



مصرف الائتمان العراقي
Credit Bank of Iraq



التقرير السنوي

Annual Report

2019

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**This document has been translated from
the original Arabic audited financial
statements**



Auditors' Report 2019



Independent Joint Auditors' Report

We have audited the consolidated financial statements of Credit Bank of Iraq (Private Joint Stock Co.) - Baghdad, which comprise of the balance sheet as of December 31st 2019, and the income statement, statement of changes in equity, cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as well as the annual report of the Bank which had been prepared in accordance with the requirements of Companies' Act No. (21) For the year 1997, and its instructions which has been issued accordingly.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as well as generally accepted local standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Joint Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We had conducted our audit in accordance with International Standards on Auditing, as well as local auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements as of 31 December 2019.

We believe that the audit evidence we have obtained was sufficient and appropriate to provide basis for our audit opinion.

We enclose herewith our explanatory observations:-

1. Application of International Accounting Standards by the Bank
 - A. Management had prepared the consolidated financial statements in accordance with the International Accounting Standards requirements, subject to prevailing instructions of Central Bank of Iraq in this respect. As we would like to indicate that Management had adopted the historical cost principle in evaluating its properties and equipment, and not revaluating those items for "fair value" purposes.
 - B. The Central Bank of Iraq circular No. 9/6/466 dated 26 December 2018 stated that all banks in Iraq should adopt IFRS 9 for all financials statement issued after 1 January 2019 and according to their guidelines which replaced previous instruction No.4 for the year 2010. Recognition of Expected Credit losses (ECL) under IFRS 9, is a new accounting policy, which requires considerable judgement in its implementation. ECL is dependent on management's judgement in assessing significant increase in credit risk and classification of financial assets into various stages, determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral is based on the instructions by Central Bank of Iraq in this regard.

The table below show Expected Credit Losses (ECL) according to IFRS 9 as at 31 December 2019.

	Balance	Expected Credit Losses
31 Dec 2019	IQD (000)	IQD (000)
Balances with Central Bank	382,731,068	-
Due from Banks	48,679,195	61,029
Financial assets held to maturity	58,700,947	-
Investment	100,000	100,000
LCs	990,251	75,993
LGs	62,354,909	287,013
Direct Credit Facilities	8,085,835	8,085,835
Total	561,642,205	8,609,870

The provision required under IFRS 9 is less by the amount of ID (K) (792,364) compared to outstanding provision computed under previous instructions and the bank kept the previous outstanding provision which cover all expected liabilities in this regard. It is worth noting that the bank transferred an amount of ID (K) (61,029) from the LC's and LGs provision to cover the new ECL for balances due from banks.

C. The Bank has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. The Bank presents the carrying value of right-of-use assets (note 8) and lease liabilities (note 15) as at 31 December 2019 amounted to ID (K) (1,668,087) and ID (K) (838,850) respectively. Depreciation charge for right-of-use assets (note8) for the year amounted to ID (K) (482,178). Interest on lease liability for the year (note 19) amounted to ID (K) (26,757)

2. Changes in equity

Value of equity had decreased from what it used to be in previous year by the amount of ID (K) (16,371,655), which represent a rate of decline of 5%.

3. Bank's operational activities during the year

Loss attained by the Bank during the current year had amounted to ID (K) (5,121,655), whereas the bank reported a profit of ID (K) 6,765,843 from previous year.

4. Other Assets -Stagnant debit balances

Within the category of "Other assets" it had been observed that there were stagnant "debit" balances as of December 31st 2019, brought forward from previous years which had amounted to ID (K) 198,921 it had included an embezzled amount of ID (K) 165,521 from Al Karmah Branch and the Exchange Bureau, as well as an amount of ID (K) 24,289 resulting from legal fees against some debtors and also an amount of ID (K) 9,111 which represent of resigning employees' debts. It is recommended that Management of the Bank to take the necessary follow up steps in that concern, and to take the necessary "provisions" in the accounts accordingly.

5. Financial Assets at fair value through other comprehensive income

Shares in "non-listed "private companies

Balance of such shares had amounted to ID (K) 100,000 as of December 31st 2019, which represents cost of the Bank's contribution in the share capital of "Iraqi Company for Generators Ltd" .Management of the Bank, had considered the full amount of the investment as "Provision for declining of share prices" as per IFRS 9. In this respect, we would like to indicate the following:

- i - No confirmation had been received as to the number of shares.
- ii - Management was unable to determine the market value of those shares, due to the fact that they were was not listed on the Iraq Stock Exchange.
- iii - It is recommend that the necessary action to be considered for settling this outstanding issue.

6. Other provisions

The balance of "Staff service Provision " as of December 31st, 2019 had amounted to ID (K) (183,299) which represents provision for the end of services benefits. This provision has been estimated without being calculated based on each employee service.

7. Currency Auction Penalty

Central Bank of Iraq imposed a penalty of ID (K) (3,690,741) related to foreign currency auction of 2012 (the penalty will be paid over 48 equal monthly settlements). The bank paid ID (K) (347,241) during 2019 and increased contingency provision (part of Miscellaneous provision) by ID (K) (1,259,595) during the year to pay future auction penalty settlements and any future liabilities.

8. Assets of the Bank

All assets of the Bank were owned and registered in the related official governmental office in the name of the Bank.

9. Capital Adequacy

Throughout our examination of the accounting records, as well as auditing the operational activities of the Bank during the year under audit, together with the relevant schedules which had been prepared for the purpose of determining the adequacy of share capital of the Bank, as it had reached 374%, that was in accordance with the requirements of article (16) of Banking Law No. (94) for the year 2004 which stated that capital adequacy should be above 12%.

10. Consolidated financial statements

The enclosed financial statements is a consolidated set of (Credit Bank- A Private Joint-Stock Company) consisting of the accounts of "Credit Stock Exchange Ltd" which is a wholly owned subsidiary company, by "Credit Bank". In the same manner, previous year's comparative figures had been consolidated accordingly.

11. Exchange rate of conversion

All assets, liabilities, expenses and revenues which had been acquired and incurred in US Dollar currency throughout the year under audit, it had been converted into Iraqi Dinar currency at the rate of conversion of ID 1,182 to the US Dollar.

12. Money Laundering and Financing of Terrorist Activities

Throughout our examination of the accounting records of the Bank and its operational activities; nothing had been indicated that the Bank was involved in "money laundering" activities or any operations which was associated with financing terrorist activities.

Management of the Bank had taken the necessary steps to prevent the carrying of money laundering transactions as well as any other transactions for financing of terrorist activities, as in accordance with the recent instructions issued by Central Bank of Iraq in this respect.

13. Subsequent Event

- On 29 Jan 2020 a decision was issued by the Court of Appeal number / 1065 / S 2/2018 obliging the bank to pay an amount of (1.123.692.749) dinars to one of the bank's client for fixed deposits interest that did not booked to him in previous years, The bank filed an objection to the Court of Cassation and the case is still under consideration.
- The bank's general assembly has decided in its meeting held on 6 February 2020 to elect new board members (9 members) and the memo of the meeting has been sent to the companies' registrar for endorsement.

Subject to our opinion, and in accordance with our audit of the Bank's accounting books and records, as well as subject to the information and explanations which had been provided to us:

1. The accounting records and books used by the Bank, were in conformity with the requirements of the book-keeping regulations, as it had included, subject to our consideration, all assets, liabilities, expenses and revenues of the Bank. The internal control system applied by the Bank, had consisted of the necessary procedures which guarantees the accuracy and preciseness of the said financial statements at an appropriate level which varies with the volume of the Bank's activities.
2. The stock taking operation of the Bank's fixed assets as well as the cash count operations had been carried out in an appropriate manner and were under our supervision. Such assets had been evaluated in accordance with the accounting principles that had been adopted in previous years.
3. Contents of the Bank's annual report, as far as the financial and accounting information which had been included, did reflect in a comprehensive manner the Journey of the Bank during the year under audit, as it did not contain any violation to prevailing legislation.

4. The financial statements had been prepared in conformity with prevailing accounting standards and legislation, and it is in agreement with the results shown in the books of accounts, as it had been prepared in accordance with the requirements of Iraqi Companies' Act and its related instructions which had been issued accordingly, and the prevailing Banking Law.

Opinion

Subject to what had been indicated in our explanatory remarks, in our opinion the financial statements of Credit Bank of Iraq (Private Joint Stock Co.) and the enclosed Management report, are in agreement with the books, and had fulfilled the statutory requirements in that respect, and as far to its contents of its performance indicators, it did reflect a true and fair view of the financial position of the Bank as of December 31st 2019, and the results of its operation and its cash flows for the year then ended.

Saad Rashed Jasim
Public accountants,
Auditors,& Tax Consultants

Adel Mohammed Al- Hassoon
Certified Public Accountants &
Consultants

Baghdad - March 9th 2020

Financial Statements 2019



CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		31 Dec 2019	31 Dec 2018
Assets	Notes	IQD (000)	IQD (000)
Cash and balances with Central Bank	3	404,119,631	341,339,760
Due from banks and other financial institutions	4	48,628,089	69,717,151
Financial assets held to maturity	6	58,700,942	80,448,833
Property and equipment , Net	8	8,659,927	4,297,640
Intangible assets , Net	9	409,961	-
Other assets	10	2,018,301	1,890,982
Total assets		522,536,851	497,694,366
Liabilities And Shareholder's Equity			
Liabilities			
Customers' accounts	11	208,358,810	162,366,285
Margin accounts	12	5,700,294	3,523,983
Miscellaneous provisions	13	5,006,613	4,212,652
Income tax liabilities	14	5,027	1,177,939
Other liabilities	15	6,339,457	12,915,202
Total liabilities		225,410,201	184,196,061
Shareholder's Equity			
Paid in capital	16	250,000,000	250,000,000
Statutory reserve	17	15,720,546	15,720,546
Expansion reserves		1,500,000	1,500,000
Retained earnings		29,906,104	46,277,759
Total shareholder's equity		297,126,650	313,498,305
Total liabilities and shareholder's equity		522,536,851	497,694,366

Chairman of the Board of Directors - **CREDIT BANK OF IRAQ**

GENERAL MANAGER- CREDIT BANK OF IRAQ

Saad Rashed Jasim
Certified Public accountants

Adel Mohammed Al- Hassoon
Certified Public Accountants

Auditors' Report 09 March 2020

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		31 Dec 2019	31 Dec 2018
	Notes	(IQD 000)	(IQD 000)
Interest income	18	2,755,384	9,865,078
Interest expense	19	(146,308)	(141,722)
Net interest income		2,609,076	9,723,356
Net fees and commissions	20	1,620,172	1,788,939
Net interest and commission income		4,229,248	11,512,295
Net gain from foreign currency exchange		542,506	2,613,504
Capital gain		38,135	-
Other operating income		37,309	84,286
Gross profit		4,847,198	14,210,085
Employees' expenses	21	(3,351,511)	(2,935,679)
Other operating expenses	22	(4,039,685)	(4,077,869)
Depreciation and amortization	8	(1,318,557)	(231,046)
Provision for credit losses	13	-	(199,648)
Miscellaneous provisions	13	(1,259,100)	-
Total expenses		(9,968,853)	(7,444,242)
Profit (Loss) before tax		(5,121,655)	6,765,843
Income tax expense	14	-	(1,168,227)
Profit (Loss) After tax		(5,121,655)	5,597,616
:Distributed as below			
Statutory reserve		-	281,142
Profit after tax and Statutory reserve		(5,121,655)	5,316,474
Profit (Loss) After tax		(5,121,655)	5,597,616
Basic and diluted earnings (Losses) per share	23	(0.020)	0,022

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Profit (Loss) for the year	(5,121,655)	5,597,616
Other comprehensive loss will not be classified to profit or loss in subsequent periods		
Change in fair value of financial assets at fair value through other comprehensive income	-	-
Total other comprehensive loss for the year	(5,121,655)	5,597,616
Total comprehensive income (loss) for the year	(5,121,655)	5,597,616

CREDIT BANK OF IRAQCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Paid in Capital	Statutory reserve	General Reserve	Expansion Reserve	Retained earnings	Total
2019	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Balance At 1 January 2019	250,000,000	15,720,546	-	1,500,000	46,277,759	313,498,305
Total comprehensive income for the year	-	-	-		(5,121,655)	(5,121,655)
(Dividends note 29)	-	-	-		(11,250,000)	(11,250,000)
Balance at 31 December 2019	250,000,000	15,720,546	-	1,500,000	29,906,104	297,126,650
2018						
Balance At 1 January 2018	250,000,000	15,439,404	2,069,163	1,500,000	46,448,171	315,456,738
Total comprehensive income for the year	-	281,142	-		5,316,474	5,597,616
(Dividends note 29)	-	-	-		(7,631,750)	(7,631,750)
Transfer from provision	-	-	-		75,701	75,701
Transfer to reserves	-	-	(2,069,163)		2,069,163	-
Balance at 31 December 2018	250,000,000	15,720,546	-	1,500,000	46,277,759	313,498,305

CREDIT BANK OF IRAQ
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		31 Dec 2019	31 Dec 2018
	Notes	(IQD 000)	(IQD 000)
Operating activities:			
Profit (Loss) before income tax		(5,121,655)	6,765,843
Adjustments for Non-Cash items			
Depreciation and amortization		1,318,557	231,046
Miscellaneous provisions		793,961	187,685
Provision for credit losses		-	75,701
Operating cash flows from Operating activities before changes in assets and liabilities		(3,009,137)	7,260,275
Changes in assets and liabilities:			
(Increase) Decrease in other assets		(127,319)	48,831
Increase (Decrease) in customers' deposits		45,992,525	18,196,261
Increase (Decrease) in margin accounts		2,176,310	153,031
Increase (Decrease) in other liabilities		(6,575,743)	4,659,783
Net cash flows from (used in) operating activities before income tax		38,456,636	30,318,181
Income tax paid		(1,172,912)	(1,350,198)
Net cash flows from (used in) operating activities		37,283,724	28,967,983
Sale of financial assets at amortization cost		21,747,891	227,643,520
(Acquisition) of intangible assets		(419,961)	-
(Acquisition) of property and equipment		(5,670,845)	(1,605,169)
Net cash flows (used in) from investing activities		15,657,085	226,038,351
Financing Activities:			
Dividends paid	29	(11,250,000)	(7,631,750)
Net cash flows from (used in) financing activities		(11,250,000)	(7,631,750)
Net increase (decrease) in cash and cash equivalents		41,690,809	247,347,584
Cash and cash equivalents at 1 January		411,056,911	163,682,327
Cash and cash equivalents at 31 December	24	452,747,720	411,056,911

1. CORPORATE INFORMATION

Credit Bank of Iraq (The “Bank”) is a private shareholding company registered and incorporated in Iraq, on 25 July 1998 in accordance with registration certificate number 6615, and its registered office is in Baghdad.

The Bank provides its banking services through its main branch located in Baghdad, and through its four branches across Iraq and provides brokerage and exchange services in Iraq.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompany consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) subject to prevailing instructions of central bank of Iraq in this respect.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary (Credit Brokerage Company) as at 31 December 2019. The subsidiary is fully consolidated from the date on which control is transferred to the bank. Control is achieved when the Bank has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All balances, transactions, income, and expenses between the Bank and the subsidiary are eliminated in full. The consolidated financial statements include assets, liabilities and operating results of the Bank management and branches and its subsidiary (Credit Brokerage Company). The subsidiary is a private shareholding company incorporated in accordance with the companies’ law in Iraq, its paid-in capital is IQD100 Million of which the Bank owns 100% as at 31 December 2019 (2018: IQD 100 Million).

The financial statements of the Bank’s subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues to be consolidated until the date that such control ceases.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of

1. IFRS 9 ‘Financial Instruments’

During July 2014, the IASB issued IFRS 9 “Financial Instruments” with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets. The central bank of Iraq has postponed the implementation of the new version of IFRS 9 to 1 January 2019; the central bank of Iraq has instructed all banks in Iraq to adopt IFRS 9 for all financial statement issued after 1 January 2019.

2. IFRS 16 ‘Leases’

The Bank has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments; thus, no impact was recorded on the opening retained earnings the central bank of Iraq has instructed all banks in Iraq to adopt IFRS 16 for all financial statements issued after 1 January 2019

IMPACT OF IFRS 16 ADOPTION

The Bank presents right-of-use assets in ‘land, premises and equipment’ and lease liabilities in ‘other liabilities’ in the consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 31 December 2019 amounted to 1,185,900 thousand dinar and 838,850 thousand dinar respectively. Prepaid expenses included in ‘other assets’ is lower to the extent of 442,895 thousand dinar as a result of applying IFRS 16.

Depreciation charge for right-of-use assets for the year amounted to 482,178 thousand dinar and is included in ‘depreciation of premises and equipment’ in consolidated statement of income. Interest on lease liability for the year amounted to 26,757 thousand dinar and is included in ‘interest expenses’ in consolidated statement of income. Rent expenses included in ‘other admin-

istrative expenses' is lower to the extent of 413,089 thousand dinar during the year as a result of applying IFRS 16.

3. CASH AND BALANCES WITH CENTRAL BANK

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Cash on hand	21,388,262	15,620,837
Gold	300	300
Balances with Central Bank:		
Current accounts	353,835,566	248,537,852
Deposit accounts	-	50,000,000
Statutory reserve	27,882,703	26,204,137
*Investment in Deposits Insurance	789,474	789,438
LGs reserve	223,326	187,196
Total	404,119,631	341,339,760

- The bank invested in the Iraqi Deposits Insurance company as per Central Bank instruction (9\2\16782) dated 21-11-2017 and the company is still under registration.
- Balances with the Central bank of Iraq do not expose to Expected Credit Losses (Note:30)

4. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Current accounts with local banks	1,406,508	1,389,953
Current accounts with Foreign banks	1,184,610	30,503,198
Fixed deposits with Foreign banks	46,098,000	37,824,000
Expected credit losses	(61,029)	-
Total	48,628,089	69,717,151

	Stage 1	Stage 2	Stage 3	Total
Dec 2019 31	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Current accounts with local banks	-	1,406,508	-	1,406,508
Current accounts with Foreign banks	-	1,184,610	-	1,184,610
Fixed deposits with Foreign banks	-	46,098,000	-	46,098,000
Total	-	48,689,118	-	48,689,118
Less: Expected credit losses	-	(61,029)	-	(61,029)
Total	-	48,628,089	-	48,628,089

- The expected credit losses of (61,029) thousand dinar has been transferred from the surplus of the LC's and LGs provision to cover the new ECL for balances due from banks and keep the surplus of (792,364) thousand dinar in the LC's and LG's provision (Note:30).

5. DIRECT CREDIT FACILITIES, NET

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Loans	2,294,609	2,294,609
Overdrafts	5,791,226	5,791,226
Total	8,085,835	8,085,835
Less: Interest in suspense	(4,537,599)	(4,537,599)
Less: ECL provision	(3,548,236)	(3,548,236)
Total	-	-

- Non-performing credit facilities amounted to IQD 8,085,835 thousand as at 31 December 2019 (2018: IQD 8,085,835 thousand), representing 100% (2018: 100%) of gross direct credit facilities.

	Stage 1	Stage 2	Stage 3	Total
Dec 2019 31	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Loans	-	-	-	-
Non-performing loans	-	-	8,085,835	8,085,835
Less: Interest in suspense	-	-	(4,537,599)	(4,537,599)
Total	-	-	3,548,236	3,548,236
Less: Expected credit losses	-	-	(3,548,236)	(3,548,236)
Total	-	-	-	-

6. FINANCIAL ASSETS HELD TO MATURITY

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Treasury Bills	59,170,000	81,370,000
Accrual Interest	(469,058)	(921,167)
Total	58,700,942	80,448,833

- Treasury bills of the Central bank of Iraq do not expose to Expected credit loss (Note:30)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Unquoted shares	100,000	100,000
*Less: Expected credit losses Provision	(100,000)	(100,000)
Total	-	-

- The unquoted shares are recorded at cost since management is unable to reliably obtain the fair value of these investments.
- The Bank, had considered the full amount of the investment in Iraqi Generator Company as “Provision for declining of share prices”

	Stage 1	Stage 2	Stage 3	Total
Dec 2019 31	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Accepted risk	-	-	-	-
High risk	-	-	100,000	100,000
Total	-	-	100,000	100,000
Less: Expected credit losses	-	-	(100,000)	(100,000)
Total	-	-	-	-

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Right of Use Assets	Computers, Furniture & Fixtures	Vehicles	Machinery & equipment	Total
2019	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Cost at 1 January	2,006,061	579,356	-	3,695,258	229,202	380,290	6,890,167
Additions	-	-	1,668,078	2,621,058	-	134,455	4,423,591
Transfer	-	-	-	(1,714,954)	-	1,597,802	(117,152)
Disposals	-	-	-	(8,938)	-	(179,674)	(188,612)
Cost at 31 December 2019	2,006,061	579,356	1,668,078	4,592,424	229,202	1,932,873	11,007,994
Accumulated Depreciation:					120,004		
At 1 January	-	372,926	-	3,002,102		367,024	3,862,056
Depreciation charge for the year	-	11,608	482,178	706,590	36,630	22,136	1,259,142
Transfer	-	-	-	(1,574,981)	-	1,507,243	(67,738)
Disposals	-	-	-	(8,276)	-	(179,674)	(187,950)
At 31 December	-	384,534	482,178	2,125,435	156,634	1,716,729	4,865,510
Net book value	2,006,061	194,822	1,185,900	2,466,989	72,568	216,144	6,142,484
Projects in progress	-	2,517,443	-	-	-	-	2,517,443
Net book value	2,006,061	2,712,265	1,185,900	2,466,989	72,568	216,144	8,659,927

	Land	Buildings	Computers, Furniture & Fixtures	Vehicles	Machinery & equipment	Total
2018	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Cost at 1 January	2,006,061	579,356	3,234,926	275,386	382,556	6,478,285
Additions	-	-	508,191	-	-	508,191
Disposals	-	-	(50,125)	(46,184)	-	(96,309)
Cost at 31 December 2018	2,006,061	579,356	3,692,992	229,202	382,556	6,890,167
Accumulated						
:Depreciation	-	363,270	2,878,361	120,263	365,425	3,727,319
At 1 January						
Depreciation charge for the year	-	9,656	172,059	45,925	3,406	231,046
Disposals	-	-	(50,125)	(46,184)	-	(96,309)
At 31 December	-	372,926	3,000,295	120,004	368,831	3,862,056
Net book value	2,006,061	206,430	692,697	109,198	13,725	3,028,111
Projects in progress	-	1,269,529	-	-	-	1,269,529
Net book value	2,006,061	1,475,959	692,697	109,198	13,725	4,297,640

- *the bank acquired a fixed assets software system in 2019 to identify, labeling, track, sale/purchase and depreciation of fixed assets. The bank reclassified some of these assets during the year to comply with the classification of the International Financial Reporting Standards (IFRS). As an example, the bank is reporting the computer's software under the intangible assets disclosure whereas they were reported under the property & equipment in the computer and furniture items in previous periods. Accordingly, the bank transferred the cost and accumulated amortization of these assets.

9. INTANGIBLE ASSETS

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Balances at 1 January	-	-
Additions during the year	419,961	-
Cost transfer from property & Equipment	117,152	-
Amortization during the year	(59,415)	-
Amortization transfer from property & Equipment	(67,737)	-
Total	409,961	-

- Intangible assets include computer's software and systems. Intangible assets are amortized on a straight-line basis over 5 years.
- The bank is reporting the computer's software under the intangible assets disclosure whereas they were reported under the property & equipment in the computer and furniture items in previous periods. Accordingly, the bank transferred the cost and accumulated amortization of these assets.

10. OTHER ASSETS

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Prepaid expenses	1,251,866	1,166,814
Debtors accounts	448,320	407,761
Accrued interests and revenues	251,298	275,230
Legal fees	24,289	24,289
Advances for operational activities & Staff	9,111	12,704
Margins with others	10,000	-
National switch dues	13,938	-
Others	9,479	4,184
Total	2,018,301	1,890,982

11. CUSTOMERS' ACCOUNTS

	Government	Retails	Corporate	Total
31 Dec 2019	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Current and demand deposits	22	35,067,059	148,056,823	183,123,904
Saving accounts		23,658,166	89,865	23,748,031
Time deposits		180,000	1,306,875	1,486,875
Total	22	58,905,225	149,453,563	208,358,810

	Government	Retails	Corporate	Total
31 Dec 2018	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Current and demand deposits	22	27,470,329	107,829,394	135,299,745
Saving accounts		23,722,172	137,818	23,859,990
Time deposits		879,473	2,327,077	3,206,550
Total	22	52,071,974	110,294,289	162,366,285

12. MARGIN ACCOUNTS

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Margins against LG's	4,991,054	3,447,840
Margins against LC's	709,240	56,043
Others	-	20,100
Total	5,700,294	3,523,983

13. MISCELLANEOUS PROVISIONS

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Contingency Provision*	3,667,945	2,783,595
LC's & LG's Provision**	1,155,369	1,216,398
Staff service Provision	183,299	212,659
Total	5,006,613	4,212,652

	At 1 January	Charge	Release	At 31 December
31 Dec 2019	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Contingency Provision	2,783,595	1,259,100	(374,751)	3,667,945
LC's & LG's Provision	1,216,398	-	(61,029)	1,155,369
Staff service Provision	212,659	-	(29,359)	183,299
Total	4,212,652	1,259,100	(465,139)	5,006,613

- * Central Bank of Iraq imposed a penalty of (3,690,741) thousand dinar as per their circular (9/2/21991 dated 23 September 2019) related to foreign currency auction of 2012 (the penalty will be paid over 48 equal monthly settlements). The bank paid (347,241) thousand dinar during 2019 and increased contingency provision by (1,259,595) thousand dinar during the year to pay future auction penalty settlements and any future liabilities.
- ** The expected credit losses of (61,029) thousand dinar has been transferred from the surplus of the LC's and LGs provision to cover the new ECL for balances due from banks and keep the surplus of (792,364) thousand dinar in the LC's and LG's provision (Note:30).

14. INCOME TAX LIABILITIES

A - Income Tax liabilities

	2019	2018
	(IQD 000)	(IQD 000)
At 1 January	1,177,939	1,359,910
Tax settlements	(1,168,227)	(1,350,198)
Tax settlements for Credit brokerage	(4,685)	-
Charge for the year	-	1,168,227
At 31 December	5,027	1,177,939

The Bank paid the tax liabilities for the years until 2018 and received receipts that support the payment from the tax authority for these years.

B- Income Tax

Income Tax Calculation	(IQD 000)	(IQD 000)
Profit (Loss) of consolidate entity		(5,121,655)
Credit Brokerage loss		(16,160)
Profit (loss) of the bank only		(5,105,495)
Disallowed items		
Tax settlement for prior years	174,238	
Employees' tax settlement for prior year	382,938	
Provision for contingency	1,259,100	
Capital loss	662	
Write off	7	
Penalties	8,903	
Total disallowed items		1,825,848
Taxable profit (loss)		(3,279,647)
Tax (15%) of the taxable profit		-

15. OTHER LIABILITIES

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Payable Dividends (note 29)	1,389,153	7,232,272
Lease Liability	838,850	-
Certified Checks	699,680	2,123,742
Unclaimed accounts	1,312,977	1,252,049
Companies registration due	122,500	459,092
Accounts payables	629,004	585,119
Claimed checks and certificate	497,946	198,783
Accrued revenue	187,981	200,911
Deceased Accounts	142,704	143,010
Other creditors	32,505	129,510
Transfers accounts	-	96,215
Closed accounts	121,642	121,642
Amounts due to other	115,167	115,167
Restricted Accounts	88,653	84,847
Accrued interest	64,872	75,002
Margins for stock trading	38,797	61,226
Stamp duty due	21,882	13,417
Social security due	28,363	22,177
Other	6,781	1,021
Total	6,339,457	12,915,202

Paid in capital comprises of 250,000 billion shares (2019: 250 billion shares) at a par value of 1 Iraqi

16. PAID IN CAPITAL

Dinar per share (2018: 1 Iraqi Dinar per share).

	2019	2018
	(IQD 000)	(IQD 000)
At 1 January	250,000,000	250,000,000
Paid in capital	-	-
At 31 December	250,000,000	250,000,000

17. RESERVES

Statutory Reserve

According to the Iraqi Companies' Law, 5% as a minimum of the annual profit after tax should be transferred to the statutory reserve. This reserve should not exceed 50% of the Bank's Capital and is not available for distribution to shareholders. The Bank may resolve to discontinue such annual transfers when the reserve equals the paid in capital. The statutory reserve balance was (15,720,546) thousand dinar as of 31 December 2019.

18. INTEREST INCOME

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Loans	-	74,642
Overdrafts	-	2,153
Financial assets held to maturity	1,445,057	8,164,561
Balances at Central Bank	302,740	1,039,354
Due from banks and other financial institution	1,007,587	584,368
Total	2,755,384	9,865,078

19. INTEREST EXPENSE

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Saving accounts	86,240	98,241
Time deposits	33,311	43,481
Interest on Lease liability	26,757	-
Total	146,308	141,722

20. NET FEES AND COMMISSIONS	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Indirect credit facilities	360,321	337,990
Bank transfers	1,083,115	1,068,370
Brokerage Commission	16,324	4,675
Commission expense	(500,902)	(378,557)
Other commissions	661,314	756,461
Total	1,620,172	1,788,939

The total purchase of the foreign currency through the auction system of the central bank of Iraq during 2019 was (13,808,733 USD) equivalent to (16,432,392 thousand dinar) for the transfer of dividend due to the foreign shareholders of the Bank with the exchange price of (1,190) dinar for each dollar. Therefore, the bank did not book any profit from these transactions.

21. EMPLOYEES' EXPENSES	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Salaries and benefits	3,138,527	2,713,640
Bank's contribution to social security	212,984	192,386
other	-	29,653
Total	3,351,511	2,935,679

22. OTHER OPERATING EXPENSES

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Premises Rent	232,755	677,168
Professional services	115,172	36,713
Communications	609,912	363,816
Software licenses	492,189	474,524
Internet	54,292	6,982
Mobile	42,653	58,679
Legal services	246,909	265,912
Subscriptions fees	121,911	161,495
Travel & Subsistence	167,709	244,030
Insurance	510,959	439,328
Advertising	470	7,975
Building Maintenance	10,517	93,791
Car Maintenance	4,728	10,483
Office Maintenance	32,708	28,676
Machines Maintenance	6,989	4,057
Data center Maintenance	136,710	-
ATM Maintenance	113,264	-
Fuel expense	35,529	26,451
Stationery	30,075	21,855
Hospitality	15,118	4,014
Small Equipment Purchase	30,070	31,420
Electricity	30,679	40,671
Water	11,570	9,730
Celebrity	-	6,872
Transportation	10,720	8,125
Transportation of goods & Cash	63,886	38,496
Bonus to others	109,853	43,430
Banking services fees	-	5,821
Audit fees, Year End	53,500	55,500
Other audit fees	5,050	34,345
Penalties	8,903	3,200
Write off	-	4,802
Training courses	27,112	21,253
Conferences	31,985	8,897
Income Tax settlement*	174,238	493,352
Employee's' for paid	160,561	149,949

Employee's' tax paid for previous years**	222,377	102,755
Staff accessories	7,746	-
Government fees	99,978	78,760
Sundry Expenditure	7,275	14,313
Other	3,613	229
Total	4,039,685	4,077,869

* the bank paid (174,238) thousand dinar to tax authority as income tax settlement for the year 2018.

** the bank paid (96,279) thousand dinar and (126.098) thousand dinar to tax authority as employment tax settlement for the year 2017 and 2018 respectively.

23. EARNINGS (LOSSES) PER SHARE

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

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Profit (Loss) for the year	(5,121,655)	5,597,616
Weighted average number of shares during the year	250,000,000	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings (losses) per share	(0.020)	0.022

24. CASH AND CASH EQUIVALENTS

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

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Cash and balances with Central Bank	404,119,631	341,339,760
Due from banks and other financial institutions	48,628,089	69,717,151
Total	452,747,720	411,056,911

25. CONTINGENT LIABILITIES

The totals outstanding commitments and contingent liabilities are as follows:

	31 Dec 2019	31 Dec 2018
	(IQD 000)	(IQD 000)
Letters of guarantee	62,354,908	62,241,600
Letters of credit	990,252	1,880,221
Total	63,345,160	64,121,821

	31 Dec 2019	31 Dec 2018
26. CAPITAL ADEQUACY	(IQD 000)	(IQD 000)
Primary capital items:		
Paid in capital	250,000,000	250,000,000
Adequacy of Capital Reserves	17,211,270	16,930,129
Undistributed earnings	35,003,840	34,516,403
Total Primary capital	302,215,110	301,446,532
Supplementary Capital:		
General reserves	5,067,642	5,380,879
Total Supplementary Capital	5,067,642	5,380,879
Total supplementary and primary Capital	307,282,752	306,827,411
Total risky assets in financial statement	23,034,230	23,783,160
Total risky assets off financial statement	59,068,746	59,068,746
	82,102,976	82,851,906
% Capital adequacy	374%	370%

- The bank reporting the Capital adequacy in line with Central Bank of Iraq instructions and template.

27. LIQUIDITY RATIOS

The bank reported a Liquidity Coverage Ratio (LCR) of 457% as at 31 December 2019 (2018: 510%) and Net Stable Funding Ratio (NSFR) of 1221% as at 31 December 2019 (2018:1143%). The Central bank of Iraq set a minimum threshold of (100%) for both ratios.

The bank reporting LCR ratio and NSFR ratio in line with Central Bank of Iraq instructions and template.

28. LEGAL SUITS

There is a lawsuit filed against the bank by one of his clients, and the decision of the Court of First Instance was in favour of the bank and supported by court of appeal, except that, at the request of the Court of Cassation the file was returned to the experts, and they issued a new report recommending the ruling a portion of the amount claimed by the client which is mentioned in the auditors' report. The decision was appealed at the Court of Cassation by the two parties.

29. DIVIDEND DECLARED

The general assembly of 2018 has decided in its meeting held on 13 June 2019 to distribute 2% of the total paid up capital equivalent to (5,000,000) thousand dinar as cash dividend to shareholders. The general assembly of 2017 has decided in its meeting held on 25 February 2019 to distribute 2.5% of the total paid up capital equivalent to (6,250,000) thousand dinar as cash dividend to shareholders.

30. IFRS 9 IMPLEMENTATION

The result of IFRS 9 implementation show a surplus provision of (792,364) thousand dinar as difference between total expected credit losses of (8,609,868) thousand dinar and previous provision of (9,402,233) thousand dinar as per below Expected Credit Losses (ECL) according to IFRS 9 as at 31 December 2019.

The bank decided to keep the surplus provision resulted from the first implementation of IFRS 9 with the possibility to release it in subsequent periods.

	Balance	Expected Credit Losses	Previous provision	Difference
31 Dec 2019	(IQD 000)	(IQD 000)	(IQD 000)	(IQD 000)
Balances with Central Bank	382,731,068	-	-	-
Due from Banks	48,679,195	61,029	-	(61,029)
Financial assets held to maturity	58,700,947	-	-	-
Investment	100,000	100,000	100,000	-
LCs	990,251	75,993	36,483	(39,509)
LGs	62,354,909	287,013	1,179,914	892,902
Direct Credit Facilities	8,085,835	8,085,835	8,085,835	-
Total	561,642,205	8,609,870	9,402,233	792,364



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