3/4).
2. The cash balance with foreign banks at the balance sheet date was as follows:

	2018 IQD billion
Foreign banks and banking institutions	44,519
Foreign investments	119,000
	163,519

Accounting for (61,03 %) of the Bank's capital and healthy reserves.

3. The local banks' account balance includes IQD (7,664) billion representing cheques purchased by the Bank of Baghdad in 2014 from one of its customers, drawn on a (government) Iraqi bank. The Bank won the relevant lawsuit on 17/5/2016, but the amount of said cheques has not been collected as at the reporting date. Said amount is part of the amount stated in Note (4) for the sum of IQD (11,183) billion.

Sixth: credit facilities

1. Non-performing (bad) credit facilities as at the balance sheet date reached IQD (157) billion after deducting interests in suspense accounting for (81.7%) of said facilities, a significant percentage of which has solid guarantees.

This indicate an increase in non-performing facilities and their percentage of total credit facilities, which calls for analyzing and studying said facilities and their guarantees, and taking the necessary actions to collect the same.

2. Paragraph (1) above includes balances suspended and carried forward from previous years, including 2007 and 2009, the amounts of which have not been settled as at the balance sheet date.

We recommend following up on the collection of said amounts and taking the necessary legal actions therefor.

Seventh: Credit Concentrations

1. The total amounts of credit granted to "Group X" company as at the balance sheet date reached IQD (62,979) billion, representing credit concentrations exceeding (10%) of capital and healthy reserves, against solid guarantees for the value of approximately IQD (75) billion according to the data provided to us by the Credit Department.
2. The Bank filed a lawsuit against "Group X" company (referred to in paragraph 1 above) on 4/2/2018 before the Dashty / Holir court for the value of IQD (44) billion. Said lawsuit has not been determined as at the reporting date.

Eighth: Impairment of Loans and Receivables (Note 7/b)

1. **Cash and Contractual Credit Risk:** Based on Article (12) of the Central Bank of Iraq Instructions No. (4) for 2010 (Facilitating the Implementation of the Banking Law in Force), the Bank adopted said instructions in the calculation of the provision for cash and contractual credit risk. The balance of this account carried forward from the previous year to deal with the risks of cash credit (doubtful debts) and contractual credit (including Beirut Branch) was approximately IQD (30,302,145) thousand.
2. The sum of IQD (489,297) thousand was added and the sum of IQD (568,081) thousand was deducted for adjustments and recoveries during the fiscal year, the balance of which at the balance sheet date reached IQD (30,223,361) thousand.

Ninth: Other Assets

1. The other assets account balance includes IQD (11,562) billion for assets acquired as a result of settling the Bank's debts, including the cost of the acquired real estate (Batawin building) No. (324 / 1474) for the value of IQD (960) million, which was registered in the name of the Bank of Baghdad by virtue of a real estate registration deed dated 27/8/2012. This account also includes the cost of the land acquired in the Governorate of Dahuk for the value of IQD (10,601) billion since 2013.
 - The Bank was not able to dispose said assets pursuant to Article (33/2) of the Banking Law in force, due to the recession in the real estate market.
2. There are amounts paid toward the purchase of (Jamilah Land / Al Waziriyyah and Basra land / Braiha) that were classified under previous years' accounts as part of the "projects under construction" account and were reversed in the "advance payment for the acquisition of lands" account for a total of IQD (4,464) billion, with a sum of IQD (352,956,900) for the Basra land that is still in the projects under construction account as at the balance sheet date. However, the Legal Department, in its memo dated 18/2/2019, notified us that the procedures for transferring the title of said lands to the Bank have reached an advance stage and will hopefully be completed during the first half of 2019. We recommend following up on and expediting said procedures
3. The total value of letters of guarantee paid by the Bank to beneficiaries (in IQD / USD) as at the balance sheet date reached IQD (1,837) billion, some of which relate to 2011 / 2012.

We recommend following up on and expediting the actions taken to collect said amounts from relevant parties.

Tenth: Cash Stolen from Qurna Branch (Note 9)

Qurna Branch was subject to manipulation and embezzlement in 2018 that resulted in a shortage of IQD (544,304,000). The Bank management set up an investigation committee by virtue of administrative order No. (A M / 1 / 1754) dated 2/5/2018 to investigate the matter. The Bank filed a lawsuit before Al-Zubair Trial Court on 29/5/2018 against branch employees, the proceedings of which are still in progress at the reporting date.

The cash insurance policy entered into with Al Amin Insurance Company includes an exception under which theft is not covered if committed by, or in collusion with, employees of the Bank (the insured), which rendered said policy useless for compensating the stolen amounts.

We recommend reconsidering ATM internal control procedures, as well as reconsidering the content of cash insurance policies for all branches of the Bank; such that cover all types of theft without exception.

Eleventh: Stolen Cash and Provisions therefor (Note 9)

1. The balance of stolen cash as at the date of the financial statements reached IQD (36,395,375) thousand.
2. Provisions for the total IQD (36,383,876) thousand at the balance sheet date were booked to deal with the risks arising from the stolen amounts referred to in paragraph (1) above, the details of which are provided in Note No. (9).

We would like to point out that the legal proceedings and complaint filed by the Bank with the Commission of Integrity in the region regarding the theft from Irbil Branch is still in progress and has not been determined as at the reporting date.

- We recommend following up on and expediting the relevant legal proceedings and complaint with the Commission of Integrity in line with the importance of this matter.

Twelfth: Fines on Custom Declarations (Note 14)

By virtue of Central Bank of Iraq's Letter No. (9/2/21231) dated 13/9/2018, a fine of IQD (10,670,877,951) was imposed on the Bank in relation to custom declarations in 2012 for the differences between the amount transferred through the Bank's portal and total value of inaccurate custom declarations submitted.

The Central Bank of Iraq agreed to divide said amount into (30) monthly installments, four of which have been paid by the Bank in 2018 for a total of IQD (1,422,783,724).

The Bank's Board of Directors, in its session No. (18) held on 19/12/2018, decided to consider said amount expenses for previous years, and adopted IAS (8) (Accounting Policies, Changes in Accounting Estimates and Errors) by adjusting the balances carried forward from previous years and deducting the fines amount (debit) from the retained profit account and adding the same to the carried forward balance of the (miscellaneous provisions / 2060) account for the amount of said fine; as aforementioned in paragraph (2 / Third) of this report.

In this respect, we would like to point out the following:

1. The decision to impose the fine was effected by virtue of the Central Bank of Iraq's Letter dated 13/9/2018, thus the fine was actually incurred in the fiscal year 2018.
2. The fine amount relates to custom declarations of Bank's (retail and corporate) customers. Therefore, the amounts of said fines should be charged to them as per the lists of their names sent by the Central Bank of Iraq, and should not be deducted from undistributed retained profit (accumulated surplus).

Thirteenth: Tax and Fees

1. The balance of the (employees expenses) account at the balance sheet date includes IQD (782,676) thousand representing the direct withholding tax applicable to Bank employees' incomes for the fiscal year 2018. We have not seen the Bank management's approvals of the Bank's assumption of said tax.
2. During the fiscal year 2018, the Bank paid the General Directorate of Taxation and State Real Estate in Kurdistan Region the sum of IQD (1,658,757,750) for the income tax due on the activities of Irbil and Sulaimaniyya branches for the fiscal year 2016 which the Bank had already paid to the General Directorate of Taxation upon tax accounting for the Bank's total profit for said year, and were recorded on the debit side of the "General Directorate of Taxation" account and credit side of the "miscellaneous provisions a / 2060) account, to protect the Bank's rights.

The Bank has taken action to claim the same together with the amounts paid for the years 2014 / 2015 previously mentioned in our report on the Bank's accounts for previous years.

Fourteenth: Settlement of Income Tax for Bank's Customers

During the fiscal year 2018, the Bank paid the sum of IQD (665,467,750) to the General Directorate of Taxation to settle the income tax payable by the Bank's (retail and corporate) customers as a result of the Bank's participation in currency auctions in their names without their knowledge or consent in previous years.

However, the Bank had already paid the General Directorate of Taxation the sum of IQD (3,057) billion for the same issue in 2016 / 2017.

Fifteenth: Bank's Branches

1. Results of Branches' Activities:
 - a. The activities of (22) branches during the fiscal year 2018 resulted in a total loss of IQD (6,854) billion compared to the results of the activities of (13) branches which achieved a total profit of IQD (11,358) billion.
 - b. The total annual expenses of certain branches (nearly 12 branches) were double or several times the revenues they achieved in 2018.
This calls for a detailed study of the activities of said branches and the causes of the decline in their revenues and increase in their expenses, as well as taking the necessary actions to address this adverse situation.

2. Bank's Branches in Hot Governorates:

Due to the poor security situation in the governorates of (Nineveh, Anbar and Saladin), in which there are four branches, and the end of the relevant incidents, the Bank's management took actions to determine the shortages and damages sustained by said branches and report their details to the Financial Department.

As at the reporting date, the Financial Department has not informed us of the total value of said shortages and damages.

Sixteenth: Karbala Branch Land and Building

The capital income account balance for the present year includes IQD (1,310,102,166) for the difference between the book value and compensation amount of the land and building of the Bank's branch in Karbala, with respect of which a final decision was rendered by the Property Claims Commission on 16/4/2015 to return said real estate to its owner, in addition to compensating the Bank with IQD (2) billion, although the Bank has not received the compensation amount as at the balance sheet date, and instead of classifying said capital income amount under payables (revenue in suspense) until the receipt of the compensation amount.

Seventeenth: Financial Assets at Fair Value

1. Reserve for changes in fair value:

The balance of the reserve for changes in fair value as at 31/12/2018 reached IQD (3,646,697) thousand; as it was increased in the present year by IQD (283,310) because the valuation was based on the prices quoted in the last session of the Iraq Stock Exchange in the fiscal year 2018.

2. We have not received documents supporting the Bank's investments in companies' shares as at 31/12/2018, the purchase cost of which reached IQD (852,340) million as follows:

- Al Rafidain Grain Company
- Generators Manufacturing Company
- Sindbad for Tourism
- Food Industries Company
- Construction Materials Manufacturing Company

Eighteenth: Money Laundering Division

The Bank has adequate procedures in place to prevent money laundering and terrorism financing in accordance with the regulations, directives and guidelines issued by the Central Bank of Iraq and the provisions of the Anti-money Laundering Law in force.

Nineteenth: Compliance Controller

By reviewing and studying some of the Bank's Compliance Controller's reports provided to us during the reporting year, we find the same to be in conformity with the requirements and instructions of the Central Bank of Iraq.

Twentieth: Capital Adequacy

By examining the Bank's financial statements as at 31/12/2018 issued by the Bank's electronic accounting system that are approved for calculating capital adequacy, we found that the capital adequacy ratio has reached (127%) based on Article (16) of the Iraqi Banking Law No. (94) for 2004 as amended.

Twenty-first: Lawsuits

1. The number of lawsuits filed by the bank reached (6) for a total value of approximately IQD (76,575) billion, which is the equivalent of USD (405,000). The Legal Department did not specify the value of one lawsuit that has not been determined by courts as at the balance sheet date.
2. The number of lawsuits filed against the Bank and have not be determined by courts as at the balance sheet date reached (29) for a total value of approximately IQD (1,390) billion, which is the equivalent of USD (798,772). The Legal Department did not specify the value of (20) lawsuits.

In our opinion, based on our examination of what is recorded in the Bank's records, and subject to the information and explanations given to us:

1. The accounting books (electronic system) used by the Bank were in agreement with requirements of the book-keeping regulations and has included, in our assessment, the recording of all assets, liabilities, expenses and revenues of the Bank. The internal control system included all the necessary measures to ensure the accuracy and precision of these statements in proportion to the activities of the Bank.
2. The stock-taking of fixed assets and cash count was carried out in an appropriate manner under our supervision, and the results were in agreement with the records; as the valuation of these assets was carried out in accordance with the bases, rules and principles adopted in the previous year.
3. The annual report and the financial and accounting information contained therein comprehensively revealed Bank's journey throughout the year under audit, and did not contain any violation to prevailing legislation.
4. The statements and final accounts have been prepared in accordance with prevailing accounting standards and legislation, are in agreement with what is included in the records and have been prepared in accordance with the Companies Laws and regulations and instructions issued pursuant thereto, as well as the Banking Law.

Opinion

Notwithstanding the explanations and comments contained in this report, we believe that the consolidated financial statements of the Bank of Baghdad (private joint stock company) and the Directors' Report attached thereto are in agreement with the records, fulfill the relevant legal requirements and, subject to the performance indicators contained therein, clearly and fairly present the Bank's financial position as at 31/12/2018 and the results of its activities and cash flows for the year then ended.

Zuhair Mahmoud Hussein AL Bahrani

Public Accountant and Auditor

Fellow of the Iraqi Association of Certified
Accountants

(signed and stamped with the seal of Zuhair Al
Bahrani – Public Accountant & Auditor)



Farqad Hassan Ahmad Al Salman

Fellow of the Institute of Chartered Accountants in
England and Wales

From Farqad Al Salman & Co. for Auditing
(Partnership)

(signed and stamped with the seal of Farqad Al
Salman & Co. for Auditing)



Baghdad – Republic of Iraq
March 3, 2019

Consolidated Statement of Financial Position

As at 31 December 2018

Statement (A)	Notes	2018 IQD (000)	2017 IQD (000)
Assets			
Cash and Balances with Central Banks	3	612,061,251	505,021,280
Due from Banks and other Financial Institutions	4	176,639,486	251,821,873
Investment in Associates	5	549,981	-
Financial Assets at Fair Value Through Other Comprehensive Income	5	4,666,318	4,676,331
Financial assets at Amortized Cost	6	85,843,310	89,188,152
Direct Credit Facilities, Net	7	161,954,726	169,579,208
Property and Equipment, Net	8	42,968,467	47,476,610
Intangible Assets	8	1,248,991	2,000,387
Other Assets	9	27,606,028	20,823,601
Total Assets		1,113,538,558	1,090,587,442
Liabilities And Shareholders' Equity			
Liabilities			
Due to Banks and other Financial Institutions	10	4,212,164	4,401,481
Customer Deposits	11	782,173,539	743,597,712
Margin Accounts	12	12,262,924	21,263,441
Income Tax Provision	13	1,266,782	3,466,448
Miscellaneous Provisions	14	9,508,948	12,991,250
Long Term Loans	15	4,864,363	5,710,387
Other Liabilities	16	32,507,118	32,885,561
Total Liabilities		846,795,838	824,316,280
Shareholders' Equity			
Capital	17	250,000,000	250,000,000
Treasury Shares		-	(306,478)
Statutory Reserve	18	12,681,332	12,442,930
Voluntary Reserves	18	58,441	58,441
Fair Value Reserve		(3,646,697)	(1,585,146)
Retained Earnings (Losses)		7,649,644	3,697,095
Total Equity – Bank Shareholders		266,742,720	264,306,842
Non-Controlling Interests		-	1,964,320
Total Shareholders' Equity		266,742,720	266,271,162
Total Liabilities and Shareholders' Equity		1,113,538,558	1,090,587,442

Financial Director – 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

In Compliance with our report issued
on 3/3/2019

Zuhair Mahmoud Husain Albahrani
Chartered Accountant and Auditor
Fellow of the IACA

Farqad Hasan Ahmad Al-Salman - Fellow of the
ACCA in England
From Farqad Al-Salman and Associates Company for
Auditing Accounts

The accompanying notes from N.1 to N.33 are an integral part of these financial statements



Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2018

Statement (B)	Notes	2018 IQD (000)	2017 IQD (000)
Interest Income	19	11,221,840	18,086,736
Interest Expense	20	(5,444,220)	(5,982,703)
Net Interest Income		5,777,620	12,104,033
Net Commission Income	21	16,216,621	14,576,938
Net Interest and Commission Income		21,994,241	26,680,971
Net Profit from Foreign Currency Exchange	22	8,148,984	20,630,202
Profit and Income from Investments	23	3,926,777	5,696,495
Other Income	24	2,497,999	466,418
Total Income		36,568,001	53,474,086
Salaries and employee related expenses	25	(14,360,595)	(14,760,405)
Other Operating Expenses	26	(12,838,496)	(13,583,470)
Depreciation and Amortization	8	(1,946,938)	(1,913,664)
Miscellaneous Provisions	9	(1,812,057)	(8,577,248)
Total Expenses		(30,958,086)	(38,834,787)
Profit Before Provision for Credit Losses		5,609,915	14,639,299
Provision for Credit Losses	7B	(182,070)	(5,062,033)
Net Profit before Tax		5,427,845	9,577,266
Income Tax	13	(1,275,743)	(3,454,786)
Net Profit after Tax		4,152,102	6,122,480
Attributable To:			
Bank's Shareholders		4,152,102	6,161,414
Non-controlling Interests		-	(38,934)
Profit for the Year		4,152,102	6,122,480
		Dinar/Fils	Dinar/Fils
Basic and Diluted Earnings Per Share (IQD)	27	0/017	0/025

The accompanying notes from N.1 to N.33 are an integral part of these financial statements

Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2018

Statement (B)	Notes	2018 IQD (000)	2017 IQD (000)
<u>Other Comprehensive Income for the Year:</u>			
Profit for the year – Consolidated Income Statement		4,152,102	6,122,480
Change in Fair Value of Financial Assets at Fair Value Through other Comprehensive Income	5	(283,310)	1,282,473
Total Consolidated Comprehensive Income for the Year		3,868,792	7,404,953
<u>Total Consolidated Comprehensive Income Attributable to:</u>			
Bank's Shareholders		3,868,792	7,443,887
Non-controlling Interests			(38,934)
		3,868,792	7,404,953

The accompanying notes from N.1 to N.33 are an integral part of these financial statements

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

For the Year Ended 31 December 2018

	Capital		Treasury Shares	Statutory Reserve	Voluntary Reserves	Changes in Fair value Reserve	Retained Earnings (Losses)	Bank Shareholders' Equity		Non-controlling Interests	Total Shareholders' Equity	
	IQD 000	000	IQD 000	IQD 000	IQD 000	IQD 000	IQD 000	IQD 000	000	IQD 000	IQD 000	000
2018												
Balance at 1 January 2018	250,000,000		(306,478)	12,442,930	58,441	(1,585,146)	3,697,095	264,306,842		1,964,320	266,271,162	
Profit for the year – Statement (B)	-		-	-	-	-	4,152,102	4,152,102		-	4,152,102	
Transfer to Reserves	-		-	238,402	-	-	(238,402)	-		-	-	
Changes in Fair Value Reserve	-		-	-	-	(2,061,551)	-	(2,061,551)		-	(2,061,551)	
Sale (Purchase) of Treasury Shares	-		-	-	-	-	-	-		-	-	
Adjustment Entries	-		306,478	-	-	-	-	306,478		-	306,478	
Capital Increase	-		-	-	-	-	-	-		-	-	
Dividends	-		-	-	-	-	-	-		-	-	
Net Movement in Non-controlling Interests	-		-	-	-	-	38,849	38,849		(1,964,320)	(1,925,471)	
Balance at 31 December 2018	250,000,000	-	-	12,681,332	58,441	(3,646,697)	7,649,644	266,742,720	-	-	266,742,720	
2017												
Balance at 1 January Before Adjustments	250,000,000		-	12,105,065	58,441	(2,867,619)	23,525,817	282,821,704		-	282,821,704	
Adjustments*	-		-	-	-	-	(10,670,878)	(10,670,878)		-	(10,670,878)	
Balance at 1 January After Adjustments	250,000,000		-	12,105,065	58,441	(2,867,619)	12,854,939	272,150,826		-	272,150,826	
Profit for the Year – Statement (B)	-		-	-	-	-	6,122,480	6,122,480		-	6,122,480	
Transfer to Reserves	-		-	337,865	-	-	(337,865)	-		-	-	
Changes in Fair Value Reserve	-		-	-	-	1,282,473	2,867,619	4,150,092		-	4,150,092	
Sale (Purchase) of Treasury Shares	-		(306,478)	-	-	-	-	(306,478)		-	(306,478)	
Adjustment Entries	-		-	-	-	-	(349,012)	(349,012)		-	(349,012)	
Capital Increase	-		-	-	-	-	-	-		-	-	
Dividends	-		-	-	-	-	(17,500,000)	(17,500,000)		-	(17,500,000)	
Net Movement in Non-controlling Interests	-		-	-	-	-	38,934	38,934		1,964,320	2,003,254	
Balance at 31 December	250,000,000	(306,478)	(306,478)	12,442,930	58,441	(1,585,146)	3,697,095	264,306,842	1,964,320	-	266,271,162	

* During 2018, and pursuant to the Central Bank of Iraq letter number 9/2/21231 dated 13/9/2018, a fine of 10,670,878 Iraqi Dinar was levied against the Bank for the year 2012 for the amounts with which the Bank entered the sale and purchase window of the currency during the year 2012 with payment to be made in 30 installments. Based on the International Financial Reporting Standards No. 8 (IFRS8), the Bank has taken provisions for these amounts from the retained earnings and presented them as miscellaneous provisions stated as liabilities on the Bank equal to the total amount of the fine. The statements for the year 2017 was restated to include this adjustment.

The accompanying notes from N.1 to N.33 are an integral part of these financial statements

Consolidated Statement of Cash Flows (E)

For the Year Ended 31 December 2018

	Notes	2018 IQD (000)	2017 IQD (000)
Operating Activities:			
Profit for the year before Tax		5,427,845	9,577,266
Adjustments for Noncash Items:			
Depreciation and Amortization	8	1,946,938	1,913,664
Provision for Credit Losses	7	182,070	5,062,033
Miscellaneous Provisions	9	1,812,057	8,577,248
Foreign Currency Income from Revaluation	22	(65,406)	-
Gain from the sale of Property and Equipment	24	(1,319,367)	(8,770)
Cash Flows from Operating Activities Before Changes in Assets and Liabilities		7,984,137	25,121,441
Changes in Assets and Liabilities:			
Increase (Decrease) in Restricted Balances		44,099,540	15,553,344
Decrease in Net Direct Credit Facilities	7	7,442,412	21,079,776
Increase in Other Assets		(8,594,480)	4,583,048
Decrease in Customers' Deposits	11	38,575,827	(84,889,396)
Decrease (Increase) in Margin Accounts	12	(9,000,517)	(7,487,018)
Increase in Other Liabilities		(378,443)	11,394,844
Decrease in Miscellaneous Provisions	14	(3,482,302)	2,320,372
Net Cash Flows from Operating Activities Before Tax		76,646,174	(12,323,589)
Income Tax Paid	13	(3,475,409)	(7,707,718)
Net Cash Flows from Operating Activities		73,170,765	(20,031,307)
Investing Activities:			
Proceeds from Sale of Financial Assets at Amortized Cost		3,344,842	8,211,173
Purchase (Sale) of Financial Assets Through the Other Comprehensive Income Statement	5	46,072	733,424
Purchase of Property and Equipment	8	(2,289,727)	4,134,344
Sale of Property and Equipment	8	6,296,084	6,909,725
Net Cash Flows (used in) from Investing Activities		7,397,271	19,988,666
Financing Activities:			
Decrease (Increase) in Long-term Loans	15	(846,024)	5,710,387
Dividends		-	(17,500,000)
Net Cash Flow from (in) Financing Activities		(846,024)	(11,789,613)
Net Decrease in Cash and Cash Equivalents		76,081,035	(11,832,254)
Foreign Currency Profits (Losses) from Revaluation	22	65,406	-
Effect of Losing Control of Subsidiaries		(3,640,977)	
Cash and Cash Equivalents at 1 January	28	532,946,704	544,778,958
Cash and cash Equivalents at 31 December	28	609,093,145	532,946,704

The accompanying notes from N.1 to N.33 are an integral part of these financial statements

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

1. About the Bank

The Bank of Baghdad (The Bank) is an Iraqi Private Joint Stock Company established on 18/12/1992 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 33 branches in Iraq, as well as a branch in the Lebanese Republic. The Bank also offers currency exchange and financial brokerage services.

The Bank's financial statements have been approved by its board of directors at the meeting held on 5/3/2019.

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" that was established by the International Accounting Standards Board "IASB". 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 2018.

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.

It is worth noting that the financial statements and corresponding figure were reclassified and recategorized in line with the presentation of statements in the year 2018 and in a way that ensures transparency and clarity of financial information.

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 as 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.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

- As at 31 December 2018 and 2017, the Bank owns the following subsidiaries:

Company Name	Main Activities	Country of Incorporation	Equity Ratio	
			2018	2017
Baghdad Company for Securities Limited**	Financial Brokerage	Iraq	100%	100%
Al Ameen Insurance Company Limited*	Insurance	Iraq	48.5%	50.76%

* Since the Bank has lost control over the financial and operating policies of Al Ameen Insurance management, the company's accounts were not consolidated with the group's accounts in 2018.

**Baghdad for Securities was liquidated, and it is still undergoing liquidation until the end of the fiscal year 2018.

2.2 Summary of key Accounting Policies

Realization of Income and Recognition of Expenses

Interest income are realized using the Effective Interest Method, 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.

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

- Provision for credit facilities impairment: The provision for loans is reviewed in line with principles set by the Central Bank of Iraq and in accordance with Regulations No. 4 for 2010.
- The loss resulting from the impairment of expropriated real estate is not recorded and is presented at historical cost.
- Tax Provisions: Each fiscal year carries the tax expenses incurred in that year in accordance with the accounting laws, regulations and standards.
- The management periodically re-estimates the useful lives of property and equipment to calculate annual depreciation and amortization based on the general condition of these assets, and to estimate their expected useful lives in the future. Any impairment loss (if any) is recorded in the income statement.
- 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.
- Litigation Provisions: To cover any litigation liabilities, provisions are created based on the opinion of the legal counselor of the Bank.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

Sector-specific 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.
- Credit facilities allocated to it are written-off, where the collection procedure is infeasible, by deducting it from the provision in accordance with the directives of the Central Bank of Iraq, and any excess in the provision is transferred to the income statement, and the collected loan amounts that have been written-off are added to income.

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.

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).

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

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.

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 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.
- In the absence of the primary market, the most appropriate market for assets and liabilities is used.
- 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 Bank applies appropriate valuation methods under the circumstances, provides sufficient information to measure the fair value, clarifies the use of directly observable inputs and minimizes the use of indirectly observable inputs.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

Impairment of Financial Assets

The Bank reviews the values of financial assets stated in records at the date of the financial position statement to determine whether there are indicators of impairment of the same individually, or as a whole. In case there are such indicators, the recoverable value is assessed in order to determine the impairment loss.

The impairment amount is determined as follows:

- Impairment of financial assets that are stated at amortized cost: The difference between the value stated in the records and the current value of the expected cash flows discounted at the original price.
- The impairment is recorded in the income statement, in addition to any savings in the following period as a result of the previous impairment in financial debt instruments in the income statement.

Offsetting

The financial assets are offset against the financial liabilities, 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.

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; or
- 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.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

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 derecognized 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 a accrual of a new one.

Foreign Currencies:

- Transactions conducted in foreign currencies during the year are recorded at the prevailing exchange rate 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.
- 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 from 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.

Provisions:

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

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.

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.

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.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

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 2017, with the exception that The Bank applied the following amendments as of 1 January 2018:

Amendments to the International Accounting Standard "IAS" (7) – "cash Flows Statement" – Disclosures

The limited amendments include issues related to adding notes on the liabilities resulting from investing activities, which include cash and noncash changes (like profits and losses of foreign currencies). No significant impact resulted from applying these amendments on the financial statements of The Bank.

Amendments to IAS (12) "Income Tax": Recognition of Deferred Tax Assets Resulting from Derecognized Losses

The limited amendments include issues related to the income tax law, and whether they restrict the sources of taxable profit, which can be beneficial in reducing the temporary time differences when reversing them, in addition to other limited amendments. The application of these amendments had no impact on the financial statements of the Bank.

IFRS, new interpretations, and issued and effective amendments.

- The Equity Method in the separate financial statements (amendments to IAS 27 and IFRS 1)
- IAS (1) – financial statements presentation – (amendments)
- Amendments to IAS 16 and IAS 38: clarifying acceptable methods of calculating depreciation and amortization.
- Amendments to IFRS 11 – common arrangements – joint projects' shares.

Applying these amendments did not impact the financial position or the financial performance of The Bank.

The International Accounting Standards Board "IASB" issued several standards and amendments that are still ineffective and were not adopted by The Bank. The following standards are the standards that The Bank's management expects, once effective, will impact the financial position, financial performance, or disclosures of The Bank's financial statements. These standards will be applied once effective.

IFRS (9) – Financial Instruments

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.

The Bank will apply the new standard at the obligatory application date set by legislative bodies in Iraq, which is 1/1/2019 pursuant to the Central Bank of Iraq letter number 9/6/466 dated 26/12/2018. The Bank will not adjust the comparative figures, although its branch in the Lebanese Republic applies this standard based on directives of Banque du Liban (Bank of Lebanon) and on what the standard demands.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

A) Classification and Measurement

The Bank expects significant impact on the financial position or the equity arising from applying the new classification and measurement requirements of IFRS 9. The Bank also expects continuing using the amortized cost and using a new classification effective 1 January 2019 to classify a part of the loan instruments wallet at fair value through the other comprehensive income.

Credit facilities preserved to collect contractual cash flows, are represented by original loan payments and interest.

B) Impairment

The new standard sets a model for expected credit loss for all financial loan instruments classified at amortized cost or classified as financial instruments through the other comprehensive income. In addition, the expected credit loss model is applied on loans' commitments that are not measured at fair value through profits or losses.

Incurred credit losses compared to expected credit losses in accordance with the new standard

Applying the expected credit losses principle will significantly change the models and principles of calculating and recording credit losses. 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. On the other hand, compared to the model of current losses incurred (defaulting instruments) under IAS 39, which includes the best estimate, time value of cash as well as information on previous events within the context of current situations. The goal of applying the new impairment measurement model is to record loss incurred for the entire period on all financial instruments, the credit risk of which increased significantly since the initial recognition. All in all, the provision of expected credit losses will be calculated either at 12-month expected credit losses, or at expected credit losses over the life of the financial instruments, the credit risk of which increased since the initial recognition, in comparison with the current model of losses incurred, which recognizes loss incurred on the entire period when there is an evidence of impairment as well as credit risks of the defaulting and nondetermined instruments. Due to the addition or creation of the credit risks increases/decreases concept, which takes into consideration the future information, the expected credit loss model eliminates the need for a specific value or a key event according to the loss incurred model, as the expected credit losses are recognized over the life of the financial instrument according to IFRS 9.

Significant Increase in Credit Risks and Carryforward from Category One to Category Two

A) Non-defaulting Financial Instruments

Stage one (category one) comprises all non-defaulting loan financial instruments, the credit risks of which did not increase significantly since the initial recognition date. The expected credit risks must be recognized in accordance with the possibility of a default occurring on the financial instruments in the first stage within 12 months.

B) Impairment

Stage two (category two) comprises non-defaulting loan financial instruments, the credit risks of which increased significantly since the initial recognition date. The expected credit risks must be recognized in accordance with the possibility of a default occurring over the life of the financial instrument. In the periods succeeding the financial statement preparation, the companies must recognize the expected credit risks according to the possibility of a default occurring within 12

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

months in case the credit risks of the financial instruments decreased and there is no significant increase in credit risks since the initial recognition.

C) Defaulting Financial Instruments

The financial instruments are classified within stage three when there are objective evidences of impairment occurring due to one loss or more (default) after the initial recognition, with the presence of a negative impact on the future cash flow of the loan. The expected credit loss model requires recognizing the expected losses over the life of the loan instruments, which closely resembles IAS 39.

As for the loan instruments' wallets of the government and companies, the provisions of the defaulting financial instruments that were individually estimated according to IAS 39, will be replaced in stage three according to IFRS 9. As per the consumers' wallets, the part addressing the provisions and related to the defaulting financial instruments according to IAS 39 will be replaced by stage three provisions. Whereas the non-defaulting part will be replaced by the provisions of either stage one or stage two according to IFRS 9.

Main Factors that Impact the Calculation of the Expected Credit Losses

The following factors are substantially exposed to judgment (personal reasoning), which have a great effect on the calculation of expected credit losses, and their volume:

1. Determine when credit risks of financial instruments increase.
2. Measure the credit loss for a period of 12 months and over the life of the financial instruments.
3. Use future information by applying several expected scenarios.
4. Quality of the guarantees.

Moreover, the initial abovementioned amounts might change as a result of the following factors:

- The automatic calculation program and the internal configuration systems related to it have not been activated and operated for a long period of time.
- The Bank has not finished applying, testing and evaluating the IT systems related to IFRS 9 including related governance policies.
- The applied theories, personal reasonings (ijtihad), and accounting policies are subject to estimates and amendments issued by regulatory authorities.

IFRS (15) – Revenue from Contracts with Customers

Standard 15 determines accounting treatment for each type of income generated from contracts with customers. This standard applies on all entities that enter contracts to import goods and services to customers, except for contracts within the scope of other standards like IAS 17 Leases.

This standard replaces the following standards and interpretations:

- IAS (11) – construction contracts
- IAS (18) – Income
- Interpretation 13 issued by the IFRSIC - Customer Loyalty Programmes
- Interpretation 15 issued by the IFRSIC - Agreements for the Construction of Real Estate
- Interpretation 18 issued by the IFRSIC - Transfers of Assets from Customers
- Interpretation 31 issued by the IFRSIC – Income – Barter Transactions Involving Advertising Services

Application of standard 15 is mandatory for annual reporting periods starting from 1 January 2018 onwards. Early application is permitted.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

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.

This standard will be applied starting from 1 January 2019. Early application is permitted.

3. Cash and Balances with Central Banks

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Cash on Hand*	82,785,718	65,392,552
Balances with Central Banks**	431,589,803	323,488,679
Legal Reserve with Central Banks***	97,685,730	116,140,049
	612,061,251	505,021,280

* The cash on hand value was 19,762 Thousand IQD and The Bank did not take provisions for these amounts as at 31 December 2018.

** The accounts with the Central Bank include short-term investments of a term less than 30 days that equals 50,000,000 Thousand IQD as at 31 December 2018 (31 December 2017: the amount was 55,000,000 Thousand IQD)

***Additionally, The Bank has balances with the Sulaymaniyah and Erbil branches of the Central Bank of Iraq of 17,977,727 Thousand IQD and 27,234,623 Thousand IQD respectively as at 31 December 2018 (31 December 2017 the balances were 18,077,191 Thousand IQD and 71,234,699 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 seized by the Central Banks of Iraq and Lebanon and thus are not at The Bank's disposal. In addition, the cash reserve balance at 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 216,013 Thousand IQD as at 31 December 2018. These amounts are seized by the Central Bank of Iraq for the purpose of facing the deficit in covering unpaid letters of guarantees claimed and are not at The Bank's disposal. Moreover, the legal reserve rate in each of Iraq and the Lebanese Republic in the current accounts are 15% and 25% and in the deposits account are 10% and 15% respectively.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

4. Due from Banks and other Financial Institutions

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Local banks and Financial Institutions**	13,120,220	21,769,800
Foreign Banks and Financial Institutions	44,519,266	51,423,368
Deposits with Banks and Financial Institutions	119,000,000	178,628,705
	176,639,486	251,821,873

* The balances with banks and financial institutions on which The Bank does not charge any interests was (53,373,658) Thousand IQD as at 31 December 2018 (73,193,168 Thousand IQD as at 31 December 2017).

** The restricted balances with the local banks and financial institutions were (11,183,078) Thousand IQD as at 31 December 2018 (11,183,078 Thousand IQD as at 31 December 2017) 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. As per the other part of the balances, it belongs to the balances of one of the government banks owned by 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.

	2018 IQD (000)	2017 IQD (000)
Deposits accrued from less than a month	-	59,628,705
Deposits with 1 – 3 months maturity	-	-
Deposits with 3 – 6 months maturity	-	-
Deposits with 6 – 12 months maturity	119,000,000	119,000,000
	119,000,000	178,628,705

* They are deposits with foreign banks in US Dollar at an average annual interest rate of 3.6% as at 31 December 2018 (average interest rate 1.75% as at 31 December 2017)

5. Investments in Shares:

A) Investments in Associates

	Country of Incorporation	Ownership Rate	2018 IQD (000)	2017 IQD (000)
Investments in Associates Listed in Active Local Markets			549,981	-
Al Ameen Insurance Company*	Iraq	48.5%	549,981	-
			549,981	-

* The investment in Al Ameen Insurance Company was transferred from the subsidiaries of The Bank to the investments in associates because The Bank lost control over the company and its equity ratio dropped from 50.7% to 45.5%. The 2017 statements are consolidated with the statements of the Bank of Baghdad Group and include the statements of Al Ameen Insurance Company.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

B) Financial Assets at Fair Value Through Other Comprehensive Income

	2018 IQD (000)	2017 IQD (000)
Shares of Companies Listed in Active Markets	827,234	837,247
Shares of unlisted Companies	3,839,084	3,839,084
	4,666,318	4,676,331

The following table illustrates the movement on the financial assets at fair value through the other comprehensive income:

	2018 IQD (000)	2017 IQD (000)
Balance at 1 January	4,676,331	5,906,813
Impact of Control\Loss of Control over Subsidiaries	869,350	(481,176)
Additions	-	-
Disposals	(46,072)	(252,248)
	5,499,609	5,173,389
Change in fair value reserve	(283,310)	(497,058)
Balance at 31 December	5,216,299	4,676,331

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

6. Financial Assets at Amortized Cost:

	2018 IQD (000)	2017 IQD (000)
Financial Assets Quoted in the Market:		
Governmental Bonds Guaranteed by the Government	-	-
Foreign Governmental Bonds	24,393,611	24,462,962
Total Financial Assets Quoted in the Market	24,393,611	24,462,962
Financial Assets Unquoted in the Market:		
Governmental Bonds Guaranteed by the Government	20,000,000	21,000,000
Treasury Bills or Guaranteed by the Government	41,449,699	43,725,190
Total Financial Assets Unquoted in the Market	61,449,699	64,725,190
Net Financial Assets at Amortized Cost	85,843,310	89,188,152

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

Analysis of Bonds and Bills:

	2018 IQD (000)	2017 IQD (000)
Financial Assets with Fixed Rate of return	85,843,310	89,188,152
Financial Assets with Floating Rate of Return	-	-
Total	85,843,310	89,188,152

The financial assets at amortized cost accrue as follows:

	Less than 1 month	1 months to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018	-	-	41,912,106	19,537,593	-	24,393,611	85,843,310
2017	-	41,984,725	492,328	2,248,137	20,000,000	24,462,962	89,188,152

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

7. Direct Credit Facilities, Net

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Consumers (Retail)	59,726,507	58,572,313
Loans	56,814,473	55,965,287
Discounted Bills & Purchased Bills *	376,538	339,497
Overdrafts	2,535,496	2,267,529
Large and Medium Enterprises	135,595,934	143,911,474
Loans	111,731,237	105,285,162
Discounted Bills & Purchased Bills *	2,204,299	2,204,299
Overdrafts	21,660,398	36,422,013
	195,322,441	202,483,787
Less:		
Interest In Suspense (Note 7A)	3,144,354	2,602,434
Provision for Credit Losses (Note 7B)	30,223,361	30,302,145
	161,954,726	169,579,208

* The net amount of loans granted are presented after deducting interest received in advance, which are (144.601) Thousand IQD as at 31 December 2018 (2017: It was 24.499 Thousand IQD). These interests are interests prepaid on loans for gold jewelry and discounted bills.

Non-working credit facilities were 160,081,041 Thousand IQD as at 31 December 2018, which makes 82% of the direct credit facilities balance.

Nonperforming credit facilities after deducting interests in suspense were 156,936,687 Thousand IQD as at 31 December 2018, which makes 81.7% of the credit facilities balance after deducting interests in suspense.

A) Interest in Suspense

The movement on the interest in suspense is as follows:

2018	Retail IQD (000)	Corporate IQD (000)	Total IQD (000)
Balance at 1 January	2,575,904	26,530	2,602,434
Additions	588,478	-	588,478
Redemptions	(20,028)	(26,530)	(46,558)
Balance at 31 December	3,144,354	-	3,144,354

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

B) Provision for Credit Losses

The movement on the provision for credit losses is as follows:

2018	Retail IQD (000)	Corporate IQD (000)	Total IQD (000)
Balance at 1 January (after adjustment)	12,377,690	17,924,455	30,302,145
Additions	-	489,297	489,297
Redemptions and Transfer	-	(568,081)*	(568,081)
Balance at 31 December	12,377,690	17,845,671	30,223,361

* (260,854) Thousand IQD were transferred from the account of the provision for cash credit to the provision for contractual credit, and this amount was presented in the miscellaneous provisions, disclosure 14, with which the total amount added to the provisions becomes (182,070) Thousand IQD.

The provisions were calculated in accordance with regulations 4 of 2012 to facilitate the execution of section 10 of the Banks Act (94) of 2004 regarding the branches of The Bank in Iraq. As for the branch of The Bank in the Lebanese republic, the provision was calculated in accordance with IFRS 9. However, the impact of applying standard 9 on the branches in Iraq was not calculated, as the standard will be applied effective 2019 according to the Central Bank circular number 9/6/466 issued on 26/12/2018.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

8. Property and Equipment, Net*

	Land	Buildings	Plant and Equipment	Computers, Furniture & Fixtures	Transportation	Systems	Decorations and Improvements**	Projects Under Construction*	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018									
Cost:									
At 1 January	14,245,646	12,809,962	1,205,265	8,712,972	945,934	2,253,033	7,907,952	14,508,641	62,589,405
Additions	-	-	34,104	354,355	-	449,722	292,707	2,478,206	3,609,094
Disposals	(685,880)	(55,286)	(41,961)	(19,368)	-	-	(625,613)	(5,605,674)	(7,033,782)
Transfer from Projects under Construction	7,567,341	-	-	-	-	-	(5,793,596)	(1,773,745)	-
Reclassification	-	-	-	-	-	-	-	-	-
At 31 December	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
Depreciation:									
At 1 January	-	2,841,303	1,132,850	7,197,920	920,561	318,100	701,674	-	13,112,407
Additions	-	304,847	42,769	631,500	25,374	575,505	366,943	-	1,946,938
Disposals	-	(51,268)	(41,611)	(1,200,195)	-	1,120,318	60,670	-	(112,086)
Reclassification	-	-	-	590,494	-	(560,159)	(30,335)	-	-
At 31 December	-	3,094,882	1,134,008	7,219,719	945,935	1,453,764	1,098,952	-	14,947,260
Net Book Value	21,127,107	9,659,794	63,400	1,828,240	-	1,248,991	682,498	9,607,428	44,217,458
Analysis of Projects Under Construction	1,429,902			59,500				8,118,026	9,607,428

* Includes projects under construction at the cost of a building lease (incomplete, completion percentage 80%) that will serve as a headquarter for the general management for 15 year. In addition, an amount of (4.737) Million USD have been paid in advance with a grace (waiver) period of two years, although the contract is owned to related parties.

** The decorations and improvements (intangible assets) balance includes Musataha cost for the Tikrit branch, the contract period of which is from 30/5/2009 to 30/7/2022 at a cost of (540) Million IQD. The current balance as at the budget declare date was (355,000) Thousand IQD, noting that since the terrorist attacks on the city, the contract amount was not amortized, and that the fixed assets balance in the hotspots at book value were (419,454) Thousand IQD including the Tikrit branch Musataha balance.

** Disposals in the decorations and improvements item are related to the goodwill item which resulted from losing control over Al Almeen

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

8. Property and Equipment, Net (Continued)

	Land	Buildings	Plant and Equipment	Computers, Furniture & Fixtures	Transportation	Systems	Decorations and Improvements	Projects Under Construction	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2017									
Cost:									
At 1 January	12,219,979	9,759,603	1,200,420	7,593,624	945,934	1,692,640	7,827,551	18,782,039	60,021,790
Additions	-	-	31,084	1,371,244	-	878,494	1,151,583	701,939	4,134,344
Disposals	-	-	(26,333)	(251,896)	-	(318,101)	(1,071,182)	(4,975,337)	(6,642,849)
Transfer from projects under construction	2,025,667	3,050,359	94	-	-	-	-	-	5,076,120
Reclassification	-	-	-	-	-	-	-	-	-
At 31 December	14,245,646	12,809,962	1,205,265	8,712,972	945,934	2,253,033	7,907,952	14,508,641	62,589,405
Depreciation:									
At 1 January	-	2,489,143	1,113,302	6,981,348	880,048	-	-	-	11,463,841
Additions	-	352,160	45,880	457,116	38,734	318,100	701,674	-	-
Disposals	-	-	(26,332)	(240,544)	-	-	-	-	(266,876)
Reclassification	-	-	-	-	1,779	-	-	-	1,778
At 31 December	-	2,841,303	1,132,850	7,197,920	920,561	318,100	-	-	13,112,407
Net Book Value	14,245,646	9,968,659	72,415	1,515,052	25,373	1,934,933	7,206,278	14,508,641	49,476,997
Analysis of Projects Under Construction*	13,353,336	-	-	-	-	-	-	1,155,305	14,508,641

* Based on what was mentioned in the applied accounting policies item, The Bank reclassified buildings and assets that were seized by The Bank, retained from last year, as miscellaneous provisions, noting that The Bank records these assets at historical cost.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

9. Other Assets

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Legal Fees	579,036	594,666
Margins with others	1,634,743	852,558
Prepayments for Ownership or Acquisition of Land *	4,464,565	-
Prepaid Expenses	2,426,624	2,197,080
Accrued Interest	3,052,140	3,334,670
Governmental Accounts Receivable**	5,850,233	2,394,813
Other Accounts Receivable	201,670	770,258
Interbranch Accounts	14,146	51,037
Repo Assets Due to Default***	11,562,522	11,562,521
Stolen Cash and Check****	36,395,375	35,831,778
Provisions for Stolen Cash and Accounts Receivable (9A & 9B) ***	(38,575,026)	(36,765,780)
	27,606,028	20,823,601

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

	2018 IQD (000)	2017 IQD (000)
Provisions for Stolen Cash and Sukuk (Warrants)	36,383,876	34,571,819
Provision for the General Commission for Taxes – Kurdistan Taxes	2,191,150	2,193,961
Total of Stolen Cash and other amounts	38,575,026	36,765,780

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

9B) The movement on the provisions for stolen cash and accounts receivable is as follows:

	2018 IQD (000)	2017 IQD (000)
Balance at 1 January	36,765,780	28,314,943
Additions	1,812,057	8,450,837
Transfer*	(2,811)	-
Balance at 31 December	38,575,026	36,765,780

* Due to losing control over Al Ameen Insurance Company, the amount was transferred and disposed of.

** Based on the agreement signed by The Bank to purchase a real estate that would serve as the headquarter of The Bank's branch in Jamila city – Baghdad at a cost of 1.9 Million IQD. Pursuant to The Central Bank of Iraq letter number 3/9/7855 dated 20/5/2014 related to the approval on The Bank's ownership of this real estate, The Bank agreed with the seller to pay the contract's value on three payments. The Bank paid (696) Million IQD as a first payment, and to date the real estate has not been transferred to the ownership of The Bank, although this building is foreclosed in exchange for credit facilities granted by The Bank.

*At 20/6/2013, The Bank signed a contract to purchase a land in Basra governorate to serve as a headquarter for The Banks branch, where the equal value of the contract was 3,768,616 Thousand IQD and full amount was paid. The registration of the land is still in progress as a part of the registration procedures, noting that this land was purchased by related parties. The Bank also obtained the Central Bank of Iraq approval on the ownership of this land in accordance with the Banking and Credit Monitoring Department letter number 9/3/2946 dated 3/6/2014.

**The governmental accounts receivable amount represents the liabilities on the Iraqi Ministry of Finance of 2,000,000 Thousand IQD based on the Federal Court of Cassation decision number 1868 / relevant bodies / 2015 sequence 1909 dated 16/4/2015 to compensate The Bank for the acquisition of the its building in Karbala governorate.

**The Bank established its right with the General Commission of Taxes regarding the double taxation paid in Kurdistan region, which was 3,849,908 Thousand IQD, where The Bank took a provision of 2,191,150 Thousand IQD for these amounts. The Bank is still following up on his rights with the relevant authorities to redeem this amount.

*** The repossessed assets due to default were restated in the other miscellaneous provisions 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 could not dispose of these real estates due to the current prevailing conditions.

**** Due to operational risks and unstable conditions in the past years, The Bank was robbed several times of amounts that totaled 36,395,375 Thousand IQD, where The Banks management reached a decision to cover these robberies with provisions, the rate of which is 100% of the total amounts stolen. These amounts were recorded as accounts receivable and The Bank is currently following up on their redemption procedures according to legal processes. The last of these amounts included that robbery of the treasury and ATM machine of Al-Qurnah branch during 2018. The following table presents these robberies:

Year	Branch	IQD (000)
2018	Al Qurnah Branch Robbery	544,304
2015	Irbil Branch Robbery	32,341,950
2014	Mosul Branch Robbery	1,086,000
2011	Al-Sanak Branch Robbery	1,144,462
2003 -2017	Robberies, Fund Shortage, Altered Checks	1,278,659
Total Amounts Stolen from The Bank		36,395,375

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

10. Due to Banks and Other Financial Institutions

The balance 4,212,164 Thousand IQD represents the deposits of banks and other financial institutions, in addition to current accounts of local banks that are clients of the Bank of Baghdad Group.

11. Customers' Deposits

This Item consists of the following:

	Retail IQD (000)	Corporates IQD (000)	Total IQD (000)
2018			
Current and Demand Accounts	135,748,290	311,130,201	446,878,491
Savings Accounts	289,387,533	19,908,102	309,295,635
Time Deposits	10,956,829	15,042,583	25,999,414
	436,092,652	346,080,886	782,173,539
2017			
Current and Demand Accounts	142,523,951	277,698,467	420,222,418
Savings Accounts	297,529,421	4,779,400	302,308,821
Time Deposits	11,119,670	9,946,804	21,066,474
	451,173,042	292,424,671	743,597,712

- Deposits that do not carry interest were 466,878,491 Thousand IQD, i.e., (57.1%) of the total deposits, current and demand accounts as at 31 December 2018 (2017: the amount was 420,222,418 Thousand IQD, i.e., (56.5%)).
- the seized and restricted deposits, under the demand of official bodies, were 59,598,405 Thousand IQD, i.e., 7.6% of the total deposits and current accounts as at 31 December 2018 (2017: the amount was 59,598,405 Thousand IQD, i.e., (8%)).
- The comparative figures of the deposit and current accounts were restated, in comparison with last year, by adding the seized and restricted amounts, under the demand of official bodies, to the current accounts instead of other liabilities. In addition, the cash margins accounts were presented in a separate item in a manner that conforms with statement presentation for the year 2018.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

12. Cash Margins

This Item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Margins Against Letters of Credit (LC)	507,029	11,190,573
Margins Against Letters of Guarantee (LG)	11,101,395	10,072,868
Other Cash Margins	654,500	-
	12,262,924	21,263,441

13. Income Tax

A) Income Tax Provision

The movement on the income tax provision is as follows:

	2018 IQD (000)	2017 IQD (000)
Balance at 1 January	3,466,448	6,556,377
Income Tax Paid During the Year*	(3,475,409)	(6,544,715)
Accrued Income Tax	1,275,743	3,454,786
Balance at 31 December	1,266,782	3,466,448

*The difference between the amount of tax due and end-of-year balance shown above is the result of settlement of income tax paid during the year by more than the carried forward balance from previous year, which will be resolved in 2019.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

B) Income Tax

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

	2018 IQD (000)	2017 IQD (000)
Accounting Profit (Loss) before Tax	5,427,845	9,577,266
Non-taxable Profits	(2,938,230)	(911,463)
Non-deductible Profits	4,845,363	13,543,374
Taxable Profit	7,334,978	22,209,177
Accrued Income Tax at Iraqi Statutory Income Tax Rate of (%15)	1,100,247	3,332,053
Accrued Income Tax at Lebanese Statutory Income Tax Rate of (%15)	175,496	122,733
	1,275,743	3,454,786

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

C) Income Tax

Accounting summary of profit (loss) settlement with taxable profit (Iraq branches):

	2018 IQD (000)
Accounting Profit (Loss) before Tax	5,427,845
Non-deductible Expenses	
Donations	6,000
Fines and Compensations	1,825,212
Miscellaneous Provision	1,812,057
litigation Losses	373,591
Employee Taxation	756,262
Profit (Loss) of Baghdad Company for Financial Brokerage	72,241
Total of Non-deductible Expenses	4,845,363
Non-taxable Income	
Rent Income (Subject to Real Estate Tax)	485,132
Cash Distributions from Financial Assets at Fair Value (Profits of Joint Stock Companies)	35,600
Recoverable Income from Previous Years	379,167
Profit from Sale of Fixed Assets Resulting from Governmental Compensations	1,319,367
Beirut Branch Profits (Losses) - Lebanese Republic	718,964
Non-taxable Profits	2,938,230
Taxable Profit	7,334,978
Accrued Income Tax for the General Commission of Taxes at a Tax Rate of %15	1,100,247

* The tax amount was calculated in accordance with the Iraqi tax law, i.e., at 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, i.e., at 17%.

* The Bank paid the accrued income tax amounts until 2016 and received a tax clearance from the General Commission of Taxes. As per the 2017 tax, all disclosed amounts in the 2017 budget were paid in addition to acquiring a receipt from the General Commission of Taxes to document this year's payment. The tax settlement procedures are still being discussed with the General Commission of Taxes in Iraq for these years. As for the Beirut branch, accrued amounts were paid and the tax was settled for the years above. Additionally, the accrued tax for the year ended 31 December 2018 will be paid in 2019.

* Regarding the double taxation The Bank underwent due to the taxation of all its branches operating in the region, although being settled with the General Commission of Taxes, an amount of 2,191,150 Thousand IQD was paid during 2018 and 1,658,758 Thousand IQD during 2017. The Bank recorded these amounts as liabilities on the General Commission of Taxes in Iraq. The Commission was notified of this issue, and The Bank still awaits the Commission's response. The Bank took 2.191 Billion IQD as provisions for these paid amounts, and this amount was rectified in the statement so the payment year which is 2017 in a manner that did not impact The Bank's profits.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

14. Miscellaneous Provisions

	2018 IQD (000)	2017 IQD (000)
Provisions for Contractual Credit	260,854	-
Provisions for Contingent Losses of the Sale and Purchase Window	9,248,094	10,670,878
Litigation Provisions	-	2,320,372
	9,508,948	12,991,250

A) Miscellaneous Provisions

This movement on the miscellaneous provisions is as follows:

	2018 IQD (000)	2017 IQD (000)
Balance at 1 January	12,991,250	10,670,878
Additions (Transfer)	260,854	2,320,372
Recoverable	(3,743,156)	-
Balance at 31 December	9,508,948	12,991,250

* During 2018, and according to the Central Bank of Iraq letter number 9/2/21231 dated 13/9/2018, a fine on The Bank was rejected. The amount of the fine was 10,670,878 Thousand IQD 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 installments. Based on IFRS 8, The Bank took provisions for these amounts from the retained earnings and presented them as miscellaneous provisions, stated as liabilities on The Bank at the total fine cost. Moreover, the 2017 statements were restated including this adjustment.

**During 2017, a lawsuit was filed against The Bank by one the customers, who has a current account in the Erbil branch – Nishtiman claiming that the current account balance of the company is inaccurate and is presented at zero although the correct balance is (2,320,372) Thousand IQD. The Bank lost the lawsuit filed during 2018 and paid the loss amount of (2,641,140) Thousand IQD.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

15. Long-Term Loans

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Iraqi Company for Financing SMEs Loan*	-	851,735
Arab Trade Financing Program Loan	2,379,262	2,332,469
Banque du Liban Loan	2,485,101	2,526,183
	4,864,363	5,710,387

* Based on the items of the labor agreement signed between The Bank and the Iraqi Company for Financing SMEs, the Iraqi Company grants Bank of Baghdad, periodically, provisions of agreed amounts, and in return, The Bank lends these amounts to SMEs within the scope of a trade and development project and the program for supporting the underprivileged groups in Iraq according to the agreement all in return for an interest rate and administrative charges that are collected from these groups. Moreover, The Bank pays administrative charges to the Iraqi Company for Financing SMEs for both loans; the trade and development project at a quarterly charge of 3%, and the program for supporting the underprivileged groups in Iraq at a quarterly charge of 1.5%, provided that the interest rate The Bank charges does not exceed 10%. The Bank fully repaid this loan to the Company's account at the end of 2018.

**Based on the items of the Arab Trade Financing Program signed between The Bank of Baghdad, Beirut branch, and Arab Trade Financing Program, 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. In return, The Bank finances the post-export and pre-export credit in return for a letter of guarantee from the Burgan Bank at an interest rate as shown in the table below, subject to change according to the time period 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 2018

16. Other Liabilities

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Certified Checks	15,348,889	15,376,447
Balances and Compensations of Deceased Clients	5,066,298	5,049,439
Dividends Payable	2,733,933	3,049,036
Cash Margins to Others	1,310,983	882,016
ATM Services Payables	959,128	393,321
Accrued Expenses	890,813	1,052,357
Customer Outward Transfers Balances	815,649	3,549,160
Currency Position	726,501	807,073
Accounts Payables	510,334	321,213
Amount Received for Companies Registration	457,188	1,504,833
Accrued Stamps Fees	136,425	41,292
Accrued Interest	144,165	129,755
Other	3,406,812	729,619
	32,507,118	32,885,561

17. Capital

The fully paid-in capital comprises 250 Billion shares (2018: 250 billion shares) at a cost of 1 IQD per share (2017: 1 IQD).

18. Reserves

- Statutory Reserve

According to the Iraqi Companies Law, a (minimum) rate of 5% is deducted from the annual income after taxes as a statutory measure. The accumulated amounts of this account are not allowed to exceed 50% of The Bank's capital. Furthermore, it is not allowed to distribute the statutory reserve or any resulting proceeds to shareholders. It is allowed however to continue deducting with the approval of the General Assembly of The Bank and provided that the statutory reserve does not exceed 100% of The Bank's capital.

- Voluntary Reserves

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

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

19. Interest Payable

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Consumer Facilities (Retail)	2,576,060	4,619,999
Loans and Bills	2,536,768	4,595,092
Current Accounts Receivable	39,292	24,907
Companies Facilities	4,800,615	9,109,490
Loans and Bills	4,240,586	5,840,284
Current Accounts Receivable	560,029	3,269,206
Balances with Central Banks	744,107	640,950
Balances and Deposits with Banks and Financial Institutions	3,101,058	3,716,297
	11,221,840	18,086,736

20. Interest Expenses

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Savings Accounts	4,757,488	4,755,025
Time Deposits Accounts	686,732	1,227,678
	5,444,220	5,982,703

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

21. Net Commission Income

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Bank Transfers' Commissions	14,206,973	9,929,048
Direct Credit Facilities Commissions	42,229	18,930
Indirect Credit Facilities Commissions	1,320,133	1,851,976
Customer Accounts Management Commission	2,965,051	2,820,149
Other Commissions	2,011,554	2,264,087
Total Commissions Payable	20,545,940	16,884,190
Commissions Receivable	(4,329,319)	(2,307,252)
	16,216,621	14,576,938

22. Net Foreign Currency Profits

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Profits from Purchase/Sale of Currency	8,083,578	20,630,202
Profits from Valuation	65,406	-
	8,148,984	20,630,202

23. Investment Income

	2018 IQD (000)	2017 IQD (000)
Governmental Bonds Guaranteed by the Government	3,706,310	4,321,327
Government Bonds - Iraq	2,096,397	2,711,414
Government Bonds - Lebanon	1,609,913	1,609,913
Treasury Bills or Guaranteed by the Government	184,867	1,148,106
	3,891,177	5,469,433

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

	2018 IQD (000)	2017 IQD (000)
Cash Dividends from Financial Assets at Fair Value Through Comprehensive Income	35,600	227,062
	35,600	227,062
Total Income from Investment	3,926,777	5,696,495

24. Other Income

	2018 IQD (000)	2017 IQD (000)
Income Recoverable from Previous Years	379,167	206,823
Profits and Compensations from Property and Equipment	1,319,367	8,770
Real Estate Rent	485,132	85,350
Revenue from telephone, post, and swift	102,476	155,729
Other income	211,857	9,746
	2,497,999	466,418

25. Employees' Expenses

This item consists of the following:

	2018 IQD (000)	2017 IQD (000)
Employees' Salaries and Benefits	8,825,940	8,056,376
Employees' Bonuses	3,840,967	4,898,158
Bank's Contribution to Social Security	867,709	864,876
Employee Income Tax*	782,676	907,107
Employee's Insurance	2,016	-
Employee's Training	41,287	33,888
	14,360,595	14,760,405

*For Iraq's branches, the employee's income tax is (756.262) Thousand IQD, and (26.4414) Thousand IQD for Beirut's branches.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

26. Other operating Expenses

	2018 IQD (000)	2017 IQD (000)
Penalties and Compensations	1,825,212	989,639
Rents and Services	1,197,059	750,977
Professional and Consulting Services	450,737	236,673
Maintenance	2,462,945	1,120,233
Advertising	28,021	7,360
Communications and Internet	226,915	119,483
Non-employees Benefits	50	808
Tax and Duties	521,844	4,170,467
Fuel Expense	174,613	221,749
Transportation	928,116	422,115
Subscriptions, Licenses and Fees	882,319	2,422,811
Stationery	161,599	206,082
Legal Services	214,845	210,690
Water and Electricity	238,028	214,441
Donations	6,000	-
Supplies and Services	1,889,738	1,194,197
Written-off litigation Claims	373,591	-
Hospitality	44,045	41,192
Audit fees*	148,754	158,870
Insurance	272,832	247,676
Traveling Expense	699,676	724,091
Other	91,557	123,916
	12,838,496	13,583,470

*The auditors' fees in Iraq were estimated at 100 Million IQD, and the remaining amount represents the auditors' fees of the Beirut branch.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

27. Earnings per Share

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

	2018 IQD (000)	2017 IQD (000)
Net Profit for the Year	4,152,101	6,161,414
Weighted Average of the number of Shares (000)	250,000,000	250,000,000
	Fils/Dinar	Fils/Dinar
Basic Earnings per Share from the Year's Profit*	017/0	025/0

* No cash dividends were distributed to the contributors for the fiscal year ended 31 December 2018.

28. Cash and Cash Equivalents

	2018 IQD (000)	2017 IQD (000)
Cash and Balances with Central Bank Due Within 3 Months	612,061,251	505,021,279
Add: Due from Banks and Other Financial Institutions Within 3 months	57,639,486	132,821,873
Less: Due to Banks and Other Financial Institutions Within 3 Month	(4,212,164)	(4,401,481)
Restricted Balances	(56,395,428)	(100,494,968)
	609,093,145	532,946,704

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

29. Transactions with related parties

The Bank considers the major shareholders, higher management, and companies that have significant share of ownership as 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:

Financial position statement Items	Subsidiaries of Major Shareholders and Relatives	Shareholders, Directors and Associates	Executive Management	Other Parties	2018	2017
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets:						
Credit Facilities, Net	-	-	-	-	-	-
Due From Banks and Other Financial Institutions				119,026,638	119,026,638	178,536,860
Fixed and Other Assets*	5,637,030	3,947,116	-	-	9,584,146	9,777,733
Liabilities:						
Due to Banks Financial Institutions	-	-	-	641	641	641
Customers' Deposits	5,921,260	3,333,039	-	-	9,254,299	5,345,594
Cash Margins	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-
Off Financial position statement items						
Letters of Guarantee	-	-	-	16,892,268	16,892,268	15,725,059
Income Statement Items:						
Interest and Commissions Income	1,838	8,156	-	2,270,768	2,280,762	2,609,559
Interest and Commissions Expenses	(53,220)	(39,620)	-	-	(92,840)	(61,924)
Other Income	-	3,600	-	-	3,600	3,600
Operating Expenses	(1,433,284)	-	-	-	(1,433,284)	(1,351,563)
Employees' Salaries and Benefits	-	-	(1,084,763)	-	(1,084,763)	(1,077,994)

* Fixed and other assets represent the overall contracts signed with related parties, the impact of which is apparent on the financial position statement, although these contracts were signed before 2017.

**Other related parties represent the overall transactions with subsidiary banks of Al Borgan Bank Group in addition to banks owned to one of foundations of Kipco's - Kuwait Projects Company (Holding).

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

30. Fair Value of Financial instruments:

The Bank uses the following order of valuation methods and replacements 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 the fair value are observable directly and indirectly and are derived from market information.
- Level 3: Other techniques, where inputs with significant impact on the fair value are used, but not derived from observable market information.

The following table illustrates the breakdown (analysis) of financial instrument recorded at fair value according to the abovementioned hierarchical order:

	Level 1 IQD (000)	Level 2 IQD (000)	Level 3 IQD (000)	Total IQD (000)
2018				
Investments in Associates	549,981	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	827,234	-	3,839,084	4,666,318
2017				
Investments in Associates	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	837,247	-	3,839,084	4,676,331

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

As The Bank uses the historical cost of fixed assets in its statements, the assets valuation process was not conducted according to the fair value. Moreover, there might be significant difference between the fair value and the book value of the financial assets and liabilities that are represented at book value on and off the financial position statement when applied.

32. Risk Management

The board of directors is responsible for the risk management general policies and for approving risk management strategies. The Risk Management Committee is the responsible body for developing a risk management strategy and applying the risk structure and its principles and limits in the group. Furthermore, the committee is responsible for making risk management decisions, identifying the acceptable levels of risks as well as reporting any potential risks to the board of directors.

The Department of Risk Management is responsible for applying standard risk management procedures to ensure that The Bank is keeping independent audit operations. Additionally, the department works in proximity with and reports to the Risk Management Committee to ensure that the standard procedures conform with the standard risks structure.

The Bank manages different banking risks with diverse means. There is a documented plan that identifies risks and means of facing and mitigating them. Risks resulting from normal circumstances

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

are measured based on the statistical measurement models that studies risk possibilities 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 potential scenario's tests of high-pressure and unexpected circumstances but might occur.

Credit Reisk and Risk of Concentration of Assets and Liabilities

Credit risks are risks that might arise from default of or inability of the other party of the financial instrument to commit to their obligations towards 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. Further, The Bank monitors credit risks and evaluates the customer's credit situation and receives 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 region; Iraq and the Lebanese Republic.

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

	2018 IQD (000)	2017 IQD (000)
Financial Position Statement Items:		
Cash with Central Bank	529,275,533	439,628,727
Due from Banks and Financial Institutions	176,639,486	251,821,873
Direct Credit Facilities – Net:		
Retail	44,204,463	43,618,719
Corporates	117,750,263	125,960,489
Investments in Associates	549,981	-
Financial Assets at Fair value Through the Other Comprehensive Income	4,666,318	4,676,331
Financial Assets at Amortized Cost	85,843,310	89,188,152
Other Assets	27,606,027	20,823,604
Total Financial Position Statement Items	986,535,381	975,717,895
Off financial position statement itms		
Letters of Guarantee	60,243,376	54,279,768
Letters of Credits	443,815	11,770,629
Total off financial position statement items	60,687,191	66,050,397
Total in and off financial positions statement items	1,047,222,572	1,041,768,292

The table above represents the maximum credit risks limit of The Bank as at 31 December 2018, 2017 without taking the guarantees or other credit risks mitigation techniques into consideration. As for the financial positiuon statement items, the abovementioned exposure is based on the credit presented in the financial positiuon statement.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

2. Credit exposures are classified by the level of the risk as at 31 December 201 according to the following table:

	Retail	Corporates	Government and Public Sector	Banks and Other Financial Institutions	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018					
Low Risk*	4,668,586	-	87,837,524	649,519,591	742,025,701
Acceptable Risk**	19,914,484	29,960,045	3,043,140	63,048,639	115,966,308
Past Due:					
Up to 30 Days	28,403	-	-	-	28,403
From 31 Up to 60 Days	9,275	-	-	-	9,275
Watch list	8,908	-	-	-	8,908
Non-Performing:					
Substandard	54,519,646	107,391,441	-	-	161,911,087
Doubtful	405,453	1,752,943	-	-	2,158,396
Loss	68,291	43,058	-	-	43,058
	54,045,902	105,595,440	-	-	159,641,342
Total	79,102,716	137,351,486	90,880,664	712,568,230	1,019,903,096
Less: Interest in Suspense	(3,144,354)	-	-	-	(3,144,354)
Credit Impairment Provision	(12,377,690)	(17,845,671)	-	-	(30,223,361)
Net	63,580,672	119,505,815	90,880,664	712,568,230	986,535,381

* 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 credit deposited in governmental banks and the central bank in the Kurdistan region were classified within the acceptable risk assets due to being deposited in governmental banks.

	Retail	Corporates	Government and Public Sector	Banks and Other Financial Institutions	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2017					
Low Risk*	124,452	-	89,188,152	590,955,632	680,268,236
Acceptable Risk**	29,073,713	40,584,290	2,142,105	100,494,968	172,295,076
Past Due:					
Up to 30 Days	1,088,484	12,850,982	-	-	13,939,466
From 31 Up to 60 Days	1,212,936	485,291	-	-	1,698,227
Watch list	3,383,628	-	-	-	3,383,628
Non-Performing:					
Substandard	52,731,980	103,327,184	-	-	156,059,164
Doubtful	501,065	111,433	-	-	612,498
Loss	2,863,721	1,376,878	-	-	4,240,599
	49,367,194	101,838,873	-	-	151,206,067
Total	81,930,145	143,911,474	91,330,257	691,450,600	1,008,622,476
Less: Interest in Suspense	(2,575,904)	(26,530)	-	-	(2,602,434)
Credit Impairment Provision	(12,377,690)	(17,924,455)	-	-	(30,302,145)
Net	66,976,551	125,960,489	91,330,257	691,450,600	975,717,897

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

As for distributing the fair value of the provided guarantees in return for facilities (risk mitigators), the values related to the provided guarantees in return for credit facilities were not updated, but were presented at contractual value due to the difficulty of obtaining the fair value of these assets at the preparation date of the financial statements. The impact of these guarantees was taken according to that when calculating credit provisions. The table below presents customer guarantees individually and according to the guarantee value at the credit granting date.

	Retail	Corporate	Government and Public Sector	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018				
Low Risk*	7,221,813	-	-	7,221,813
Acceptable Risk**	1,016,625	1,563,200	-	2,579,825
Past Due:				
Up to 30 Days	25,000	-	-	25,000
From 31 Up to 60 Days	-	-	-	-
Watch List	-	-	-	-
Non-Performing:				
Substandard	162,583,905	207,236,853	-	244,982,329
Doubtful	234,000	5,726,000	-	5,960,000
Loss	1,057,600	169,000	-	1,226,600
Total	131,876,145	105,919,584	-	237,795,729
Total	141,406,183	113,377,784	-	254,783,967
Gold Margins	7,081,813	-	-	7,081,813
Real Estate	134,324,370	113,377,784	-	247,702,154
Total	141,406,183	113,377,784	-	254,783,967

3. Credit exposures are classified by level of risk as at 31 December 2017 according to the following table:

Geographical Region	Inside Iraq	Outside Iraq (Middle East)	USA	Total
Item	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cahs at Central Bank	523,368,141	5,907,392	-	529,275,533
Due from Banks and Financial Institutions	13,120,220	146,790,005	16,729,261	176,639,486
Direct Credit Facilities - Net	132,874,379	29,080,347	-	161,954,726
Retail	44,204,463	-	-	44,204,463
Corporates:				
Corporates	88,669,916	29,080,347	-	117,750,263
Investments in Associates	549,981	-	-	549,981
Financial Assets at Fair value Through Other Comprehensive Income	4,666,318	-	-	4,666,318
Financial Assets at Amortized Cost	61,449,699	24,393,611	-	85,843,310
Other Assets	26,191,085	1,414,942	-	27,606,026
Total 2018	762,219,823	207,586,297	16,729,261	986,535,381
Total 2017	684,984,709	273,544,277	17,188,909	975,717,895

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

4. Credit exposure concentration based on economic sectors according to the following table:

Economic Sector	Financial	Commercial	Industrial	Real State and Constructions	Agricultural	Services	Retail	Governmental and Public Sector	Total
Item	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cash at Central Bank	529,275,533	-	-	-	-	-	-	-	529,275,533
Due from Banks and Financial Institutions	176,639,486	-	-	-	-	-	-	-	176,639,486
Direct Credit Facilities – Net	-	39,334,186	19,476,031	58,701,420	-	238,626	44,204,463	-	161,954,726
Investments in Associates	549,981	-	-	-	-	-	-	-	549,981
Financial Assets at Fair Value	3,191,345	-	79,096	-	766,420	629,457	-	-	4,666,318
Financial Assets at Amortized Cost	-	-	-	-	-	-	-	85,843,310	85,843,310
Other Assets	2,911,885	879,698	-	-	-	-	18,777,090	5,037,354	27,606,027
Total 2018	712,568,230	40,213,884	19,555,127	58,701,420	766,420	868,083	62,981,553	90,880,664	986,535,381
Total 2017	694,651,958	40,213,884	27,765,353	58,701,420	766,420	868,083	61,420,520	91,330,257	975,717,897

Market Risks

Market risks are risks that cause the fair value or cash flows of financials instrument to fluctuate due to change in market rates such as interest rates, currency rates and share prices. Market risks arise as a result of positions open in 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, currency risks, and risks of change in share prices.

Sensitivity analysis method 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.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

1. Interest Rate Risk

The Bank thrives to secure financing to meet its long-term investments with fixed interest rates as much as possible in order to face any changes in interest rates of cash sources. The Bank also carries out short-term investments to meet any potential changes.

Sensitivity of income statement, with the effect of virtual potential changes, is represented by interest rates on The banks profit for ion year, and is calculated on financial assets and liabilities that carry changing interest rate as at 31 December 2018.

Sensitivity of equity items is calculated through revaluation of 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 virtual changes in interest rates. The total sensitivity of shareholders' equity is built on the assumption of the existence of parallel transformation in the yiled curve.

	Change (Increase) In interest Rate	Sensitivity of Interest Income IQD (000)	Sensitivity of Share- holders' Equity IQD (000)
2018/ Sensitivity of Interest Rates			
Currency			
Equalized US Dollar	2%	514,000	-
IQD	2%	(142,000)	
Total Impact		372,000	
2017/ Sensitivity of Interest Rates			
US Dollar equivalent	2%	830,948	
IQD	2%	(80,065)	
Total Impact		750,883	

Should there be a negative change, the impact becomes equal to change above with switching the sign. The numbers illustrate the absence of any significant impact of the change in interest rates of The Banks.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

2. Currency Risks

Foreign Exchange Risks are risks that change the value of the financial instrument due to change in foreign currency rates. The IQD is considered the main currency of the Bank. The board of director sets restraints (limits) on the financial position statement for each currency at the Bank. The foreign currency position is monitored daily and hedge strategies are followed to ensure the position stays within the set limits.

The investment policy states that positions with main foreign currencies can be taken, provided that the total financial position of all currencies does not exceed 40% of the basic and backup capital. In addition, these positions are monitored daily. It is allowed to use advanced market instruments to hedge against exchange rates risks within constraints (limits) that protects The Bank from being exposed to further risks.

The table below illustrated the impact of potential changes in the IQD exchange rate compared to foreign currencies on the income statement, with all other impactful variables remaining fixed.

	Change in Currency Exchange Rate	Impact on Profits or Losses	Impact on Shareholders' Equity
		IQD (000)	IQD (000)
2018			
Currency			
US Dollar	5%	2,599,290	-
Euro	5%	68,548	-
Lebanese Pound	5%	831,050	-
Total		3,498,888	-
2017			
Currency			
US Dollar	5%	2,461,761	-
Euro	5%	3,803	-
Lebanese Pound	5%	196,770.13	-
Total		2,662,334	-

Should there be a negative change, the impact becomes equal to change above with switching the sign. There are no significant risks resulting from the change in exchange rate of other currencies due to the small size of transactions in those currencies.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

3. Shar Pric Risk

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 region and economic sectors. As per the investments in shares owned by The Bank, part of it is listed in the Iraq Stock Exchange, and the other part is unlisted, where impact on these shares will take place at a rate of 1% regarding the sensitivity of profits and losses, and 5% regarding the impact of change in shareholders' equity, as all of these investments are available for sale.

	Change in Index	Impact on Profits and Losses	Impact on Shareholders' Equity	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018				
Investments available for sale	1%	356	-	356
	5%	-	261,000	261,000

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

	Change in Index	Impact on Profits and Losses	Impact on Shareholders' Equity	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2017				
Investments available for sale	1%	2,152	-	-
	5%	-	153,257	-

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

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

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

4. Interest Repricing Gap

The classification is based on the interest repricing or accrual periods whichever is closer.

	Less Than 1 Month	1 Month to 3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Items with No Interest	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018							
Assets:							
Cash and Balances at Central Bank	50,000,000	-	-	-	-	562,061,251	612,061,251
Deposits with Banks and Financial Institutions	5,098,749	-	-	119,000,000	-	52,540,737	176,639,486
Direct Credit Facilities, Net	1,165,972	386,609	1,476,198	2,272,846	29,939,775	126,713,326	161,954,726
Investments in Associates	-	-	-	-	-	549,981	549,981
Financial Assets at Fair Value	-	-	-	-	-	4,666,318	4,666,318
Financial Assets at Amortized Cost	-	-	41,912,106	19,537,593	24,393,611	-	85,843,310
Property and Equipment, Net	-	-	-	-	-	42,968,467	42,968,467
Intangibles	-	-	-	-	-	1,248,991	1,248,991
Other Assets	-	-	-	-	-	27,606,026	27,606,026
Total Assets	56,264,721	386,609	43,388,304	140,810,439	54,333,386	818,355,097	1,113,538,556
Liabilities:							
Due to Banks and Financial Institutions	-	-	-	-	-	4,212,164	4,212,164
Customer Deposits	324,192,781	1,390,387	3,333,281	6,378,599	-	446,878,491	782,173,539
Cash Margins	-	-	-	-	-	12,262,924	12,262,924
Income Tax Provision	-	-	-	-	-	1,266,782	1,266,782
Miscellaneous Provisions	-	-	-	-	-	9,508,948	9,508,948
Long Term Loans	-	2,379,262	-	-	2,485,101	-	4,864,363
Other Liabilities	-	-	-	-	-	32,507,118	32,507,118
Total Liabilities	324,192,781	3,769,649	3,333,281	6,378,599	2,485,101	506,636,427	846,795,838
Interest Repricing Gap	(267,928,060)	(3,383,040)	40,055,023	134,431,840	51,848,285	311,520,765	266,544,813
2017							
Total Assets	114,759,601	42,246,517	813,684	154,681,116	56,569,047	721,517,480	1,090,587,445
Total liabilities	302,308,821	4,213,295	8,426,590	8,426,589	-	500,940,986	824,316,280
Interest Repricing Gap	(187,549,220)	38,033,222	(7,612,906)	146,254,527	56,569,047	220,576,494	266,271,165

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

5. Risk of Foreign Currencies Concentration

Item	US Dollar	Euro	Lebanese Pound
2018			
Assets			
Cash at Central Bank	204,456,280	110,522	2,692,319
Balances at Banks and Financial Institutions	159,189,870	1,981,487	2,443,194
Direct Credit Facilities, Net	77,678,440	148,358	8,505,052
Investments in Associates	-	-	-
Financial Assets at Fair Value	-	-	-
Financial Assets at Amortized Cost	24,393,810	-	-
Property and Equipment, Net	760,410	-	187,021
Intangibles	-	-	225,243
Other Assets	8,184,947	218	50,422
Total Assets	474,663,757	2,240,585	14,103,251
Liabilities:			
Due to Banks and Financial Institutions	1,079,330	405,344	-
Customer Deposits	409,717,000	79,280	120,447
Cash Margins	8,753,640	-	62,362
Income Tax Provision	-	-	166,535
Miscellaneous Provisions	-	-	-
Long Term Loans	2,451,400	-	2,413,142
Other Liabilities	11,288,255	273,725	315,222
Total Liabilities	433,289,625	758,349	3,077,708
Net Concentration on Financial position statement	41,374,132	1,482,236	11,025,543
Net Concentration off Financial position statement	47,177,550	-	283,374
2017			
Total Assets	544,333,370	227,539	5,692,757
Total Liabilities	400,023,260	283,721	3,082,208
Net Concentration on Financial position statement	144,310,110	(56,182)	2,610,549
Net Concentration off Financial position statement	56,102,550	-	-

Liquidity Risks

Liquidity risk is represented by The Banks inability to secure financing required to meet its commitments at their due dates. To protect itself from these risks, the management diversifies its financing sources, manages assets and liabilities, and adopts their due dates, as well as preserving sufficient cash balance and cash equivalents and exchangeable securities.

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

First: the table below summarizes liabilities distribution (not discounted) based on the remaining contractual due date at the date of the financial statements:

	Less Than 1 Month	1 Month to 3 Months	3 Months to 6 Months	6 Months to 1 Year	1 Year to 5 Years	With no Due Date	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2018							
Liabilities:							
Due to Banks and Financial Institutions	4,212,164	-	-	-	-	-	4,212,164
Customers' Deposits	771,071,272	1,390,387	3,333,281	6,378,599	-	-	782,173,539
Cash margins	881,573	1,329,432	1,952,571	7,580,282	519,066	-	12,262,924
Income Tax Provisions	-	-	1,266,782	-	-	-	1,266,782
Miscellaneous Provisions	356,000	712,000	1,068,000	2,136,000	5,236,948	-	9,508,948
Lon Term Loans	-	2,379,262	-	-	2,485,101	-	4,864,363
Other Liabilities	28,436,487	1,270,146	2,800,485	-	-	-	32,507,118
Total Liabilities	804,957,496	7,081,227	10,421,119	16,094,881	8,241,115	44,217,458	846,795,838
Total Assets	830,402,361	386,609	43,388,304	140,810,439	54,333,386	44,217,458	1,113,538,557
Liquidity Gap	25,800,865	(5,982,618)	34,035,185	126,851,558	51,329,219	-	232,034,209
Aggregated Liquidity Gap	25,800,865	19,818,247	53,853,432	180,704,990	232,034,209	-	-
2017							
Liabilities:							
Due to Banks and Financial Institutions	4,401,481	-	-	-	-	-	4,401,481
Customers' Deposits	722,531,238	4,213,295	8,426,590	-	-	-	743,597,712
Cash margins	881,573	1,329,432	10,953,088	8,426,589	519,066	-	21,263,441
Income Tax Provisions	-	-	-	7,580,282	-	-	3,466,448
Miscellaneous Provisions	-	-	-	3,466,448	10,669,458	-	12,991,250
Lon Term Loans	-	-	-	2,321,792	4,858,652	-	5,710,387
Other Liabilities	28,814,930	1,270,146	2,800,485	851,735	-	11,170,964	32,885,561
Total Liabilities	756,629,222	6,812,873	22,180,163	-	16,047,176	738,103,684	824,316,280
Total Assets	786,800,084	42,246,517	813,684	22,646,846	56,569,047	49,476,997	1,090,587,445
Liquidity Gap	30,170,862	35,433,644	(21,366,479)	154,681,116	40,521,871	-	216,794,168
Aggregated Liquidity Gap	30,170,862	65,604,506	44,238,027	132,034,270	216,794,168	-	-

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

Sector Analysis

A) Bank Activity Information

Sectors are measured based in reports that are used by the authorized manager and the key decision maker of The Bank through 4 main business sectors:

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

	Retail	Corporate	Treasury	Brokerage	Other	Total	
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	2018 IQD (000)	2017 IQD (000)
Total Income	4,801,756	14,028,438	15,920,926	12,382	1,804,499	36,568,001	53,474,086
Credit Facilities Loss	-	(182,070)	-	-	-	(182,070)	(5,062,033)
Profit or Loss	4,801,756	13,846,368	15,920,926	12,382	1,804,499	36,385,931	48,412,053
Non-distributed Expenses	(4,559,090)	(12,383,234)	(13,931,139)	(84,623)	-	(30,958,086)	(38,834,787)
Profit (Loss) before Tax	242,666	1,463,133	1,989,787	(72,241)	1,804,499	5,427,845	9,577,266
Income Tax	(64,660)	(392,120)	(533,263)	-	(285,701)	(1,275,743)	(3,454,786)
Net Profit (Loss) for the Year	178,007	1,071,014	1,456,524	(72,241)	1,518,798	4,152,102	6,122,480
Total Sector Assets	145,767,271	120,104,934	803,448,894	38,814	44,178,643	1,113,538,557	1,090,587,445
Total Liabilities	436,092,652	363,208,173	26,062,019	55,648	21,575,251	846,993,743	824,316,280
Capital Expenses	-	-	-	-	3,609,094	3,609,094	4,134,344
Depreciation	-	-	-	-	1,946,938	1,946,938	1,913,664

B) Geographical Distribution Information

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

	Inside Iraq		Outside Iraq		Total	
	2018 IQD (000)	2017 IQD (000)	2018 IQD (000)	2017 IQD (000)	2018 IQD (000)	2017 IQD (000)
Total Income	31,131,493	48,466,835	5,254,438	5,007,251	36,385,931	53,474,086
Total Assets	888,339,055	809,628,812	225,199,502	280,958,633	1,113,538,557	1,090,587,445
Capital Expense	3,455,693	4,134,344	153,401	-	3,609,094	4,134,344

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

32. Capital Management

The Bank manages the capital structure and carries out necessary amendments to it in light of the changing labor conditions. The Bank did not make any amendments to the goals, policies, and procedures related to the capital structure during the current and past.

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

The main goal of managing a bank's capital is to ensure it is in alignment with the capital adequacy statutes, and hence protecting the contributors' interests in The Bank's assets and supporting the operations of the different bank sectors.

The Central Bank of Iraq issued resolution number 9/3/1747 dated 6/10/2010 which states that all banks operating inside Iraq must have a capital exceeding 250 Billion IQD.

During 2018, there were no changes in The Bank's policies, statutes, and capital management techniques.

Capital Adequacy

	2018 IQD (000)	2017 IQD (000)
<u>Tier 1 Capital</u>		
Paid-in Capital	250,000,000	250,000,000
Disclosed Reserves Adequacy	12,739,773	12,501,371
Retained Profits (Losses)	7,649,644	3,697,095
Non-Controlling Interests	-	1,964,320
Investments in Banks and Financial Institutions	(3,721,920)	(3,392,851)
Treasury Shares	-	(306,478)
Intangibles (Programs and Systems)	(1,248,991)	(2,000,387)
Total Tier 1 Capital	265,418,505	262,463,073
<u>Tier 2 Capital</u>		
Miscellaneous Provisions	260,854	2,320,372
Fair Value Reserve	(3,646,697)	(1,585,146)
Total Tier 2 Capital	(3,385,843)	735,226
Total Tier 3 (1 and 2) Capital	262,032,662	263,198,299
Total Risk Weighted Assets on-Balance Sheet	189,598,439	206,210,455
Total Risk Weighted Assets off-Balance Sheet	17,324,053	20,140,307
Total	206,922,492	226,350,762
Capital Adequacy %	127%	116%

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

32. Analysis of the Accrual of Assets and Liabilities

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

	Less Than One Year IQD (000)	More Than One Year IQD (000)	Total IQD (000)
2018			
Assets:			
Cash and Balance at the Central Bank	612,061,251	-	612,061,251
Cash and Balance at Banks and Financial Institutions	176,639,486	-	176,639,486
Direct Credit Facilities, Net	5,301,625	156,653,101	161,954,726
Investments in Associates	-	549,981	549,981
Financial Assets at Fair Values Through Other Comprehensive Income	-	4,666,318	4,666,318
Financial Assets at Amortized Cost	61,449,699	24,393,611	85,843,310
Property and Equipment, Net	-	42,968,467	42,968,467
Intangibles	-	1,248,991	1,248,991
Other Assets	12,384,422	15,221,605	27,606,027
Total Assets	867,836,483	245,702,074	1,113,538,557
Liabilities:			
Due to Banks and Financial Institutions	4,212,164	-	4,212,164
Costumers Deposits	782,173,539	-	782,173,539
Cash Margins	11,743,858	519,066	12,262,924
Income Tax Provision	1,266,782	-	1,266,782
Miscellaneous Provisions	4,272,000	5,236,948	9,508,948
Long Term Loans	2,379,262	2,485,101	4,864,363
Other Liabilities	32,507,118	-	32,507,118
Total Liabilities	838,752,628	8,241,115	846,993,743
Net	29,083,855	237,460,958	266,544,813

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

	Less Than One Year IQD (000)	More Than One Year IQD (000)	Total IQD (000)
2017			
Assets:			
Cash and Balance at the Central Bank	505,021,280		505,021,280
Cash and Balance at Banks and Financial Institutions	251,821,873		251,821,873
Direct Credit Facilities, Net	34,147,023	135,432,185	169,579,208
Investments in Associates	-	-	-
Financial Assets at Fair Values Through Other Comprehensive Income	-	4,676,331	4,676,331
Financial Assets at Amortized Cost	44,725,190	44,462,962	89,188,152
Property and Equipment, Net	-	47,476,610	47,476,610
Intangibles	-	2,000,387	2,000,387
Other Assets	9,261,083	11,562,521	20,823,604
Total Assets	844,976,449	245,610,996	1,090,587,445
Liabilities:			
Due to Banks and Financial Institutions	4,401,481		4,401,481
Costumers Deposits	743,597,712		743,597,712
Cash Margins	20,744,375	519,066	21,263,441
Income Tax Provision	3,466,448	-	3,466,448
Miscellaneous Provisions	2,321,792	10,669,458	12,991,250
Long Term Loans	851,735	4,858,652	5,710,387
Other Liabilities	32,885,561	-	32,885,561
Total Liabilities	808,269,104	16,047,176	824,316,280
Net	36,707,345	229,563,820	266,271,165

Notes on the Consolidated Financial Statements

For the Year Ended 31 December 2018

32. Contingent Liabilities and Commitments

A) Credit Liabilities and Commitments

	2018 IQD (000)	2017 IQD (000)
Letters of Guarantee	60,243,376	54,279,768
Letters of Credit	443,815	11,770,629
	60,687,191	66,050,397

B) the total operation contracts for the year 2018 were (3,322,398) Thousand IQD per annum and the construction contracts were (IQD 3,475,041) thousand, of which (IQD 2,198,308) are paid and (IQD 1,471,892) are remaining.

33. Lawsuits Filed against The Bank

As at 31 December 2018, there are no significant lawsuits filed against the Bank of Baghdad, and in management's opinion, no provisions need to be created for lawsuits.

Additional Information as Required by the Iraq Securities Commission 2018



Members of the Board of Directors and Senior Executive Management

Major Shareholders' Equity

Board of Directors' Equity

Senior Executive Management's Equity

Branches of Bank of Baghdad

General Organizational Structure

Additional Information as Required by the Iraq Securities Commission 2018

a. Chairman's Statement (pp 6 – 8)

b. Board of Directors' Report (pp 10 – 31)

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
Main	Baghdad Governorate – Karrada Kharej – Near the National Theatre	1992
Al-Sebaa	Baghdad Governorate – Al-Sebaa District – Al-Sebaa Square	1992
Hella	Babil Governorate / Hella – Bab Al-Hussein – Near Iraq Insurance Co.	1992
Al-Mansour	Baghdad Governorate – Al-Mansour 14 Ramadan Str. – Near Al-Mamoun Intersection	1993
Al-Zahraa	Baghdad Governorate – Kathimyaa – Al-Zahraa Str. – Bab Al-Morad Entrance / Al-Qattana Sub-district	1996
Karbala	Karbala Governorate – Al-Baladiyyah District – Al-Trabiya Str. – Opposite Abtal Al-Taff Square	1999
Kirkuk	Kirkuk Governorate – Al-Mohafatha Str. – Opposite the Children Hospital	1999
Al-Hamra	Baghdad Governorate – Al-Shorta Tunnel – Al-Kaneesa Str. – Opposite Mar Yousef Church	2000
Jamila	Baghdad Governorate – Al-Alwa Str. – Opposite Rusafa Power Station	2000
Basra	Basra Governorate – Kuwait Str. – Opposite the Central Market	2001
Baqouba	Diyala Governorate – Takiyya – Near Al-Farouq Mosque	2001
Fallouja	Al-Anbar Governorate – Fallouja – Main str. – Near Fallouja Municipality	2001
Palestine	Baghdad Governorate – Beirut Square – Opposite the street leading to Rusafa Education Office	2002
Mahmoudiyya	Baghdad Governorate – Mahmoudiyya – Opposite the Municipal Council – Qaem Maqamiyya (provincial district) Str. – Near Mahmoudiyya Bus Station	2002
Najaf	Najaf Governorate – Kufa – Opposite Imam Muslim Bin Aqil Shrine	2003
Al-Bayyaa	Baghdad Governorate – Al-Bayyaa – Near Al-Bayya / Hay Ammel Intersection – Al-Bayyaa Showroom	2004
Sulaimaniyya	Sulaimaniyya Governorate – Al-Aqariyya District – Khan Zad Str.	2005
Dahuk	Dahuk Governorate – Al-Khoyoul Square – Next to AsiaCell	2008
Erbil Shorash	Erbil Governorate – 60 Str. – Near Jalil Al-Khayyat Mosque	2008

Diwaniyya	Al-Qadisiyya Governorate – Diwaniyya – Um Al-Khail – Abu Hajjem Mosque	2008
Kut	Wasit Governorate – Corniche – Opposite Kut Hotel	2008
Tikrit	Salahuddin Governorate – Tikrit Sub-district – 40 Str. – Near Al-Azaem Restaurant	2009
Al- Harithiyya	Baghdad Governorate – Al-Harithiyya – Al-Kindi Str. – Baghdad Mall	2009
Um Qasir	Basra Governorate – Um Qasir Area – Near the Water Project	2009
Amara	Maysan Governorate - District (28) - Opposite the Notary Public Department	2009
Nasiriyya	Dhi Qar Governorate – Al-Shibani Str. – Near Al-Shibani Statue	2009
Beirut	Lebanese Republic – Beirut – El Hesen Seaport Area – Daouk Str. Beirut Tower Building	2010
Erbil – City Center	Erbil Governorate – Karazan Rd. – Majdi Mall Complex / within City Center Supermarket	2010
Airport	Baghdad Governorate – Baghdad International Airport	2010
Samawa	Muthanna Governorate – Officers District – Opposite the Blood Bank	2011
Al –Nasr Office	Baghdad Governorate - Green Zone – Al-Kindi Str.	2011
Al-Qurna	Basra Governorate – South Rumaila Field – BP / Basra	2015
Al-Shaab / Mansour Mall	Baghdad Governorate – Al-Mansour – Mansour Mall	2015

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



**Usam Ismail Sharif
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



**Masoud Mahmoud
Jawhar Hayat**
Vice Chairman

Date of Birth: September 11, 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 extensive experience in the regional commercial and investment banking sector and asset management.
- Deputy CEO of the Banking Sector in Kuwait Projects Company Holding (KIPCO) since 2011.
- Banking and Financial Services Development and Supervision Officer in Kuwait Projects Company Holding (KIPCO).
- Worked in 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
- Board Member – 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)



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 - UAS
- 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 worked in 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

Current Memberships

- Board Member and Managing Director – Bank of Baghdad

Previous Memberships

- Board Member and Managing Director – Credit Bank of Iraq
- Board Member and Managing Director – Trade Bank of Iraq



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
- Dean of the Arab Institute of Certified Public Accountants
- Chairman of the Iraqi Association of Certified Accountants

Other Current and Previous Board Memberships:

- Board member – Bank of Baghdad



Saadon Abdullah Hussein **Board Member**

Date of Birth: 2/10/1961
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
- 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)

- Member of the Executive Management of Kuwait Projects Company Holding (KIPCO), and Head of Financial Affairs and Accounting since 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: 26/1/1948
Member since: 2016
Membership Type: Personal

Academic Qualifications:

- Bachelor of Law

Practical Experience

- Board Member of (previously) Trade Bank of Iraq Board
- 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:

- (Currently) Board Member of Bank of Baghdad
- (Previously) Board Member of Trade Bank of Iraq (2006)
- (Previously) Board Member of Baghdad Soft Drinks Co.



Toufiq Jawad Aziz Dajani
Board Member

Date of Birth: 14/8/1955
Member since: 2015
Membership Type: Personal

Academic Qualifications:

- Bachelor of Business Administration / Finance
– University of San Diego – California USA 1978

Practical Experience

40 years of experience in the commercial banking business in a number of local and regional banks in Jordan, Saudi Arabia, Cyprus and Iraq, where he held senior positions, namely:

- Vice CEO – Abu Dhabi Islamic Bank
- Regional Director – Arab Bank - Cyprus
- CEO – Saudi American Bank - Riyadh
- Director – Citibank - Amman

Other Current and Previous Board Memberships:

- Board Member of Bank of Baghdad (2015)
- Chairman of the Association of Commercial Banks – Cyprus (1999)
- Chairman of the Institute of Financial Services – Cyprus (1994)

Executive Management

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: 1/3/1993

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 1/4/2015 to date)
- COO – Bank of Baghdad (12/2/2014 – 31/3/2015)
- Rusafa Branches Manager – Bank of Baghdad (12/6/2012 – 11/2/2014)
- Head of Main Office – Bank of Baghdad (31/12/2008 – 11/6/2012)
- Worked in several positions in the Bank of Baghdad (1998 – 2007)



**Ahmad Tawfiq Khalil
Al-Jada'a Al-Qawasmi**
Chief Financial Officer
(CFO)

Date of Birth: 17/7/1979
Date of Appointment: 23/7/2018

Academic Qualification:

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

Practical Experience:

- CFO – Bank of Baghdad (23/7/2018 to date)
- CFO – Ashur International Bank (12/2013 – 7/2018)
- Studies and Product Development Officer – Bank of Jordan (4/2007 – 11/2013)
- Researcher at the SME Center – Arab Academy for Financial and Banking Sciences (4/2006 – 4/2007)
- Accountant and auditor – Khalifa and Rayyan for Financial Consultancy (2002 – 4/2006)
- Internal Audit Advisor – Jordan Chamber of Industry (2009 to date)
- Advisor to several international and local establishments and companies (2003 to date)



**Khola Abel Redha
Nasralla**
Main Office Manager

Date of Birth: 7/10/1965
Date of Appointment: 1/4/1993

Academic Qualification:

- Bachelor of Arts – University of Baghdad – Baghdad - Iraq

Practical Experience:

- Main Office Manager – Bank of Baghdad (2012 to date)
- Assistant Branch Manager – Bank of Baghdad (2005 – 2011)
- Worked in several positions in the Bank of Baghdad since 1993.



**Rami Hussein Mahmoud
Almubassat**

Chief Credit Officer (CCO)

Date of Birth: 26/2/1972

Date of Appointment: 14/5/2018

Academic Qualification:

- Bachelor of Accounting – University of Baghdad - Iraq

Practical Experience:

- Credit Manager – Bank of Baghdad - Iraq (5/2018 to date)
- Credit Manager – Iraqi Islamic Bank - Iraq (5/2/2018 – 10/5/2018)
- Risk Management Manager – Trust International Islamic Bank – Iraq (8/2017 – 11/2017)
- Risk Management Manager – Ashur International Bank for Investment – Iraq (9/2016 – 7/2017)
- Credit Manager – Ashur International Bank for Investment – Iraq (11/2014 – 8/2016)
- Corporate Relations Manager – National Bank of Iraq - Iraq (11/2013 – 10/2014)
- Corporate Relations Manager – Capital Bank of Jordan – Jordan (4/2011 – 10/2013)
- Credit Rating Manager – Bank of Jordan – Jordan (3/2007 – 7/2010)
- Credit Analyst – Arab Bank – Jordan (12/1994 – 2/2007).



Saher Hameed Mahmoud

**Chief Retail Banking
Officer (CRBO)**

Date of Birth: 18/12/1969

Date of Appointment: 11/3/1995

Academic Qualification:

- Bachelor of Science in Physics – University of Baghdad - Iraq

Practical Experience:

- Chief Retail Banking Officer (CRBO) – Bank of Baghdad (2006 – to date)
- Chief Operations Officer (COO) – Bank of Baghdad (2004 – 2005)
- Worked in several positions in the Bank of Baghdad since 1995.



Murooj Hadi Ridha

**Money Laundering and
Terrorism Financing
Reporting Manager**

Date of Birth: 23/9/1972
Date of Appointment: 30/8/2018

Academic Qualifications:

- Bachelor of Accounting – University of Baghdad - Iraq
- CPA – Arab Institute of Certified Public Accountants – Baghdad - Iraq

Practical Experience:

- Money Laundering and Terrorism Financing Reporting Manager (8/2018 to date)
- Financial Control Manager – Standard Chartered – Baghdad branch (2017 – 7/2018)
- Inspection and Internal Audit Manager – Bank of Baghdad (2015 – 2017)
- Budget Analyst – Accounts Department – UAS Embassy (2010 – 2013)
- Financial Management Advisor in a development project – Administrative Development Org. (2007 – 2010)
- College Professor – Al Turath University College (2004 – 2009)
- Accountant and Auditor – Sajeda Hameed Ahmad Al Anni Office (1997 – 2004).



**Mohammad Adnan
Ahmad**

**Chief Human Resources
Officer (CHRO)**

Date of Birth: 11/12/1956
Date of Appointment: 15/7/2015

Academic Qualifications:

- Bachelor of Public Administration – University of Baghdad - Iraq
- Senior management course – Arab Petroleum Training Institute - Tunisia
- Training and development managers skills development course – Professional Management Expertise Center – Cairo - Egypt
- Middle management development course for personnel managers – Planning and Development Council - Iraq
- Organization and methods for beginners – Planning and Development Council - Iraq

Practical Experience:

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



Samer Raad Enad

Chief IT Officer (CITO)

Date of Birth: 12/12/1975
Date of Appointment: 24/6/2018

Academic Qualifications:

- Higher Diploma in Computer Science / Artificial intelligence – University of Technology – Baghdad - Iraq
- BSc. in Computer Science – Al-Rafidain University College – Baghdad - Iraq

Practical Experience:

- Chief IT Officer – Bank of Baghdad (2018 to date)
- Head of the Issuing & Acquiring Department – Iraq E-Gate for Financial Services / SWITCH (10/2017 – 6/2018)
- Head of the Banking and Technology Development Department – Al Arabiya Islamic Bank (10/2016 – 9/2017)
- IT Manager – Bank of Baghdad (6/2002 – 6/2015).



**Nabil Abdel Horr Toman
Ali Al Jobouri**

**Risk Management
Manager**

Date of Birth: 11/2/1971

Date of Appointment: 3/2015

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

Practical Experience:

- Risk Management Manager – Bank of Baghdad (2015 to date)
- 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
- Researcher and author – Three published research papers and three published articles.



Hend Samir Mohsen

Internal Audit Manager

Date of Birth: 1/9/1977

Date of Appointment: 15/10/2017

Academic Qualifications:

- Master of International Accounting - Northern University Malaysia (Universiti Utara Malaysia) - Malaysia
- Bachelor of Accounting – Al Mustansiriya University – Baghdad - Iraq
- CPA and Auditor – Arab Institute of Certified Public Accountants – Baghdad - Iraq

Practical Experience:

- Internal Audit Manager – Bank of Baghdad (2017 to date)
- Over 16 years of practical experience in accounting and external audit working for several establishments and companies, including Ernst & Young - Iraq

Amal Ahmad Mathlloum**Compliance Manager –
Compliance Controller**

Date of Birth: 5/1978

Date of Appointment: 21/10/2001

Academic Qualification:

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

Practical Experience:

- Compliance Controller – Bank of Baghdad (11/2017 to date)
- Assistant Compliance Controller – Bank of Baghdad (5/2017 – 10/2017)
- Jadriya Branch Manager – Bank of Baghdad (2009 – 4/2017)
- Worked in several positions in the Bank of Baghdad since 2001.

**Raneen Abdel Jabbar
Anwar****Treasury and Investment
Manager**

Date of Birth: 6/10/1979

Date of Appointment: 14/10/2000

Academic Qualifications:

- Diploma in Mathematics and Computer Fundamentals – Baghdad - Iraq
- Several training courses in investment.

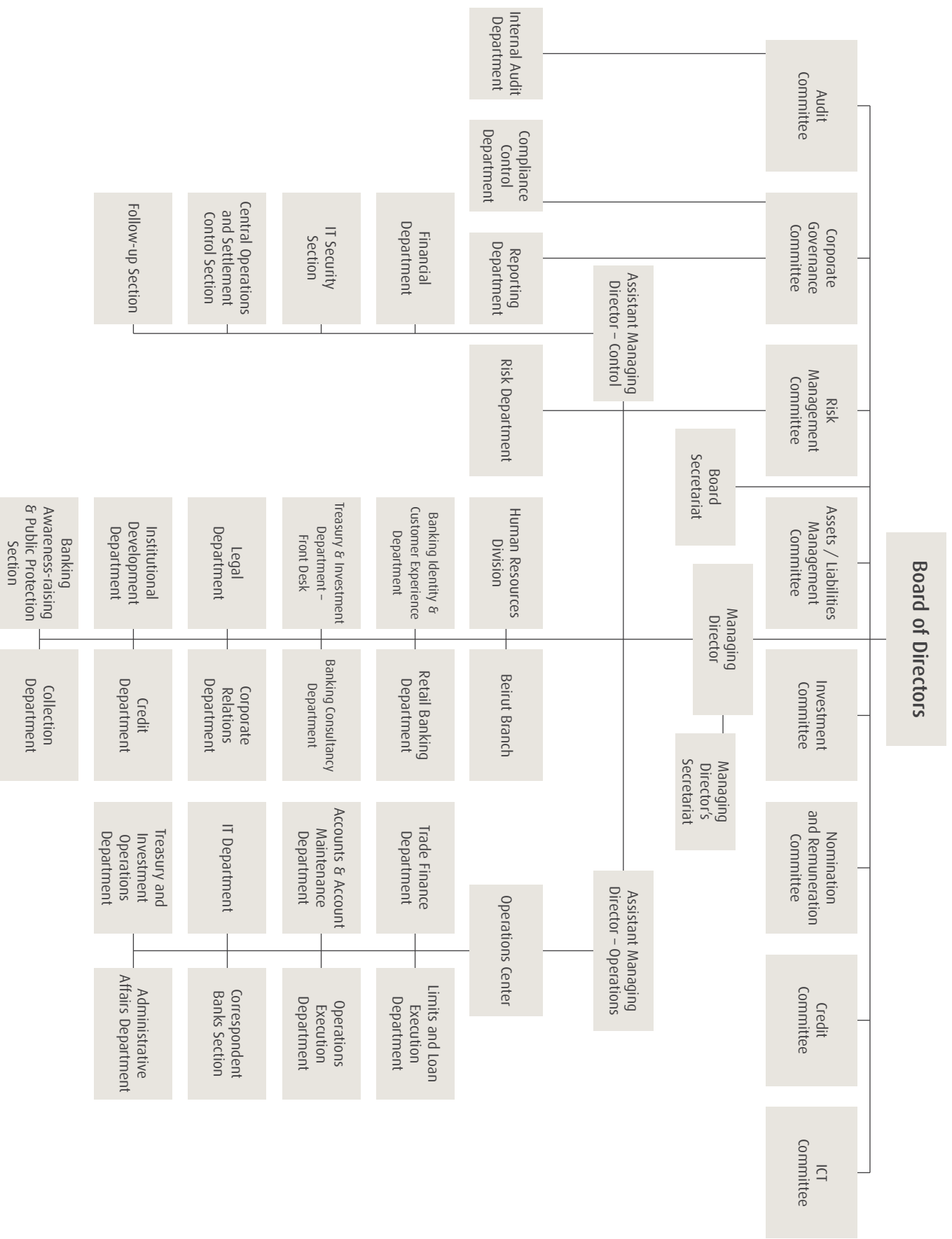
Practical Experience:

- Treasury and Investment Manager – Bank of Baghdad (2015 to date)
- Head of the Credit Cards and ATMs Department – Bank of Baghdad – Iraq (25/9/2012 – 5/10/2015)
- Worked in several positions in the Bank of Baghdad, including Main Office Treasury, Western Union Transfers and ATMs.

4. Major shareholders' equity for 2018 was as follows:

Name of Shareholder	Nationality	Number of Shares	Capital %
Burgan Bank	Kuwaiti	129,478,438,076	51.79%
SANSAR CAPITAL FRONTIER FUND L.P.	American	6,235,293,718	2.49%
IMPERAIRAQ OPPORTUNITIES HOLDING Ltd.	European	4,755,618,182	1.90%
Rajeha Ismail Sahrif	Iraqi	4,605,170,650	1.84%
Hatoon Real Estate Co.	Kuwaiti	3,673,150,000	1.47%
Tahseen Saeed Ali	Iraqi	3,402,112,476	1.36%
Abdel Aziz Kamel Sharif	Iraqi	3,183,084,677	1.27%
Yassin Jomah Hmoud Abbas Al Delaimi	Iraqi	3,000,000,000	1.20%
Ali Nabil Ismail Sharif	Iraqi	2,886,910,088	1.15%
Samir Ismail Sharif Hussein	Iraqi	2,583,853,585	1.03%

5. Neither the Bank nor any of its products or services enjoy any government protection or privileges under laws and regulations or otherwise.
6. 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.
7. The Bank's organizational structure is on the following page.



8. Number and qualifications of Bank's employees:

a.

Qualification	No. of Employees
Doctorate	-
Master	13
Higher Diploma	1
Bachelor	401
Associate Diploma	91
General Secondary	69
Below General Secondary	214
Total	789

b. Training courses' venues in 2018.

Course Venue	No. of Courses	No. of Beneficiaries
In the Bank	17	215
Outside the Bank	34	51
Northern Region	8	28
Outside Iraq	2	7
Total	61	301

c. Course classification by activity, number of courses and number of participants in 2018.

#	Type of Activity	No. of Courses	No. of Participants
1	Information security	1	3
2	Combating money laundering and terrorism financing	11	44
3	Treasury / Currency sale and counterfeiting	3	6
4	Accounting for financial institutions	9	20
5	Central system (BANKS)	4	89
6	Credit	7	52
7	Raising banking awareness and protecting the public	5	5
8	Bank transfers	1	9
9	Direct withholding tax	4	23
10	Letters of guarantee	1	1
11	FATCA	2	8
12	Business continuity management system in the banking sector	2	4
13	Risk management	2	4
14	Electronic payment	1	1
15	Social security payment mechanism	1	15
16	Human resources	2	3
17	Internal audit	1	1
18	Bank branch management	1	2
19	Salary domiciliation	1	4
20	Compliance Officer Training Program	1	2
21	Banking Law	1	5
Total		61	301

d. Names and job titles of employees who received salaries

#	Name	Job title
1	Basil Hossam Al Din Shakir	Managing Director
2	Ahmad Tawfiq Khalil "Al Jada Al Qawasmi	Chief Financial Officer
3	Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director
4	Rami Hussein Mahmoud	Credit Manager
5	Nabil Abdel Horr Toman	Risk Manager

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

	2018 IQD (000)	2017 IQD (000)
Salaries	1,084,763	1,077,994

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 10 – 31); supported with figures and a description of the key incidents experienced by the Bank in 2018.

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 2018.

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 20 – 31).

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 2019 which was separately detailed on pages (10 – 20) and summarized on page (35).

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
Usam Ismail Sharif	Chairman	Iraqi	1,552,676,717
Sharif Usam Ismail	Children	Iraqi	741,117,025
Zaid Usam Ismail Sharif	Children	Iraqi	500,087,858
Hamad Usam Ismail Sharif	Children	Iraqi	803,617,273
Hasan Usam Ismail Sharif	Children	Iraqi	710,314,063
Milda Usam Ismail Sharif	Children	Iraqi	222,796,030
Badra Usam Ismail Sharif	Children	Iraqi	701,890,813
Masoud Mahmoud Jawhar	Vice Chairman	Kuwaiti	2,000
Basil Hossam Al Din Shakir	Board Member (Managing Director)	Iraqi	200,000
Adel Mohammad Al-Hassoon	Board Member	Iraqi	139,900,904
Inaam Hadi Mousa	Wife	Iraqi	10,435,812
Saadon Abdullah Ali	Board Member	Kuwaiti	2,000
Naman Shakir Naman	Board Member	Iraqi	5,000,000
Tawfiq Jawad Al -Dajani	Board Member	Jordanian	2,000

b. Number of securities held by members of the executive management and their relatives:

Name	Capacity	Nationality	No. of Shares
Basil Hossam Al Din Shakir	Managing Director	Iraqi	200,000
Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director	Iraqi	1,256,239
Saher Hameed Mahmoud Al-Bayati	Branches Manager	Iraqi	2,941,179

15. Benefits and allowances received by members of the Board of Directors and senior management:
Benefits and allowances received by members of the Board of Directors in 2018

Amounts in IQD thousand

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)	281,370	26,250	-	307,620
Adel Mohammad Hassoon	Board Member	-	-	-	-
Saadon Abdullah Ali	Board Member	-	-	-	-
Naman Shakir Naman	Board Member	-	-	-	-
Tawfiq Jawad Al-Dajani	Board Member	-	-	-	-
Total		281,370	26,250	-	307,620

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
Total	72,000

b. Advertising and publicity expenses:

Amounts in IQD thousand

Beneficiary	Amount
Various parties	28,021
Total	28,021

c. Travel and hospitality expenses:

Amounts in IQD thousand

Expense	Amount
Travel expenses	570,821
Hospitality expenses	44,045
Total	614,866

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 insurance	250,210,100
2			Procuring the insurance company’s lease contract by the Bank	3,000,000
3	Al-Amin Real Estate Co.	Subsidiary of major shareholders an Board Members	Supervisory consultancy fees – Establishment of Hella branch	77,350,000
			Consultancy fees for Basra branch	77,350,000
			Consultancy fees for Al-Nedal building	77,350,000
			Tikrit branch rehabilitation contract	140,036,779
			Head and Main offices maintenance contract	77,350,000
			A lump sum of 5% deductible from every payment	47,183,598
Total			743,830,477	

b. Audit contracts

Amounts in IQD thousand

Description	No. of Contracts	Annual Contract Value
Farqad Hassan Ahmad Al-Salman Co. - Mr. Zuhair Al-Bahrani	2	100,000
Deloitte - Beirut	1	48,754

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 (20 – 31).

c. Bank's annual financial statements

The Bank's annual financial statements for 2018 audited by Bank's auditor, Farqad Hassan Ahmad Al-Salman and Mr. Zuhair Mahmoud Hussein Al-Bahrani, were included in the second part of the report on page (32).

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 (32)

e. Lawsuits

There is 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

Location	Real Estate No.	Land Value	Land Area	CBI's Ap- proval No.	Comments
Al-Aathamiya	6/273 m 26 Hibat Khaton	1,545,098,250	666,25 m2	5097/3/9	Unutilized land
Sulaimaniyya	107/359, 107/35 and 107/212 M 8 Eblakh	6,022,242,524	1097,03 m2	5379/3/9	Unutilized land
Rusafa	Al-Rusafa Al-Waziriyya 7/7390 M14	720,000,500	480 m2	7979	Unutilized land
Nineveh	Nineveh 14/6/M 41	302,999,999	303,3 m2	20215	Unutilized land
Hella	Hella 3/16 M 38 Mahdiyyat W Krad	1,429,000,000	395,2	-	Unutilized land
Al-Bayyaa	M/Alkhor 3748/19	209,280,000	261,61	9/3/183	Utilized land
Jameela / Sader City	Al-Waziriyya 2979/1M/4	1,200,000,000	600	9/3/188	Utilized land
Rusafa	Al-Batawin / 76/150	358,663,699	915,8	9/3/80	Utilized land
Kathimiyya	Qattana /33/1108	22,593,000	265,8	9/3/9447	Utilized land
Karkh	Al-Dawoudi / 4517/7 M 20	967,600,000	967,6	9/3/9447	Utilized land
Rusafa	175/180	166,957,540	251,75	9/3/1509	Utilized land
Baghdad / Mahmoudiyya	36/426	15,000,000	203,79	9/3/901	Utilized land
Fallouja	816/9	10,320,000	285,75	9/3/98	Utilized land
Diyala	Takiyya 76/371	47,466,250	264	9/3/1461	Utilized land
Nineveh	Sheikh Abu Al-Alaa 17/4	3,750,000	165,45	9/3/9447	Utilized land
Kirkuk	M 9/108/66 Sari Kahiya	750,000,000	606	9/3/1102	Utilized land
Erbil Shorash	Warsh 46/51/17	1,700,000,000	724,54	9/3/573	Utilized land
Dahuk	6/1 M 81 Dahul North	700,000,000	301	9/3/1447	Utilized land
Muthanna	23/14 M 4 West Samawa Gradens	237,870,000	264,3	9/3/899	Utilized land
Lebanon	Division 6 Property 1401 Beirut / Huson area	4,025,600,000	600	9/3/234	Utilized land
Basra	47/668	96,000,000	122,87	9/3/1562	Utilized land
Kut	2915/1 M 39 Hora	-	274,8	9/3/2145	Utilized land
Erbil Nashtman	3/364 M 45 Warsh	2,025,666,000	355	9/3/392	Utilized land
Total			22,557,009,000		


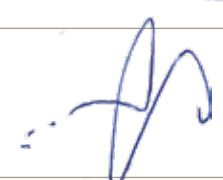


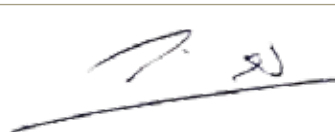


2. Real estate

#	Location	Real Estate No.	Real Estate Value	CBI's Approval No.	Comments
1	Al-Bayyaa	M/Alkhor 3748/19	304,405,815	183/3/9	Building / Utilized
2	Jameela / Sader City	Al-Waziriyya 2979/1M/4	398,599,196	188/3/9	Building / Utilized
3	Rusafa	Al-Batawin / 76/150	921,618,152	80/3/9	Building / Utilized
4	Kathimiyya	Qattana /33/1108	29,834,475	9447/3/9	Building / Utilized
5	Karkh	Al-Dawoudi / 4517/7 M 20	922,090,909	9447/3/9	Building / Utilized
6	Rusafa	175/180	288,513,836	1509/3/9	Building / Utilized
7	Baghdad / Mahmoudiyya	426/36	85,396,487	901/3/9	Building / Utilized
8	Fallouja	9/816	54,144,990	98/3/9	Building / Utilized
9	Diyala	Takiyya 76/371	74,311,151	1461/3/9	Building / Utilized
10	Nineveh	Sheikh Abu Al-Alaa 17/4	60,497,239	9447/3/9	Building / Utilized
11	Kirkuk	M 9/108/66 Sari Kahiya	130,923,000	1102/3/9	Building / Utilized
12	Erbil Shorash	Warsh 46/51/17	3,200,000,000	573/3/9	Building / Utilized
13	Dahuk	1/6 M 81 Dahul North	600,000,000	1447/3/9	Building / Utilized
14	Muthanna	14/23 M 4 West Samawa Gradens	521,350,000	899/3/9	Building / Utilized
15	Lebanon	Division 6 Property 1401 Beirut / Huson area	1,985,523,055	234/3/9	Building / Utilized
16	Basra	668/47	127,108,100	1562/3/9	Building / Utilized
17	Kut	1/2915/ M 39 Hora	344,817,666	2145/3/9	Building / Utilized
18	Erbil Nashtman	364/3 M 45 Warsh	2,705,541,762	392/3/9	Building / Unutilized
Total			2,754,675,83		

g. Representations

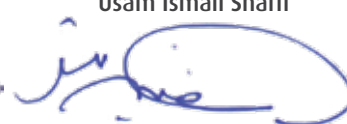
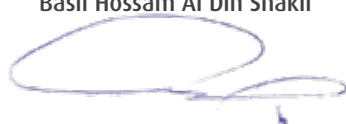
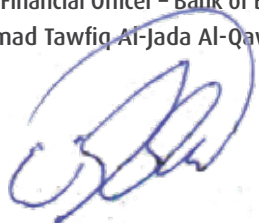
In accordance with the disclosure instructions issued by the Securities Commission:

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 2019.
2. The Board of Directors of the Bank of Baghdad hereby acknowledges its responsibility for the preparation of the financial statements for the year 2018, 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	
Tawfiq Jawad Al-Dajani	Board Member	
Basil Hossam Al Din Al-Dhahi	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 2018.

Chief Financial Officer – Bank of Baghdad Managing Director – Bank of Baghdad Chairman – Bank of Baghdad
Ahmad Tawfiq Al-Jada Al-Qawasmi Basil Hossam Al Din Shakir Usam Ismail Sharif



Audit Committee's Report for 2018

Audit Committee's Report

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

The Audit Committee is pleased to submit its annual report to this assembly in compliance with the provisions of Article (24) of the Banking Law No. (94) for 2004.

1. Having reviewed the Bank's consolidated financial statements for 2018, 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.
2. The Committee has examined the Bank's activity-based budget for 2019 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.
3. The Committee continued its efforts to develop the executive management's performance, which focused on:
 - a. Assigning the executive departments to academically and technically qualified personnel with management competencies to improve their performance. This has been done for the (finance, risk management, internal control, money laundering, credit and electronic calculators) departments. However, there are still important departments in need for qualified and appropriate leadership to manage them.
 - b. Following up on the progress of the Bank's information systems development projects, which are (12) ongoing projects with varying rates of completion, the most important of which is the Centralized Information project (the Banking System) and the preparation of the data center in the headquarter, in addition to other projects relating to the implementation of specialized banking systems for combating money laundering, provisions and clearing, as well as ensuring the completion and implementation of all these systems according to the approved schedule, noting that there is a delay in completion, which requires addressing its causes.
 - c. Following up on the executive management's efforts to fulfil the requirements of corporate governance in the Bank.
 - d. The Executive management's implementation of the employee performance appraisal mechanism for 2018, and submitting the results to the Nominations Committee.
4. The Committee continued to review the periodic reports submitted to the Central Bank and the comments contained therein, and to implement the directives issued regarding the same.
5. The Committee continued to monitor compliance with the laws, regulations, instructions and controls on money laundering in accordance with the directives of the Central Bank, and expressed its satisfaction with the level of compliance in this regard. In particular, the Committee emphasized the full compliance with the provisions of the Anti-money Laundering and Financing of Terrorism Law No. (39) for 2015, and the due diligence measures taken by financial institutions towards customers.
6. The Committee has reviewed the Annual Internal Audit Plan for 2019, 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 reviewed the Employee Training Plan for 2019 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 monitored the status of the Bank's investment portfolio, and recommends the following:
 - a. To re-present a recommendation to the General Assembly at its next meeting to write off the total investments of the bank in the company of the Isle of Sindbad for Tourism, Baghdad Al Salam Company for Food Industries and Modern Construction Materials Company, totaling IQD (6,127,326), because they are no longer listed in the Iraq Stock Exchange and their status cannot be determined after the change of the regime in 2003 despite the management's efforts in the search for a source of information about their current situation.
 - b. Efforts should be exerted to follow up on the conditions of Al Rafidain Grain Company and Industrial Union for Generators to inform a decision to dispose the investment in them for not achieving any return for a long time.
9. The Committee stresses the need to accelerate the executive management's procedures to increase the rate of collection of the non-performing debts of IQD (160) billion as of 31/12/2018 guaranteed by real estate for the value of IQD (308) billion, and to create a provision for of potential losses for the amount of IQD (30) billion.
10. The Committee recommends the assignment of the certified accountant (Saad Rasheed Jassim) and reassignment of the certified accountant (Zuhair Mahmoud Hussein Al Bahrani) to audit the Bank's accounts for 2019 as per the List of Fees approved by the Board of Accounting and Auditing.



Chairman of the Audit Committee
Adel Mohamed El Hassoon, CPA
28/2/2019