

THE REGION TRADE BANK
FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015
TRANSLATED FROM ORIGINAL ARABIC REPORT

THE REGION TRADE BANK
FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT
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FOR THE YEAR ENDED DECEMBER 31, 2015

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TRANSLATED FROM THE ORIGINAL ARABIC REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
The Region Trade Bank
for Investment and Finance
Private Joint Stock Company
Erbil, Iraq

We have audited the accompanying financial statements of the Region Trade Bank for Investment and Finance Private Joint Stock Company, which comprise the statement of financial position as of December 31, 2015, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with The International Financial Reporting Standards and the applicable Iraqi banking laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with The International Standards on Auditing. Those standards require that we comply with ethical requirements and 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, within the limitations imposed by the existing banking laws in Iraq. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also 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.

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

THE REGION TRADE BANK FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

	<u>Notes</u>	<u>As of December 31,</u>	
		<u>2015</u> <u>IQD</u>	<u>2014</u> <u>IQD</u>
<u>ASSETS</u>			
Cash and balances with central Bank of Iraq	5	200,695,998,571	198,891,906,857
Balances with banks	6	88,165,153,935	23,271,842,536
Direct credit facilities (net)	7	184,523,341,936	204,328,441,474
Investments held for trading	8	225,443,700	225,443,700
Investments held to maturity	9	3,500,000,000	-
Property and equipment	10	57,125,556,086	49,909,394,079
Intangible assets	11	974,051,864	446,291,992
Projects under construction	12	5,975,376,499	1,550,856,611
Other assets	13	<u>9,993,876,368</u>	<u>1,997,351,890</u>
Total assets		<u>551,178,798,959</u>	<u>480,621,529,139</u>
<u>LIABILITIES</u>			
Banks' deposits	14	1,250,166,374	3,000,271,723
Customers' deposits	15	239,340,267,292	211,288,776,821
Cash margins	16	6,345,067,606	3,917,039,125
Subordinated loans	18	-	25,000,000,000
Provisions	17	2,592,551,838	1,786,490,509
Other liabilities	19	<u>55,405,706,880</u>	<u>471,114,803</u>
Total liabilities		<u>304,933,759,990</u>	<u>245,463,692,981</u>
<u>EQUITY</u>			
Capital	1	250,000,000,000	250,000,000,000
Legal reserve		2,422,171,652	1,867,811,511
Accumulated realized losses		(6,177,132,683)	(16,709,975,353)
Total equity		<u>246,245,038,969</u>	<u>235,157,836,158</u>
Total liabilities and equity		<u>551,178,798,959</u>	<u>480,621,529,139</u>

THE ACCOMPANYING NOTES FROM 1 TO 37 FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE REGION TRADE BANK FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

	<u>Notes</u>	<u>For the year ended December 31,</u>	
		<u>2015</u>	<u>2014</u>
		<u>IQD</u>	<u>IQD</u>
Interest income	20	12,150,853,844	8,836,077,602
Interest expense	21	(229,152,053)	(301,429,350)
Net interest income		<u>11,921,701,791</u>	<u>8,534,648,252</u>
Fees and commissions income	22	2,853,146,569	1,593,144,516
Fees and commissions expense	23	(722,831,738)	(236,358,891)
Net fees and commissions income		<u>2,130,314,831</u>	<u>1,356,785,625</u>
Net interest, fees and commissions income		<u>14,052,016,622</u>	<u>9,891,433,877</u>
Net gain from foreign currencies auctions	24	6,895,513,682	8,923,647,204
Other revenues	25	154,249,413	3,823,798,366
Total operating income		<u>21,101,779,717</u>	<u>22,638,879,447</u>
Salaries and related charges	26	(2,435,213,527)	(1,728,050,941)
Depreciation and amortization	10-11	(1,622,370,062)	(897,520,163)
Net impairment			
Credit losses for direct facilities	7	(488,334,077)	(2,356,877,603)
Net impairment			
Credit losses for indirect facilities	17	(745,965,829)	(451,253,736)
Differences in exchange losses		-	(176,942,034)
Other operating expenses	27	(3,686,691,411)	(1,959,000,672)
Total operating expenses		<u>(8,978,574,906)</u>	<u>(7,569,645,149)</u>
Profit before tax		12,123,204,811	15,069,234,298
Income tax expense		(1,036,002,000)	(975,906,500)
Profit for the year		11,087,202,811	14,093,327,798
Other comprehensive income items		-	-
Total comprehensive income for the year		<u>11,087,202,811</u>	<u>14,093,327,798</u>

THE ACCOMPANYING NOTES FROM 1 TO 37 FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE REGION TRADE BANK FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

	<u>Capital</u> USD	<u>Legal reserve</u> USD	<u>Accumulated realized losses</u> USD	<u>Total</u> USD
Balance at January 1, 2015	250,000,000,000	1,867,811,511	(16,709,975,353)	235,157,836,158
Comprehensive income for the year	-	554,360,141	10,532,842,670	11,087,202,811
Balance at December 31, 2015	<u>250,000,000,000</u>	<u>2,422,171,652</u>	<u>(6,177,132,683)</u>	<u>246,245,038,969</u>
Balance at January 1, 2014	250,000,000,000	1,163,145,121	(30,098,636,761)	221,064,508,360
Comprehensive income for the year	-	704,666,390	13,388,661,408	14,093,327,798
Balance at December 31, 2014	<u>250,000,000,000</u>	<u>1,867,811,511</u>	<u>(16,709,975,353)</u>	<u>235,157,836,158</u>

THE ACCOMPANYING NOTES FROM 1 TO 37 FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE REGION TRADE BANK FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
STATEMENT OF CASH FLOW
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

	Notes	For the year ended December 31,	
		2015	2014
		IQD	IQD
Cash flows from operating activities:			
Profit before tax		11,087,202,811	14,093,327,798
Adjustments for:			
Income tax expense recognized in profit or loss		1,036,002,000	975,906,500
Depreciation and amortization	10-11	1,622,370,062	897,520,163
Net (Provision) / reversal of impairment			
Credit losses for direct facilities	7	488,334,077	2,356,877,603
Net (Provision) / reversal of impairment			
Credit losses for indirect facilities	17	<u>745,965,829</u>	<u>451,253,736</u>
Profit before changes in operating assets and liabilities		<u>14,979,874,779</u>	<u>18,774,885,800</u>
Changes in operating assets and liabilities:			
Increase in deposit with the Central Bank (Compulsory reserve)		(5,448,437,501)	(10,090,410,934)
Decrease / (Increase) in direct credit facilities (net)	7-30	19,316,765,461	(100,504,938,007)
Increase in other assets		(7,996,524,478)	(1,966,319,113)
Increase in customers' deposits		28,051,490,471	121,100,510,872
Increase in cash margins		2,428,028,481	623,862,422
Increase in other liabilities		<u>54,934,592,077</u>	<u>182,552,799</u>
Cash generated by operating activities		106,265,789,290	28,120,143,839
Income tax paid		(975,906,500)	(3,710,651,240)
Net cash generated by operating activities		<u>105,289,882,790</u>	<u>24,409,492,599</u>
Cash flows from investing activities:			
Investments held to maturity	9	(3,500,000,000)	-
Acquisition of fixed assets	10-30	(8,237,320,180)	(1,866,039,969)
Projects under construction	12	(4,822,937,838)	(988,443,706)
Acquisition of intangible assets	11	(730,553,811)	(330,048,880)
Net cash used in investing activities		<u>(17,290,811,829)</u>	<u>(3,184,532,555)</u>
Cash flows from financing activities:			
Repayments of subordinated loans		(25,000,000,000)	(9,000,000,000)
Net cash used in financing activities		<u>(25,000,000,000)</u>	<u>(9,000,000,000)</u>
Net increase in cash and cash equivalent		62,999,070,961	12,224,960,044
Cash and cash equivalent at the beginning of the year	28	<u>201,062,490,592</u>	<u>188,837,530,548</u>
Cash and cash equivalent at the end of the year	28	<u>264,061,561,553</u>	<u>201,062,490,592</u>

THE ACCOMPANYING NOTES FROM 1 TO 37 FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE REGION TRADE BANK FOR INVESTMENT AND FINANCE
(PRIVATE JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER, 31, 2015
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The bank was established on July 20, 2001 as per the registration certificate number 282 issued by the General Directorate of Companies Registrar in The Kurdistan Region of Iraq as a Limited Liability Company, and obtained the approval from the Central Bank of Kurdistan Region as per the certificate number 493 dated July 28, 2001.

The bank converted its legal form into a Private Joint Stock Company (PJSC) and obtained the registration certificate number 15145 in November 29, 2006 from the Companies Registrar in Baghdad, and with a capital of IQD 25,250,000,000.

In March 1, 2007, the bank received the banking license number (408/3/9) from the Central Bank of Iraq.

The capital was increased many times to reach IQD 250,000,000,000 on September 22, 2013 as per the companies registrar directorate letter number 24306. This capital is split amongst 250,000,000,000 shares with par value of IQD 1 for each.

The name of the bank was changed from “Emerald Bank” to the “Region Trade Bank” and approved by The Central Bank board of director’s resolution number 1511 dated April 20, 2014; and into the “Region Trade Bank For Investment & Finance” upon to the resolution number 1214 dated on June 14, 2014 issued by Central bank.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- Amendments to IFRSs included in the Annual Improvements to IFRSs 2010-2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Amendments to the IFRSs included in the Annual Improvements to IFRSs 2011-2013 Cycle, which includes IFRS 1, IFRS 3, IFRS 13 and IAS 40 for the first time in the current year.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, that clarify the requirements that related to how contributions from employees or third parties that are linked to services should be attributed to period of services.

The application of these amendments has had no material impact on the disclosures or the amounts recognized in the bank’s financial statements.

2.2 New and revised IFRSs in issue but not yet effective

The bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- IFRS 15 Revenue from Contracts with Customers Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations. (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)
- Amendments to IAS 1 Disclosure Initiative (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.) Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle (Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.)

The Directors of the Bank do not anticipate that the application of these amendments will have a significant effect on the bank's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compliance with IFRS and local laws:

The financial statements were prepared in accordance with The International Financial Reporting Standards (IFRSs), as well as according to local laws, decisions and instructions issued by the Central Bank of Iraq.

Basis of preparation

The financial statements have been prepared on historical cost basis except for the following items measured at fair value:

- Assets and liabilities held for trading.
- Financial instruments designated at fair value through profit or loss.

Assets and liabilities are grouped according to their nature and are listed in an approximate order that reflects their relative liquidity.

The financial statements are presented in Iraqi Dinar (IQD), which is the Bank's functional currency and reporting currency.

A. Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

	<u>At December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Exchange rate of 1 USD against IQD	1,187	1,166
Exchange rate of 1 EUR against IQD	1,294.526	1,422.17

B. Recognition and Derecognition of financial assets and liabilities

The Bank initially recognizes loans and advances, deposits; debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

C. Classification of financial assets

Subsequent to initial recognition, investment securities are accounted for depending on their classification as either: held-to-maturity, loans and receivables, available-for-sale, or fair value through profit or loss.

Held to maturity investment

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Loans and receivables investment (Held for Trading Investments)

Loans and receivables investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, loans and receivables investments are measured at amortized cost using the effective interest method less any impairment.

Available for sale financial assets

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be readily measured are carried at cost. All other available-for-sale investments are carried at fair value and unrealized gains or losses are included in other comprehensive income.

The change in fair value on available-for-sale debt securities reclassified to held-to-maturity is segregated from the change in fair value of available-for-sale debt securities under equity and is amortized over the remaining term to maturity of the debt security as a yield adjustment.

Designation at fair value through profit or loss

The Bank designates financial assets and liabilities at fair value through profit or loss when either:

- The financial assets or liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or,
- The financial assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

D. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Bank are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

Financial liabilities

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held-for-trading or it is designated as at FVTPL.

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and the entire combined contract (asset or liability) to be designated as at FVTPL according to IFRS 9.

E. Offsetting between financial assets and liabilities

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

F. Fair value measurement of financial assets

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction.

When published price quotations exist, the Bank measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Bank establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value.

The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument, adjusted for any other factors such as liquidity risk.

G. Impairment of financial assets

The Bank assesses the financial assets at each reporting date, except for those classified at fair value through profit or loss, whether there is any objective evidence that the financial assets are impaired. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collaterals and guarantees.

The Bank considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

For available-for-sale investment securities, the cumulative losses previously recorded in other comprehensive income and accumulated in equity were recognized in profit or loss in case the impairment losses are substantiated by a prolonged decline in fair value of the investment securities. Any increase in the fair value of available-for-sale equity securities, subsequent to an impairment loss, was not recognized in profit or loss. Any increase in the fair value of available-for-sale debt securities, subsequent to an impairment loss, was recognized in profit or loss.

H. Loans and advances

Loans and receivables investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Loans and receivables investments are measured at amortized cost using the effective interest method net of unearned interest and provision for credit losses where applicable.

Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

I. Financial guarantees

Financial guarantees contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the contractual terms. These contracts can have various judicial forms (guarantees, letters of credit, and credit-insurance contracts).

Financial guarantee liabilities are initially measured at their fair value, and subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within regularization accounts under the assets and the liabilities.

J. Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses, if any.

Depreciation is recognized to write off the cost of property and equipment, other than advance payments on capital expenditures, over their estimated useful lives using the straight-line method as follows:

	<u>Year</u>
Buildings	50
Decorations and improvements	5
Machinery and equipment	5
Furniture & office equipment	5
Vehicles	5

The estimated useful lives, residual values and depreciation method are reviewed at the each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognized in the income statement.

K. Intangible assets

Intangible assets, other than goodwill, are amortized over their estimated useful lives, using the straight-line method at the following rates:

<u>Year</u>
5

Intangible assets are subject to impairment testing.

L. Impairment of tangible and intangible assets (Other than Goodwill):

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The fair value of the Bank's owned properties and of properties acquired in satisfaction of loans debts, is the estimated market value as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of

the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment of an illiquidity factor and market constraints.

M Projects under construction

Projects under construction are recognized at historical cost, less impairment losses, if any. After completion, constructions in progress will be transferred to property and equipment as it will be ready for its intended use.

N. Contributions to social security and end of service indemnity

The Bank was registered in the Iraqi Social Security and Pension Directorate and does file the employees' contributions. These contributions represents the Bank's engagement towards its employees concerning end-of-service indemnities that will be allocated to them by the Social Security and Pension. The Bank has no other liability towards its employees with that respect.

O. Provisions

Provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

P. Revenue and expense recognition

Interest income and interest expense are recognized in the income statement using the effective interest method, taking account of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include the amortization of discount or premium.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on loans) are included under interest income and expense.

Other fees and commission income are recognized when the related services are performed.

Interest income and expense presented in the income statement include:

- Interest on financial assets or liabilities measured at amortized cost;
- Interest on investment in available for sale financial assets; and
- Changes in fair value for acceptable derivatives including effective and non-effective items when interest rate risks have been hedged.

Interest income on financial assets designated at fair value through profit or loss and interest income on trading portfolio are presented separately in the income statement.

Net other income on financial assets designated at fair value through profit or loss other than held-for-trading includes the following:

- Dividends;
- Realized and unrealized profit of loss; and
- Difference in exchange.

Dividend income is recognized when the right to receive the payment is established and are presented under available for sale financial assets in net other income.

Q. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The income tax rate enacted is 15% of the net taxable profit.

Taxable profit differs from net profit as reported in the Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax is the expected tax payable on the taxable profit for the year, using the enacted income tax rate at the statement of financial position date. Income tax provision is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

R. Capital legal reserve

According to the companies law, the bank provides for 5% of the net income annually as a legal reserve until it reaches 50% of the legal paid capital.

S. Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturity of a period of three months or less, and include cash and balances with Central Bank, balances with banks and financial institutions after deducting deposits of banks and financial institutions (with original maturity of 3 months or less).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies as mentioned in note (3), management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities and changes in the fair values during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provisions for credit losses - loans and advances to customers:

The impairment loss on the value specified for loan losses are determined by evaluating each case individually. This method is applied to classified loans and advances, although the factors that are taken into account when estimating provisions for loan losses including the upper limit of the credit available to the other party, the ability of the other party to produce sufficient cash flows to repay the loans granted to them, and the value of the guarantee and the possibility of own assets fulfilling debt, and the instructions issued by the Iraqi Central Bank about debt ratings and the associated provisioning.

Determination of fair values:

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques as mentioned in note 3 (F). As for the financial instruments that are infrequently traded, have low transparency prices. Therefore, the fair value is less objective and requires different degrees of judgment based on liquidity, concentration, uncertain market factors, price assumptions and

other risks that affect the underlying instrument. International Financial Reporting (IFRS) allocated the standards in the hierarchy of options to arrive at a fair value, given the highest priority for the (unadjusted) prices in active markets for similar financial instruments and allocated the lowest priority for the unforeseen perspective data. This hierarchy consists of three levels of perspective data required to get to the fair value of a financial instrument, namely:

- First level : the prices listed in active markets for similar instruments.
- Second level : perspective data of similar instruments traded in active markets or non-active.
- Third level : unperceptive data used in situations where markets either non-existent or non-active.

Access to the unperceptive data depends on the best information available in such circumstances, which may include the information available to the facility. In practice, the discount rate used to measure the fair value using a valuation model that takes into account the information of perspective data available from market participants, including interest associated with low risks, and the proportion of SWAP-risk debt (Credit Default Swap Rates) up to the pricing of the risk of debt (that belongs to the bank and to the contracted party) and liquidity risk factor which is added to the discount rate applied.

Income tax

Significant judgment is involved in determining the Company provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of such matter is different from the amounts that were initially recognized, such differences will affect the income tax expense and tax provisions in the period in which such determination is made.

The estimated useful lives of tangible and intangible assets

As described in Note (3) above that the bank reviews the business productivity at the end of each financial year. During the year, the review did not show any indications in regards to change in the estimated useful lives of tangible and intangible assets.

Impairment of assets and related needed provisions

In each reporting date, the management reviews the recoverable amount of the bank assets. Moreover, management believes that no indicators were determined to book any additional impairment provisions.

5. CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

This caption comprises the following:

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Cash in Treasury	57,338,965,176	32,663,981,057
Balances with the Central Bank of Iraq:		
Compulsory cash reserve*	23,549,424,579	18,100,987,078
Current accounts	<u>119,807,608,816</u>	<u>148,126,938,722</u>
	<u>200,695,998,571</u>	<u>198,891,906,857</u>

* The Bank maintains a compulsory reserve at the Iraqi Central Bank up to 15% of the total customers' deposits in foreign currencies and 10% of total customers' deposits in Iraqi Dinar. In addition, the bank keeps a 5% of the total customers' deposits in Iraqi Dinars in the Bank, according to the banking laws and regulations that have been enacted by the Central Bank resolution on December 12, 2003.

6. BALANCES WITH BANKS

This caption comprises the following:

	As of December 31, 2015		
	Local Banks	Foreign Banks	Total
	IQD	IQD	IQD
Current and on demand accounts	<u>60,480,458,938</u>	<u>27,684,694,997</u>	<u>88,165,153,935</u>
	<u>60,480,458,938</u>	<u>27,684,694,997</u>	<u>88,165,153,935</u>

	As of December 31, 2014		
	Local Banks	Foreign Banks	Total
	IQD	IQD	IQD
Current and on demand accounts	<u>5,458,525,988</u>	<u>17,813,316,548</u>	<u>23,271,842,536</u>
	<u>5,458,525,988</u>	<u>17,813,316,548</u>	<u>23,271,842,536</u>

* Current accounts with banks bear no interests.

7. DIRECT CREDIT FACILITIES (NET)

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Entities:		
Current debit accounts	155,758,799,040	195,061,842,925
Loans	<u>16,928,166,864</u>	<u>17,116,790,234</u>
	<u>172,686,965,904</u>	<u>212,178,633,159</u>
Individuals:		
Current debit accounts	149,315,537	8,599,518,053
Loans	<u>50,262,585,878</u>	<u>21,633,552,997</u>
	<u>50,411,901,415</u>	<u>30,233,071,050</u>
	<u>223,098,867,319</u>	<u>242,411,704,209</u>
Less:		
Provision for impairment losses of credit performing direct facilities	(3,778,561,179)	(4,463,907,398)
Provision for impairment losses of non-performing direct facilities	(34,106,819,144)	(32,933,138,848)
Suspended interest on non-performing direct facilities	(690,145,060)	(686,216,489)
Direct credit facilities (net)	<u>184,523,341,936</u>	<u>204,328,441,474</u>

Statement of Financial Position

A- Provision for impairment losses of direct credit facilities

	As of December 31, 2015		
	Corporates	Individual	Total
	IQD	IQD	IQD
Balance at January 1, 2015	4,046,542,797	417,364,601	4,463,907,398
Reversals during the year	(350,723,573)	(334,622,646)	(685,346,219)
Balance at December 31, 2015	<u>3,695,819,224</u>	<u>82,741,955</u>	<u>3,778,561,179</u>

B- Provision for impairment losses of direct non-performing credit facilities

Balance at January 1, 2015	16,445,368,026	16,487,770,822	32,933,138,848
Additions within the year	<u>503,798,839</u>	<u>669,881,457</u>	<u>1,173,680,296</u>
Balance at December 31, 2015	<u>16,949,166,865</u>	<u>17,157,652,279</u>	<u>34,106,819,144</u>

C- Suspended interest

Balance at January 1, 2015	219,040,712	467,175,777	686,216,489
Suspended interest during the year	<u>-</u>	<u>3,928,571</u>	<u>3,928,571</u>
Balance at December 31, 2015	<u>219,040,712</u>	<u>471,104,348</u>	<u>690,145,060</u>

A- Provision for impairment losses of direct credit facilities

	As of December 31, 2014		
	Entities	Individual	Total
	IQD	IQD	IQD
Balance at January 1, 2014	1,770,882,024	255,029,235	2,025,911,259
Additions during the year	2,275,660,773	162,335,366	2,437,996,139
Reversal within the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2014	<u>4,046,542,797</u>	<u>417,364,601</u>	<u>4,463,907,398</u>

B- Provision for impairment losses of direct non-performing credit facilities

Balance at January 1, 2014	16,445,368,026	16,568,889,358	33,014,257,384
Reversal during the year	<u>-</u>	<u>(81,118,536)</u>	<u>(81,118,536)</u>
Balance at December 31, 2014	<u>16,445,368,026</u>	<u>16,487,770,822</u>	<u>32,933,138,848</u>

C- Suspended interest

Balance at January 1, 2014	219,040,712	372,047,198	591,087,910
Suspended interest during the year	<u>-</u>	<u>95,128,579</u>	<u>95,128,579</u>
Balance at December 31, 2014	<u>219,040,712</u>	<u>467,175,777</u>	<u>686,216,489</u>

Statement of Profit or Loss and Other Comprehensive Income

	As of December 31, 2015		
	Entities	Individual	Total
	IQD	IQD	IQD
Net (provision) / reversal of impairment credit losses for direct facilities:			
Additions / (reversal) during the year:			
Performing loans	(350,723,573)	(334,622,646)	(685,346,219)
Non-performing loans	<u>503,798,839</u>	<u>669,881,457</u>	<u>1,173,680,296</u>
	<u>153,075,266</u>	<u>335,258,811</u>	<u>488,334,077</u>

	As of December 31, 2014		
	Entities	Individual	Total
	IQD	IQD	IQD
Net (Provision) / reversal of impairment credit losses for indirect facilities:			
Additions / (Reversal) during the year:			
Performing loans	2,275,660,773	162,335,366	2,437,996,139
Non-performing loans	-	(81,118,536)	(81,118,536)
	<u>2,275,660,773</u>	<u>81,216,830</u>	<u>2,356,877,603</u>

8. INVESTMENTS HELD FOR TRADING

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Investment in equity instruments	<u>225,443,700</u>	<u>225,443,700</u>
	<u>225,443,700</u>	<u>225,443,700</u>

Due to the lack of an active market for these financial instruments, which represent non-tradable equity instruments (Private Joint Stock Company) in an active market, The bank relies on determining the fair value of these stock on the unperceptive data due to the absence of any perspective data to similar instruments, with the objective to come up with a fair value that represents the acceptable amount of exchanging such investments between two parties in arm's length transactions.

9. INVESTMENTS HELD TO MATURITY

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Investment in government transfer bonds	<u>3,500,000,000</u>	<u>-</u>
	<u>3,500,000,000</u>	<u>-</u>

As per the article (II) of the "State Budget" of the Federal Iraq for the financial year of 2015, which authorized the Minister of Finance to finance the shortage through an internal financing plan by the issuance of Government transfer bonds utilizing the Iraqi banking compulsory reserves at the Central Bank of Iraq. The Region Trade Bank invested in one annual transfer bond on 9 December 2015, with a net amount of IQD 3,500,000,000 bearing an annual interest rate of 2% renewable for financing the budget deficit for the year 2015.

10. PROPERTY AND EQUIPMENT

This caption comprises the following:

	<u>Lands</u> IQD	<u>Buildings</u> IQD	<u>Decorations & improvement</u> IQD	<u>Machinery & equipment</u> IQD	<u>Furniture & office equipment</u> IQD	<u>Vehicles</u> IQD	<u>Total</u> IQD
<u>Historical Cost:</u>							
Balance at January 1, 2014	17,795,342,437	503,100,000	391,542,922	383,643,228	1,692,295,168	18,172,110	20,784,095,865
Additions	606,000,000	269,111,664	26,702,700	46,299,200	788,555,960	129,370,445	1,866,039,969
Transfers from projects under construction	-	29,729,799,948	-	-	175,205,492	-	29,905,005,440
Balance at December 31, 2014	18,401,342,437	30,502,011,612	418,245,622	429,942,428	2,656,056,620	147,542,555	52,555,141,274
Additions	4,533,636,860	3,430,343,400	-	56,290,000	181,349,920	35,700,000	8,237,320,180
Transfers from projects under construction	-	-	163,089,500	138,718,300	96,610,150	-	398,417,950
Balance at December 31, 2015	<u>22,934,979,297</u>	<u>33,932,355,012</u>	<u>581,335,122</u>	<u>624,950,728</u>	<u>2,934,016,690</u>	<u>183,242,555</u>	<u>61,190,879,404</u>
<u>Accumulated Depreciation:</u>							
Balance at January 1, 2014	-	(135,785,400)	(314,847,676)	(254,501,859)	(1,093,450,563)	(3,634,422)	(1,802,219,920)
Additions, year charges	-	(310,051,116)	(8,113,172)	(80,252,566)	(426,112,924)	(18,997,497)	(843,527,275)
Balance at December 31, 2014	-	(445,836,516)	(322,960,848)	(334,754,425)	(1,519,563,487)	(22,631,919)	(2,645,747,195)
Additions, year charges	-	(633,068,054)	(63,420,198)	(115,579,229)	(576,215,130)	(31,293,512)	(1,419,576,123)
Balance at December 31, 2015	-	(1,078,904,570)	(386,381,046)	(450,333,654)	(2,095,778,617)	(53,925,431)	(4,065,323,318)
<u>Net Book Value:</u>							
Balance at December 31, 2015	<u>22,934,979,297</u>	<u>32,853,450,442</u>	<u>194,954,076</u>	<u>174,617,074</u>	<u>838,238,073</u>	<u>129,317,124</u>	<u>57,125,556,086</u>
Balance at December 31, 2014	<u>18,401,342,437</u>	<u>30,056,175,096</u>	<u>95,284,774</u>	<u>95,188,003</u>	<u>1,136,493,133</u>	<u>124,910,636</u>	<u>49,909,394,079</u>

11. INTANGIBLE ASSETS

This caption comprises the following:

	<u>Computer Software</u> <u>IQD</u>
<u>Historical Cost:</u>	
Balance at January 1, 2014	326,480,000
Additions	<u>330,048,880</u>
Balance at December 31, 2014	656,528,880
Additions	<u>730,553,811</u>
Balance at December 31, 2015	<u>1,387,082,691</u>
<u>Accumulated Amortization:</u>	
Balance at January 1, 2014	(156,244,000)
Additions, year charges	<u>(53,992,888)</u>
Balance at December 31, 2014	(210,236,888)
Additions, year charges	<u>(202,793,939)</u>
Balance at December 31, 2015	(413,030,827)
<u>Net Book Value:</u>	
Balance at December 31, 2015	<u>974,051,864</u>
Balance at December 31, 2014	<u>446,291,992</u>

12. PROJECTS UNDER CONSTRUCTION

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Balance at January 1	1,550,856,611	30,467,418,345
Additions	4,822,937,838	988,443,706
Transfer to property and equipment	<u>(398,417,950)</u>	<u>(29,905,005,440)</u>
Balance at December 31	<u>5,975,376,499</u>	<u>1,550,856,611</u>

13. OTHER ASSETS

This caption comprises the following:

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Prepaid expenses	649,611,454	44,795,388
Advances and loans for employees	71,896,038	101,952,875
Cash deposit against letters of credit	987,066,848	995,519,000
Retentions with third parties	790,143,500	776,512,150
Accrued interest income	7,490,523,528	78,572,477
Other debit balances	<u>4,635,000</u>	<u>-</u>
	<u>9,993,876,368</u>	<u>1,997,351,890</u>

14. BANKS' DEPOSITS

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Current accounts	<u>1,250,166,374</u>	<u>3,000,271,723</u>
	<u>1,250,166,374</u>	<u>3,000,271,723</u>

The current accounts of banks bear no interest.

15. CUSTOMERS' DEPOSITS

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Current accounts	233,147,711,757	205,253,221,495
Savings accounts	6,192,555,535	5,799,457,326
Fixed deposits	-	236,098,000
	<u>239,340,267,292</u>	<u>211,288,776,821</u>

All current accounts of customers bear no interest.

16. CASH MARGINS

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Cash margins for letters of guarantee	4,140,377,313	2,125,104,925
Cash margins for letters of credit	2,011,459,059	1,791,934,200
Cash margins received	193,231,234	-
	<u>6,345,067,606</u>	<u>3,917,039,125</u>

17. PROVISIONS

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Provision for impairment losses of indirect credit facilities	1,179,829,473	446,804,609
Management risk provision	363,779,400	363,779,400
Provision for income tax	1,036,002,000	975,906,500
Other provisions	12,940,965	-
	<u>2,592,551,838</u>	<u>1,786,490,509</u>

The following represents the movements during the year:

	For the year ended December 31, 2015		
	Corporates	Individuals	Total
	IQD	IQD	IQD
Balance at January 1, 2015	-	446,804,609	446,804,609
Additions during the year	-	733,024,864	733,024,864
Balance at December 31, 2015	-	<u>1,179,829,473</u>	<u>1,179,829,473</u>

	For the year ended December 31, 2014		
	Corporates	Individuals	Total
	IQD	IQD	IQD
Balance at January 1, 2014	-	359,330,273	359,330,273
Additions during the year	-	87,474,336	87,474,336
Balance at December 31, 2014	<u>-</u>	<u>446,804,609</u>	<u>446,804,609</u>

Statement of Profit or Loss and Other Comprehensive Income

	For the year ended December 31, 2015		
	Corporates	Individuals	Total
	IQD	IQD	IQD
Additions during the year	-	733,024,864	733,024,864
Provision for income tax	1,036,002,000	-	1,036,002,000
Other provisions	-	12,940,965	12,940,965
Balance at December 31, 2015	<u>1,036,002,000</u>	<u>745,965,829</u>	<u>1,781,967,829</u>

	For the year ended December 31, 2014		
	Corporates	Individuals	Total
	IQD	IQD	IQD
Additions during the year	-	87,474,336	87,474,336
Provision for income tax	975,906,500	-	975,906,500
Management risk provision	-	363,779,400	363,779,400
Balance at December 31, 2014	<u>975,906,500</u>	<u>451,253,736</u>	<u>1,427,160,236</u>

18. SUBORDINATED LOANS

This caption comprises loan borrowed from Central Bank in Kurdistan Region of Iraq of IQD 40 billion on 23 January 2012 in exchange for a letter of guarantee. The loan does not bear interest and will be repaid in ten installments; six billion Iraqi Dinars were already paid during the first three years through the repayment of two billion Iraqi Dinars every year without setting a date for repayment.

The remaining thirty four billion Iraqi Dinars were planned to be paid back over the next seven years through repayments of at least five billion Iraqi Dinars every year consecutively until the settling of the loan balance. However, according to the decision of the Board of Directors of the bank, during the year ended 31 December 2014, the amount of 9 billion Iraqi Dinars was paid & during the financial year ended 31 December 2015, the bank repaid the remaining loan balance of \$ 25 billion Iraqi dinars to the central bank in the Kurdistan Region

19. OTHER LIABILITIES

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Cash deposits for an Initial Public offering (IPO)		
of other companies	55,000,000,000	-
Revenues received in advance	68,634,811	92,225,817
Accrued expense	144,108,928	202,508,116
Outstanding debts	53,544,570	53,502,570
Certified checks	27,816,000	48,999,320
Bonds written on the bank	31,999,811	16,857,330
Other credit balances	79,602,760	57,021,650
	<u>55,405,706,880</u>	<u>471,114,803</u>

20. INTEREST INCOME

This caption comprises the following:

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Direct credit facilities:		
Overdrafts current accounts	4,192,622,533	8,410,540,293
Loans	7,956,697,069	425,537,309
Other	1,534,242	-
	<u>12,150,853,844</u>	<u>8,836,077,602</u>

21. INTEREST EXPENSE

This caption comprises the following:

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Customers' deposits:		
Saving accounts	219,476,245	293,969,806
Fixed deposits	9,675,808	7,459,544
	<u>229,152,053</u>	<u>301,429,350</u>

22. FEES AND COMMISSIONS INCOME

This caption comprises the following:

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Commission on letters of guarantee	711,089,700	632,247,965
Commission on letters of credits	150,636,216	33,382,339
Transfers commission and discounted bonds commissions	1,435,947,952	757,223,207
Auctions commission	63,684,121	-
Credit cards commissions	133,337,240	-
Other banking commissions	358,451,340	170,291,005
	<u>2,853,146,569</u>	<u>1,593,144,516</u>

23. FEES AND COMMISSIONS EXPENSE

This caption comprises the following:

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Commission paid (checks, transfers, and other services)	722,831,738	236,358,891
	<u>722,831,738</u>	<u>236,358,891</u>

24. NET GAIN ON FOREIGN CURRENCIES AUCTIONS

This item represents the net gain from trading foreign currencies through the Central Bank of Iraq Auctions.

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
Income from trading of foreign currencies (FX auctions)	19,856,593,682	88,591,684,204
Auctions entrance commissions to Central Bank of Iraq	(12,961,080,000)	(79,668,037,000)
	<u>6,895,513,682</u>	<u>8,923,647,204</u>

25. OTHER REVENUES

This caption comprises the following:

	For the year ended December 31,	
	2015	2014
	IQD	IQD
Income from reversing of provisions	-	3,710,651,240
Telex and telegrams revenue	134,710,886	63,493,566
Rental income of fixed assets	4,800,000	4,460,000
Other revenues	14,738,527	45,193,560
	<u>154,249,413</u>	<u>3,823,798,366</u>

26. SALARIES AND RELATED CHARGES

This caption comprises the following:

	For the year ended December 31,	
	2015	2014
	IQD	IQD
Salaries and related charges	2,333,304,209	1,675,074,206
Training expenses	28,378,904	11,439,350
Social security contributions	41,122,451	28,981,845
Other expenses	32,407,963	12,555,540
	<u>2,435,213,527</u>	<u>1,728,050,941</u>

27. OTHER OPERATING EXPENSES

This caption comprises the following:

	For the year ended December 31,	
	2015	2014
	IQD	IQD
Penalties and fines*	28,289,675	36,017,400
Taxes and fees	52,174,551	12,647,338
Telephone and communication expenses	103,523,877	81,807,182
Rent fees	167,956,596	166,716,072
Transportation expenses	296,861,056	161,015,623
Stationery and office supplies	66,415,400	63,890,848
Consulting and research services	304,362,439	353,717,560
Maintenance expenses	87,433,131	44,408,681
Other service expenses	486,831,388	347,131,692
Professional fees	88,726,500	114,436,900
Legal fees	14,320,660	30,350,000
Hospitality	373,971,071	90,321,049
Electricity and water	40,161,035	49,387,700
Advertising	441,103,704	142,712,890
Subscriptions	161,569,548	73,472,645
Expenses of previous years	751,145,173	350,925
Exhibitions	87,905,493	91,285,240
Other expenses	133,940,114	99,330,927
	<u>3,686,691,411</u>	<u>1,959,000,672</u>

* This amount represents fines imposed by The Central Bank of Iraq to settle the non-compliance with the liquidation instructions to retain 5% of the total deposits and cash.

28. CASH AND CASH EQUIVALENTS

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Cash and balances at the Central Bank of Iraq with Maturity less than 3 months (excluding the compulsory reserve)	177,146,573,992	180,790,919,779
Balances with banks and financial institutions (With maturity less than 3 months)	88,165,153,935	23,271,842,536
Less:		
Deposits from banks (with maturity less than 3 months)	(1,250,166,374)	(3,000,271,723)
	<u>264,061,561,553</u>	<u>201,062,490,592</u>

The compulsory cash reserve is excluded because it cannot be utilized within the bank operations as it represents a blocked balance at the Central Bank.

29. RELATED PARTIES TRANSACTIONS

This caption comprises the following:

(a) Statement of financial position items

	As of December 31, 2015			Total as of December 31, 2014
	Related Parties	Board members and key personnel	Total	
	IQD	IQD	IQD	IQD
<u>Debit balances:</u>				
Direct credit facilities	155,346,755,016	-	155,346,755,016	177,956,913,302
	<u>155,346,755,016</u>	<u>-</u>	<u>155,346,755,016</u>	<u>177,956,913,302</u>
<u>Credit balances:</u>				
Customers' deposits	-	4,116,768,010	4,116,768,010	31,468,634,973
Cash margins	2,035,273,835	-	2,035,273,835	707,507,127
Other liabilities	-	-	-	-
	<u>2,035,273,835</u>	<u>4,116,768,010</u>	<u>6,152,041,845</u>	<u>32,176,142,100</u>

(b) Off - balance sheet items

	As of December 31, 2015			Total as of December 31, 2014
	Related Parties	Board members and key personnel	Total	
	IQD	IQD	IQD	IQD
<u>Debit balances:</u>				
Letters of guarantee	18,428,337,817	-	18,428,337,817	7,075,071,273

(c) Statement of profit or loss and other comprehensive income

	For the year ended December 31, 2015			Total for the Year ended December 31, 2014
	Related parties	Board members and key personnel	Total	
	IQD	IQD	IQD	IQD
Credit interest	9,766,502,265.34	-	9,766,502,265.34	6,884,183,373

The Bank entered into transactions with the related parties, within normal course of business. The compensations for the key management personnel amounted to IQD 245,463,900 for the year ended December 31 2015 (IQD 381,160,000 for the year ended December 31, 2014). The chairman and board members were not paid any compensations or bonuses during 2015 and 2014.

30. NON-CASH TRANSACTIONS

For preparing the statement of cash flows, the following non-cash transaction was excluded.

- Transfers amounting to 398,417,950 IQD from the projects under construction to the property and equipment.

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

1. Fair value of financial assets and liabilities not shown at fair value in the financial statements.

	<u>As of December 31, 2015</u>			<u>As of December 31, 2014</u>		
	<u>Book value</u>	<u>Fair value</u>	<u>Unrealized</u>	<u>Book value</u>	<u>Fair value</u>	<u>Unrealized</u>
	<u>IQD</u>	<u>IQD</u>	<u>profit / (losses)</u>	<u>IQD</u>	<u>IQD</u>	<u>profit / (losses)</u>
Financial assets:						
Cash and balance with						
Central bank of Iraq	200,695,998,571	200,695,998,571	-	198,891,906,857	198,891,906,857	-
Balances with banks	88,165,153,935	88,165,153,935	-	23,271,842,536	23,271,842,536	-
Direct credit facilities	184,523,341,936	170,854,946,237	13,668,395,699	204,328,441,474	189,193,001,365	(15,135,440,109)
Investments held for trading	225,443,700	225,443,700	-	225,443,700	225,443,700	-
Investments held to maturity	3,500,000,000	3,500,000,000	-	225,443,700	225,443,700	-
Other assets	9,993,876,368	9,993,876,368	-	1,997,351,890	1,997,351,890	-
Financial liabilities:						
Banks' deposits	1,250,166,374	1,250,166,374	-	3,000,271,723	3,000,271,723	-
Customers' deposits	239,340,267,292	211,288,776,821	-	211,288,776,821	211,288,776,821	-
Cash margins	6,345,067,606	6,345,067,606	-	3,917,039,125	3,917,039,125	-
Subordinated loans	-	-	-	25,000,000,000	19,963,550,185	5,036,449,815
Other liabilities	55,405,706,880	55,405,706,880	-	471,114,803	471,114,803	-
Accumulated unrealized changes in profit / (losses)			<u>13,668,395,699</u>			<u>(10,098,990,294)</u>

Evaluation and used assumption for evaluating fair value:

The fair value of the financial assets and liabilities are determined using the following evaluation levels:
Level one: fair value measurements are those derived from quoted prices (Unadjusted) in active markets for identical assets or liabilities.

Level two: fair value measurements are those derived from inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level three: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

Financial assets whose fair value approximates its book value:

These are monetary financial assets and liabilities or those with maturity less than a year and their book value approximates their fair value.

Financial assets with fixed interest rate:

The fair value of the financial assets and liabilities measured at amortized cost is determined using a comparison between the discounted cash flows using market interest rate comparing to real market prices for comparable assets.

The fair value of financial assets measured at amortized cost and which have a fixed interest rate, is determined by comparing the discounted cash flows (using the market interest rates prevailing on initial listing) with the current market value of similar instruments.

With respect to the loan borrowed from the Central Bank of Kurdistan Region, which bears no interest, the fair value was calculated using the market interest rate at the years ended December 31, 2015 of 8% as it was settled during the year 2015.

32. Risk management:

As per the executive instructions of banking law in Iraq requirement, banks must establish the risks management unit that is responsible for managing the operational risks resulted from:

- 1- Weaknesses in the internal control system or because of weakness in the electronic operational system.
- 2- The internal operations, the human resources, systems and external events.
- 3- The legal risks resulted from fraud inside or outside or any obstacles or barriers for the implementation or execution and the managerial procedures except for the strategic risks and reputation risk and the banking system, this unit will be responsible for issuing special reports about these risks to the board of directors.

The executive instructions as well require the board of directors to follow the following basic principles as a minimum level of operational risks management:

- a. Finding a relevant environment for operational management.
- b. Identifying the operational risks, evaluating, reducing, and following which up.
- c. Acknowledging the operational risks consequences, review which as an independent area from the risks that can be controlled.
- d. Reviewing and accrediting the bank strategy for risks management, including the supply of the necessary and qualified human resources to meet this goal.
- e. Generalization the effective management concept and the compliance with the internal control requirements.
- f. Restructuring the management to control the operational risks and identifying the responsibilities and duties through the internal control system.
- g. Ensuring the existence of tailored procedures to manage the operational risks to include developing of the activities, systems and banking transactions and the comprehensive control of these risks.

h. Following up the proper performance of the operational risks unit.

Moreover, top executive management must:

- a. Ensure the proper implementation of the policies and procedures set by the board of directors and developing which to include all systems, services and bank products.
- b. Distribute the delegations, responsibilities on the different work units and accrediting the procedures required to account for any misstatements.
- c. Identify the delegation for each managerial level and for each activity that might result with operational risks and empowering the segregation of duties between the employees to avoid any conflict in interest.
- d. Assign all the employees at the banks to complete their missions properly.
- e. Liaise between the responsible people of managing the operational risks and the responsible people of managing the credit risks and market risks.
- f. Document and generalize the procedures, the organizational rules that relate to the information technology to ease the business execution.
- g. Set out an emergency plans in order to ensure the going concern and identifying the operational risks in case of force major situation that might result with stopping the operation.
- h. Ensure sufficient protection for the bank's assets (records and bank systems)
- i. Set out the procedures that relate to risks transfer to others such as insurance policies on banks assets.

The executive instructions state the tasks of the operational risks unit that includes:

- a. Identifying and evaluating the operational risks for systems, other services, activities, and the operations in the banks.
- b. Identifying the risks that require acknowledging the internal factors such as the scientific and practical qualifications and the banks operation and external factors and changes in banking sector that might affect achieving the bank goals.
- c. Studying the possibility of the bank exposure to operational risks and identifying the tangible resources and human resources to ensure the effective management.

d. Monitoring the risks by:

- 1- Identifying the indications of early warning to know the possible sources of operational risks based on the bank activities that interpret the possibility of exposing new future risks.
- 2- Producing periodic reports to the top executive management from the different level of work that includes:
 - a. Statistics about the size and the transaction amounts.
 - b. Information about the compliance with the applicable instructions.
 - c. Information about the markets, events and external factors that support making any future decisions.
- 3- Establishing data base about the operational risks based on the aggregated accumulated losses information for relevant period (at least three previous years) to illustrate the following:
 - a. Number of accidents that resulted with operational losses based on the banking activities.
 - b. Size of the operational losses based on the banking activities.
 - c. Distributing the accidents based on the operational losses.
 - d. Designing the controlling systems to ensure addressing the identified risks.

During this year, the bank established a unit to manage the risks that works to ensure the bank compliance with the above instructions by:

- 1- Identifying the tailored procedures of risks management that would agree with the size and the degree of banking activities complications.

- 2- Identifying the financial instruments and the allowable transactions and risks level of each.
- 3- Reviewing periodically the policies, procedures and working to revise which to comply with the bank activities and its risks.
- 4- Identifying the risks resulted from using the financial instruments and the new activities.
- 5- Setting out the practical and the special internal systems that relate to each new financial instrument or new activity.
- 6- Accrediting the board of directors on the general policy of the risks management and identifying the risks ceilings for the bank.
- 7- The board of director's supervision or risks management committee or any other managerial unit in the bank.
- 8- Taking the necessary steps to improve the risks management systems to comply with the internal auditor and the external auditor recommendations and the central bank requirements.

A) Credit risks

1) Exposure to credit risk (after impairment provision and before guarantees and other risk mitigation factors)

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>IQD</u>	<u>IQD</u>
A. Financial Position items:		
Balances with the Central Bank of Iraq	143,357,033,395	166,227,925,800
Balances with banks	88,165,153,935	23,271,842,536
	<u>231,522,187,330</u>	<u>189,499,768,336</u>
Credit facilities:		
Individuals	32,700,402,833	12,860,759,850
Entities	151,822,939,103	191,467,681,624
	<u>184,523,341,936</u>	<u>204,328,441,474</u>
Investment held for trading	225,443,700	225,443,700
Investment held to maturity	3,500,000,000	-
Other assets	9,993,876,368	1,997,351,890
	<u>13,719,320,068</u>	<u>2,222,795,590</u>
B. Off- balance sheet items:		
Letters of guarantee	57,598,078,714	21,279,674,563
Letter of credits	9,704,112,501	4,977,595,000
	<u>67,302,191,215</u>	<u>26,257,269,563</u>

2) Exposure to credit risk according to degree of risks

Exposure to credit risk (after credit loss provisions and before guarantees and after risk mitigations) was as following:

	<u>As of December 31, 2015</u>		
	<u>Individuals</u>	<u>Corporates</u>	<u>Total</u>
	<u>IQD</u>	<u>IQD</u>	<u>IQD</u>
Performing debts:			
Normal risks debts	33,254,249,136	155,737,799,039	188,992,048,175
Non-performing debts:			
Bad debts	17,157,652,279	16,949,166,865	34,106,819,144
	<u>50,411,901,415</u>	<u>172,686,965,904</u>	<u>223,098,867,319</u>
Less:			
Suspended interest	(471,104,348)	(219,040,712)	(690,145,060)
Provision for credit losses	(17,240,394,234)	(20,644,986,089)	(37,885,380,323)
	<u>32,700,402,833</u>	<u>151,822,939,103</u>	<u>184,523,341,936</u>

Exposure to credit risk direct (after impairment provision and by guarantees and other minimized risks) as of 31 December 2014:

	As of December 31, 2014		
	<u>Individuals</u> IQD	<u>Corporates</u> IQD	<u>Total</u> IQD
Performing debts:			
Normal risks debts	13,745,300,228	195,733,265,133	209,478,565,361
Non-performing debts:			
Bad debts	<u>16,487,770,822</u>	<u>16,445,368,026</u>	<u>32,933,138,848</u>
	30,233,071,050	212,178,633,159	242,411,704,209
Less:			
Suspended interest	(467,175,777)	(219,040,712)	(686,216,489)
Provision for credit losses	<u>(16,905,135,423)</u>	<u>(20,491,910,823)</u>	<u>(37,397,046,246)</u>
	<u>12,860,759,850</u>	<u>191,467,681,624</u>	<u>204,328,441,474</u>

3) **Fair value of guarantees against credit facilities**

This caption includes the following as of December 31, 2015:

<u>Guarantees against</u>	<u>Individuals</u> IQD	<u>Corporates</u> IQD	<u>Total</u> IQD
Performing debts	8,357,230,000	480,862,233,000	489,219,463,000

This caption includes the following as of December 31, 2014:

<u>Guarantees against</u>	<u>Individuals</u> IQD	<u>Corporates</u> IQD	<u>Total</u> IQD
Performing debts	11,822,204,000	369,699,300,000	381,521,504,000

4) **Geographic concentration:**

The table below shows the geographic concentration of credit risks as follows:

	As of December 31, 2015				
	Erbil	Baghdad	Duhok	Sulaymaniyah	Total
	IQD	IQD	IQD	IQD	IQD
Balances at the Central Bank of Iraq	12,021,879,652	131,328,799,791	-	6,353,952	143,357,033,395
Balances with banks	30,287,710,324	55,039,012,000	2,815,932,635	22,498,976	88,165,153,935
Direct credit facilities	99,682,029,493	72,083,889	84,769,228,554	-	184,523,341,936
Investments held for trading	225,443,700	-	-	-	225,443,700
Investments held to maturity	3,500,000,000	-	-	-	3,500,000,000
Other assets	5,489,011,097	2,835,000	4,484,030,271	18,000,000	9,993,876,368
	<u>151,206,074,266</u>	<u>186,442,730,680</u>	<u>92,069,191,460</u>	<u>46,852,928</u>	<u>429,764,849,334</u>

	As of December 31, 2014				
	Erbil	Baghdad	Duhok	Sulaymaniyah	Total
	IQD	IQD	IQD	IQD	IQD
Balances at the Central Bank of Iraq	6,623,733,923	159,437,915,941	-	166,275,936	166,227,925,800
Balances with banks	22,234,571,553	-	642,831,983	394,439,000	23,271,842,536
Direct credit facilities	104,419,991,321	14,444,912	99,894,005,241	-	204,328,441,474
Investments held for trading	225,443,700	-	-	-	225,443,700
Other assets	1,900,936,052	43,525,828	34,890,010	18,000,000	1,997,351,890
	<u>135,404,676,549</u>	<u>159,495,886,681</u>	<u>100,571,727,234</u>	<u>578,714,936</u>	<u>396,051,005,400</u>

5) **Concentration by economical sector:**

The table below reflects the credit risks' concentration by economical sector:

	As of December 31, 2015					
	Financial	Industrial	Commercial	Individuals	Service	Total
	IQD	IQD	IQD	IQD	IQD	IQD
Balances at the						
Central Bank of Iraq	143,357,033,395	-	-	-	-	143,357,033,395
Balances with banks	88,165,153,935	-	-	-	-	88,165,153,935
Direct credit facilities	-	18,033,712,655	58,306,269,336	32,700,402,833	75,482,957,112	184,523,341,936
Investments held for trading	225,443,700	-	-	-	-	225,443,700
Investments held to maturity	3,500,000,000	-	-	-	-	3,500,000,000
Other assets	9,993,876,368	-	-	-	-	9,993,876,368
	<u>245,241,507,398</u>	<u>18,033,712,655</u>	<u>58,306,269,336</u>	<u>32,700,402,833</u>	<u>75,482,957,112</u>	<u>429,764,849,334</u>

	As of December 31, 2014					
	Financial	Industrial	Commercial	Individuals	Service	Total
	IQD	IQD	IQD	IQD	IQD	IQD
Balances at the						
Central Bank of Iraq	166,227,925,800	-	-	-	-	166,227,925,800
Balances with banks	23,271,842,536	-	-	-	-	23,271,842,536
Direct credit facilities	-	874,055,002	189,277,755,046	12,860,759,850	1,315,871,576	204,328,441,474
Investments held for trading	225,443,700	-	-	-	-	225,443,700
Other assets	1,997,351,890	-	-	-	-	1,997,351,890
	<u>191,722,563,926</u>	<u>874,055,002</u>	<u>189,277,755,046</u>	<u>12,860,759,850</u>	<u>1,315,871,576</u>	<u>396,051,005,400</u>

B) Currency risks

The currency risk represent the changes in financial instruments values caused by the changes in the foreign currencies exchange rates.

The Bank consider the Iraqi Dinar as its functional & reporting currency, the board of directors sets limits on currencies positions and monitors these positions on a daily basis to avoid exceeding pre-defined limits.

The bank prepares the sensitivity analysis to monitor the changes on profit and loss because of the changes in the exchange rates.

1) Increase in exchange rate of 2%:

	<u>As of December 31, 2015</u>	
	<u>Structural Position</u>	<u>Effect on profit and loss</u>
	<u>IQD</u>	<u>IQD</u>
USD	11,779,518,551	235,590,371
EUR	502,344,698	10,046,894
GBP	50,573,662	1,011,473
CHF	(1,685,838)	(33,717)

	<u>As of December 31, 2014</u>	
	<u>Structural Position</u>	<u>Effect on profit and loss</u>
	<u>IQD</u>	<u>IQD</u>
USD	133,574,748,098	2,671,494,962
EUR	3,939,389,567	78,787,791
GBP	6,753,986	135,080
AED	(437,054,157)	(8,741,083)

2) Decrease in exchange rate of 2%:

	<u>As of December 31, 2015</u>	
	<u>Structural Position</u>	<u>Effect on profit and loss</u>
	<u>IQD</u>	<u>IQD</u>
USD	(11,779,518,551)	(235,590,371)
EUR	(502,344,698)	(10,046,894)
GBP	(50,573,662)	(1,011,473)
CHF	1,685,838	33,717

	<u>As of December 31, 2014</u>	
	<u>Structural Position</u>	<u>Effect on profit and loss</u>
	<u>IQD</u>	<u>IQD</u>
USD	(133,574,748,098)	(2,671,494,962)
EUR	(3,939,389,567)	(78,787,791)
GBP	(6,753,986)	(135,080)
AED	(437,054,157)	(8,741,083)

Concentration in currency risks**December 31, 2015**

	<u>USD</u> IQD	<u>EUR</u> IQD	<u>Pound</u> IQD	<u>CHF</u> IQD	<u>Total</u> IQD
<u>Assets</u>					
Cash	46,953,470,540	2,703,324,988	-	-	49,656,795,528
Cash and balances at Central Bank of Iraq	31,100,020,801	-	-	-	31,100,020,801
Balances with banks	25,756,806,773	1,758,851,764	94,662,443	1,701,381	27,612,022,361
Credit facilities	<u>42,907,950,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,907,950,197</u>
Total assets	<u>146,718,248,311</u>	<u>4,462,176,752</u>	<u>94,662,443</u>	<u>1,701,381</u>	<u>151,276,788,887</u>
<u>Liabilities</u>					
Banks' deposits	(5,867,341)	-	-	-	(5,867,341)
Customers' deposits	(116,134,548,770)	(2,161,596,926)	(145,236,105)	(15,543)	(118,441,397,344)
Cash margin	(3,902,298,110)	(957,172,524)	-	-	(4,859,470,634)
Other liabilities	(<u>121,701,923</u>)	(<u>47,137,575</u>)	<u>-</u>	<u>-</u>	(<u>168,839,498</u>)
Total liabilities	<u>(120,164,416,144)</u>	<u>(3,165,907,025)</u>	<u>(145,236,105)</u>	<u>(15,543)</u>	<u>(123,475,574,817)</u>
Net concentration within The financial position	26,553,832,167	1,296,269,727	(50,573,662)	1,685,838	27,801,214,070
Net concentration outside The financial position	(38,333,350,718)	(1,798,614,424)	<u>-</u>	<u>-</u>	(40,131,965,142)
Net concentration for Current year	<u>(11,779,518,551)</u>	<u>(502,344,697)</u>	<u>(50,573,662)</u>	<u>1,685,838</u>	<u>(12,330,751,072)</u>

December 31, 2014

	<u>USD</u> IQD	<u>EUR</u> IQD	<u>Pound</u> IQD	<u>AED</u> IQD	<u>Total</u> IQD
<u>Assets</u>					
Cash	17,673,618,182	759,417,447	-	-	18,433,035,629
Cash and balances at Central Bank of Iraq	8,601,630,972	-	-	-	8,601,630,972
Balances with banks	14,688,258,244	3,415,309,960	6,686,917	437,054,157	18,547,309,278
Credit facilities	<u>38,697,927,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,697,927,422</u>
Total assets	<u>79,661,434,820</u>	<u>4,174,727,407</u>	<u>6,686,917</u>	<u>437,054,157</u>	<u>84,279,903,308</u>
<u>Liabilities</u>					
Banks' deposits	(2,134,071,500)	-	-	-	(2,134,071,500)
Customers' deposits	(56,772,844,326)	(2,950,322,953)	(67,069)	-	(59,723,234,348)
Cash margin	(3,348,626,072)	(1,791,934,200)	-	-	(5,140,560,272)
Other liabilities	(<u>218,910,670</u>)	<u>-</u>	<u>-</u>	<u>-</u>	(<u>218,910,670</u>)
Total liabilities	<u>(62,474,452,568)</u>	<u>(4,742,257,153)</u>	<u>(67,069)</u>	<u>-</u>	<u>(67,216,776,790)</u>
Net concentration within The financial position	17,186,982,252	(567,529,739)	6,619,848	437,054,157	17,063,126,518
Net concentration outside The financial position	(8,561,139,290)	(4,977,595,000)	<u>-</u>	<u>-</u>	(13,538,734,290)
Net concentration for Current year	<u>8,625,842,962</u>	<u>(5,545,124,739)</u>	<u>6,619,848</u>	<u>437,054,157</u>	<u>3,524,392,228</u>

33. CAPITAL MANAGEMENT

The Bank maintains adequate capital to face risks inherent in its nature of activities. Capital adequacy ratios are monitored in a regular basis to comply with those pre-defined and issued by the Central Bank of Iraq according to circular No (94) issued in 2004.

The Bank follows a policy to manage its capital in accordance with the instructions of Central Bank of Iraq. This decision states that the capital adequacy ratio should not be less than 12%.

The Bank manages its capital structure and amends it according to the changes in the economic conditions and risk characteristics in its activities.

The following table illustrates the calculation of capital adequacy:

	For the year ended December 31,	
	2015	2014
	IQD	IQD
Basic private money		
Registered and paid in capital	250,000,000,000	250,000,000,000
Capital legal reserve	2,422,171,652	1,867,811,511
Less:		
Net accumulated losses (net)	(6,177,132,683)	(16,709,975,353)
Intangible assets (net)	(974,051,864)	(446,291,992)
	<u>245,270,987,105</u>	<u>234,711,544,166</u>
Assets risks weighted	205,105,140,137	194,201,430,000
Assets risks weighted off – balance sheet accounts	<u>54,996,232,000</u>	<u>19,791,702,000</u>
Total risk weighted assets and liabilities	<u>260,101,372,137</u>	<u>213,993,132,000</u>
Capital adequacy ratio (%)	%94.30	%109.68

34. ANALYSIS OF MATURITY FOR FINANCIAL POSITION COMPONENTS

The below table shows the assets and liabilities according to their expected recoverability or settlement dates:

<u>December 31, 2015</u>	<u>Up to one year IQD</u>	<u>Over one year IQD</u>	<u>Total IQD</u>
<u>Assets</u>			
Cash and balances with the Central Bank of Iraq	200,695,998,571	-	200,695,998,571
Balances with banks	88,165,153,935	-	88,165,153,935
Direct credit facilities (net)	184,523,341,936	-	184,523,341,936
Investment held for trading	225,443,700	-	225,443,700
Investments held to maturity	3,500,000,000	-	3,500,000,000
Property and equipment	-	57,125,556,086	57,125,556,086
Intangible assets	-	974,051,864	974,051,864
Projects under construction	-	5,975,376,499	5,975,376,499
Other assets	<u>9,993,876,368</u>	<u>-</u>	<u>9,993,876,368</u>
Total assets	<u>487,103,814,510</u>	<u>64,074,984,449</u>	<u>551,178,798,959</u>
<u>Liabilities</u>			
Banks' deposits	(1,250,166,374)	-	(1,250,166,374)
Customers' deposits	(239,340,267,292)	-	(239,340,267,292)
Cash margins	(6,345,067,606)	-	(6,345,067,606)
Subordinated loans	-	-	-
Provisions	(1,556,549,838)	-	(1,556,549,838)
Provision for income tax	(1,036,002,000)	-	(1,036,002,000)
Other liabilities	<u>(55,405,706,880)</u>	<u>-</u>	<u>(55,405,706,880)</u>
Total liabilities	<u>(304,933,759,990)</u>	<u>-</u>	<u>(304,933,759,990)</u>
Net	<u>182,170,054,520</u>	<u>64,074,984,449</u>	<u>246,245,038,969</u>
<u>December 31, 2014</u>	<u>Up to one year IQD</u>	<u>Over one year IQD</u>	<u>Total IQD</u>
<u>Assets</u>			
Cash and balances with the Central Bank of Iraq	198,891,906,857	-	198,891,906,857
Balances with banks	23,271,842,536	-	23,271,842,536
Direct credit facilities (net)	204,328,441,474	-	204,328,441,474
Investment held for trading	225,443,700	-	225,443,700
Property and equipment	-	49,909,394,079	49,909,394,079
Intangible assets	-	446,291,992	446,291,992
Projects under construction	-	1,550,856,611	1,550,856,611
Other assets	<u>1,997,351,890</u>	<u>-</u>	<u>1,997,351,890</u>
Total assets	<u>428,714,986,457</u>	<u>51,906,542,682</u>	<u>480,621,529,139</u>
<u>Liabilities</u>			
Banks' deposits	(3,000,271,723)	-	(3,000,271,723)
Customers' deposits	(211,288,776,821)	-	(211,288,776,821)
Cash margins	(3,917,039,125)	-	(3,917,039,125)
Subordinated loans	-	(25,000,000,000)	(25,000,000,000)
Provisions	(810,584,009)	-	(810,584,009)
Provision for income tax	(975,906,500)	-	(975,906,500)
Other liabilities	<u>(471,114,803)</u>	<u>-</u>	<u>(471,114,803)</u>
Total liabilities	<u>(220,463,692,981)</u>	<u>(25,000,000,000)</u>	<u>(245,463,692,981)</u>
	<u>208,251,293,476</u>	<u>26,906,542,682</u>	<u>235,157,836,158</u>

35. COMMITMENTS AND CONTINGENT LIABILITIES

This caption comprises the following:

	As of December 31,	
	2015	2014
	IQD	IQD
Letters of guarantee	57,598,078,714	21,279,674,563
Letters of credit	9,704,112,501	4,977,595,000
	<u>67,302,191,215</u>	<u>26,257,269,563</u>

36. ASSETS AND LIABILITIES

The Bank recorded claims and took legal procedures on some debtors demanding amounts discharged, after their refusal to pay. The bank's lawyer believes that the judgment will be in the favor of the bank.

<u>Customer</u>	<u>Granted Loan</u>	<u>Provision for doubtful debts</u>
	IQD	IQD
Customer (1)	627,549,095	627,549,095
Customer (2)	67,558,115	567,558,115
Customer (3)	355,613,330	355,613,330
Customer (4)	297,235,483	297,235,483

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the board of directors on 10 June 2016.