



مصرف بغداد
Bank of Baghdad

ANNUAL REPORT



The artworks pictured on the cover and section dividers are created by the late artist Mohammad Ghani Hekmat

Nicknamed “Sheikh of Sculptors”, Mohammad Ghani Hekmat is an Iraqi sculptor born in Al Kadhimiyah neighborhood of Baghdad in 1929 and died in 2011. His passion for art began at the age of four, and later he joined the Institute of Fine Arts in Baghdad and graduated in 1953, then travelled to Rome to pursue his studies and received a diploma in sculpture in 1955 and a diploma in medal making from Lazka Institute in 1956. He then moved to Florence to specialize in bronze casting, and received a degree in this field in 1961. Mohammad joined the Institute of Fine Arts in 1962 to be the first professor of sculpture in the history of Iraq.

Muhammad Ghani Hekmat was creative in all fields of fine art in general, but his creativity was particularly evident in sculpture, and his sculptures are seen in the squares of Iraq and many Arab and other capital cities. Looking closely at his sculptures, we notice how he was clearly influenced by Sumerian sculptures, and how, in his own way, he managed to incorporate Assyrian, Babylonian and Acadian styles into his works.

Mohammad Ghani Hekmat designed many statues and murals in Baghdad. His main works include the statue of Shahryar and Scheherazade and Kahramana monument in central Baghdad. He also made the Statue of Ishtar Sheraton, the Statue of Hammurabi, the Statue of Ali Baba and the Forty Thieves, the mural of the City of Medicine, the statue of the poet Abu Tayyeb Al Mutanabbi and many other distinctive works of art, for which he received many national and international awards.

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 2019.

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

Tel.: 009647802841905 | 009647739283002

E-mail: info@bankofbaghdad.com.iq

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 wellbeing and success of all our customers, our country and our worldwide partners.

Our Values

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

Contents

Page Number

Board of Directors	4
Chairman's Statement	6
Directors' Report 2019	10
Consolidated Financial Statements for the Year Ended 31 December 2019	21
Financial Statements and Auditor's Report	34
Additional Information as Required by the Iraqi Securities Commission 2019	96
Governance Report	124

Board of Directors

Chairman

Mr. Usam Ismail Sharif

Vice Chairman

Mr. Masoud Mahmoud Jawhar

Board Members

Mr. Adel Mohammad Al-Hassoon

Mr. Saadon Abdullah Hussein

Mr. Naman Shakir Naman

Mr. Ghassan Ahmad Saleem (as of 20/7/2019)

Mr. Tawfiq Al-Dajani (until 19/7/2019)

Managing Director

Mr. Basil Hossam Al Din Shakir

Auditors

Mr. Zuhair Mahmoud Hussein Al-Bahrani

Mr. Saad Rasheed Jassim





Chairman's Statement



In the name of Allah the Most Beneficent, the Most Merciful
Dear shareholders of the Bank of Baghdad,

On behalf of the board of Directors of the Bank of Baghdad, I am pleased to present to our valued shareholders the annual report of Bank of Baghdad Group, in which we reviewed the Group's key results and achievements in 2019, looking forward to more progress toward a brighter future in which we succeed in turning challenges into opportunities and difficulties into success stories.

In 2019, the Bank continued more than 25 years of success in which the Group was able to provide its shareholders and customers with the best services.

You are all aware of the challenges that the Iraqi economy has experienced during the third quarter of 2019, and the economic challenges faced by the economies of the various countries where Bank of Baghdad Group operates, which affected the performance of all economic sectors. However, the improved security and political conditions by the end of the third quarter, and the growth in the energy sector, namely oil, had a positive impact on Iraq's economy.

Economically, this stability and growth of the energy sector affected economic growth which, according to the IMF's statistics, exceeded its expected (3.9%) in 2019, in addition to the expected decrease in budget deficit by (2.1%) and decrease in indebtedness to (47.4%) of GDP. Nonetheless, the unemployment rate was still very high and was expected to reach (14%) by the end of 2019. Furthermore, the government issued a set of legislations and regulations enhancing the investment environment, and the regulatory authorities implemented appropriate measures to increase job opportunities and economic growth; as the Central Bank launched a number of initiatives to support SMEs and, consequently, create jobs, in addition to supporting the housing and industrial sectors and directing the banking sector to increase its credit offerings by setting investment limits. As for the monetary policy, the Central Bank managed to maintain the IQD to USD exchange rate.

As for the leading role of the Central Bank of Iraq, it promoted investment in developing electronic payment methods by directing banks to activate mobile electronic services, automate all payment processes and enhance corporate governance and IT governance.

On the technical front, the Central Bank of Iraq issued its regulations on implementing IFRS 9, which will have a material impact on the quality of assets in the Iraqi banking sector, in addition to the regulations regarding capital adequacy in accordance with Basel III; which will be adopted and fully implemented in 2020.

In terms of economic outlook, Iraq is facing two challenges in 2020; namely: Security stability depending on the political events in the country, and the COVID-19 pandemic. These events affect the Iraqi economy which is expected to encounter a decline in economic growth in 2020 due to the negative impact on macroeconomic factors and state budget deficit.

Dear Shareholders,

When reviewing the Bank's performance in 2019, based on Bank of Baghdad Group's understanding of the challenges and effects of certain measures enforced by regulatory authorities on sources of funds and revenue, as well as our understanding of the surrounding environment and economic conditions in Iraq, we made it our priority to maintain the Bank's positive results within acceptable risk levels; as the Bank was able to achieve a positive growth in all financial indicators, under these circumstances, compared to the previous period and proved its strength and ability to benefit from challenges and turn them into opportunities.

In 2019, Bank of Baghdad Group achieved a strong financial position and was able to grow and demonstrate outstanding performance levels compared to the rest of the sector and the same period of the previous year. Total assets at the end of the year increased by IQD (1,132,744,205) thousand with a (1.7%) increase compared to the end of 2018, shareholders' equity increased by IQD (6,898,705) thousand to IQD (273,641,424) thousand, with a (2.6%) increase, and the return on equity reached (2.7%).

In terms of utilization of sources of funds, the Bank maintained a high liquidity ratio to meet the changing conditions in the Iraqi market, as its statutory liquidity ratio reached (76.4%), while LCR and NSFR which reached (217%) and (211%), respectively, in addition to seeking to improve the quality of these assets by collecting and structuring the Bank's credit portfolio and continuing to offer credit

facilities to low-risk sectors and collecting non-accrual loans. In terms of assets, and in order to invest the Bank's cash surplus, practical steps were taken to implement the Board's directions to enhance low-risk investments with an acceptable return by depositing USD (100) million for future investment purposes, in addition to continuing to cover (100%) of other doubtful assets by provisions.

As for sources of funds, customer deposits reached IQD (801,174,857) thousand with an increase of IQD (19,001,318) thousand (2.4%) compared to the end of the previous year; thus meeting customers' financing requirement and the Bank's liquidity needs.

As for net shareholders' profit, the Bank's financial results show a net profit of IQD (7,298,604) thousand compared to IQD (4,152,102) thousand in the previous year, increasing by IQD (3,146,502) thousand (75.8%); as a result of the increase in the Bank's total revenue by (9.1%) due to the increase in net commission and profit from foreign currency exchange by IQD (4,038,258) thousand and IQD (2,168,681) thousand respectively (19.6% and 26.6% respectively), in addition to the decrease in the Bank's total expenses by IQD (2,464,520) thousand (8%) to IQD (28,493,566) thousand.

Dear Shareholders,

The Banks is fully aware of the rapid changes in the banking business environment driven by the fourth industrial revolution, particularly in technology, as confirmed by the early events of the current year, as well as the outbreak of the COVID-19 pandemic; which resulted in the emergence of new business models that drove the banking sector towards digital investment to deal with the new unconventional forms of competition and meet the requirements of the new generation of customers. To this end, the Bank will implement the Mobile Banking Applications and SMS System projects, in addition to investing in systems in order to automate and develop all Bank's operations.

As for administrative and organizational achievements, the Bank continued to upgrade its procedures and regulatory environment by developing and adopting its finalized new organizational structure in line with the Bank's aspirations and vision to reflect its compliance with the Corporate Governance Manual issued by the Central Bank of Iraq. The Bank also started adopting and implementing a series of policies and procedures that will facilitate business and services. In terms of technology and communication systems, a centralized banking system was adopted, 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 customer's requirements, the bank has completed the deployment and development of its distribution channels, by opening new branches and starting the rehabilitation of Tikrit and Hella branches to be relocated in 2020 and acquiring a site for, and starting the construction of, the New Headquarter Building to meet the aspirations of the upcoming stage, in addition to expanding the electronic distribution channels in terms of ATMs, where the bank has (61) operating ATMs and plans to increase them to (76) next year. As for products, the Bank introduced several programs to meet the needs of customers, including the Personal Loan for Gold Program and Employee Loan Program, in addition to the development of card services.

Dear Shareholders,

Finally, I would like to extend my thanks to you, the members of the Board of Directors and Bank's customers for their continued trust and support in order to help the Bank achieve and maintain its leading position in the Iraqi Market, as well as the administrative team and all employees of the Bank of Baghdad for their dedication and continuous giving. 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 2019



Activities and Achievements 2019

Analysis of the Financial Position and Business Results in 2019

Objectives of the Future Plan for 2020

Directors' Annual Report on Bank's Activities

During the Year Ended 2019/12/31

Following is the report of the Board of Directors of your bank (Bank of Baghdad) on the Bank's activities during the year ended 31/12/2019, 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 2019

Throughout 2019, the Bank continued to enhance its leading position in the Iraqi banking market by introducing new banking services and developing existing services to increase customers' satisfaction and improve their banking experience. The Bank simplified its procedures and upgraded and automated its processes to make it easier to its customers to carry out banking transactions. The Bank also kept pace with technological advances in terms of systems and programs and electronic distribution channels. The Bank always strives to enhance its operating efficiency by focusing on process automation and increasing its investment in alternative distribution channels for digital transformation purposes.

In terms of sources and utilizations of funds, the Bank will continue to balance risk and profitability and utilize said sources more efficiently in order to maximize profits.

In 2019, the Bank implemented part of its strategic plan as per its main components which focus on developing the Bank's operations and technology and structuring and developing retail and corporate services by carrying out a number of projects aimed at improving Bank's services in line with the developments in the banking industry. The participating departments implemented the strategic plan and reflected it in their respective operating plans for 2019. Furthermore, the organizational structure was fully implemented in a manner that meets the Bank's aspirations for the upcoming stage, in addition to the investment in, and development of, the Bank's human resources by providing them with training and enhancing their management competencies.

As part of its strategic plan, the Bank also started a set of projects that will cause a qualitative shift in the services offered, including launching the BOB Mobile project, updating and upgrading the customers' database and implementing IFRS 9 and reflecting it in shareholders' equity, in addition to redistributing certain branches in Iraq.

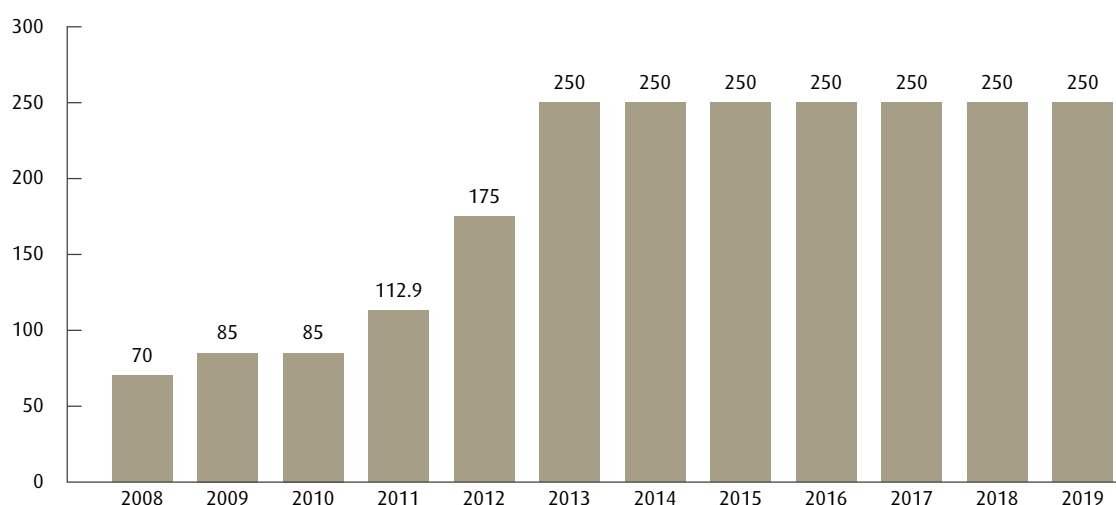
Financially, the Bank improved its key financial ratios and asset quality and maintained its competitive position in the Iraqi Banking sector, despite the uncertainty prevailing in Iraq during the last quarter of the year which affected the Iraqi banking sector in particular leading to a decline in economic growth. Thanks to its hedging policy which balances profitability and risk and focuses on increasing its asset quality, the Bank was an exception as its profits improved as total revenue increased and expenses decreased.

As for the Bank's assets and liabilities, asset quality was improved by creating provisions and continuing to decrease non-performing credit facilities on one hand, and increasing the Bank's market share of customer deposits which increased along with cash margins compared to the same period of the previous year, on the other.

Overall, the Bank's performance was in line with market performance, as the highest possible revenue was achieved with the lowest risk possible under the current circumstances and the need to meet the financing and banking needs of the various economic sectors.

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 of excellence and leadership, by continuing to develop its products and services and electronic systems, redeploying its distribution outlets and developing electronic distribution channels. As for its capital base, the Bank has been working since its establishment on enhancing this base in line with the expansion of its banking activities, in addition to meeting the requirements of the Central Bank of Iraq and legislative authorities in the countries where it operates.

Paid-up Capital



Financial Results

In light of the economic challenges and developments in Iraq and the Region, the Bank's financial results reaffirm its ability to achieve profit even under difficult economic conditions and unfavorable market requirements. These results were reflected in the maintenance of key financial ratios within the requirements of the regulatory authorities; as the capital adequacy ratio increased to (64%), statutory liquidity ratio reached (76.4%) and LCR and NSFR reached (217%) and (211%). In the same context, the non-performing facilities to total facilities ratio dropped to (79,7%) compared to (82%) at the end of 2019.

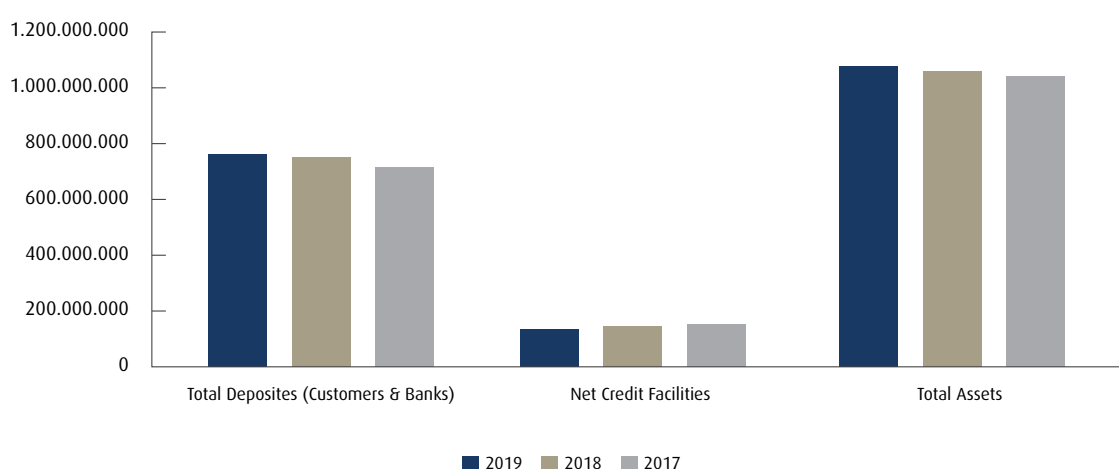
The Bank's financial results in 2019 reflected the above in profitability, as the Bank achieved a net profit before tax of IQD (10,837,194) thousand compared to IQD (5,427,845) thousand in the previous year, while, the net profit after tax reached IQD (7,298,604) compared to IQD (4,152,102) in the previous year; increasing by IQD (3,146,502) thousand (75.8%) due to the growth in net revenue from commission and net profit from foreign currency exchange by IQD (3,643,608) thousand and IQD (2,168,681) thousand respectively (22,4% and 26.6% respectively), in addition to the decrease in the Bank's total expenses by IQD (2,464,520) thousand (8%) to IQD (28,493,566) thousand..

Furthermore, the Bank's total assets as at the end of 2019 increased by (1.7%) from IQD (1,113,538,558) thousand at the end of the previous year to IQD (1,132,744,205) thousand at the end of 2019, while the Bank's equity – Bank shareholders' equity increased by IQD (6,898,705) thousand to IQD (273,641,424) thousand; with a growth rate of (2.6%). The return on average shareholder equity reached (2.7%) and the return on Bank's assets reached (0.6%) as at the end of 2019; as the Bank increased these rates by transforming assets into income-generating assets and disposing of non-productive assets. The Bank also calculates provisions for said assets in 2020 by implementing IFRS 9.

Evaluation of Financial Position Items

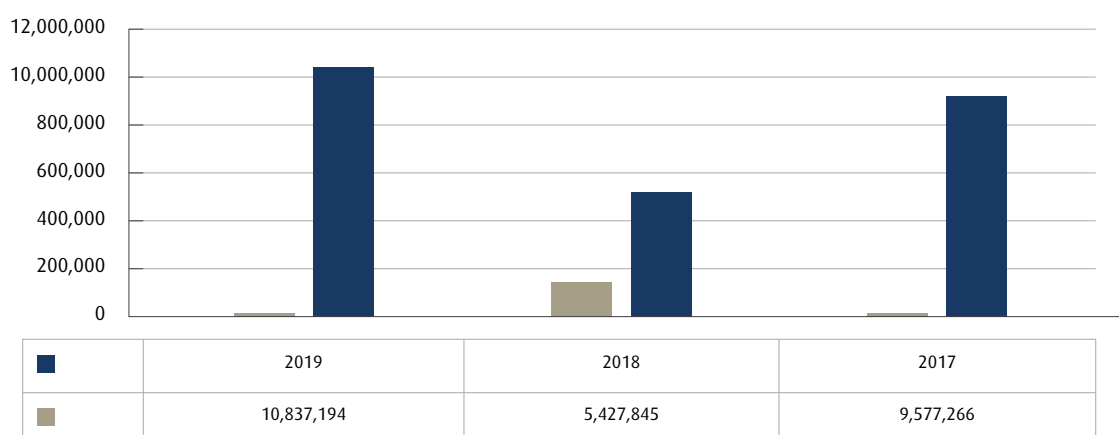
As for sources of funds, customer deposits reached IQD (801,174,857) thousand with an increase of IQD (19,001,318) thousand (2.4%) compared to the end of the previous year; supported by the increase in current and fixed deposit accounts by IQD (23,441,655) and IQD (5,398,309) respectively (4.98% and 17.9% 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, in addition to collecting non-accrual loans; thus reducing the credit portfolio by (7.6%) to IQD (149,602,718) thousand.



As for the main items of the income statement, total income reached IQD (39,887,680) thousand; growing by IQD (3,319,679) thousand at the rate of (9.1%) compared to the previous year 2018. Net operating revenue from interest and commissions reached IQD (25,011,204) thousand accounting for (62.7%) of total income, interest and dividends from investment reached IQD (3,986,665) thousand and foreign exchange profit reached approximately IQD (10,317,665) thousand. As for total expenses, the Bank was able to achieve efficiency in managing assets and controlling expenses; as expenses dropped by IQD (2,464,520) compared to 2018.

Evolution of Bank's Profit before Tax



Bank's Products and Services

Bank of Baghdad continued to offer and develop its financial services and various products to its customers in the retail and SME and large enterprises sectors, in addition to its investment activities, in line with the aspirations of its customers and its strategic plan; by utilizing its available resources for future growth. In 2019, in terms of market and customers, the Bank developed and launched a number of banking products and services and redeploying its branches and distribution outlets. As for operations, the Bank moved to a centralized banking system, developed and automated transfer services and created and reorganized certain divisions and departments to improve its internal control system, as well as efficiency and management, and reduce customer service time. As for human resource, the Bank worked on developing and dividing its organizational structure into the three main categories of operations, supporting activities and business sector, in addition to investing in human resources through training and recruitment, in order to provide an outstanding work team to provide the best level of service to Bank's customers.

Retail Services

In 2019, the Bank continued its development processes to improve the products and services offered to retail and corporate business sectors in line with the Bank's strategic aspirations and customers' requirements; by introducing and developing several products and services, including the private sector personal loans program under which loans up to IQD (50) million with an up to (60) months repayment periods and at competitive interest rates are granted to borrowers without sureties. As for government customers, the Bank introduced a loan product with a maximum amount of IQD (25) million and a repayment period of up to (48) months. As for the development of retail products, the Bank updated the Personal Loan for Gold program by increasing the maximum loan amount to IQD (20) million and the maximum repayment period to (12) rather than (6) months at competitive interest rates. Furthermore, this product was activated in southern governorates, in addition to Baghdad branches. The Bank also improved its lending procedures to ensure quick and accurate processing of all products.

Furthermore, the Bank has been keen on keeping pace with technological advances in the banking industry and its continuity. With respect to cards and ATMs, in addition to 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, the Bank made the necessary preparations in 2019 to print Internet PIN numbers internally to ensure quicker services, in addition to contracting a local service provider to manage cards and ATMs. The Bank also added the USD withdrawal service to (32) ATMs in various governorates to service customers; setting the Bank apart from all other banks as it continues to lead the way in terms of such developments. 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 2020, the Bank is planning to launch the Auto Loan program once the relevant study is completed and the relevant terms are developed, if the current situation and circumstances stabilize, 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 safe and secure manner.

Corporate Services

As part of its strategic plan, the Bank of Baghdad has been striving to strengthen its cooperation with major organizations in all business sectors (communication, food trade, auto trade, cement industry and other contracting projects) by increasing the banking services and products provided to existing enterprises, in addition to attracting many new enterprises, which increased the Bank's liabilities

and commission revenue; despite the uncertainty and challenges that prevailed in the country in the last quarter of 2019. Therefore, the Corporate Banking Department was established last year and staffed with personnel who are qualified to manage and develop businesses and meet customers' requirements and needs in a professional, effective and timely manner and provide them with the best banking services and solutions.

As for financing the MSE sector in Lebanon, despite the economic conditions in Lebanon, 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 2019, the Bank completed 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. The Bank also opened Al-Rashid Hotel Office and Dahouk office, and rehabilitated, renovated and opened the Main Office and Fallojah branch. As for the 2020 branching plan, the Bank will open and move Hella and Najaf branches to their new locations, open the UAS Consulate Branch in Irbil and open Tekrit branch which was constructed and rehabilitated in 2019. In the same context, the Bank signed a contract to purchase its new headquarter building on Al-Nedal Street in Baghdad, and started the relevant construction and development works which are expected to be completed within the next three years. The Bank also signed a contract to establish Mosul branch. These branches and this redistribution will serve the Bank's customers and reach its new target groups.

Electronic and Digital Communication Channels

The Bank strives to excel in its services, provide state-of-the-art digital solutions and improve its customers' experience in line with the latest developments in this field. To this end, the Bank continued to keep pace with the latest developments in electronic payment channels by updating its website and adding new ATM locations. 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 transactions. The Bank also participated in the Buna project launch workshop regarding the establishment of an automated clearing house between Arab countries, as the regional clearing house is expected to be activated in 2020.

As for electronic and digital communication channels, the Bank will work on updating and developing its electronic payments services by purchasing cash deposit ATMs from NCR International and introducing prepaid cards, as well as the Virtual Card and Contactless NFS services via ATMs, and issuing EMV Contact and Contactless cards, in addition to joining the electronic collection project through its ATMs to assist its customers and meet their aspirations. As for its electronic outlets, the Bank increased them in 2019 to (61) ATMs at excellent locations to serve all groups of community, and is expected to further increase them to (76) ATMs by the end of 2020. The Bank also launched its BOB Mobile project which is expected to be completed and rolled out before the end of 2020.

Organizational Methods and Technological Resources

Driven by its belief in the importance of upgrading its procedures, organizational environment and technology bases in order to be the leading bank in the Iraqi banking sector, the Bank completed these aspects of its strategic plan in order to achieve its long-term objectives through development, human resources, technological systems and business environment related measures.

In 2019, the Bank continued a set of projects and action programs in terms of organization, processes and technology infrastructure; in order to improve and ensure customer service levels in branches and departments.

In terms of developing its organizational environment, the Bank amended the organizational structure taking into account the comments on the implementation of the previous structure, which was approved by the Board in line with the requirements and aspirations of the next phase, in addition to amending existing committees in accordance with governance requirements and CBI's instructions by adding Board committees; thus bringing their number to (5), namely: The Audit Committee, Governance Committee, Risk Management Committee, Senior Committee and Nomination and Remuneration Committee; in order to comply with the Corporate Governance Manual and increase the Bank's control efficiency. In addition, several departments were developed and others were established or merged in line with the best management practices so as to improve the Bank's business and develop its service environment. In this context, the Credit Limits and Activation Department, Documentation Division and Data Updating Division were activated and developed, the Operations Center was activated and departments were linked to relevant divisions.

As for working mechanisms, many policies; procedures and mechanisms were amended and updated, including separating the compliance policy from money laundering, establishing the procedures for the credit cycle and associated departments, namely credit implementation and documentation. As for the centralization of operations in branches, the expenses procedures were approved so that they can be centralized, in addition to cancelling financial movements, developing the reporting policy; thus enhancing the control procedures. Furthermore, the Audit Charter was prepared and approved together with the charters of various Board committees, in addition to updating the Corporate Governance Manual. It is worth mentioning that the Board of Directors is committed to the best corporate governance practices and pays its utmost attention to implementing corporate governance principles in line with the banking environment and governing legislation.

In 2020, the Bank will continue the centralization of operations by turning branches into sale and customer service centers, in addition to the centralization of all accounting and executive processes within Main Office departments, including the centralization of expenses and budgets. The Bank will also develop its control procedures and systems in branches.

In 2019, 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 the operation of the Bank's Data Center in Iraq in accordance with the latest international standards and in compliance with CBI's instructions, in addition to implementing the centralized version of the banking system (BANKS) which was completed and implemented in the business environment by mid-2019. In another context, the Bank's website interface was developed.

As for electronic security and protection, the Bank implemented CSP standards relating to SWIFT and continued to implement Kaspersky version (10.3). In terms of systems, in the (RTGS & ACH) connection project, the preparation stage was completed by providing all the technical requirements and moving to the pilot stage. This connection will accelerate processes, reduce cost and improve service quality and is expected to be completed and rolled out in the first quarter of 2020. In addition, the selectors of special processes in incoming foreign transfers in BANKS system were developed and automatically connected to the SWIFT system such that the process is carried out automatically as per said selectors and in accordance with the money laundering regulations.

Furthermore, certain special scenarios were developed and implemented within the SIRON system for money laundering; to increase active control of suspicious indicators that may be detected by the system and connect them to the Bank's system.

In future, the Bank will further develop its electronic services to help improve performance and quality; by implementing the Mobile Banking Application and SMS System projects which will allow customers to benefit from a wide range of banking services in a timely and accurate manner, in addition to being promptly informed of all movements. These two systems are expected to be fully implemented by mid-2020. The Bank will also implement systems that improve the BULK Salary payment system, and work on a set of systems that help develop the Bank's business and enable an empowering environment that will give momentum to the Bank's future objectives as set out in its strategic plans; on top of which is the implementation of the Provisions, Credit Bureau and Fixed Assets systems, as well as connecting the KYC & FACTA system to the banking system and connecting the Electronic Archiving and Risk Assessment systems to the Banking system; systems which provides greater flexibility, high levels of compliance and timely and accurate retrieval of information.

As for IT governance, the Bank is planning to complete its application next year. As for cards, the Bank is currently working on moving the centralized card printing project to Iraq, start printing online banking PINs in the Bank and select a local contractor to manage card and ATM services.

In terms of risk management, the Bank manages its risks based on the risk management strategy drafted by the Risk Management Committee and approved by the Board of Directors. This strategy defines potential risks and describes ways for addressing them and mitigating their impact within the general framework of risks based on the best international and national banking standards, norms and practices. Key risks to the Bank include credit, liquidity, market and operational risks. The Risk Management Department reports periodically to the Board of Directors and relevant Board committees on all aspects of risk. The Bank of Baghdad seeks to balance risk with potential revenue by developing policies and procedures to help identify and analyze the risks encountered by the Bank. This includes approving various risk levels based on the Bank's risk appetite. Risk management practices are the key to the Bank's effective management of its capital.

The Risk Management Committee of the Board of Directors is responsible for supervising the management of the Bank's risk management framework and monitors the performance of the Bank within the Bank's risk appetite. The Committee reports to the Board of Directors on all aspects of risk management. One of the main focuses of risk management at the Bank of Baghdad is to enhance the risk management framework and promote the risk culture within the Bank by involving all employees in risk identification and reporting under the concept of "Three Lines of Defense", which identifies the risk management roles at each functional level of the Bank. Under this concept, managers of departments and divisions ("Risk Owners") are the first defense line since they are responsible for the risk identification and reporting. The second line of defense is the Risk and Compliance departments; responsible for evaluating the risk impacts and providing recommendations on the acceptance, mitigation, avoidance or transference of the risk impact based on the risk appetite approved by the Board of Director. Being the third defense line, the Internal Audit Department is responsible for providing a confirmation to the Board of Directors on the compliance of the Bank's risk management

and evaluation with the risk policy and procedures approved by the Bank. The Bank also implements the risk appetite framework in accordance with international best practices that determine the Bank's risk limits. The Bank also has an integrated set of comprehensive risk policies that aim to measure, manage and mitigate the risks that the Bank is exposed to; supported by a set of quantitative and qualitative tools and tests.

Realizing the various challenges imposed by the changing and strict legislative systems of the work environment, the Bank focuses on complying with all regulations and legislations issued by the competent authorities. It is also keen on integrating its compliance policy into its daily operations as part of the culture of its employees in order to protect its reputation and promote its credibility with all stakeholders. Under this framework, the Bank, in 2019, continued to implement preventive and precautionary measures to be protected against legal or international sanctions. The implementation of compliance policy in the Bank also depends on main procedures. To that end, the bank checks the compatibility of the compliance controlling policies and procedures with local and international regulations on combating illegal activities and the updated international blacklists, promotes the compliance culture among all Bank's employees by holding workshops and training courses in different functions, especially the employees of the Front Line; preparing informative brochures and issuing specific circulars that aim to introduce the employees to this aspect; especially with regard to the KYC and the due diligence and regularly provides the Auditing Committee of the Board of Directors with the necessary reports and recommendations.

With respect to internal audit, the organizational structure of the Department was updated, the audit charter was revised and approved and internal audit policies and procedures and the Department's audit programs were developed.

Social Responsibility:

The Bank continued its role in social responsibility and community support by responding to CBI's initiative for donating a monthly sum to the Community-based Initiatives Fund (TAMKEEN); in order to support the local community, catering for youth and children and provide support for humanitarian and cultural cases. These sums were contributed to the Baghdad Gate project, rehabilitation of the Artists Association, rehabilitation of Basra and Virgin Mary churches, supporting Baghdad International Book Fair and many other activities.



Network of Correspondent Banks

As for correspondent banks, this year the Bank maintained its network of correspondent banks worldwide, bringing the number of its correspondent banks to (10) banks worldwide, in order to cover all its foreign activities; particularly in the field of documentary credits and transfers.

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

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

Human Resources

Based on its understanding that its human resources and qualified banking competencies are the main pillar of customer service, and 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 2019, specialized training courses related to job duties and requirements were held both in-house and outside the Bank, providing training to (301) employees.

Based on its strategy of developing its human resources, the Bank continued to recruit Iraqi and Arab competencies to manage businesses and transfer their expertise to Bank employees in accordance with international standards. The total number of employees in our Bank and all its branches as at the end of 2019 reached (793) employees, including (775) employees in Iraq and (18) in Beirut branch.

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

#	Job Grade	Total	Percentage (%)
1	Employees	474	59%
2	Tellers	90	11%
3	Guards	152	20%
4	Workers	77	10%
Total		793	100%

Analysis of the Financial Position And Business Results for 2019

Assets

The Bank's assets increased by IQD (19,205,648) thousand at a growth rate of (1.7%) reaching IQD (1,132,744,205) thousand compared to IQD (1,113,538,558) thousand in 2018, as the Bank improved the quality and type of its assets and maintained balance between profitability and safe investment, while avoiding high-risk investments, which will improve its future profitability indicators, balance profitability with risk, provide the necessary cash liquidity to deal with financial liabilities of various maturities, and enable optimal use of available funds in an efficient and effective manners by maintaining a solid financial position, achieving growth in the Bank's revenue generation capacity and maintaining its financial liquidity indicators.

By analyzing the relative materiality of asset items, we find that the Cash (cash and balances with central banks and banks) and net credit facilities and other assets items account for (86.5%) of total assets with (61%), (13.2%) and (12.3%) respectively.

By reviewing and analyzing the cash item, we find that it dropped by (12.4%) to IQD (98,186,872) thousand compared to the end of the previous year as a result of depositing IQD (119) Billion as prepayments for investment purposes and presenting the same in other assets. Cash and cash and balances with central banks dropped by (9.9%) to IQD (551,316,536) thousand and balances with banks and banking institutions decreased by IQD (37,442,158) 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 (7.6%) due to the Bank's activation of the collection of outstanding debts and continuous collection of its dues from borrowers; as the Bank managed to collect and structure over IQD (30) billion of the credit portfolio. In addition, interest for the sum of IQD (8,215,140) thousand were suspended during the year and IQD (3,656,511) of suspended interest were collected. Non-performing facilities after deducting interest in suspense reached IQD (142,300,865); accounting for (78.8%) of the total credit portfolio compared to (81.7%) in the previous year.

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 risks that may arise during this period. The provisions' non-performing loans coverage ratio reached (21.7%) of non-performing credit.

As for investments, and in line with its policy of investing in low-risk assets, the Bank increased its investment in government bonds, the balance of which reached IQD (97,250,48) thousand, with a growth rate of (13.3%), accounting for (8.6%) of total assets.

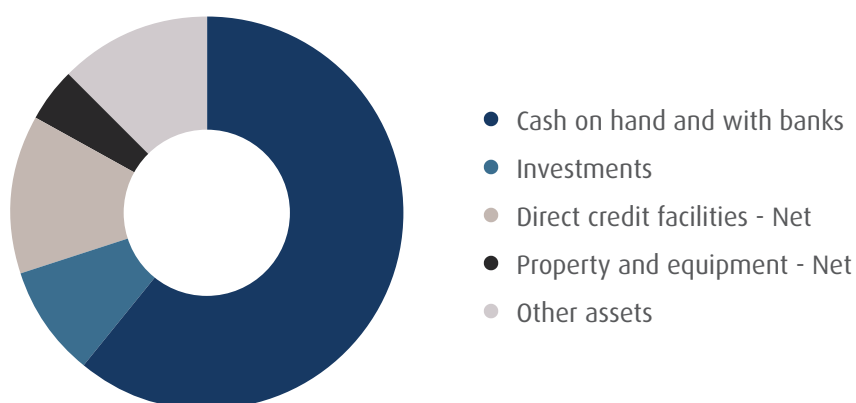
In a related context, the Bank decided to increase its investment on Iraqi Government Bonds by allocating USD (100) million for these investments when the opportunity arises. This amount was presented in other assets.

In another context, net fixed assets increased by (14.8%) to IQD (6,556,548) thousand as a result of the Bank's planned execution of certain projects related to Hella and Tekrit branches, in addition to signing the new headquarter construction contract that lasts for 3 years, as well as converting part of the acquired buildings from other assets to fixed assets based on the CBI's approval of opening offices and branches of the bank in said buildings.

Relative Materiality of Elements of the Bank's Financial Position 2019 Compared to 2018

	2019	Relative Materiality (%)	2018	Relative Materiality (%)	Growth (%)
Cash on hand and with banks	690,513,865	61.0%	788,700,737	70.8%	(12.4%)
Investments	102,423,041	9.0%	91,059,609	8.2%	11.1%
Direct credit facilities - Net	149,602,718	13.2%	161,954,726	14.5%	(7.6%)
Property and equipment - Net	50,774,006	4.5%	44,217,458	4%	14.8%
Other assets	139,430,575	12.3%	27,606,028	2.5%	405.1%
Total assets	1,132,744,205	100%	1,113,538,558	100%	1.7%

Distribution of Bank's Assets



Liquidity

The Bank's cash balances dropped by (12.4%) to IQD (690,513,865) thousand; as the balance with CBI reached IQD (492,150,435) thousand accounting for (71.3%) of total cash balances, in which the share of investments was IQD (26) billion. Cash with CBI branches in Kurdistan District remained at IQD (45,212,328) thousand as at the end of the year; and the Bank is working with regulatory authorities to collect this sum. As for the statutory reserve with central banks, its balance increased to IQD (111,469,700) thousand compared to IQD (97,685,730) thousand.

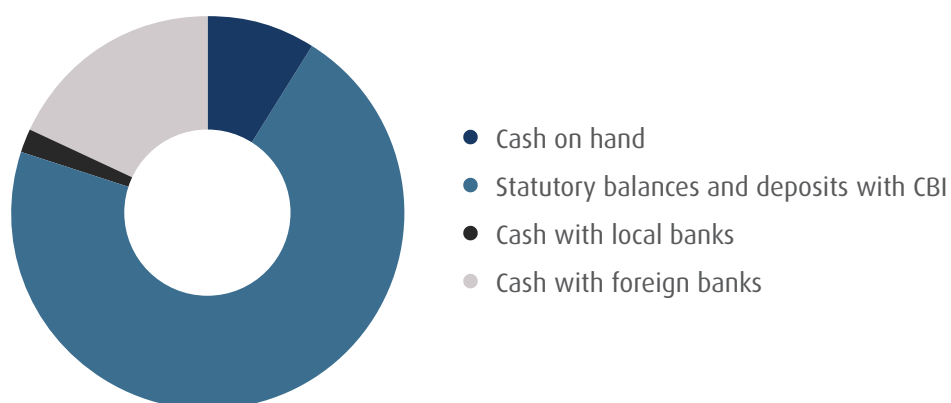
As for foreign balances, they decreased by (23.1%), that is IQD (37,820,337) thousand, due to the decrease in deposits with foreign banks in order to meet the requirements and instructions of CBI relating to exceeding the allowable percentage of foreign balances; as deposits with foreign banks reached the equivalent of IQD (95,200,000) thousand in US dollars at an average APR of (2.8%).

In terms of indicators and liquidity ratios, the statutory liquidity ratio reached (76.4%) and LCR and NSFR reached (217%) and (211%) respectively, which indicates the Banks' sound liquidity situation and its high ability to deal with contingencies.

Figures in IQD thousand

Cash by Type	2019	Relative Materiality (%)	2018	Relative Materiality (%)
Cash on hand	59,166,101	8.6%	82,785,718	10.5%
Statutory balances and deposits with CBI	492,150,435	71.3%	529,275,533	67.1%
Cash with local banks*	13,498,399	2.0%	13,120,220	1.7%
Cash with foreign banks	125,698,929	18.2%	163,519,266	20.7%
Total	690,513,865	100%	788,700,737	100%

* Restricted withdrawal balances with local banks and banking institutions reached IQD (11,068,078) thousand as at 31 December 2019, and IQD (11,183,078) as at 31 December 2018.



Financial Investments

Bank's investments Increased to IQD (102,423,041) thousand at the end of the year compared to IQD (91,059,609) thousand in 2018. The main reason was the Bank's investment strategy of increasing investment government bonds and bills; as investment in bonds accounted for (94.4%) and in shares (5.6%) , respectively. The rate of return on investment was (3.9%), that is IQD (3,986,021) thousand, of which IQD (3,956,151) thousand was interest on bonds and IQD (29,870) thousand was dividends. Furthermore, these returns increased by (1.5%) compared to the previous year due to the increase in the return on investment in government bonds and treasury bills. As for the fair value of the shares, it remained the same; as the value of shares listed on the Iraq Stock Exchange increased, and the fair values of investments in unlisted companies decreased. The table below shows the Bank's key investments in the shares:

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

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

Direct Credit Facilities - Net

Direct Facilities

In 2019, based on the Bank's strategy of decreasing non-performing assets, the quality of the credit portfolio was improved by following a balanced credit policy under the supervision of the Board Supreme Committee. The Bank managed to collect, restructure or reschedule part of the facilities granted to customers in order to increase the effectiveness of the portfolio. Therefore, net credit facilities in 2019 decreased by IQD (12,352,008) thousand, at the rate of (7.6%), to IQD (149,602,718) thousand. The non-performing facilities to total credit portfolio ratio reached (79.7%); as the Bank managed to collect and schedule more than IQD (31) billion this year. Nonetheless, the Bank continued its leading role in granting loans to the retail sector through targeted products, in addition to continuing to grant loans to certain SMEs.

By analyzing the Bank's portfolio in terms of geographical distribution and sectors, we find that this portfolio reached IQD (166,152,758) in Iraq, accounting for (88.3%), and IQD (22,092,133) in Beirut branch, accounting for (11.7%) of total portfolio. As for sectors, retail loans accounted for (16.8%) with IQD (31,538,530) thousand and corporate loans accounted for (83.2%) with IQD (156,706,361) thousand.

On the other hand, credit portfolio provisions reached IQD (30,939,190) 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 (4,558,629) thousand worth of interest was suspended, bringing the balance of interest in suspense accrued on the credit portfolio in 2019 to IQD (7,702,983) thousand.

Figures in IQD thousand

Description	2019	2018	Change
Total direct credit facilities	188,244,891	195,322,441	(3.6%)
Interest in suspense	(7,702,983)	(3,144,354)	145%
Provision for credit facilities Impairment	(30,939,190)	(30,223,361)	2.4%
Net direct credit facilities	149,602,718	161,954,726	(7.6%)

Equity

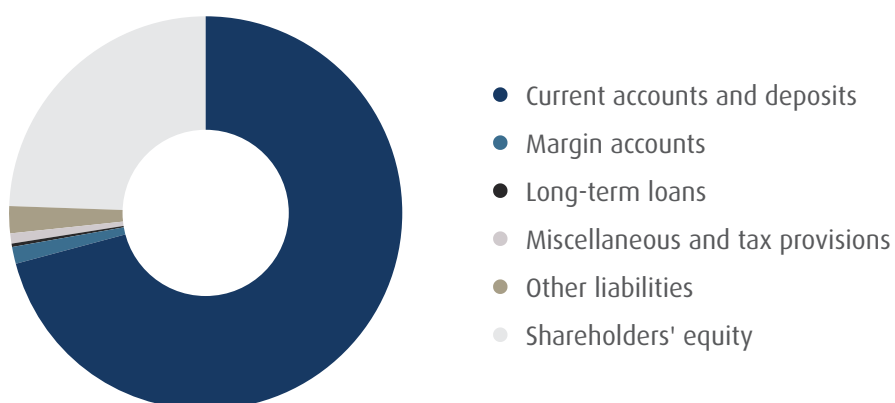
Bank shareholders' equity reached IQD (273,641,424) thousand, with an increase of IQD (6,898,705) thousand. This amount represents net profit in 2019 less the provision for general banking risks at Beirut branch; of which the sum of IQD (201,649) thousand was converted into provisions for the credit portfolio, in addition to deducting the sum of IQD (155,255) thousand as dividend tax payable by Beirut branch for the years 2017 and 2018. 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 (64%) compared to (127%) 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

	2019	Relative Materiality %	2018	Relative Materiality %	Growth %
Current accounts and deposits	803,012,079	70.9%	786,385,703	70.6%	2.1%
Margin accounts	17,460,107	1.5%	12,262,924	1.1%	42.4%
Long-term loans	2,507,408	0.2%	4,864,363	0.4%	(48.5%)
Miscellaneous and tax provisions	9,372,210	0.8%	10,775,730	1.0%	(13.0%)
Other liabilities	26,750,977	2.4%	32,507,118	2.9%	(17.7%)
Shareholders' equity	273,641,424	24.2%	266,742,719	24.0%	2.6%
Total liabilities and shareholders' equity	1,132,744,205	100%	1,113,538,557	100%	1.7%

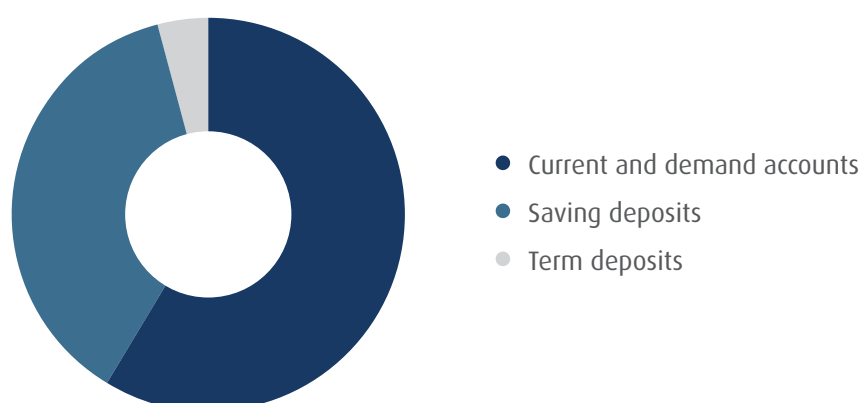


Current Accounts and Deposits

Total amounts (current accounts and deposits) deposited with the Bank reached IQD (801,174,857) thousand at the end of 2018, with a growth rate of (2.4%); as a result of the increase in current and savings accounts. Current accounts and deposited accounted for (70.7%) of total liabilities. Deposits can be detailed as follows:

	2019	Relative Materiality %	2018	Relative Materiality %	Growth %
Current and demand accounts	470,320,146	58.7%	446,878,491	57.1%	5.2%
Saving deposits	299,456,990	37.4%	309,295,635	39.5%	(3.2%)
Term deposits	31,397,721	3.9%	25,999,414	3.3%	20.8%
Total deposits	801,174,857	100.0%	782,173,539	100.0%	2.4%

Distribution of Deposits with the Bank



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 (21.7%), noting that, in accordance with the instructions of CBI, the bank has calculated the effect of the implementation of IFRS 9 and sent the relevant implementation plan to CBI. Once the regulatory authorities' approval is obtained, the figures of said calculations are expected to be reflected in the Bank's financial statements for 2020.

In addition to miscellaneous provisions, the bank added provisions for the amount of IQD (1,337,230) thousand ; including IQD (607,401) thousand as a provision for Employee's end-of-service indemnity in accordance with relevant work regulations and legislations relating to employees; as the Bank will create these provisions annually. On the other hand, the sum of IQD (200) million was allocated as provision for lawsuits against the bank. This amount represents the expected impact of these lawsuits in the opinion of the Bank's Legal Department. As for the Bank's investments in Beirut branch, given the economic conditions in Lebanon, the Bank created a provision for the amount of IQD (616,219) thousand to deal with part of the risks expected as a result of these conditions.

Furthermore, the Bank continued to record a provision for the amount of IQD (2,191,150) thousand as a result of establishing the Bank's entitlements before the General Commission of Taxes with respect to the double taxation amount paid in Kurdistan District for the sum of IQD (3,849,908) thousand. The Bank has been following up on these entitlements with the relevant authorities and will hedge for the remaining amount in case the matter is not determined by the relevant authorities.

As for tax provisions, the Bank demonstrated its compliance with tax legislations in Iraq and Lebanon, obtained a tax clearance certificate for the year 2017 and completed its tax accounting. Tax for 2018 was paid and the Bank is still undergoing tax accounting with the General Commission of Taxes.

Figures in IQD thousand

Account Name	2019	2018
Provision for cash credit risk	30,939,190	30,223,361
Provision for contractual obligations risk	303,594	260,854
Provision for potential loss by the currency exchange portal	5,668,876	9,248,094
Tax provisions	1,976,120	1,266,782
Provisions for stolen cash and accounts receivable	38,458,396	38,575,026
Provisions for litigation expenses	200,000	-
Provisions for end-of-service indemnity	607,401	-
Other miscellaneous provisions	616,219	-

Bank's Business Results

Despite the economic and security conditions in Iraq, the Bank's business results; compared to the previous year, were exceptional; as the Bank's net profit before tax increased by (99.6%), that is, IQD (5,409,349) thousand to IQD (10,837,194) thousand compared to IQD (5,427,845) thousand as at the end of the previous year. Similarly, the Bank's net profit after tax increased by IQD (3,146,502) thousand (75.8%) to IQD (7,298,604) thousand compared to the previous year; due to the increase in total income and increase in operating efficiency with the decrease of administrative and general expenses.

Total income in 2019 grew by IQD (3,319,679) thousand at the rate of (9.1%) to IQD (39,887,680) thousand compared to IQD (36,568,008) thousand at the end of the previous year. The main reason for this growth was the increase of income under net income from commission which increased by IQD (3,643,608) thousand at the rate of (22.5%) to IQD (19,860,229) thousand compared to IQD (16,216,621) thousand in 2018; due to the development of Bank's activities with customers and correspondent banks, which had a positive impact on income, while the other reason is the growth of foreign exchange profit by IQD (2,168,681) thousand at the rate of (26.6%) to IQD (10,317,665) thousand.

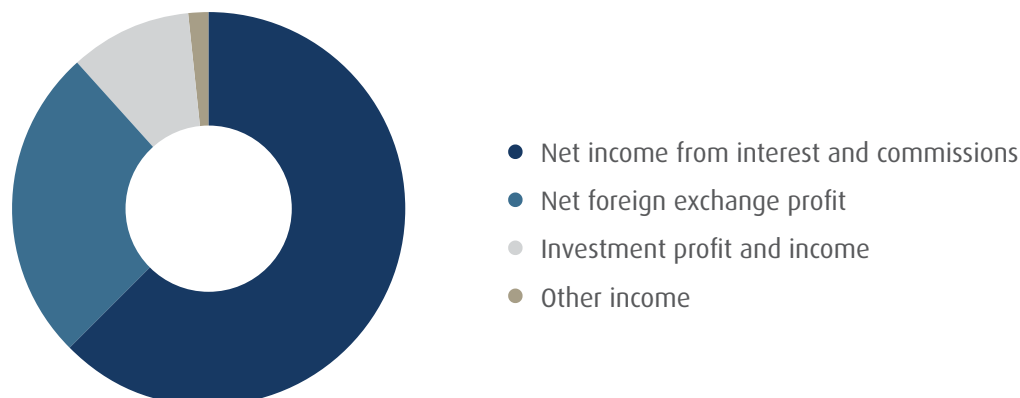
Conversely, the bank has achieved a decrease in net interest resulting from two reasons, namely the decrease in the returns of the credit portfolio due to the decline in the quality of the portfolio and the other reason is the decrease in special interest from deposits with The CBI because of the investment restrictions imposed by the Central Bank of Iraq despite the growth of interest on balances and deposits with banks and banking institutions due to the increase in interest on deposits from (1.75%) to (2.8%). Similarly, other income decreased compared to the previous year because of the non-recurring capital gains from last year as a result of the expropriation of the bank building in Karbala by the Iraqi government.

By analyzing the relative materiality of income, we find that income from interest and commissions ranked first with IQD (25,011,204) thousand, accounting for (62.7%) of total income, as shown in the table and figure below:

Figures in IQD thousand

	2019	Relative Materiality %	2018	Relative Materiality %	Growth %
Net income from interest and commissions	25,011,204	62.7%	21,994,241	60.1%	13.7%
Net foreign exchange profit	10,317,665	25.9%	8,148,984	22.3%	26.6%
Investment profit and income	3,986,021	10.0%	3,926,777	10.7%	1.5%
Other income	572,790	1.4%	2,497,999	6.8%	(77.1%)
Total	39,887,680	100%	36,568,001	100.0%	9.1%

Relative Materiality of Bank's Income



Expenses

In 2019, expenses decreased by (6.7%) to IQD (29,050,486) thousand compared to IQD (31,140,156) thousand in 2018. This decline was primarily a direct result of the decline in operating expenses, in addition to the decline in provision expenses to IQD (10,141,084) thousand from IQD (12,838,496) thousand as at the end of 2018; due to the decline in fines, consultation, subscriptions and maintenance expenses despite the increase in communication expenses, as well as rent and transportation charges.

As for employees' salaries expenses, they increased to IQD (15,360,770) mainly due to end-of-service and training expenses.

Figure in IQD thousand

	2019	Relative Materiality %	2018	Relative Materiality %	Change %
Employees' salaries and related expenses	15,360,770	53.0%	14,360,595	46.1%	7.0%
Other operating expenses	10,141,084	35.0%	12,838,496	41.2%	(21.0%)
Depreciations	1,654,482	6.0%	1,946,938	6.3%	(15.0%)
Miscellaneous provisions	1,337,230	4.0%	1,812,057	5.8%	(26.2%)
Provision for credit loss	556,920	2.0%	182,070	0.6%	205.9%
Total	29,050,486	100.0%	31,140,156	100.0%	(6.7%)

Expenses



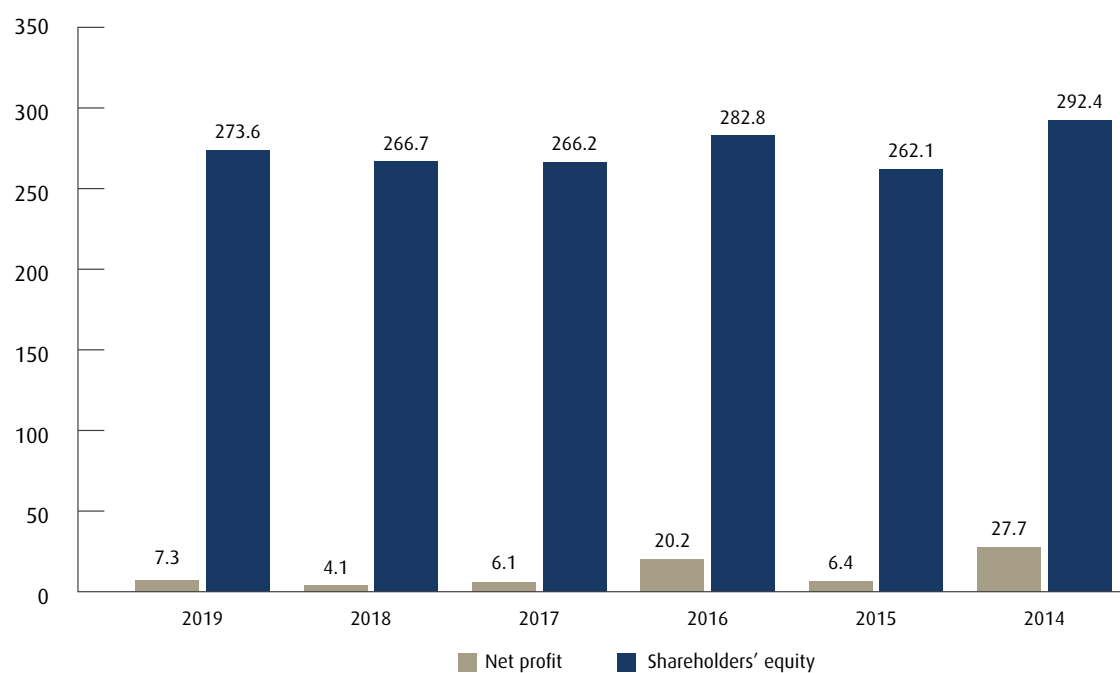
	2019	2018
Return on average Bank shareholder's equity	2.70%	1,56%
Return on capital	2.92%	1,7%
Return on average assets	0.62%	0,38%
Profit per employee after tax	9,204	5,272
Interest income to average assets	0.96%	1,37%
Interest expense to average assets	0.51%	0,49%
Interest margin to average assets	0.45%	0,88%
Provision for non-performing facilities impairment coverage ratio - Net	21.7%	19,26%
Non-performing facilities to total facilities ratio (minus interest in suspense)	78.8%	81,70%

The Bank's Key Financial Indicators for the Years 2008 - 2019

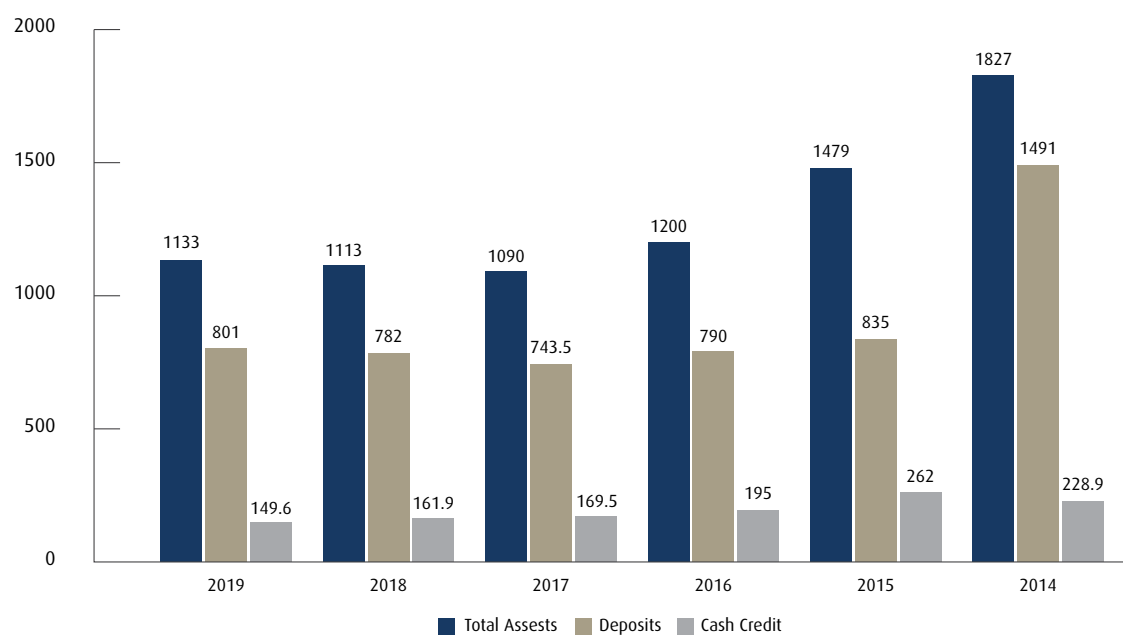
Amounts in IQD billion

Year	Capital	Total Assets	Deposits	Investment	Cash Credit	Shareholders' Equity	Net Profit	Number of Branches		
								Baghdad	Governorates	Branches Abroad
2019	250	1,132	801	102.4	149.6	273.6	7.3	13	22	1
2018	250	1,113	782	91	161.9	266.7	4.1	12	22	1
2017	250	1,090	743.5	93.8	169.5	266.2	6.1	12	22	1
2016	250	1,200	790	7.0	195	282.8	20.2	16	23	1
2015	250	1,479	835	5.8	262	262.1	6.4	16	27	1
2014	250	1,827	1,491	455	228.9	292.4	27.7	15	25	1
2013	250	1,765	1,393	410.1	219.1	291.2	31.9	15	24	1
2012	175	1,301	1,047	239.1	147.4	207.2	25.1	13	26	1
2011	112.9	875	699	185.4	149.7	139.6	20.9	12	22	1
2010	85	961	805	12.9	180.8	118.7	13.6	13	21	1
2009	85	802	662	163.1	79.5	109.1	15.6	12	20	0
2008	70	543	404	217.1	47.3	93.3	20.2	11	13	0

Evolution of shareholders' equity



Evolution of Financial Position



Objectives of the Future Plan 2020 of Bank of Baghdad Group

The objectives of Bank of Baghdad Group's future plan for 2020 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; on top of which is maintaining a capital adequacy ratio of at least (50%) and statutory liquidity ratio of at least (100%)
- To maintain the Bank's competitive position in the Iraqi banking sector.
- To improve asset quality by reducing and covering non-performing assets with provisions in line with international standards; be structuring the Bank's capital base in line with the requirements of these standards.
- To increase and diversify investment in low-risk assets with acceptable return.
- To grow income and control cost; so as to improve the Bank's operating efficiency.
- Market and Customers Aspect:
- To improve the Bank's developmental role in finance and foreign trade services for the retail and major corporations 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 and digital services for Bank's customers by developing deposit, online, card and mobile services.

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 and introduce services in a timely manner.

Learning and Development Aspect:

- To continue to develop and improve the human resources by enhancing learning and development through specialized training and enhancement of management competencies.

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 shareholders of bank of Baghdad public shareholding company

Baghdad - Iraq Report on the Audit of consolidated Financial Statement

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, 2019, 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 local and 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we obtained is sufficient and appropriate and provides a reasonable basis for our opinion.

Following are the key explanations and notes:

First: Consolidated Financial Statements

1. The financial statements for the fiscal year 2019 attached hereto are the consolidated financial statements of the Bank of Baghdad (private joint stock company) and Baghdad Financial Brokerage Company (limited liability company) which is fully owned by the Bank of Baghdad (under liquidation); based on the decision of the general assembly of Baghdad Financial Brokerage dated 1/7/2018 and resolution of the Minister of Trade / Companies Registrar dated 5/12/2018 placing Baghdad Financial Brokerage "under liquidation". As at December 31, 2019, liquidation procedures have not been concluded.
2. Since we have not audited the financial statements of Beirut Branch for the fiscal year 2019 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.

Third: Activities' Results

The activities for the present year 2019 resulted in net profit before provisions and tax as follows:

	2019 IQD thousand	2018 IQD thousand
Profit before provisions	11,394,114	5,609,915
Net profit before tax	10,837,194	5,427,845
Net profit after tax	7,298,604	4,152,102

Net profit before tax for the present year increased by (99.6%) compared to the previous year.

Fourth: Cash (Note 3/4/9)

1. The cash balance at the date of the balance sheet was IQD (809,694,543) thousand compared to IQD (788,700,737) thousand in the previous year; with a (2.6%) increase.
2. The foreign cash balance and investments at the balance sheet date was as follows:

	2019 IQD thousand	2018 IQD thousand
Foreign banks and banking institutions	30,498,930	44,519,266
Due from foreign banks and banking institutions	95,200,000	119,000,000
Deposits in a trading account with an Arab bank*	119,180,678	-
Total as at December 31	244,879,608	163,539,266

We would like to point out the following:

- a. The other assets balance (Note 9 Advances for investment purposes) includes IQD (119,180,678) representing the balance of a "trading account" with an Arab bank as at December 31, 2019 for total deposits of USD (100) million, plus interest accrued thereon for said bank for the purpose of investment in international bonds (in USD) of the Iraqi government based on the decision of the Bank's Board of Directors passed in session No. (10) held on September 26, 2019. However, the purchase process was not completed until the balance sheet date as stated in the bank's said supporting document.
- b. Foreign balances and investments at the balance sheet date represent (89.48%) of the Bank's capital and healthy reserves. If the amount stated in paragraph (a) above is excluded, this percentage becomes (45.93%) since it is covered by paragraph (5) of Central Bank of Iraq's letter No. (9/2/120) dated March 25, 2019.

Fifth: Foreign currency purchases through currency auction

The Bank stopped purchasing foreign currency through the foreign currency auction window of the Central Bank of Iraq since April 18, 2018 until the financial statement date, based on the Bank's Treasury and Investment Department letter No. (1252) dated March 11, 2020.

Sixth: Cash margins against Letters of credit

On October 31, 2018, the Bank deposited USD (6) million with (Citibank / Amman) in the (Cash margins against Letters of credit) account, despite the annual decline in this activity (Letters of credit),

We recommend reconsidering the limit set for these margins such that the amount is proportionate to the volume of Bank's activity in this field.

Seventh: Direct Credit Facilities (Note / 7)

1. Total direct credit facilities, before deducting interest in suspense and provision for impairment of credit facilities (Note 7), at the balance sheet date was IQD (188,244,891) thousand, of which IQD (150,003,848) thousand is the balance of non-performing credit facilities; account for (79.7%) of total direct credit facilities; against solid guarantees of approximately IQD (174,902,083) thousand as at the balance sheet date, representing the contractual value of the guarantees as at the date of granting the facilities, as the fair value of these real estates has not been revaluated as at the balance sheet date.

This indicate an increase in non-performing credit facilities and their percentage of total direct credit facilities, which calls for analyzing and studying said facilities and their guarantee, and taking the necessary action to collect the same from the concerned parties.

2. The total credit facilities stated in paragraph (1) above includes outstanding balances of accepted guaranteed withdrawal facilities for Letters of credit, car loans, discounted bills and purchased bills and accounts receivable for overdraft facilities most of which have been non-performing for years and have not been settled by relevant customers of the Bank.

Given the significance of these amounts, we recommend identifying them and following up on their collection, as well as taking the necessary legal action therefor.

Eighth: Credit Concentrations

1. At the balance sheet date, the total amount payable by corporate customer for (miscellaneous credit facilities) reached IQD (63,609,353) thousand, representing a credit concentration of (23.25%); thus exceeding the (10%) of capital and healthy reserves specified in Article (13) of the Central Bank of Iraq Instructions No. (4) for 2010 (Facilitating the Implementation of the Banking Law in Force), against solid guarantees for a contractual value of IQD (74,970,000) thousand.
2. The Bank filed a lawsuit against the mentioned company (referred to in paragraph 1 above) on 4/2/2018 before the Dashty / Holir court for the sum of IQD (44) billion. The trial court mentioned a decision compelling said company to pay the Bank of Baghdad the sum of IQD (44) billion; representing the loan amount plus (7%) interest.

The company filed an appeal with respect to interest, but not the loan amount.

We recommend paying attention to the matter and following up on the subsequent legal procedures relating the decision above, due to the significance of the lawsuit value and the fact that the facilities in question were granted against solid guarantees.

Ninth: Implementing IFRS 9 (Note 7/b)

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

1. The Bank's management took the following action to implement this standard:
 - a. Based on the Bank's letter No. (2/349) dated January 29, 2019, a committee was set up to implement IFRS 9. Said committee comprised the heads of the (Risk Management, Credit, Financial Affairs, Internal Audit and IT) departments
 - b. Business models were approved and financial instruments distribution policies developed.
2. The quantitative impact of implementing this standard was not measured so as to assess expected credit losses, although the Bank's management started said quantitative measurement, but no final results have been arrived at to date.

The contents of (Note 7/b relating to the action taken by the Bank's management to implement IFRS 9) can be considered part of this report.

Tenth: Provision for Impairment of Credit Facilities and Receivables (Note 7/b)

1. 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 risk (doubtful debts) and contractual credit (including Beirut Branch) was approximately IQD (30,223,361) thousand.
2. During 2019, the sum of IQD (556,920) thousand was added for adjustments and recoveries during the current fiscal year, the final balance of which at the balance sheet date reached IQD (30,939,190) thousand.

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

1. The balance of stolen cash as at the date of the financial statements reached IQD (36,284,732) thousand.
2. Provisions for the total IQD (36,267,246) 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 robbery of 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; given the importance of this matter and the fact that several years have passed since the incident took place.

Twelfth: Other Assets

1. The other assets account balance – Note 9 (Advances for investment purposes) includes IQD (789,474) thousand carried forward from the previous year; representing the total amount deducted from the Bank's account with the Central Bank of Iraq during the fiscal year 2018 for the contribution to the establishment of the Iraqi Deposit Insurance Company (joint stock company).

This amount was classified in 2018 into the (Short-term investments / 1536) account and was amended to the (Advances for investment purposes).

We have not reviewed the relevant decisions and supporting documents from the concerned parties with respect to this balance as at the balance sheet date. Furthermore, said amount represents (attached) cash deposits with the Central Bank of Iraq.

2. The total value of letters of guarantee paid by the Bank to beneficiaries plus accumulated interest accrued thereon as at the balance sheet date reached IQD (2,458,324) thousand, some of which relate to the years (2001, 2009, and 2010).

We recommend that the Bank's legal department (centrally) follows up the relevant legal proceedings; given the significance of the amount and the fact that it related to previous years.

3. The balance of the Prepayments for Ownership or Acquisition of Land account includes amounts paid toward the purchase of (Jamilah Land / Al Waziriyah) and (Basra land / Braiha) for the sum of approximately IQD (4.5) billion; due to the delay in the transfer of ownership of the same to the Bank despite the lapse of several years since the conclusion of the relevant contract and purchase.

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

4. The balance of "other assets" includes IQD (960,868) thousand representing the cost of real estate (Batawin building) No. (324 / 1474) which was acquired as a result of settling the Bank's debts and registered in the name of the Bank of Baghdad on 27/8/2012. The Bank was not able to dispose of said real estate pursuant to Article (33/2) of the Banking Law in force, due to the recession in the local real estate market.

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

The balance of the "due from local banks and banking institutions" account includes IQD (7,664,680) thousand representing the value of bonds drawn on the Agricultural Bank of Iraq (a government bank) previously purchased by the Bank of Baghdad from a customer in 2014. A court decision in favor of the Bank was issued on May 17, 2016 and became final. However, neither the value of said bonds, nor the interest accrued thereon has been collected as at the balance sheet date.

Fourteenth: Fines on Customs Declarations (Note / 14)

Note (14) (Miscellaneous Provisions) included the balance of the provision for contingent loss of the currency sale and purchase window for an estimated IQD (5,668,876) thousand representing the outstanding balance of the IQD (10,670,878) fine imposed by the Central Bank of Iraq during the fiscal year 2018. We would like to point out the following:

1. Monthly installments:
 - a. The amount was divided into (30) monthly installments of IQD (355,696) thousand each starting from September 2018.
 - b. 13 installments of the amount stated have been paid up to the installment of September 2019.
 - c. The Central Bank of Iraq decided to reduce the monthly installment to IQD (125,975) thousand starting from October 2019, based on a debit note sent by the Central Bank of Iraq.
 - d. We have not reviewed the decision of the Central Bank of Iraq regarding said deduction, and could not determine whether it includes the deduction of the outstanding amount of the fine as well, or it is a simple rescheduling and reduction of monthly installment.
2. Lawsuits related to said fine:
 - a. In 2019, the Bank filed five lawsuits against certain customers included in this fine for a total of IQD (6,880,603) thousand, thus no lawsuits have been filed for the remaining amount of the fine which is approximately IQD (3,790,724).
 - b. The courts of first instance dismissed two lawsuits and issued a non-suit decision in another, while the remaining lawsuits are still in legal process (not yet finally determined) as at the balance sheet date.

Fifteenth: Bank's Branches

1. The activities of (25) branches during the fiscal year 2019 resulted in a total loss of IQD (4,477,574) thousand, while (13) branches achieved a total profit of IQD (11,070,764) thousand. Thus, the final result of the activities of the Bank's branches in 2019 was the achievement of a net profit of IQD (6,593,190) thousand.

This calls for studying and identifying the reasons for the declining revenue and increasing expenses of the branches that incurred losses in 2019, and taking all possible actions to address this matter.

2. We have not received the management's report showing the final results of the shortage, damages and losses arising from previous events in hot governorates (Nineveh, Al Anbar, Salah ad Din) to date.

Sixteenth: Tax and Fees

The balance of the (employees' expenses) account as at the balance sheet date includes IQD (955,052) thousand representing the direct withholding tax applicable to Bank employees' incomes for the fiscal year 2019. We have not seen the Bank management's approvals of the Bank's assumption of said tax.

Seventeen: Land and real estate title deeds (Note / 8)

The land and real estate title deeds provided by the Bank's management were photocopies, most of which were illegible and marked by (relevant) real estate registration departments as relating to previous years (2017 and before).

Given the importance of this matter, we recommend seeking new deeds marked annually as free from mortgage or attachment as at the balance sheet date.

Eighteenth: Financial Assets at Fair Value

1. Reserve for changes in fair value:

The balance of the reserve for changes in fair value as at 31/12/2019 reached IQD (3,603,053) thousand; which is the same balance carried forward from the previous year. The valuation was based on the prices quoted in the last session of the Iraq Stock Exchange in the fiscal year 2019.

2. We have not received documents supporting the Bank's investments in the shares of five companies as at 31/12/2019, the purchase cost of which was IQD (852,340) thousand.

Nineteenth: 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 and Terrorism Financing Law No. (39) for 2015.

Twentieth: 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.

Twenty-first: Capital Adequacy

By examining the Bank's financial statements as at 31/12/2019 issued by the Bank's electronic accounting system, and the statements are approved for calculating capital adequacy, we found that the capital adequacy ratio has reached (64%) based on Article (16) of the Iraqi Banking Law No. (94) for 2004 as amended.

Twenty-second: Lawsuits

3. The number of lawsuits filed by the bank reached (9); of which the total value of lawsuits filed in Iraqi dinar is IQD (85,714,698) thousand and the total value of lawsuits filed in US dollar is USD (405,000). Said lawsuits are still in legal process and have not been finally determined as at 31/12/2019.
4. The number of lawsuits filed against the Bank and have not be determined by courts as at the balance sheet date reached (26); including (14) lawsuits before various labor courts regarding labor problems. The total value of lawsuits filed in Iraqi dinar is IQD (41,421,309) thousand and the total value of lawsuits filed in US dollar is USD (172,996).

Opinion

Notwithstanding the above, In our opinion the consolidated financial statements, in all material aspects, clearly and fairly present the Bank's consolidated financial position as at December 31, 2019, and its financial performance, consolidated cash flows and consolidated changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Auditors

Zuhair Mahmoud Hussein AL Bahrani
Public Accountant and Auditor

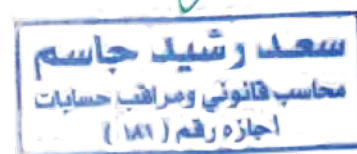
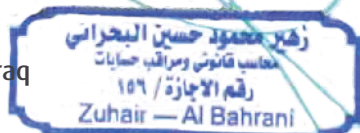
Fellow of the Iraqi Association of Certified Accountants

Saad Rashid Jassim

Public Accountant and Auditor

Fellow of the Iraqi Association of Certified Accountants

Baghdad – Republic of Iraq
March 12th, 2020



Consolidated Statement of Financial Position

As at 31 December 2019

Statement (A)	Notes	2019 IQD (000)	2018 IQD (000)
Assets			
Cash and Balances with Central Banks	3	551,316,536	612,061,251
Due from Banks and Other Financial Institutions	4	139,197,329	176,639,486
Investment in Associates	5	989,966	549,981
Financial Assets at Fair Value Through Other Comprehensives Income	5	4,182,827	4,666,318
Financial Assets at Amortized Cost	6	97,250,248	85,843,310
Direct Credit Facilities, Net	7	149,602,718	161,954,726
Property and Equipment, Net	8	50,208,261	42,968,467
Intangible Assets	8	565,744	1,248,991
Other Assets	9	139,430,576	27,606,028
Total Assets		1,132,744,205	1,113,538,558
Liabilities And Shareholders' Equity			
Liabilities			
Banks and financial institutions' deposits	10	1,837,222	4,212,164
Customer Deposits	11	801,174,857	782,173,539
Margin Accounts	12	17,460,107	12,262,924
Income Tax Provision	13	1,976,120	1,266,782
Miscellaneous Provisions	14	7,396,090	9,508,948
Borrowed funds	15	2,507,408	4,864,363
Other Liabilities	16	26,750,977	32,507,118
Total Liabilities		859,102,781	846,795,838
Shareholders' Equity			
Paid-up capital	17	250,000,000	250,000,000
Statutory Reserve	18	12,853,597	12,681,332
Other Reserves	18	58,441	58,441
Fair Value Reserve	C	(3,646,697)	(3,646,697)
Retained Earnings (Losses)	C	14,376,083	7,649,644
Total Shareholders' Equity		273,641,424	266,742,720
Total Liabilities and Shareholders' Equity		1,132,744,205	1,113,538,558

Financial Director – Bank of
Baghdad
Ahmad Tawfiq Aljada' Alqawasmi

Managing Director – Bank of
Baghdad
Basil Husam Aldeen Shakir

Chairman – Bank of Baghdad
Usam Ismail Sharif

In Compliance with our report
issued on 12/3/2020

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

Saad Rashid Jassim
Chartered Accountant and Auditor
Fellow of the IACA Auditing Accounts

The accompanying notes from (1) to (34) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2019

Statement (B)	Notes	2019 IQD (000)	2018 IQD (000)
Interest Income	19	10,903,897	11,221,840
Interest Expense	20	(5,752,922)	(5,444,220)
Net Interest Income		5,150,975	5,777,620
Net Commission Income	21	19,860,229	16,216,621
Net Interest and Commission Income		25,011,204	21,994,241
Net Profit from Foreign Currency Exchange	22	10,317,665	8,148,984
Profit and Income from Investments	23	3,986,021	3,926,777
Other Income	24	572,790	2,497,999
Total Income		39,887,680	36,568,001
Employees expenses	25	(15,360,770)	(14,360,595)
Other Operating Expenses	26	(10,141,084)	(12,838,496)
Depreciation and Amortization	8	(1,654,482)	(1,946,938)
Miscellaneous Provisions	14	(1,337,230)	(1,812,057)
Total Expenses		(28,493,566)	(30,958,086)
Profit Before Provision for Credit Losses		11,394,114	5,609,915
Direct credit facilities provision	7B	(556,920)	(182,070)
Net Profit before Tax		10,837,194	5,427,845
Income Tax	13	(3,538,590)	(1,275,743)
Net Profit after Tax		7,298,604	4,152,102
Attributable To:			
Bank's Shareholders		7,298,604	4,152,102
Profit for the Year		7,298,604	4,152,102
		Dinar/Fils	Dinar/Fils
Basic and Diluted Earnings Per Share for the year (IQD)	27	0/029	0/017

The accompanying notes from (1) to (34) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Income and Other Comprehensive Income

For the Year Ended 31 December 2018

Statement (B)	Notes	2019 IQD (000)	2018 IQD (000)
Other Comprehensive Income for the Year:			
Profit for the year – Consolidated Income Statement		7,298,604	4,152,102
Change in Fair Value of Financial Assets at Fair Value Through other Comprehensive Income	5	-	(283,310)
Total Consolidated Comprehensive Income for the Year		7,298,604	3,868,792
Total Consolidated Comprehensive Income Attributable to:			
<u>Bank's Shareholders</u>		7,298,604	3,868,792
		7,298,604	3,868,792

The accompanying notes from (1) to (34) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Changes in Shareholder's Equity (C)

For the Year Ended 31 December 2019

	Capital IQD (thousand)	Treasury Shares IQD (thousand)	Statutory Reserve IQD (thousand)	Voluntary Reserves IQD (thousand)	Changes in Fair value IQD (thousand)	Retained Earnings (Losses) IQD (thousand)	Bank Shareholders' Equity IQD (thousand)	Non-controlling Interests IQD (thousand)	Total Shareholders' Equity IQD (thousand)
2019									
Balance at 1 st of January	250,000,000	-	12,681,332	58,441	(3,646,697)	7,649,644	266,742,720	-	266,742,720
Profit for the year – Statement (B)	-	-	-	-	-	7,298,604	7,298,604	-	7,298,604
Transfer to Reserves	-	-	373,913	-	-	(373,913)	-	-	-
Changes in Fair Value Reserve	-	-	-	-	-	-	-	-	-
Sale (Purchase) of Treasury Shares	-	-	-	-	-	-	-	-	-
Adjustment Entries	-	-	(201,648)*	-	-	(42,997)**	(244,645)	-	(244,645)
Net Movement in Non-controlling Interests	-	-	-	-	-	(155,255)**	(155,255)	-	(155,255)
Balance at 31 December	250,000,000	-	12,853,597	58,441	(3,646,697)	14,376,083	273,641,424	-	273,641,424
2018									
Balance at 1 st of January	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
Net Movement in Non-controlling Interests	-	-	-	-	-	38,849	38,849	(1,964,320)	(1,925,471)
Balance at 31 December	250,000,000	-	12,681,332	58,441	(3,646,697)	7,649,644	266,742,720	-	266,742,720

*The statutory reserve account includes the provision for general banking risks at Beirut branch which, at the beginning of the year was IQD 204,369, of which IQD 201,649 were transferred to credit risk provisions in accordance with the instructions of the Central Bank of Lebanon (Banque Du Liban).

**The bank paid tax on dividends distributed by Beirut branch in 2017 and 2018 based on the capital transfer tax legislation (in force) issued in Lebanon.

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

The accompanying notes from (1) to (34) constitute an integral part of these consolidated financial statements and should be read with them

Consolidated Statement of Cash Flows (D)

For the Year Ended 31 December 2019

	Notes	2019 IQD (000)	2018 IQD (000)
Operating Activities:			
Profit for the year before Tax		10,837,194	5,427,845
Adjustments for Noncash Items:			
Depreciation and Amortization	8	1,654,482	1,946,938
Provision for Credit Losses	7	556,920	182,070
Miscellaneous Provisions	14	1,337,230	1,812,057
Profit (Loss) from Foreign Currency Revaluation	22	(91,684)	(65,406)
Gain from the sale of Property and Equipment	24	102,860	(1,319,367)
Cash Flows from Operating Activities Before Changes in Assets and Liabilities		14,397,002	7,984,137
Changes in Assets and Liabilities:			
Increase (Decrease) in Restricted Balances		115,022	44,099,540
Increase (Decrease) in Deposits with Banks and Financial Institutions		23,800,000	-
Accruing in more than three months			
Decrease in Net Direct Credit Facilities	7	11,186,869	7,442,412
Increase in Other Assets		(111,824,548)	(8,594,480)
Decrease in Customers' Deposits	11	19,001,318	38,575,827
Decrease (Increase) in Margin Accounts	12	5,197,183	(9,000,517)
Increase in Other Liabilities		(5,635,023)	(378,443)
Decrease in Miscellaneous Provisions	14	(3,164,126)	(3,482,302)
Net Cash Flows Used in Operating Activities Before Tax		(46,926,303)	76,646,174
Income Tax Paid	13	(2,829,253)	(3,475,409)
Net Cash Flows Used in Operating Activities		(49,755,556)	73,170,765
Investing Activities:			
Proceeds from Purchase (Sale) of Financial Assets at Amortized Cost		(11,406,938)	3,344,842
Purchase (Sale) of Financial Assets Through the Other Comprehensive Income Statement	5	-	46,072
Purchase of Property and Equipment	8	(14,814,748)	(2,289,727)
Sale of Property and Equipment	8	6,500,858	6,296,084
Net Cash Flows (used in) from Investing Activities		(19,720,828)	7,397,271
Financing Activities:			
Increase (Decrease) in Long-term Loans	15	(2,356,955)	(846,024)
Dividends		(155,255)	-
Net Cash Flow from (in) Financing Activities		(2,512,210)	(846,024)
Net Decrease (Increase) in Cash and Cash Equivalents		(71,988,593)	79,722,012
Profits (Losses) from Foreign Currency Revaluation	22	91,684	65,406
Effect of Losing Control of Subsidiaries		-	(3,640,977)
Cash and Cash Equivalents at 1 st of January	28	609,093,145	532,946,704
Cash and cash Equivalents at 31 December	28	537,196,236	609,093,145

The accompanying notes from (1) to (34) constitute an integral part of these consolidated financial statements and should be read with them

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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 35 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 5/3/2020.

2. Preparation Principles and Summary of the 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 for the present year 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 Iraqi Dinars.

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 to the Consolidated Financial Statements

For the Year Ended 31 December 2019

- As at 31 December 2019 and 2018, the Bank owns the following subsidiaries:

Company Name	Main Activities	Country of Incorporation	Equity Ratio	
			2019	2018
Baghdad Company for Securities Limited*	Financial Brokerage	Iraq	100%	100%
Al Ameen Insurance Company Limited	Insurance	Iraq	48%	48%

* Baghdad for Securities was liquidated, and it is still undergoing liquidation until the end of the fiscal year 2019.

2.2 Summary of Key Accounting Policies

Realization of Income and Recognition of Expenses

Interest income is 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 interests 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 financial assets and liabilities, and to disclose contingent liabilities. Furthermore, these estimates and judgments affect income, expenses, provisions and other items of comprehensive income. In particular, it requires the Bank's management to make important judgments 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. Furthermore, the Bank will adopt IFRS 9, which will affect these estimates.
- 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 accounting regulations, laws and standards.
- The management periodically reviews 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 consultant of the Bank.

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 associated with other business sectors.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

These are cash and cash balances that accrue within three months, including: 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

Purchases and sales of financial assets are 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 instructions of the Central Bank of Iraq.
- Credit facilities provisioned for are written-off, where the collection procedure is infeasible, by deducting their amount from the provision in accordance with the instructions of the Central Bank of Iraq, and any excess in the provision is transferred to the income statement. 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 renders the process of recovering the asset or part of it unattainable are deducted, and any impairment of the same 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 cash flows, 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 relevant IFRS (and in case any of these assets are sold prior to their accrual date, the sale result is recorded in the income statement as a separate item and is disclosed in accordance with the requirements of the relevant IFRSs).

Financial Assets at Fair Value through the Income Statement

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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.

Distributed dividends or accrued interest are recorded 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 stated 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.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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 recording 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.

The remaining values, useful lives and depreciation methods of assets are reviewed every fiscal year and, if necessary, adjusted later on.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

- The right of receiving the cash flows from the asset lapses;
- The Bank retains the right to receive the cash flows from the asset, but in return, assumes the obligation to 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 the same.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

Foreign Currencies:

- Transactions conducted in foreign currencies during the year are recorded at the prevailing exchange rate as at the date of conducting the transactions.
- Balances of financial assets and liabilities are transferred at average foreign exchange rates as at the date of the financial statements, as issued by the Central Bank of Iraq and similar control bodies in the countries where the Bank operates.
- 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 position 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 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 tax rates set 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 based 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 is recorded as a loss in the income statement or is any increase therein recorded as income.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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 2018, with the exception that the Bank applied the following amendments as of 1 January 2019:

IFRS, new interpretations, and issued and effective Amendments

- IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation explains the treatment of tax in case of uncertainty which affects the application of IAS 12. It does not, however, apply to taxes and charges outside the scope of IAS 12 that do not set special requirements to charges and fines related to uncertain tax treatments. The entity must determine, on a case-by-case basis, whether each tax treatment should be considered uncertain or otherwise.
- Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate or joint venture. These amendments focus on the conflict between the requirements of IFRS 10 and IAS 28 with respect to loss of control of subsidiaries resulting from the sale or transfer of investments in subsidiaries to investments in associates or joint ventures. The amendments clarify that the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is to be recognised in full.
- Amendments to IAS 16 and IAS 38: Clarifying acceptable methods of calculating depreciation and amortization.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment of all types of revenue arising from contracts with customers, and applies to all entities entering into contracts to supply goods or services to customers, with the exception of contracts within the scope of other standards such as IAS 17 (Leases).

This standard replaces the following standards and interpretations:

- IAS (11) – Construction Contracts
- IAS (18) – Revenue
- Interpretation 13 issued by the IFRS Interpretations Committee (IFRIC 13) - Customer Loyalty Programs
- Interpretation 15 issued by the IFRS Interpretations Committee (IFRIC 15) - Agreements for the Construction of Real Estate
- Interpretation 18 issued by the IFRS Interpretations Committee (IFRIC 18) - Transfers of Assets from Customers
- Interpretation 31 issued by the IFRS Interpretations Committee (IFRIC 31) – Revenue – Barter Transactions Involving Advertising Services.

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

International Financial Reporting Standards that had, or will have, a financial impact

The International Accounting Standards Board "IASB" issued certain standards and amendments that became effective and a basis for studying and adopting them was developed, but were not adopted by the Bank for reasons related to the adoption of the same by the control bodies or the impact thereof. The following standards are the standards that, once applied, will impact the financial position, financial performance or disclosures of the Bank's financial statements. These standards will be applied once the impact thereof is adopted by the control bodies.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

1. IFRS (9) – Financial Instruments

During July 2014, the IASB issued the 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 to annual periods starting from 1 January 2018 and permits early application. The standard is applied retrospectively, except for hedge accounting. Furthermore, IFRS 9 provides for exempting companies from adjusting the comparative figures.

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

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

1. Financial instruments measured at amortized cost, if the following conditions are met:
 - If these assets are retained within the management's business model for future cash flows collection purposes.
 - If the contractual terms of these financial assets set a specific date for cash flows (the principal amount and interest on the outstanding amount).
2. Financial instruments at fair value through the other comprehensive income statements, if the following conditions are met:
 - If the purpose of retaining the financial asset within the business model is to obtain future cash flows and/or sell these financial assets.
 - If the contractual terms of these financial assets set a specific date for cash flows (the principal amount and interest on the outstanding amount).
3. Financial instruments at fair value through profit or loss: All the financial assets that are measured at amortized cost or fair value through the comprehensive income statement mentioned above must be measured at fair value through the consolidated income statement. The Bank may, irrevocably upon initial recognition, choose to classify and measure the financial assets that have met the conditions for measurement at fair value through the comprehensive income statement or at amortized cost as part of the financial assets at fair value through the consolidated income statement; if this would significantly minimize the potential lack of accounting harmonization.

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

- Assessing the significant increase in credit risk:

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

- **Definition of Default:**

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

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

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

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

- **Expected Life:**

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

2. IFRS (16) - Leases

In January 2016, the IASB issued IFRS 16 (Leases) which established principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 requirements are substantially similar to the accounting requirements for lessors in IAS 17, according to which the lessor continues to classify leases as operating or finance leases and treats each type of contract differently. IFRS 16 requires the lessee to recognize the assets and liabilities of all leases the terms of which exceed 12 months, unless the asset is of a low value. It also requires the lessee to recognize their right to use the asset by recognizing the leased asset and the resulting obligation represented by the lease payments.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

3. Cash and Balances with Central Banks

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Cash on Hand	59,166,101	82,785,718
Balances with Central Banks*	380,680,735	431,589,803
Statutory Reserve with Central Banks**	111,469,700	97,685,730
	551,316,536	612,061,251

* The accounts with the Central Bank include short-term investments of a term less than 30 days for the equivalent of IQD 26,000,000 thousand as at 31 December 2019 (31 December 2018: IQD 50,000,000 thousand).

* The balances with the Central Bank of Lebanon amounted to the equivalent of IQD 9,914,706 thousand as at 31 December 2019 (31 December 2018: IQD 5,907,391 thousand)

*In addition, the Bank has balances with the Sulaymaniyah and Erbil branches of the Central Bank of Iraq of IQD 17,977,727 thousand and IQD 27,234,601 thousand respectively as at 31 December 2019 (31 December 2018, the balances were IQD 17,977,727 thousand and IQD 27,234,623 thousand respectively). Due to the prevailing political and economic conditions in Iraq, the window for utilizing these balances in banking operations is narrow.

** These amounts are seized by the Central Banks of Iraq and Lebanon and thus are not at the Bank's disposal. In addition, the cash reserve balance with the Central Bank of Iraq includes margins reserves of letters of guarantees that were seized as instructed by the Central Bank of Iraq on 2 May 2017, which amount to IQD 485,815 thousand as at 31 December 2019. These amounts are seized by the Central Bank of Iraq for the purpose of addressing the deficit in covering claimed and unpaid letters of guarantees and are not at the Bank's disposal. Moreover, the statutory reserve rate in each of Iraq and the Lebanese Republic for the current accounts are 15% and 25% and for the deposits account are 10% and 15% respectively.

4. Due from Banks and Other Financial Institutions*

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Local banks and Financial Institutions**	13,498,399	13,120,220
Foreign Banks and Financial Institutions	30,498,930	44,519,266
Deposits with Banks and Financial Institutions***	95,200,000	119,000,000
	139,197,329	176,639,486

* The balances with banks and financial institutions on which the Bank does not charge any interest reached IQD 29,767,137 thousand as at 31 December 2019 (IQD 53,373,658 thousand as at 31 December 2018).

** The restricted balances with the local banks and financial institutions reached IQD 11,068,078 thousand as at 31 December 2019 (IQD 11,183,078 thousand as at 31 December 2018) although these balances belong to a government bank against which the Bank has filed a lawsuit regarding this balance, and won it in cassation on 17/5/2016. Furthermore, on 5/9/2019 the Bank received a request from the relevant party to pay this amount plus interest in annual installments of one billion IQD each starting from the current year, and the Bank sent letter No. D. Q/6218 dated 29/9/2019 to the Central Bank of Iraq approving the proposed form of payment; and the matter is being followed up on with the supervisory bodies so as to be implemented. The other part of the balances belongs to the balances with a government bank of the Ministry of Finance in Kurdistan Region and due to the prevailing political and economic conditions in Iraq; the window for utilizing these balances in banking operations is narrow.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

	2019 IQD (000)	2018 IQD (000)
Deposits with less than 1 month maturity	-	-
Deposits with 1 – 3 months maturity	-	-
Deposits with 3 – 6 months maturity	-	-
Deposits with 6 – 12 months maturity	95,200,000	119,000,000
	95,200,000	119,000,000

*** These are term deposits with foreign banks in US dollar at an average annual interest rate of 2.8% as at 31 December 2019 (average interest rate 3.6% as at 31 December 2018)

5. Investments in Shares:

A. Investments in Associates

Shares in Unlisted Companies	Country of Incorporation	Ownership Rate	2019 IQD (000)	2018 IQD (000)
Investments in Associates Listed in Active Local Markets			989,966	549,981
Al Ameen Insurance Company	Iraq	48%	989,966	549,981
			989,966	549,981

* The share valuation price for Al Ameen Insurance Company was IQD 0.54 per share as at 31 December 2019 (IQD 0.30 per share as at 31 December 2018).

B. Financial Assets at Fair Value through Other Comprehensive Income

	2019 IQD (000)	2018 IQD (000)
Shares of Companies Listed in Active Markets	613,958	827,234
Shares of unlisted Companies*	3,568,869	3,839,084
	4,182,827	4,666,318

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

	2019 IQD (000)	2018 IQD (000)
Beginning-of-year balance	5,216,299	4,676,331
Impact of Control\Loss of Control over Subsidiaries	-	869,350
Additions	137	-
Disposals	(43,643)	(46,072)
	5,172,793	5,499,609
Change in fair value reserve	-	(283,310)
End-of-year balance	5,172,793	5,216,299

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

6. Financial Assets at Amortized Cost:

	2019 IQD (000)	2018 IQD (000)
Financial Assets Quoted in the Market:		
Government or Government-guaranteed Bonds	-	-
Foreign Government Bonds*	24,324,260	24,393,611
Total Financial Assets Quoted in the Market	24,324,260	24,393,611
Financial Assets Unquoted in the Market:		
Government or Government-guaranteed Bonds	-	20,000,000
Government or Government-guaranteed Treasury Bills	72,925,988	41,449,699
Total Financial Assets Unquoted in the Market	72,925,988	61,449,699
Net Financial Assets at Amortized Cost	97,250,248	85,843,310

Analysis of Bonds and Bills:

	2019 IQD (000)	2018 IQD (000)
Financial Assets with Fixed Rate of Return	97,250,248	85,843,310
Financial Assets with Floating Rate of Return	-	-
Total	97,250,248	85,843,310

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

The financial assets at amortized cost accrue as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2019	19,981,118	-	14,774,392	38,170,478	-	24,324,260	97,250,248
2018	-	-	41,912,106	19,537,593	-	24,393,611	85,843,310

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

7. Direct Credit Facilities, Net*

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Consumers (Retail)	31,538,530	59,726,507
Loans**	30,258,235	56,814,473
Discounted Bills & Purchased Bills	191,357	376,538
Overdrafts	1,088,938	2,535,496
Large and Medium Enterprises	156,706,361	135,595,934
Loans	149,882,658	111,731,237
Discounted Bills & Purchased Bills	2,206,008	2,204,299
Overdrafts	4,617,695	21,660,398
	188,244,891	195,322,441
Less:		
Interest In Suspense (Note 7A)	7,702,983	3,144,354
Provision for Credit Losses (Note 7B)	30,939,190	30,223,361
	149,602,718	161,954,726

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

**The net amount of loans granted is presented after deducting interest received in advance, which is IQD (217,890) thousand as at 31 December 2019 (2018: IQD 144,601 thousand). These interests are interests prepaid on loans for gold jewelry and discounted bills.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

Non-performing credit facilities reached IQD 150,003,848 thousand as at 31 December 2019, accounting for 79.7% of the direct credit facilities balance (2018: IQD 160,081,041 thousand, accounting for 82%).

Non-performing credit facilities after deducting interests in suspense reached IQD 142,300,865 thousand as at 31 December 2019, accounting for 78.8% of the credit facilities balance after deducting interests in suspense (2018: IQD 156,936,687 thousand, accounting for 81.7% of the credit facilities balance after deducting interest in suspense).

Debt conversion for mortgages against non-performing credit facilities reached IQD 174,902,083 thousand as at 31 December 2019.

Total facilities at Beirut branch reached IQD 22,092,133 thousand, of which IQD 2,787,865 thousand were non-performing credit facilities.

A. Interest in Suspense

The movement in the interest in suspense was as follows:

2019	Retail IQD (thousand)	Corporate IQD (thousand)	Total IQD (thousand)
Beginning-of-year balance	3,144,354	-	3,144,354
Additions	393,712	7,821,428	8,215,140
Redemptions	(53,229)	(3,603,282)	(3,656,511)
End-of-year balance	3,484,837	4,218,146	7,702,983

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

B. Provision for Impairments of Credit Facilities

The movement in the provision for impairment of credit facilities was as follows:

2019	Retail IQD (thousand)	Corporate IQD (thousand)	Total IQD (thousand)
Beginning-of-year balance (after adjustment)	12,377,690	17,845,671	30,223,361
Additions	-	556,920	556,920
Transfer from the provision for banking risks*	-	201,649	201,649
Transfer from the provision for contractual credit	-	(42,740)	(42,740)
Redemptions	-	-	-
End-of-year balance	12,377,690	18,561,500	30,939,190

*IQD (42,740) thousand was 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.

*IQD (201,649) thousand were transferred from the general banking risks reserve account with Beirut branch, which is presented in general provisions, to the provision for cash credit; due to the application of IFRS 9, as the regulations of the Central Bank of Lebanon (Banque du Liban) allow transfers from the provision for general banking risks to provisions.

*The provisions were calculated in accordance with Chapter 10 of Regulation 4 for 2010 (Regulation on Facilitating the Implementation of Banking Law No. 94 for 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. The impact of applying IFRS 9 to the branches in Iraq was calculated and, based on the resolution of the Board of Directors and correspondences with the Central Bank of Iraq regarding the calculation of this standard, the adoption of a calculation methodology for this standard is still under review and the impact of the implementation of this standard will be applied and reflected in the financial statements once completed and approved by the control bodies; which is expected to occur during the first half of 2020.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

8. Property and Equipment, Net**

	Land	Buildings	Plant and Equipment	Computers, Furniture & Fixtures	Transportation	Systems	Decorations and Improvements**	Projects Under Construction*	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2019									
Cost:									
Beginning of year	21,127,107	12,754,676	1,197,408	9,047,959	945,934	2,702,755	1,781,450	9,607,428	59,164,717
Additions	818,125	9,567,695	25	521,261	108,992	45,968	269,756	3,402,549	14,734,371
Disposals	-	-	(95,143)	(151,450)	(105,910)	(88,772)	-	(6,434,569)*	(6,875,844)
Transfer from Projects under Construction	-	-	-	(131)	-	-	-	131	-
Reclassification	371,250	17,829	-	-	-	-	(389,079)	-	-
End of year	22,316,482	22,340,200	1,102,290	9,417,639	949,016	2,659,951	1,662,127	6,575,539	67,023,244
Depreciation:									
Beginning of year	-	3,094,882	1,134,008	7,219,720	945,934	1,453,764	1,098,952	-	14,947,260
Additions for the year	-	433,929	27,188	543,099	14,532	640,443	(4,709)	-	1,654,482
Disposals	-	-	(95,143)	(151,450)	(105,910)	-	-	-	(352,503)
Reclassification	-	-	512	-	(512)	-	-	-	(0)
End of year	-	3,528,811	1,066,565	7,611,369	854,044	2,094,207	1,094,243	-	16,249,239
Net Book Value	22,316,482	18,811,389	35,725	1,806,270	94,972	565,744	567,884	6,575,539	50,774,005
Analysis of Projects Under Construction*	1,429,902			57,731		65,450		5,022,456	6,575,539

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

8. Property and Equipment, Net (Continued)

	Land	Buildings	Plant and Equipment	Computers, Furniture & Fixtures	Transportation	Systems	Decorations and Improvements**	Projects Under Construction*	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2018									
Cost:									
Beginning of year	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	-	-	-	-	-	-	-	-	-
End of year	21,127,107	12,754,676	1,197,408	9,047,959	945,934	2,702,755	1,781,450	9,607,428	59,164,717
Depreciation:									
Beginning of year	-	2,841,303	1,132,850	7,197,920	920,561	318,100	701,674	-	13,112,407
Additions for the year	-	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)	-	-
End of year	-	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

* Projects under construction include the cost of a building lease (incomplete, completion percentage 80%) intended to be used as a head office for the general management for 15 years. An amount of USD (4,737) million has been paid in advance with a grace period of two years, although the contract is owned to related parties.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

9. Other Assets

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Legal Fees	540,931	579,036
Margins with others	813,430	1,634,743
Prepayments for Ownership or Acquisition of Land *	9,309,345	4,464,565
Prepaid Expenses	2,209,264	2,426,624
Accrued Interest	1,048,939	3,052,140
Government Accounts Receivable**	6,042,545	5,060,760
Prepayments for investment purposes***	119,970,152	789,473
Other Accounts Receivable	708,766	201,670
Interbranch Accounts	-	14,146
Repo Assets Due to Default (acquired assets)****	960,868	11,562,522
Stolen Cash*****	36,284,732	36,395,375
Provisions for Stolen Cash and Accounts Receivable (9.A or 9.B) ***	(38,458,396)	(38,575,026)
	139,430,576	27,606,028

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

	2019 IQD (000)	2018 IQD (000)
Provisions for Stolen Cash and Cheques	36,267,246	36,383,876
Provision for the General Commission for Taxes – Kurdistan Taxes	2,191,150	2,191,150
Total of the Provision for Stolen Cash and other amounts	38,458,396	38,575,026

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

	2019 IQD (000)	2018 IQD (000)
Beginning-of-year Balance	38,575,026	36,765,780
Additions	-	1,812,057
Recovered stolen amounts	(116,630)	*(2,811)
End-of-year Balance	38,458,396	38,575,026

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

*On 20/6/2013, the Bank signed a contract to purchase a land in Basra governorate to serve as the headquarters of the Bank's branch, where the value of the contract was IQD 3,768,616 thousand and was paid in full. 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's approval of the acquisition of this land in accordance with the Banking and Credit Monitoring Directorate's letter No. 9/3/2946 dated 3/6/2014. This amount was presented in the account of prepayments for ownership or acquisition of land.

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

**The governmental accounts receivable amount represents the liabilities of the Iraqi Ministry of Finance for the amount of IQD 2,000,000 thousand based on the Federal Court of Cassation decision No. 1868 / civil panel / 2015 - 1909 dated 16/4/2015 to compensate the Bank for the expropriation of its building in Karbala governorate, in addition to IQD (102,000) thousand in security deposits with Erbil Enforcement Department, regarding a lawsuit filed by a customer of the Bank. This amount was presented in government accounts receivable.

**The Bank established its right with the General Commission of Taxes regarding the double taxation paid in Kurdistan region for the sum of IQD 3,849,908 thousand, where the Bank created a provision of IQD 2,191,150 thousand for these amounts. The Bank is still following up on its rights with the relevant authorities to recover this amount. This amount was presented in government accounts receivable.

**** The amount of prepayments for investment purposes, the balance of which reached IQD 119,970,152 thousand, represents the amount of the Bank's investments in the Iraqi Deposits Insurance Company, a company under establishment, in addition to prepayments for investment in Iraqi government bonds as, in its 10th session held on 26/9/2019, the Board of Directors of the Bank issued a decision to invest in Iraqi government bonds in order to diversify its investments and increase its sources of income.

***** The repossessed assets due to default, the amount of which reached IQD 960,868 thousand, were re-presented in the other assets instead of fixed assets, as these buildings are to be disposed of within 2 years of the acquisition date as instructed by the Central Bank, noting that the Bank sought to dispose of these buildings in 2019 by deciding to use one of them as the headquarters of one of its branches upon the approval of the Central

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

Bank of Iraq, and the same was re-presented in fixed assets. In addition, all the other buildings were sold and the transfer of ownership is expected to be completed in 2020.

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

		2019	2018
Year	Branch	IQD (thousand)	
2018	Al Qurnah Branch Robbery	544,304	544,304
2015	Irbil Branch Robbery	32,341,950	32,341,950
2014	Mosul Branch Robbery	974,777	1,086,000
2011	Al-Sanak Branch Robbery	1,144,462	1,144,462
2003 - 2017	Robberies, cash at hand shortage, forged Cheques	1,279,239	1,278,659
Total Amounts Stolen from the Bank		36,284,732	36,395,375

10. Banks and financial institutions' deposits

The balance of IQD 1,837,222 thousand represents the deposits and current accounts of banks and other financial institutions that are clients of the Bank of Baghdad Group.

11. Customers' Deposits

This item consists of the following:

	Retail IQD (thousand)	Corporates IQD (thousand)	Total IQD (thousand)
2019			
Current and Demand Accounts	128,392,628	341,927,518	470,320,146
Savings Accounts	277,615,079	21,841,911	299,456,990
Term Deposits	14,008,745	17,388,976	31,397,721
	420,016,452	381,158,405	801,174,857
2018			
Current and Demand Accounts	135,748,290	311,130,201	446,878,491
Savings Accounts	289,387,533	19,908,103	309,295,636
Term Deposits	10,956,829	15,042,583	25,999,412
	436,092,652	346,080,887	782,173,539

- Deposits that do not carry interest were IQD 470,320,146 thousand, accounting for (58.7%) of total deposits and current and demand accounts as at 31 December 2019 (2018: IQD 466,878,491 thousand, accounting for (57.1%)).
- The seized and restricted deposits, upon the request of official bodies, reached IQD 318,809 thousand, accounting for (0.07%) of the total deposits and current accounts as at 31 December 2019 (2018: IQD 59,598,405 thousand, accounting for (7.6%)).

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

12. Cash Margins

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Margins Against Letters of Credit	1,937,563	507,029
Margins Against Letters of Guarantee	14,868,044	11,101,395
Other Cash Margins	654,500	654,500
	17,460,107	12,262,924

13. Income Tax

A. Income Tax Provision

The movement in the income tax provision was as follows:

	2019 IQD (000)	2018 IQD (000)
Beginning-of-year Balance	1,266,782	3,466,448
Income Tax Paid During the Year*	(2,829,252)	(3,475,409)
Accrued Income Tax	3,538,590	1,275,743
End-of-year Balance	1,976,120	1,266,782

*The above difference between accrued income tax and balance at the end of the fiscal year was the result of paying income tax during the year arising from the settle for 2017 where a sum of IQD 1,553,018 thousand was paid.

B. Income Tax

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

	2019 IQD (000)	2018 IQD (000)
Pretax Accounting Profit (Loss)	10,837,194	5,427,845
Non-taxable Profits	(470,739)	(2,938,230)
Tax unacceptable expenses	2,870,694	4,845,363
Taxable Profit	13,237,149	7,334,978
Income tax accrued to the Iraqi General Commission of Taxes (at the rate of 15%)	1,809,241	1,100,247
Income tax accrued to the Lebanese Tax Authority (at the rate of 17%)	176,331	175,496
Settlement of income tax accrued to the General Commission of Taxes for 2017	1,553,018	-
	3,538,590	1,275,743

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

C. Income Tax

Accounting profit (loss) settlement with taxable profit:

	2019 IQD (000)
Net Profit before Tax	10,837,194
Non-deductible Expenses	
Donations	72,000
Fines and Compensations	(50,508)
Miscellaneous Provisions	1,137,230
Litigation Provisions	200,000
Employee Taxation	955,052
Provisions for Credit Facilities	556,920
Total of Non-deductible Expenses	2,870,694
Non-taxable Income	
Rent Income (Subject to Real Estate Tax)	348,700
Cash Distributions from Financial Assets at Fair Value (Profits of Joint Stock Companies)	29,869
Recoverable Income from Previous Years	92,170
Non-taxable Profits	470,739
Taxable Profit	13,237,149
Bank's Income Tax	1,985,572
Less: Accrued Income Tax Paid for Branches outside Iraq	(176,331)
Income Tax Accrued to the Iraqi General Commission of Taxes	1,809,241

- The tax amount was calculated in accordance with the Iraqi Tax Law (15% of the taxable profit). However, the tax amount in the Beirut branch in the Lebanese Republic was calculated in accordance with the Lebanese Tax Law at the rate of 17%, noting that; in accordance with paragraph (4) of article (5) of the Income Tax Law No. 113 for 1982 as amended; tax on the profits of branches outside Iraq is calculated in the same way as branches in Iraq and the amount paid in the Lebanese Republic is deducted such that it does not exceed the corresponding tax in Iraq, and the remaining amount is carried forward to the next five years and deducted from accrued tax.
- The Bank paid the accrued income tax amounts until 2017 and received a tax clearance from the General Commission of Taxes upon paying tax differences for said year for the amount of IQD 1,553,018 thousand, which was presented in the income tax item for 2019. As for the 2018 tax, the amounts disclosed in the 2018 budget were paid and a receipt voucher was obtained from the General Commission of Taxes as proof of the amount paid for said year. The tax settlement procedures are still under discussion with the General Commission of Taxes in Iraq for this year. As for the Beirut branch, accrued amounts were paid and the tax was settled for the years above. Furthermore, the accrued tax for the year ended 31 December 2019 will be paid in 2020.
- Regarding the double taxation to which the Bank was subjected due to the taxation of all its branches operating in the Kurdistan region, despite being settled with the General Commission of

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

Taxes, an amount of IQD 2,191,150 thousand was paid in 2017 and IQD 1,658,758 thousand was paid 2018. The Bank recorded these amounts as liabilities on the General Commission of Taxes in Iraq, the Commission was notified accordingly and the Bank is waiting for the Commission's response. The Bank created IQD 2,191,150 thousand as provisions.

- The tax accrued for Bank of Baghdad Group and its branches in Iraq and abroad for the year ended 31 December 2019 was calculated, and the management and tax consultant believe that the same is sufficient to cover tax liabilities as at that date.

14. Miscellaneous Provisions

	2019 IQD (000)	2018 IQD (000)
Provisions for Contractual Credit	303,594	260,854
Provisions for Contingent Losses of the Currency Sale and Purchase Window*	5,668,876	9,248,094
Provisions for End-of-service Indemnity	607,401	-
Litigation Provisions	200,000	-
Miscellaneous Provisions*	616,219	-
	7,396,090	9,508,948

*A provision for investments in Eurobonds (in USD) issued by the Lebanese government was created for the amount of IQD 449 million.

A. Miscellaneous Provisions

This movement in the miscellaneous provisions was as follows:

	2019 IQD (000)	2018 IQD (000)
Balance at 1 st of January	9,508,948	12,991,250
Additions*	1,337,230	260,854
Transfer from the provision for direct facilities	42,740	-
Reclassification from other liabilities	121,118	-
Recovered	(3,613,946)	(3,743,156)**
Balance at 31 December	7,396,090	9,508,948

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

**During 2017, a lawsuit was filed against the Bank by a customer who had a current account with the Irbil branch – Nishtiman; claiming that the current account balance of the company was inaccurate and presented as zero whereas the correct balance was IQD (2,320,372) thousand. The Bank lost the lawsuit in 2018 and paid the loss amount of IQD (2,641,140) thousand.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

15. Long-Term Loans

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Arab Trade Financing Program Loan*	595,000	2,379,262
Banque du Liban Loan	1,912,408	2,485,101
	2,507,408	4,864,363

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

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

16. Other Liabilities

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Certified Checks	14,085,286	15,348,889
Balances and Compensations of Deceased Customers	6,148,309	5,066,298
Dividends Payable	2,604,029	2,733,933
Cash Margins to Others	1,976,327	1,310,983
ATM Services Payables	(635,727)	959,128
Outstanding Accrued Expenses	897,573	890,813
Customer Outward Transfers Balances	235,001	815,649
Currency Position	770	726,501
Accounts Payables	247,542	510,334
Amounts Received for Companies Registration	455,733	457,188
Outstanding Accrued Stamp Fees	112,423	136,425
Outstanding Accrued Interest	99,014	144,165
Other	524,697	3,406,812
	26,750,977	32,507,118

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

17. Capital

The fully paid-in capital comprises 250 Billion shares (2019: 250 billion shares) at IQD 1 per share (2018: IQD 1).

18. Reserves

- Statutory (Obligatory) Reserve

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

- Voluntary Reserves

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

19. Interest Payable

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Consumer (Retail) Facilities:	2,223,363	2,576,060
Loans and Bills	1,535,716	2,536,768
Current Accounts Receivable	687,647	39,292
Companies (Corporate) Facilities	3,374,723	4,800,615
Loans and Bills	1,299,520	4,240,586
Current Accounts Receivable	2,075,203	560,029
Balances with Central Banks	207,671	744,107
Balances and Deposits with Banks and Financial Institutions	5,098,140	3,101,058
	10,903,897	11,221,840

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

20. Interest Expenses

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Savings Accounts	4,900,646	4,757,488
Term Deposits Accounts	852,276	686,732
	5,752,922	5,444,220

21. Net Commission Income

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Bank Transfers Commissions*	17,364,803	14,206,973
Direct Facilities Commissions	167,402	42,229
Indirect Facilities Commissions	1,375,212	1,320,133
Customer Accounts Management Commission	4,025,035	2,965,051
Other Commissions	1,651,746	2,011,554
Total Commissions Payable	24,584,198	20,545,940
Commissions Receivable	(4,723,969)	(4,329,319)
	19,860,229	16,216,621

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

22. Net Foreign Currency Profits

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Profits from Sale and Purchase of Currency	10,225,981	8,083,578
Profits from Valuation	91,684	65,406
	10,317,665	8,148,984

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

23. Investment Income

	2019 IQD (000)	2018 IQD (000)
Government and Government-guaranteed Bonds	1,931,779	3,706,310
Government Bonds - Iraq	413,333	2,096,397
Government Bonds - Lebanon	1,518,446	1,609,913
Government or Government-guaranteed Treasury Bills	2,024,372	184,867
	3,956,151	3,891,177
	2019 IQD (000)	2018 IQD (000)
Cash Dividends from Financial Assets at Fair Value Through Comprehensive Income	29,870	35,600
	29,870	35,600
Total Income from Investment	3,986,021	3,926,777

24. Other Income

	2019 IQD (000)	2018 IQD (000)
Income Recoverable from Previous Years	49,608	379,167
Profits (loss) from and Compensations for Property and Equipment	(102,860)	1,319,367
Received Real Estate Rent	348,700	485,132
Income from telephone, post, and SWIFT	131,212	102,476
Other income	146,130	211,857
	572,790	2,497,999

25. Employees' Expenses

This item consists of the following:

	2019 IQD (000)	2018 IQD (000)
Employees' Salaries and Benefits	9,271,987	8,825,940
Employees' Bonuses	4,103,684	3,840,967
Bank's Contribution to Social Security	858,475	867,709
Employee Income Tax*	955,052	782,676
Employee's Insurance	91,816	2,016
Employee's Training	79,756	41,287
	15,360,770	14,360,595

*Employee's income tax was IQD (923,163) thousand for branches in Iraq, and IQD (31,889) thousand for Beirut's branch.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

26. Other Operating Expenses

	2019 IQD (000)	2018 IQD (000)
Penalties and Compensations	(50,508)	1,825,212
Rents and Services	1,677,979	1,197,059
Professional and Consulting Services	323,437	450,737
Maintenance	1,792,488	2,462,945
Advertising	31,588	28,021
Communications and Internet	1,008,241	226,915
Non-employees Benefits	-	50
Tax and Duties	602,969	521,844
Fuel and oil	44,069	174,613
Transportation	1,111,309	928,116
Subscriptions, Licenses and Fees	420,808	882,319
Stationery	302,466	161,599
Legal Services	190,020	214,845
Water and Electricity	356,713	238,028
Donations	72,000	6,000
Supplies and Services	1,144,210	1,889,738
Written-off litigation Claims	-	373,591
Hospitality	24,566	44,045
Audit fees*	83,000	83,000
Other parties audit fees	94,419	48,754
Insurance	176,837	272,832
Traveling Expense	715,812	699,676
Other	18,661	91,557
	10,141,084	12,838,496

*The auditors' fees in Iraq were estimated at IQD 83 million, and the remaining amount represents the fees paid to the auditors of Beirut branch and other control bodies.

27. Earnings per Share

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

	2019 IQD (000)	2018 IQD (000)
Net Profit for the Year	7,298,604	4,152,101
Weighted Average number of Shares (thousand)	250,000,000	250,000,000
	Dinar / Fils	Dinar / Fils
Basic Earnings per Share from the Year's Profit*	0/029	0/017

* No cash dividends were distributed to shareholders for the fiscal year ended 31 December 2019.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

28. Cash and Cash Equivalents

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

	2019 IQD (000)	2018 IQD (000)
Cash and Balances with Central Bank Due Within 3 Months	551,316,536	612,061,251
Add: Due from Banks and Financial Institutions Accruing in 3 months	43,997,328	57,639,486
Less: Due to Banks and Financial Institutions Accruing in 3 Month	(1,837,222)	(4,212,164)
Restricted Balances	(56,280,406)	(56,395,428)
	537,196,236	609,093,145

29. Transactions with related parties

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

	Subsidiaries of Major Shareholders, Directors and their Relatives	Directors, Major Shareholders and Associates	Executive Management	Other Parties	2019	2018
Balance Sheet Items	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
Assets:						
Cash Facilities, Net	-	-	33,333	-	33,333	-
Due From Banks and Financial Institutions	56,429	4,102,907	-	95,414,301	99,573,637	119,026,638
Fixed and Other Assets*	9,071,741	129,554	-	119,761,927	128,963,222	9,584,146
Liabilities:						
Due to Banks and Financial Institutions	-	-	-	641	641	641
Customers' Deposits	6,978,621	3,440,637	-	-	10,419,258	9,254,299
Cash Margins	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-
Off-Balance Sheet items						
Letters of Guarantee	-	-	-	19,130,017	19,130,017	16,892,268
Income Statement Items:						
Interest and Commissions Income	13,396	1,046	-	4,329,507	4,343,949	2,280,762
Interest and Commissions Expenses	(72,295)	(103,855)	-	-	(176,150)	(92,840)
Other Income	-	5,000	-	-	5,000	3,600
Operating Expenses	(1,269,841)	(154,624)	-	-	(1,424,465)	(1,433,284)
Employees' Salaries and Benefits	-	-	(1,694,426)	-	(1,694,426)	(1,339,521)

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

30. Fair Value of Financial instruments:

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

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

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

	Level 1 IQD (thousand)	Level 2 IQD (thousand)	Level 3 IQD (thousand)	Total IQD (thousand)
2019				
Investments in Associates	989,966	-	-	989,966
Financial Assets at Fair Value through Other Comprehensive Income	613,958	-	3,568,869	4,182,827
2018				
Investments in Associates	549,981	-	-	549,981
Financial Assets at Fair Value through Other Comprehensive Income	827,234	-	3,839,084	4,666,318

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

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

32. Risk Management

The Board of Directors is responsible for general risk management 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, determining the risk appetite and reporting any potential risks to the Board of Directors.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

Credit Risks 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 fulfil its obligations toward the Bank, resulting in losses. The Bank manages credit risks by putting ceilings for the credit facilities' amounts as instructed by the Central bank of Iraq. Furthermore, the Bank monitors credit risks and evaluates the customers' credit situation and obtains suitable guarantees from them.

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

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

	2019 IQD (000)	2018 IQD (000)
Financial Position Statement Items:		
Cash with the Central Bank	492,150,435	529,275,533
Due from Banks and Financial Institutions	139,197,329	176,639,486
Direct Credit Facilities – Net:		
Retail	15,676,003	44,204,463
Corporates	133,926,715	117,750,263
Investments in Associates	989,966	549,981
Financial Assets at Fair Value through Other Comprehensive Income	4,182,827	4,666,318
Financial Assets at Amortized Cost	97,250,248	85,843,310
Other Assets	139,430,575	27,606,027
Total Financial Position Statement Items	1,022,804,098	986,535,381
Off financial position statement items		
Letters of Guarantee	62,215,829	60,243,376
Letters of Credits	3,710,284	443,815
Total off financial position statement items	65,926,113	60,687,191
Total items on and off the financial position statement	1,088,730,211	1,047,222,572

The table above represents the Bank's maximum credit risks as at 31 December 2019 and 2018 without taking the guarantees or other credit risk mitigation tools into consideration. As for financial position asset items, the abovementioned exposure is based on the balance as presented in the financial position statement.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

2. Credit exposures are classified by the level of risk as at 31 December 2019 according to the following table:

	Retail	Corporates	Government and Public Sector	Banks and Other Financial Institutions	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2019					
Low Risk*	6,464,062	691,991	99,436,496	695,727,342	802,319,891
Acceptable Risk**	1,760,423	34,352,310	1,664,544	60,361,681	98,138,958
Past Due:					
Up to 30 Days	13,317	11,374,154	-	-	11,387,471
From 31 Up to 60 Days	1,609	293,686	-	-	295,295
Watch list	3,493	-	-	-	3,493
Non-Performing:	35,491,279	125,496,143	-	-	160,987,422
Substandard	3,602	-	-	-	3,602
Doubtful	76,379	2,787,866	-	-	2,864,245
Loss	35,411,298	122,708,277	-	-	158,119,575
Total	43,715,764	160,540,444	101,101,040	756,089,023	1,061,446,271
Less: Interest in Suspense	(3,484,837)	(4,218,146)	-	-	(7,702,983)
Credit Impairment Provision	(12,377,690)	(18,561,500)	-	-	(30,939,190)
Net	27,853,237	137,760,798	101,101,040	756,089,023	1,022,804,098

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

	Retail	Corporates	Government and Public Sector	Banks and Other Financial Institutions	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
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:	54,519,646	107,391,441	-	-	161,911,087
Substandard	405,453	1,752,943	-	-	2,158,396
Doubtful	68,291	43,058	-	-	43,058
Loss	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

As for distributing the fair value of the provided guarantees in return for facilities (risk mitigation tools), the values of the provided guarantees in return for credit facilities were not updated, but were rather presented at contractual value when granted; 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 accordingly taken into account when calculating credit provisions. The table below shows customer guarantees individually and according to the guarantee value at the credit granting date.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

	Retail	Corporate	Government and Public Sector	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
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:	162,583,905	207,236,853	-	244,982,329
Substandard	234,000	5,726,000	-	5,960,000
Doubtful	1,057,600	169,000	-	1,226,600
Loss	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 exposure concentration by geographical distribution was according to the following table:

Geographical Area	In Iraq	Outside Iraq (Middle East)	USA	Total
Item	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
Balances with the Central Bank	482,235,729	9,914,706	-	492,150,435
Due from banks and financial institutions	13,498,400	112,305,896	13,393,033	139,197,329
Direct credit facilities – Net	129,003,302	20,599,416	-	149,602,718
Retail	15,676,003	-	-	15,676,003
Corporates:				
Corporates	113,327,299	20,599,416	-	133,926,715
Investments in associates	989,966	-	-	989,966
Financial assets at fair value through other comprehensive income	4,182,827	-	-	4,182,827
Financial assets at amortized cost	72,925,988	24,324,260	-	97,250,248
Other assets	19,307,569	120,123,006	-	139,430,575
Total for 2019	722,143,781	287,267,284	13,393,033	1,022,804,098
Total for 2018	762,219,823	207,586,297	16,729,261	986,535,381

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

Economic Sector	Financial	Commercial	Industrial	Real State and Constructions	Agricultural	Services	Retail	Governmental and Public Sector	Total
Item	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
Cash with the Central Bank	492,150,435	-	-	-	-	-	-	-	492,150,435
Due from Banks and Financial Institutions	139,197,329	-	-	-	-	-	-	-	139,197,329
Direct Credit Facilities – Net	-	34,248,175	19,351,250	80,038,611	-	288,679	15,676,003	-	149,602,718
Investments in Associates	989,966	-	-	-	-	-	-	-	989,966
Financial Assets at Fair Value	3,091,309	-	1,099	513,362	575,868	1,189	-	-	4,182,827
Financial Assets at Amortized Cost	-	-	-	-	-	-	-	97,250,248	97,250,248
Other Assets	120,659,984	6,849,012	-	4,844,779	-	-	3,226,008	3,850,792	139,430,575
Total for 2019	756,089,023	41,097,187	19,352,349	85,396,752	575,868	289,868	18,902,011	101,101,040	1,022,804,098
Total for 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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Market Risks

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

The 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.

1. Interest Rate Risk

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

Sensitivity of the income statement is represented by the effect of assumed potential changes in interest rates on the banks profit for one year, and is calculated for financial assets and liabilities that carry floating interest rates as at 31 December 2019.

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

	Change (Increase) in interest Rate	Sensitivity of Interest Income IQD (thousand)	Sensitivity of Shareholders' Equity IQD (thousand)
2018 / Sensitivity of Interest Rates			
Currency			
Equalized US Dollar	2%	(370,931)	-
IQD	2%	(880,452)	
Total Impact		(823,812)	
2018 / Sensitivity of Interest Rates			
US Dollar equivalent	2%	514,000	
IQD	2%	(142,000)	
Total Impact		372,000	

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Market Risks (Continued)

2. Currency Risks

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

The Bank's investment policy states that positions with main foreign currencies can be adopted, provided that the total financial position of all currencies does not exceed 40% of the basic and backup capital. Foreign currency positions are monitored on a daily basis, and advanced market instruments can be used to hedge against exchange rates risks within restrictions that protect the Bank from being exposed to any further risks.

Following is a table showing the impact of potential changes in the IQD exchange rate against foreign currencies in the income statement, with all other impactful variables remaining unchanged.

	Change in Currency Exchange Rate	Impact on Profits or Losses	Impact on Shareholders' Equity
		IQD (thousand)	IQD (thousand)
2019			
Currency			
US Dollar	5%	4,741,811	
Euro	5%	120,242	
Lebanese Pound	5%	-	827,739
Total		4,862,053	827,739
2018			
Currency			
US Dollar	5%	2,599,290	-
Euro	5%	68,548	-
Lebanese Pound	5%	-	831,050
Total		2,667,838	831,050

Should there be a negative change, the impact becomes equal to the change above and the sign is switched. There are no significant risks resulting from the change in the exchange rates of other currencies due to the small volume of transactions in those currencies.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Market Risks (Continued)

3. Share Price Risks

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

	Change in Index	Impact on Profits and Losses	Impact on Shareholders' Equity	Total
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2019				
Investments available for sale	1%	42		42
	5%		209,000	209,000

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Market Risks (Continued)

4. Interest Re-pricing Gap

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

	Less Than 1 Month	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 (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)
2019							
Assets:							
Cash and Balances with the Central Bank	26,000,000	-	-	-	-	525,316,536	551,316,536
Due from Banks and Financial Institutions	15,524,376	-	-	95,200,000	-	28,472,953	139,197,329
Direct Credit Facilities, Net	1,919,284	4,011,183	4,461,270	3,073,677	10,259,001	125,878,303	149,602,718
Investments in Associates	-	-	-	-	-	989,966	989,966
Financial Assets at Fair Value	-	-	-	-	-	4,182,827	4,182,827
Financial Assets at Amortized Cost	19,981,118	-	14,774,392	38,170,478	24,324,260	-	97,250,248
Property and Equipment, Net	-	-	-	-	-	50,208,262	50,208,262
Intangible Assets	-	-	-	-	-	565,744	565,744
Other Assets	-	-	-	-	-	139,430,575	139,430,575
Total Assets	63,424,778	4,011,183	19,235,662	136,444,155	34,583,261	875,045,166	1,132,744,205
Liabilities:							
Due to Banks and Financial Institutions	-	-	-	-	-	1,837,222	1,837,222
Customers' Deposits	319,520,294	2,301,840	3,779,578	5,253,000	-	470,320,145	801,174,857
Cash Margins	-	-	-	-	-	17,460,107	17,460,107
Income Tax Provision	-	-	-	-	-	1,976,120	1,976,120
Miscellaneous Provisions	-	-	-	-	-	7,396,090	7,396,090
Loans	721,088	-	595,000	-	1,191,320	-	2,507,408
Other Liabilities	-	-	-	-	-	26,750,977	26,750,977
Total Liabilities	320,241,382	2,301,840	4,374,578	5,253,000	1,191,320	525,740,661	859,102,781
Interest Re-pricing Gap	(256,816,604)	1,709,343	14,861,084	131,191,155	33,391,941	349,304,505	273,641,424
2018							
Total Assets	56,264,721	386,609	43,388,304	140,810,439	54,333,386	818,355,097	1,113,538,556
Total Liabilities	324,192,781	3,769,649	3,333,281	6,378,599	2,485,101	506,636,427	846,795,838
Interest Re-pricing Gap	(267,928,060)	(3,383,040)	40,055,023	134,431,840	51,848,285	311,718,671	266,742,719

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Market Risks (Continued)

5. Risk of Foreign Currencies Concentration

Item	US Dollar	Euro	Lebanese Pound
2019			
Assets			
Cash and Balances with the Central Bank	180,964,490	110,573	3,022,602
Due from Banks and Financial Institutions	120,383,970	3,118,704	2,201,423
Direct Credit Facilities, Net	59,311,980	43,963	8,019,278
Investment in Associates	-	-	-
Financial Assets at Fair Value	-	-	-
Financial Assets at Amortized Cost	24,324,790	-	-
Property and Equipment, Net	1,172,150	-	-
Intangible Assets	103,530	-	354,956
Other Assets	137,197,480	1,332	139,410
Total Assets	523,458,390	3,274,572	13,737,669
Liabilities			
Due to Banks and other Financial Institutions	838,950	131,889	-
Customers' Deposits	421,875,230	335,717	157,995
Cash Margins	11,772,670	935,211	48,387
Income Tax Provisions	36,890	-	191,420
Miscellaneous Provisions	95,200	-	197,820
Loans	659,260	-	1,847,674
Other Liabilities	8,485,890	66,611	312,762
Total Liabilities	443,764,090	1,469,428	2,756,058
Net Concentration on Financial Position Statement	79,694,300	1,805,145	10,981,611
Contingent Liabilities off Financial Position Statement	51,140,538	2,587,638	92,483
2018			
Total Assets	474,663,757	2,240,585	14,103,251
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
Contingent Liabilities off Financial Position Statement	47,177,550	-	283,374

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Liquidity Risk

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

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

	Less Than 1 Month		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 (thousand)	IQD (thousand)	IQD (thousand)	Months	IQD (thousand)	Months	IQD (thousand)	Months	IQD (thousand)	Months	IQD (thousand)	Months	IQD (thousand)
2019													
Liabilities:													
Due to Banks and other Financial Institutions	-	-	-	-	-	-	-	-	-	-	1,837,222	-	1,837,222
Customers' Deposits	20,063,304	2,301,840	3,779,578	3,779,578	5,253,000	-	769,777,135	-	-	-	801,174,857	-	801,174,857
Cash margins	1,206,499	1,539,260	3,843,686	1,976,120	9,810,998	1,059,664	-	-	-	-	17,460,107	-	17,460,107
Income Tax Provisions	-	-	-	-	-	-	-	-	-	-	1,976,120	-	1,976,120
Miscellaneous Provisions	356,000	712,000	1,068,000	2,136,000	3,124,090	-	-	-	-	-	7,396,090	-	7,396,090
Loans	721,088	-	595,000	-	1,191,320	-	-	-	-	-	2,507,408	-	2,507,408
Other Liabilities	14,144,548	974,993	16,044	-	-	-	-	-	-	-	26,750,977	-	26,750,977
Total Liabilities	36,491,439	5,528,093	11,278,428	17,199,998	5,375,074	783,229,749	859,102,781	1,132,744,205	273,685,067	273,641,424	1,837,222	1,837,222	1,837,222
Total Assets	63,424,778	4,011,183	19,235,662	136,444,155	34,583,261	875,045,166	1,132,744,205	273,685,067	273,685,067	273,685,067	1,837,222	1,837,222	1,837,222
Liquidity Gap	26,933,339	(1,516,910)	7,957,234	119,244,157	29,208,187	91,815,417	273,685,067	273,685,067	273,685,067	273,685,067	1,837,222	1,837,222	1,837,222
Cumulative Liquidity Gap	26,933,339	25,416,429	33,373,663	152,617,820	181,826,007	273,641,424	273,641,424	273,641,424	273,641,424	273,641,424	1,837,222	1,837,222	1,837,222
2018													
Liabilities:													
Due to Banks and other Financial Institutions	4,212,164	-	-	-	-	-	-	-	-	-	-	-	4,212,164
Customers' Deposits	771,071,272	1,390,387	3,333,281	6,378,599	7,580,282	519,066	-	-	-	-	782,173,539	-	782,173,539
Cash margins	881,573	1,329,432	1,952,571	1,266,782	2,136,000	2,485,101	-	-	-	-	12,262,924	-	12,262,924
Income Tax Provisions	-	-	-	-	-	-	-	-	-	-	1,266,782	-	1,266,782
Miscellaneous Provisions	356,000	712,000	1,068,000	2,136,000	3,124,090	-	-	-	-	-	9,508,948	-	9,508,948
Loans	-	2,379,262	-	-	-	-	-	-	-	-	4,864,363	-	4,864,363
Other Liabilities	28,436,487	1,270,146	2,800,485	-	-	-	-	-	-	-	32,507,118	-	32,507,118
Total Liabilities	804,957,496	7,081,227	10,421,119	16,094,881	8,241,115	846,795,838	1,113,538,557	232,034,209	232,034,209	232,034,209	1,837,222	1,837,222	1,837,222
Total Assets	830,402,361	386,609	43,388,304	140,810,439	54,333,386	44,217,458	1,113,538,557	232,034,209	232,034,209	232,034,209	1,837,222	1,837,222	1,837,222
Liquidity Gap	25,800,865	(5,982,618)	34,035,185	126,851,558	51,329,219	-	-	-	-	-	1,837,222	1,837,222	1,837,222
Cumulative Liquidity Gap	25,800,865	19,818,247	53,853,432	180,704,990	232,034,209	-	-	-	-	-	1,837,222	1,837,222	1,837,222

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Risk Management (Continued)

Sector-specific Analysis

A. Bank Activity Information:

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

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

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

	Retail	Corporate	Treasury	Brokerage	Other	Total	
	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	IQD (thousand)	2019 IQD (thousand)	2018 IQD (thousand)
Total Income	5,105,306	14,927,037	19,609,497	-	245,840	39,887,680	36,568,001
Credit Facilities Impairment Deficit	-	(556,920)	-	-	-	(556,920)	(182,070)
Business Sector Results	5,105,306	14,370,117	19,609,497	-	245,840	39,330,760	36,385,931
Non-distributed Expenses	(4,174,129)	(11,397,426)	(12,822,105)	(99,906)	-	(28,493,566)	(30,958,086)
Pretax Profit (Loss)	931,178	2,972,690	6,787,392	(99,906)	245,840	10,837,194	5,427,845
Income Tax	(139,677)	(362,366)	(1,461,658)	14,986	(1,589,876)	(3,538,590)	(1,275,743)
Net Profit (Loss) for the Year	791,501	2,610,325	5,325,735	(84,920)	(1,344,036)	7,298,604	4,152,102
Total Sector Assets	78,068,112	146,712,024	858,112,490	-	49,895,222	1,132,787,848	1,113,538,557
Total Sector Liabilities	420,016,452	401,125,920	19,334,307	7,679	21,575,251	862,059,609	846,993,743
Capital Expenses	-	-	-	-	14,734,371	14,734,371	3,609,094
Depreciations	-	-	-	-	1,654,482	1,654,482	1,946,938

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

B. Geographical Distribution Information

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

	In Iraq		Outside Iraq		Total	
	2019 IQD (thousand)	2018 IQD (thousand)	2019 IQD (thousand)	2018 IQD (thousand)	2019 IQD (thousand)	2018 IQD (thousand)
Total Income	31,492,388	31,131,493	8,395,292	5,254,438	39,887,680	36,385,931
Total Assets	971,792,429	888,339,055	160,995,419	225,199,502	1,132,787,848	1,113,538,557
Capital Expenses	14,734,371	3,455,693	-	153,401	14,734,371	3,609,094

32. Capital Management

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

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

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

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

During 2019, there were no changes in the Bank's policies, regulations and capital management methods.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

Capital Adequacy

	2019 IQD (000)	2018 IQD (000)
Tier 1 Capital		
Paid-in Capital	250,000,000	250,000,000
Disclosed Reserves Adequacy	12,912,038	12,739,773
Retained Profits (Losses)	14,376,083	7,649,644
Investments in Banks and Financial Institutions	(4,124,918)	(3,721,920)
Intangible Assets (Software and Systems)	(565,744)	(1,248,991)
Total Tier 1 Capital	272,597,459	265,418,505
Tier 2 Capital		
Miscellaneous Provisions	1,727,214	260,854
Fair Value Reserve	(3,646,697)	(3,646,697)
Total Tier 2 Capital	(1,919,483)	(3,385,843)
Total Tier 1 and Tier 2 Capital	270,677,976	262,032,662
Total Risk Weighted Assets On-Balance Sheet	271,364,421	189,598,439
Total Risk Weighted Assets Off-Balance Sheet	15,451,972	17,324,053
Total Market and Operational Risks	153,865,000	-
Total	420,630,545	206,922,492
Capital Adequacy %	64%	127%

*The minimum capital required to overcome risks for the year ended on 31/12/2018 was not calculated.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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 recovery or settlement.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2019

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

	Up to One Year IQD (thousand)	More Than One Year IQD (thousand)	Total IQD (thousand)
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
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 to the Consolidated Financial Statements

For the Year Ended 31 December 2019

32. Contingent Liabilities and Commitments

A. Credit Liabilities and Commitments

	2019 IQD (000)	2018 IQD (000)
Letters of Guarantee	62,215,829	60,243,376
Letters of Credit	3,710,284	443,815
	65,926,113	60,687,191

B. Total unpaid operating contracts as at 31 December 2019 was IQD (zero) and construction contracts were IQD (9,737,940) thousand, of which IQD (373,033) thousand are paid and IQD (9,364,907) thousand remaining.

33. Litigation against the Bank

There are no significant lawsuits filed against the Bank of Baghdad as at 31 December 2019. In the opinion of the management, no provision needs to be created for lawsuits.

34. Events after the Reporting Period

Since the beginning of 2020, the Novel Coronavirus spread throughout the world, including our beloved country Iraq, which led to disturbances in all businesses and economic activities, both inside Iraq and abroad. This event occurred after the date of the financial statements and, therefore, does not require any adjustment to the same under the International Accounting Standard (IAS 10) "Events after the Reporting Period". The Bank's management believes that this event may have an impact on all Bank's accounts and assets, but the Bank's management cannot accurately determine the magnitude of this impact, since the scale and duration of the impact of this virus is still unspecified and depends on future developments that are currently unpredictable.

Additional Information as Required by the Iraqi Securities Commission 2019



Bank of Baghdad Branch Network

Members of the Board of Directors and Their Resumes

Major Shareholders' Equity

Organization Chart

Number of Securities Held by Members of the Board of Directors

Number of Securities Held by Members of the Executive Management

Representations

Audit Committee's Report

Additional Information as Required by the Iraqi Securities Commission 2019

a. Chairman's Statement (pp 6 – 9)

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

1. Bank's Main Activities

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

2. Bank of Baghdad Branch Network

Name of Branch	Address	Opening Year
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-Bayyaa Intersection	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 – Near Khalil Al-Khayat 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 – 24 Str. Near the Water Project	2009
Amara	Maysan Governorate - Old Hussein District - Near the Fire 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
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
Dahuk Office	Dahuk Governorate – Near Dahuk Private Hospital	2019
Al-Rashid	Baghdad Governorate – Royal Tulip Hotel	2019

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 experience in the regional commercial and investment banking sector and asset management
- 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
- Vice Chairman – Burgan Bank
- Board Member – Jordan Kuwait Bank

- Board Member – North Africa Holding Co.
- Board Member - KAMCO
- Board Member - Masharee Al Khair Charity Org.

Previous Memberships

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



Basil Hossam Al Din Shakir

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

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



Adel Mohammad Al-Hasoon

Date of Birth: 1943
Member since: 2014
Membership Type: Personal

Academic Qualifications:

- Bachelor of Trade and Economy
- CPA

Practical Experience:

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

Other Current and Previous Board Memberships:

- Board member – Bank of Baghdad



Saadon Abdullah Hussein Ali

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)

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

Date of Birth: 26/1/1948

Member since: 2016

Membership Type: Personal

Academic Qualification:

- Bachelor of Law

Practical Experience:

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

Other Current and Previous Board Memberships:

- (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

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

Academic Qualification:

- 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)



Ghassan Ahmad Saleem Bani Al-Marjah*

Date of Birth: 4/3/1960
Member since: 20/7/2019
Membership Type: Personal

Academic Qualifications

- Master in Business Administration - Coventry University - UK.

Practical Experience

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

Other Current and Previous Board Memberships:

- Board Member of Bank of Baghdad since 2019 to date.

* Mr. Ghassan Ahmad was elected as a board member on 20/7/2019.

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 Qualifications:

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

Practical Experience:

- CFO – Bank of Baghdad (23/7/2018 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)



Amal Ahmad Mathlloum
Compliance Manager – Compliance Controller

Date of Birth: 5/8/1978
Date of Appointment: 21/10/2001

Academic Qualification:

- Bachelor of Banking Sciences – Al-Mansour University College – Baghdad - Iraq
- Certified Compliance Controller Certificate - Global Academy of Finance and Management - Baghdad - Iraq
- CFC - Global Academy of Finance and Management - Baghdad - Iraq
- CROM - Global Academy of Finance and Management - Baghdad - Iraq
- Professional member - Global Academy of Finance and Management - Baghdad - Iraq.
- CAMC
- IDCAML

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



Khalil Ibrahim Mahdi Eidan
Head of Legal Department

Date of Birth: 4/1/1963
Date of Appointment: 8/4/2008

Academic Qualifications:

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

Practical Experience

- Legal experience in Bank of Baghdad as an Attorney-at-law and Head of Legal Department for more than 10 years since 8/4/2008.
- International Certified Arbitration Expert.
- International Certified Expert and Advisor in the field of intellectual property protection.
- Over 23 years of management experience in government departments.



Khola Nasrallah
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 Al-Mubassat
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).



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 - 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



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
- Member of ISACA - Iraq Branch
- VIP Member in GAFM - Iraq Branch

Practical Experience:

- Chief IT Officer - Bank of Baghdad (2018 to date)
- Head of the Issuing & Acquiring Department - Iraq Gate for Financial Services / SWITCH (10/2017 - 6/2018)
- Main Office Manager & 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)



Saher Hameed Mahmoud
Chief Retail Banking Officer (CRBO)

Date of Birth: 18/12/1969
Date of Appointment: 11/3/1995
Resignation Date: 1/8/2019

Academic Qualification:

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

Practical Experience:

- Chief Retail Banking Officer (CRBO) - Bank of Baghdad (2006 - 1/8/2019)
- Chief Operations Officer (COO) - Bank of Baghdad (2004 - 2005)
- Worked in several positions in the Bank of Baghdad since 1995.



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.



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-Ani Office (1997 – 2004).



Motasim Ismail Masoud
Central Operations Manager

Date of Birth: 15/12/1968
Date of Appointment: 2/5/2019

Academic Qualifications

- Bachelor of Administrative Sciences – Mutah University – Jordan

Practical Experiences

- Central Operations Manager – Bank of Baghdad (2019 to date)
- Banking Operations Manager – Iraqi Islamic Bank (11/2017 – 4/2019)
- Banking Operations Manager – Ashur Bank (10/2013 – 11/2017)
- Director of Software Development Unit (2009 – 2012)
- Business Process Engineering Manager (2005 – 2008)
- Head of Department and held several positions (1992 – 2005)
 - Facilitations Department
 - Accounting Department
 - Foreign Currency – Deposits – Procurement



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
- Certified Advisor with the Union of Accountants and Auditors – Iraq
- Certified Director of Anti-corruption Operations Department since 2016

Practical Experience:

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

Raneen Abdel Jabbar Anwar
Treasury and Investment Manager

Date of Birth: 6/10/1979
Date of Appointment: 14/10/2000

Academic Qualifications:

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

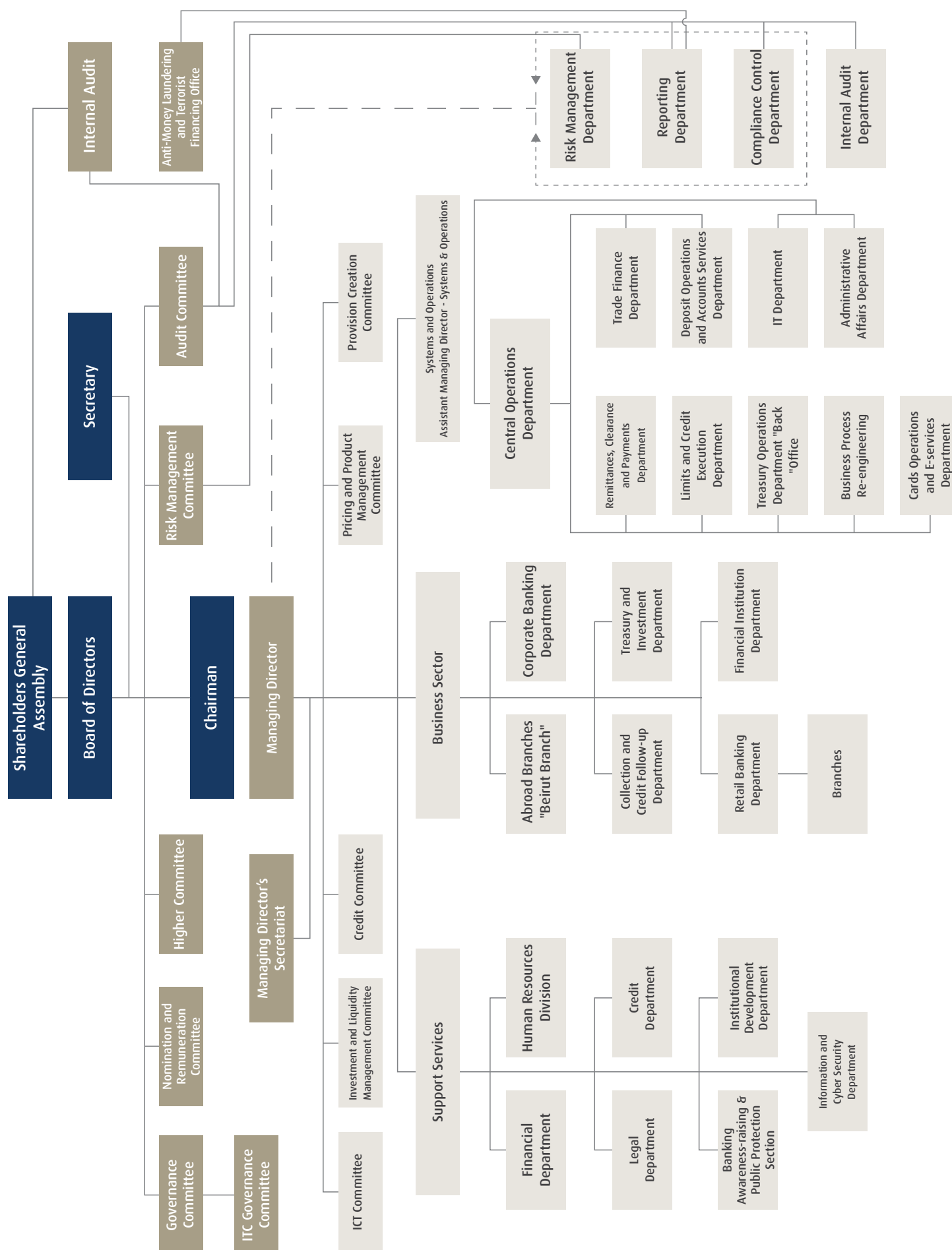
Practical Experience:

- 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 2019 was as follows:

Name of Shareholder	Nationality	Number of Shares	Capital %
Burgan Bank	Kuwaiti	129,478,438,076	%51.79
SANSAR CAPITAL FRONTIER FUNDL.P.	American	6,535,233,899	%3.41
IMPERA IRAQ OPPORTUNITIES HOLDING Ltd.	European	6,200,000,000	%2.48
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 Al-Ani	Iraqi	3,183,084,677	%1.27
Yassin Jomah Hmoud Abbas Al Delaimi	Iraqi	3,150,000,000	%1.26
Ali Nabil Ismail Sharif	Iraqi	2,886,910,088	%1.15
Yasser Sulaiman Hisham Al-Malwani	Egyptian	2,750,000,000	%1.10

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	14
Higher Diploma	1
Bachelor	408
Associate Diploma	91
General Secondary	70
Below General Secondary	209
Total	793

b. Training courses' venues in 2019.

Course Venue	No. of Courses	No. of Beneficiaries
In the Bank	19	293
Outside the Bank	50	99
Outside Iraq	3	4
Total	72	396

c. Course classification by activity, number of courses and number of participants in 2019.

#	Type of Activity	No. of Courses	No. of Participants
1	Stress tests	1	25
2	Corresponding banks, incoterms and currency risk management	1	25
3	Combating money laundering and terrorism financing	3	42
4	Central system (BANKS)	4	10
5	FATCA	5	19
6	Cash and contractual credit	4	61
7	Local and foreign currency counterfeiting detection	3	9
8	Letters of guarantee	1	26
9	Accounting for financial institutions	8	10
10	Stock market indices analysis	1	1
11	Cash and contractual credit	2	40
12	Financial and credit analysis	2	49
13	Raising banking awareness & protecting the public	5	5
14	Wire transfers	2	5
15	Internal Capital Adequacy Assessment Process (the ICAAP)	1	20
16	Risk management	10	15
17	Human resources	1	1
18	Internal audit	6	16
19	Bank branch management	5	10
20	Credit and ATM cards	4	4
21	IT risk management	3	3
Total		72	396

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

#	Name	Job title
1	Basil Hossam Al Din Shakir	Managing Director
2	Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director
3	Ahmad Tawfiq Khalil AL-Jada'a Al Qawasmi	Chief Financial Officer
4	Motasim Ismail Masoud	Central Operations Manager
5	Rami Hussein Mahmoud	Credit Manager

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

	2019 IQD (000)	2018 IQD (000)
Salaries	1,694,426	1,339,521

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 – 20); supported with figures and a description of the key incidents experienced by the Bank in 2019.

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 2019.

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

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

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

Future developments, the Bank's strategic projects and orientation and Board of Directors' expectations regarding the Bank's business results were covered as part of the Bank's future plan for 2020 which was separately detailed on pages (10 – 32) and summarized on page (33).

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

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

Name	Capacity	Nationality	No. of Shares
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-Hasoon	Board Member	Iraqi	179,650,904
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
Ghassan Ahmad Saleem	Board Member	Canadian	25,000

*Mr. Ghassan Ahmad Saleem was elected as a board member in the General Meeting held on 20/7/2020 to replace Mr. Jawad Al Dajani, whose membership ended on 19/7/2019.

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
Ahmad Tawfiq Khalil Al Qawasmi	Chief Financial Officer	Jordanian	1,855,666
Saher Hameed Mahmoud Al-Bayati*	Branches Manager	Iraqi	2,941,179

*Mr. Saher Hameed Mahmoud Al-Bayati resigned on 1/8/2019.

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

a. Benefits and allowances received by members of the Board of Directors in 2019

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)	262,780,000	18,770,000	-	281,550,000
Adel Mohammad Hassoon	Board Member	-	-	-	-
Saadon Abdullah Ali	Board Member	-	-	-	-
Naman Shakir Naman	Board Member	-	-	-	-
Tawfiq Jawad Al-Dajani	Board Member	-	-	-	-
Ghassan Ahmad Saleem	Board Member	-	-	-	-
Total	Total	262,780,000	18,770,000	-	281,550,000

b. Benefits and allowances received by members of the Executive Management in 2019

The Benefits and allowances received by members of the Executive management amounted to 1,694,426 in 2019.

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

a. Donations:

Amounts in IQD thousand

Beneficiary	Amount
Community-based Initiatives Fund – CBI	72,000,000
Total	72,000,000

b. Advertising and publicity expenses:

Amounts in IQD thousand

Beneficiary	Amount
Various parties	31,587,703
Total	31,587,703

c. Travel and hospitality expenses:

Amounts in IQD thousand

Expense	Amount
Travel expenses	602,072,901
Hospitality expenses	24,566,316
Total	626,639,217

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

	Name	Nature of Relationship	Type of Contract or Service	Amount in IQD
1	Al-Amin Insurance Co.	Associate	Loan and property insurance	154,624,375
2			Office lease of Al-Amin Company / Bank's income	3,000,000
3	Al-Amin Real Estate Co.	Subsidiary of major shareholders an Board Members	Consultancy fees for Al-Nedal building	65,000,000
4			Consultancy fees for the main office building	65,000,000
5			Consultancy fees for Hella building	65,000,000
6			Consultancy fees for Basra branch	65,000,000
7			Al-Bayyaa branch rehabilitation	38,727,000
8			Mahmoudiyya branch rehabilitation	26,580,000
9			Mosul branch rehabilitation contract	23,000,000
10			Dahuk branch rehabilitation contract	43,122,738
11			Najaf branch rehabilitation contract	21,420,000
12			Consultancy fees for Hella building	97,474,083
Total				667,948,196

b. Audit contracts

Amounts in IQD thousand		
Description	No. of Contracts	Annual Contract Value
Mr. Zuhair Mahmoud Hussien Al-Bahrani – Mr. Saad Rashied Jasim	2	98,000,000
Deloitte - Beirut	2	34,343,400
Fodecir de Mopin Orion - Beirut	1	14,529,900

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 – 32).

c. Bank's annual financial statements

The Bank's annual financial statements for 2019 audited by Bank's auditor, Mr. Zuhair Mahmoud Hussien Al-Bahrani and Mr. Saad Rashied Jasim, were included in the second part of the report on page (34).

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 (34)

e. Lawsuits

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

f. Lands and real estate

1. Lands

Location	Real Estate No.	Land Value	Land Area	CBI's Approval 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 Dahuk 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	372,151,000	274,8	9/3/2145	Utilized land
Erbil Nashtman	3/364 M 45 Warsh	2,025,666,000	355	9/3/392	Utilized land
Dahuk	Easter Dahuk District 9/344-80	818,125,238	1375	9/2/12432	Utilized land
Total					22,557,009,000


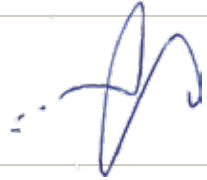

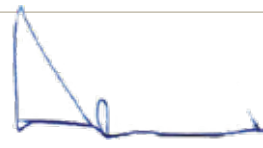



2. Real estate

#	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	989,785,985	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 Dahuk 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	362,647,000	2145/3/9	Building / Utilized
18	Erbil Nashtman	364/3 M 45 Warsh	2,705,541,762	392/3/9	Building / Utilized
19	Dahuk	Eastern Dahuk District 9/344-80	9,499,527,000	12432/2/9	Building / Utilized
Total			22,340,200,000		

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 2020.
2. The Board of Directors of the Bank of Baghdad hereby acknowledges its responsibility for the preparation of the financial statements for the year 2019, and that the Bank has an effective control system in place.

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

3. The Chairman, Managing Director and Chief Financial Officer hereby attest to the validity, accuracy and completeness of the information and data included in the Annual Report of the Bank of Baghdad for 2019.

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

Managing Director – Bank of Baghdad
Basil Hossam Al Din Shakir

Chairman – Bank of Baghdad
Usam Ismail Sharif





Audit Committee's Report

Audit Committee's Report

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

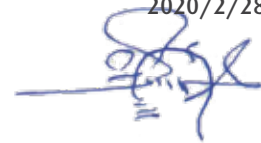
In accordance with the provisions of Article (24) of the Banking Law No. (94) for 2004, and based on the Bank's corporate governance requirements which aim to improve the Bank's risk management, control and shareholders' and depositors' rights protection systems, we are pleased to submit our report for 2019.

1. The Committee has performed its duties in 2019 and reviewed and followed up on all comments and recommendations contained in auditors' reports, as well as previous reports thereof and reports of the Central Bank of Iraq on the results of control and auditing activities carried out for 2019.
2. The Committee has reviewed the reports issued by the Internal Audit Department of the Bank of Baghdad, approved and followed up on the recommendations and comments therein, and reviewed the Bank Compliance Controller's report.
3. Having reviewed the Bank's consolidated financial statements for 2019, the results of its activities and its cash flows and the report of the external auditors, which reflected an overall situation that is appropriate with the nature of the stage of economic activity in Iraq and the difficulties and problems that faced the banking activity in general, ... the Committee recommends the same to be approved.
4. The Committee has examined the Bank's activity-based budget for 2020 and the amendments thereto, together with the relevant proposed action plan, and recommended the same to be submitted to the Board of Directors for approval.
5. The Committee continued its efforts to develop the executive management's performance, which focused on:
 - a. Developing the Bank's executive and job-specific competencies to maintain its leadership and filling job vacancies in key departments with qualified and appropriate leadership to manage them.
 - b. Following up on the progress and completion of the Bank's information system development projects, and supporting the executive management's orientation towards increasing technology-based services and automation, as well as ensuring the completion of these projects according to the approved schedule; due to their strategic importance for the Bank.
 - c. The Executive management's implementation of the employee performance appraisal mechanism for 2019, and submitting the results to the Nominations Committee.
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 has 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 followed up on the progress of the implementation of IFRS 9 and the method and mechanism used for calculating the impact thereof, and recommended the same to be approved by the Board of Directors. The Committee is closely following up on the effect of said figures on the financial statements for 2020 and the structure of Bank's equity so as to comply with said standard's implementation requirements upon the approval of the same by the Central Bank and regulatory authorities. The Committee expected this implementation to be completed by the end of the first half of 2020.
9. The Committee commends the executive management's efforts to collect non-performing debts in 2019, and stresses the need to increase the rate of collection of non-performing debts as at 31/12/2019.
10. The Committee has reviewed the investments of the Bank's branch in the Lebanese Republic, and stresses the importance of monitoring and hedging for the developments and expected effects of the rapidly changing economic conditions in Lebanon.
11. The Committee recommends the assignment of the certified accountant (Saad Rasheed Jassim) and reassignment of the certified accountant (Zuhair Mahmoud Hussein Al Bahrani) to audit the Bank's accounts for 2020 as per the List of Fees approved by the Board of Accounting and Auditing.

Chairman of the Audit Committee
Adel Mohamed El Hassoon, CPA

2020/2/28



Governance Report



First Component (Board of Directors)

Second Component (Planning and Policy Making)

Third Component (Control Environment)

Fourth Component (Relationship with Shareholders)

Fifth Component (Transparency and Disclosure)

Governance Report

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

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

First Component (The Board of Directors)

- Chairperson of the Board of Directors

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

The Board of Directors of the Bank of Baghdad consists of (7) members elected by the General Assembly for a term of four years. Board members have the experience and qualifications that enable them to express their independent opinions in Board discussions. Furthermore, the fulfillment of the policy of compliance with the corporate governance requirements in question is verified, and the Chairperson is elected by members of the Board.

In this context, the Board of Directors held (13) meetings in 2019, each based on a specified agenda, and the discussions and decisions thereof were recorded in official minutes prepared by the Board Secretary.

Members of the Board of Directors

Name	Position	Membership Nature	No. of Meetings Attended	Loans Granted to Him /Her (IQD)
Usam Ismail Sharif	Chairman of the Board	Personal	13	None
Massoud Mohammad Jawhar Hayat	Deputy Chairman	Personal	13	None
Basil Hossam Al Din Shakir	Board Member (Managing Director)	Personal	13	None
Addel Mohammad Al Hassoon	Board Member	Personal	13	None
Saadoun Abdullah Ali	Board Member	Personal	13	None
Naman Shakir Naman	Board Member	Personal	13	None
Tawfiq Jawad Al Dajani*	Board Member	Personal	8	None
Ghassan Ahmad Saleem*	Board Member	Personal	3	None

*Mr. Ghassan Ahmad Saleem was elected in the General Meeting held on 20/7/2020 to replace Mr. Jawad Al Dajani, pending the final approval of his membership by the regulatory bodies of the Central Bank of Iraq.

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

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

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

- Board Committees

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

The Audit Committee

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

Members of the Audit Committee	No. of Meetings Attended	Position	Qualifications	Experience
Addel Mohammad Al Hassoon	5	Chairman	<ul style="list-style-type: none"> Bachelor of Business and Economy CPA 	<ul style="list-style-type: none"> Vice Chairman of the Board of Supreme Audit CEO of the Oil Marketing Company (SOMO) Chairman of the Free Zones Advisors Committee Dean of the Arab Institute of Certified Public Accountants Chairman of the Iraqi Association of Certified Accountants Head of the Iraqi Union of Accountants and Auditors Secretary General of the Arab Federation of Accountants and Auditors Member of the International Advisory and Monitoring Board of the UN (UN IAMB) Member of the Iraqi Auditors Board
Massoud Mohammad Jawhar Hayat*	5	Member	<ul style="list-style-type: none"> Bachelor of Economy Postgraduate degree in Banking Studies 	<ul style="list-style-type: none"> 40 years of extensive experience in the regional commercial and investment banking sector and asset management. 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
Saadoun Abdullah Ali	5	Member	<ul style="list-style-type: none"> Bachelor of Financing Management and Financial Accounting Higher Diploma in Business for Banking 	<ul style="list-style-type: none"> Over 30 years of experience in financial accounting, banking sector and commercial and industrial investment sectors Vice Chairman and CEO of Qurain Petrochemical Industries Co. since 2012 Worked in a number of positions and was a member of the boards of directors of a number of local and regional banks and commercial and industrial investment companies. General Manager, then CEO and Managing Director of Kuwait Investment Projects Company (KAMCO) (2006 – 2012) Head of the Budget Department (Abdullah Port Refinery) of Kuwait National Petroleum Company (1989 – 1997)
Naman Shakir Naman*	-	Member	<ul style="list-style-type: none"> Bachelor of Law 	<ul style="list-style-type: none"> Board Member of (previously) Trade Bank of Iraq Member of Iraq Bar Association – President of the Bar Association – Attorney-at-law Legal advisor to several companies and (previously) Trans Iraq Bank Provided legal advice to certain Iraqi banks.
Basil Hossam Al Din Shakir**	5	Rapporteur	<ul style="list-style-type: none"> Bachelor of Chemical Engineering 	<ul style="list-style-type: none"> 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)

*The committee was reconstituted on 10/12/2019, as Mr. Naman Shakir Naman replaced Mr. Massoud Mahmoud Jawhar; hence Board Member Naman Shakir Naman did not attend any meetings of the committee in 2019.

- The committee held 5 meeting in 2019.

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

The Corporate Governance Committee

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

Members of the Corporate Governance Committee	No. of Meetings Attended	Position	Qualifications	Experience
Usam Ismail Sharif	5	Chairman	<ul style="list-style-type: none"> Bachelor of Economy. 	<ul style="list-style-type: none"> Extensive experience in Iraqi economy Establishes and owns several industrial, agricultural and tourism enterprises Banking experience from working in the banking sector Baghdad Chamber of Commerce – 1965 Bank of Baghdad
Massoud Mahmoud Jawhar Al Hayat	5	Member	<ul style="list-style-type: none"> Bachelor of Economy Postgraduate degree in banking studies 	<ul style="list-style-type: none"> As described in previous committees.
Tawfiq Jawad Al Dajani*	3	Member and Rapporteur	<ul style="list-style-type: none"> Bachelor of business administration / Finance 	<ul style="list-style-type: none"> Vice CEO – Abu Dhabi Islamic Bank Regional Director – Arab Bank – Cyprus CEO – Saudi American Bank – Riyadh Director – Citibank - Amman
Ghassan Saleem Ahmad	2	Member and Rapporteur	<ul style="list-style-type: none"> Master of business administration – Coventry University - UK 	<ul style="list-style-type: none"> 38 years of banking experience COO of Burgan Bank

*The committee was reconstituted on 10/12/2019, as Mr. Ghassan Ahmad replaced Mr. Tawfiq Jawad Al Dajani.

-The Committee held (5) meetings in 2019.

Risk Management Committee

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

Member of risk management committee	No. of Meetings Attended	Position	Qualifications	Experience
Saadoun Abdullah Ali	5	Chairman	<ul style="list-style-type: none"> Bachelor of Finance Management and Financial Accounting Diploma in business for banks 	<ul style="list-style-type: none"> As described in previous committees
Addel Mohammad Al Hassoon	5	Member	<ul style="list-style-type: none"> Bachelor of Business and Economy CPA 	<ul style="list-style-type: none"> As described in previous committees
Saad Jbouri*	5	Member and Rapporteur	<ul style="list-style-type: none"> Bachelor of Law 	<ul style="list-style-type: none"> Experience in banking, business and tourism.
Ghassan Ahmad Saleem	-	Member	<ul style="list-style-type: none"> Master of Business Administration – Coventry University - UK 	<ul style="list-style-type: none"> As described in previous committees

*The committee was reconstituted on 10/12/2019, as Mr. Ghassan Ahmad replaced Mr. Saad jbuori.

-The Committee held (5) meetings in 2019.

The Senior Committee

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

Members of the Senior Committee	No. of Meetings Attended	Position	Qualifications	Experience
Usam Ismail Sharif	5	Chairman	<ul style="list-style-type: none"> Bachelor of Economy. 	<ul style="list-style-type: none"> As described in previous committees.
Massoud Mahmoud Jawhar Al Hayat	5	Member	<ul style="list-style-type: none"> Bachelor of Economy Postgraduate degree in banking studies 	<ul style="list-style-type: none"> As described in previous committees.
Tawfiq Jawad Al Dajani*	3	Member and Rapporteur	<ul style="list-style-type: none"> Bachelor of business administration / Finance 	<ul style="list-style-type: none"> As described in previous committees.
Ghassan Ahmad Saleem	2	Member and Rapporteur	<ul style="list-style-type: none"> Master of Business Administration – Coventry University - UK 	<ul style="list-style-type: none"> As described in previous committees
Naman Shakir Naman*	5	Member	<ul style="list-style-type: none"> Bachelor of law 	<ul style="list-style-type: none"> As described in previous committees

*The committee was reconstituted on 10/12/2019, as Mr. Ghassan Ahmad replaced Mr. Tawfiq Jawad Al Dajani. Mr. Naman Shakir Naman also left the committee on 10/12/2019.

-The Committee held (5) meetings in 2019.

The Nomination and Remuneration Committee

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

Members of the Nomination and Remuneration Committee	No. of Meetings Attended	Position	Qualifications	Experience
Massoud Mahmoud Jawhar Al Hayat	5	Chairman	<ul style="list-style-type: none"> • Bachelor of Economy • Postgraduate degree in Banking Studies 	<ul style="list-style-type: none"> • As described in previous committees
Naman Shakir Naman	5	Member	<ul style="list-style-type: none"> • Bachelor of law 	<ul style="list-style-type: none"> • As described in previous committees
Tawfiq Jawad AL Dajani*	3	Member	<ul style="list-style-type: none"> • Bachelor of Business Administration / Finance 	<ul style="list-style-type: none"> • As described in previous committees
Saadoun Abdullah Ali	-	Member	<ul style="list-style-type: none"> • Bachelor of Finance Management and Financial Accounting • Diploma in business for banks 	<ul style="list-style-type: none"> • As described in previous committees
Basil Hossam Al Din Shakir	5	Rapporteur	<ul style="list-style-type: none"> • Bachelor of chemical engineering 	<ul style="list-style-type: none"> • As described in previous committees
Ghassan Ahmad Saleem*	2	Member	<ul style="list-style-type: none"> • Master of Business Administration – Coventry University - UK 	<ul style="list-style-type: none"> • As described in previous committees

*The committee was reconstituted on 10/12/2019, as Mr. Saadoun Ali replaced Mr. Ghassan Ahmad Saleem who previously replaced Mr. Tawfiq Jawad Al Dajani.

-The Committee held (5) meetings in 2019.

Board Secretariat

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

- Senior Executive Management

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

Name	Position
Hazem Abdel Jabbar Abdel Jader	Assistant Managing Director
Ahmad Tawfiq Khalil Al-Jada'a Al-Qawasmi	Chief Financial Officer (CFO)
Amal Ahmad Mathlloum	Compliance Controller
Khalil Ibrahim Mahdi Eidan	Head of the Legal Department
Rami Hussein Almubassat	Chief Credit Officer (CCO)
Raneen Abdel Jabbar Anwar	Treasury and Investment Manager
Samer Raad Enad	Chief IT Officer (CITO)
Saher Hameed Mahmoud	Chief Retail Banking Officer (CRBO)
Mohammad Adnan Ahmad	Chief Human Resources Officer (CHRO)
Motassim Ismail Massoud	Central Operations Manager
Murooj Hadi Ridha	Money Laundering and Terrorism Financing Reporting Manager
Nabil Abdel Horr Toman Ali Al Jobouri	Risk Management Manager
Hend Samir Mohsen	Internal Audit Manager
Khola Abel Redha Nasralla	Main Office Manager

- Conflict of Interest

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

Second Component (Planning and Policy Making)

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

Third Component (Control Environment)

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

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

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

1. Internal audit

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

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

2. External audit

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

3. Risk management

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

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

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

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

The Risk Management Department operates within the following general framework:

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

- f. Internal assessment of capital adequacy, which is a comprehensive and effective approach that can identify all potential risks, taking into consideration the Bank's strategic plan and capital plan. This approach is periodically reviewed, its implementation is checked to ensure that the Bank maintains sufficient capital to deal with potential risks.
- g. Providing information about the Bank's risks to be used for disclosure and publishing purposes.

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

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

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

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

5. Financial reports

The Bank's executive management undertakes the following functions:

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

6. Professional conduct

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

Fourth Component (Relationship with Shareholder)

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

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

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

Fifth Component (Transparency and Disclosure)

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



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