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, 2014
TRANSLATED FROM ORIGIONAL ARABIC REPORT

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, 2014
TRANSLATED FROM ORIGIONAL ARABIC REPORT

TABLE OF CONTENTS

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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, 2014, 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 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 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.

Bases of Qualified Opinion

a) The bank granted credit facilities to related parties with the amount of IQD 133,695,834,403 during the year ended December 31, 2014.
   We have not received sufficient appropriate audit evidence assuring the bank's compliance to the article no. 14 of the executive instructions of the banking law number 94/2004 issued in 2010, which requires granting such credit facilities with the same conditions and provisions of the banks other normal customers'

Qualified Opinion

Except for the paragraphs mentioned in "a" of the bases for qualified opinion, the financial statements present fairly, in all material respects, the financial position of the region trade bank for investment and finance private joint stock company at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable Iraqi banking laws and regulations.

Limitation of Use

This report is intended only for information and solely addressed to the management and the board of directors of the region trade bank for investment and finance private joint stock company for administrative purpose and strictly for limited distribution within the country where the organization is incorporated and not to be used for regulatory purposes. As such, we shall hold no responsibility if the reports were used or relied on for other purposes, or outside the jurisdiction of the country of incorporation.

Erbil – Iraq
June 24, 2015

Deloitte and Touche

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

	Notes	As of December 31, 2014 IQD	2013 IQD
ASSETS			
Cash and balances with Central Bank of Iraq	5	198,891,906,857	171,336,276,162
Balances with banks	6	23,271,842,536	37,483,832,093
Direct credit facilities (net)	7	204,328,441,474	106,180,381,070
Investments held for trading	8	225,443,700	225,443,700
Property and equipment	9	49,909,394,079	18,981,875,945
Intangible assets	10	446,291,992	170,236,000
Projects under construction	11	1,550,856,611	30,467,418,345
Other assets	12	1,997,351,890	31,032,777
Total assets		480,621,529,139	364,876,496,092
LIABILITIES AND EQUITY			
LIABILITIES			
Banks' deposits	13	3,000,271,723	11,972,001,563
Customers' deposits	14	211,288,776,821	90,188,265,949
Cash margins	15	3,917,039,125	3,293,176,703
Subordinated loans	17	25,000,000,000	34,000,000,000
Provisions	16	810,584,009	359,330,273
Provision for income tax		975,906,500	3,710,651,240
Other liabilities	18	471,114,803	288,562,004
Total liabilities		245,463,692,981	143,811,987,732
EQUITY			
Capital	1	250,000,000,000	250,000,000,000
Legal reserve		1,867,811,511	1,163,145,121
Accumulated realized losses		(16,709,975,353)	(30,098,636,761)
Total equity		235,157,836,158	221,064,508,360
Total liabilities and equity		480,621,529,139	364,876,496,092

THE ACCOMPANYING NOTES FROM 1 TO 36 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

	Notes	For the year ended December 31, 2014 IQD	2013 IQD
Interest income	19	8,836,077,602	3,303,970,071
Interest expense	20	(301,429,350)	(270,932,673)
Net interest income		8,534,648,252	3,033,037,398
Fees and commissions income	21	1,593,144,516	1,487,094,488
Fees and commissions expense	22	(236,358,891)	(353,766,580)
Net fees and commissions income		1,356,785,625	1,133,327,908
Net interest, fees and commissions income		9,891,433,877	4,166,365,306
Net gain on foreign currencies auctions	23	8,923,647,204	12,595,400,145
Other revenues	24	3,823,798,366	131,291,259
Total operating income		22,638,879,447	16,893,056,710
Salaries and related charges	25	(1,728,050,941)	(1,192,988,547)
Depreciation and amortization	9-10	(897,520,163)	(270,113,876)
Net (Provision) / reversal of impairment credit losses for direct facilities	7	(2,356,877,603)	12,174,550,313
Net (Provision) / reversal of impairment credit losses for indirect facilities	16	(451,253,736)	(234,289,654)
Differences in exchange losses		(176,942,034)	(79,800,715)
Other operating expenses	26	(1,959,000,672)	(2,552,739,296)
Total operating expenses		(7,569,645,149)	(7,844,618,225)
Profit before tax		15,069,234,298	24,737,674,935
Income tax expense		(975,906,500)	(3,710,651,240)
Profit for the year		14,093,327,798	21,027,023,695
Other comprehensive income items		-	-
Total comprehensive income for the year		14,093,327,798	21,027,023,695

THE ACCOMPANYING NOTES FROM 1 TO 36 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, 2014
TRANSLATED FROM ORIGINAL ARABIC FINANCIAL STATEMENTS

	Capital	Legal reserve	Accumulated realized losses	Total
	USD	USD	USD	USD
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	250,000,000,000	1,867,811,511	(16,709,975,353)	235,157,836,158
Balance at January 1, 2013	150,000,000,000	111,793,936	(50,074,309,271)	100,037,484,665
Comprehensive income for the year	-	1,051,351,185	19,975,672,510	21,027,023,695
Increase in Capital	100,000,000,000	-	-	100,000,000,000
Balance at December 31, 2013	250,000,000,000	1,163,145,121	(30,098,636,761)	221,064,508,360

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, 2014 IQD	2013 IQD
Cash flows from operating activities:			
Profit before tax		14,093,327,798	21,027,023,695
Adjustments for:			
Income tax expense recognized in profit or loss		975,906,500	3,710,651,240
Depreciation and amortization	9-10	897,520,163	270,113,876
Net (Provision) / reversal of impairment credit losses for direct facilities	7	2,356,877,603	(12,174,550,313)
Net (Provision) / reversal of impairment credit losses for indirect facilities	16	451,253,736	234,289,654
Loss on investments held for trading		-	283,000
Profit before changes in operating assets and liabilities		18,774,885,800	13,067,811,152
Changes in operating assets and liabilities			
Decrease/ (Increase) in deposit with the Central Bank (Compulsory reserve)		(10,090,410,934)	2,315,247,504
Increase in direct credit facilities (net)	7-29	(100,504,938,007)	(2,224,732,865)
(Inecrease) / decrease in other assets		(1,966,319,113)	28,493,023
Increase in customers' deposits		121,100,510,872	12,443,097,406
Increase in cash margins		623,862,422	1,863,120,696
Increase in other liabilities		182,552,799	71,293,526
Cash generated by operating activities		28,120,143,839	27,564,330,442
Income tax paid		(3,710,651,240)	(412,986,054)
Net cash generated by operating activities		24,409,492,599	27,151,344,388
Cash flows from investing activities:			
Acquisition of fixed assets	9-29	(1,866,039,969)	(146,573,913)
Projects under construction	11	(988,443,706)	(4,860,475,063)
Acquisition of intangible assets	10	(330,048,880)	(23,320,000)
Net cash used in investing activities		(3,184,532,555)	(5,030,368,976)
Cash flows from financing activities			
Increase in Capital		-	100,000,000
Repayments of Subordinated loans		(9,000,000,000)	(4,000,000,000)
Net cash generated by / (used in) financing activities		(9,000,000,000)	96,000,000,000
Net increase in cash and cash equivalent		12,224,960,044	118,120,975,412
Cash and cash equivalent at the beginning of the year	27	188,837,530,548	70,716,555,136
Cash and cash equivalent at the end of the year	27	201,062,490,592	188,837,530,548

1. GENERAL INFORMATION

The bank was established in July 20, 2001 as per the registration certificate number 282 issued by the general directorate of companies registrar in 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.

Later, the bank obtained the registration certificate number 15145 as a private joint stock company in November, 29, 2006 which was issued by Companies registrar in Baghdad, and with a capital of IQD 25,250,000,000.
In March 1, 2007, the bank received the banking license from the central bank of Iraq by the letter number (408/3/9).
The capital was increased many times to reach IQD 250,000,000,000 in September 22, 2013 as per the companies registrar directorate letter number 24306. This capital is split on 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 according to Central bank board of director's resolution number 1511 dated on April 20, 2014, and to the Region Trade Bank For Investment And Finance according 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)

In the current year, the Company has applied the following new and revised Standards issued as amended, and which did not substantially affect the amounts and disclosures contained in the current year and previous years, which in turn may have an impact on the accounting treatment with respect to future transactions and arrangements:

- Amendments to IAS 32 financial instruments - presentation, linked to evidence about the application measured financial assets and liabilities (effective for fiscal years beginning on or after January 1, 2014).
- Amendments to International Financial Reporting Standards No. (10) and number (12) and the International Accounting Standard No. (27) (valid for the years beginning on or after January 1, 2014).
- Amendments to IAS 36 Impairment of Assets: Disclosures about refunds to non-financial assets (effective for annual periods beginning on or after January 1, 2014).
- Amendments to International Accounting Standard No. (39) exchange derivatives and hedge accounting (valid for the years beginning on or after January 1, 2014).
- Interpretation No. (21) Levies define a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. Effective for annual periods beginning on or after January 1, 2014
- Managements believe that the application of the above standards and interpretations in future periods will not have a significant impact on the financial statements of the company during the initial application.

New and revised IFRSs in issue but not yet effective

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

- IFRS 9 *Financial Instruments* (2013) – General Hedge Accounting. On November 19, 2013 a new version of IFRS 9 was issued which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments.

- IFRS 9 *Financial Instruments*. IFRS 9 is to replace IAS 39 *Financial Instruments: Recognition and Measurement* and was split into a number of phases. Currently some of these phases have been completed and available for early adoption. The mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments.

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

3.**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Compliance with IFRS and local laws:

The financial statements were prepared in accordance with 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.

	December 31, 2014	December 31, 2013
	IQD	IQD
Exchange rate of 1 USD against IQD	1,166	1,166
Exchange rate of 1 EUR against IQD	1,422.17	1،607.098

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 also 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

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 as either 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

A 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 so as 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:

	%
Buildings	2
Decorations and improvements	20
Machinery and equipment	20
Furniture & office equipment	20
Vehicles	20

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:

%
20

Intangible assets are subject to impairment testing.

L. Projects under construction

Project in 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

M.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.

N.Contributions to social security and end of service indemnity

The Bank is registered in the Iraqi Social Security Directorate and makes contributions on account of its employees. These contributions include the Bank's engagement towards its employees concerning end-of-service indemnities that will be allocated to them by the Social Security Establishment. The Bank has no other liability towards its employees' end of service indemnity.

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 Bank sets the income tax rate at 15% of the net taxable income. Taxable profit differs from net profit as reported in the statement of 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 income for the year, using rates enacted at the statement of financial position date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

R.Fiduciary accounts

Fiduciary assets held or invested on behalf of individuals, others are non-discretionary basis, and related risks and rewards belong to the account holders. Accordingly, these deposits are reflected as off-balance sheet accounts.

S.Capital legal reserve

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

T.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 that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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 loan 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 (c). As for the financial instruments that are infrequently traded have lows 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 underling 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.

The use of unperceptive data in the measurement of unit fair value when the perspective data is not available; therefore, apply in such cases where the movement of the market valuation date is weak if any, and fair value measurement must remain objective of itself, that represents an acceptable price for full-time by the owner financial instruments or liabilities His commitment to financial instruments.

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.

The estimated useful lives of fixed 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 bank did not show any indications in regards to change in the estimated useful lives of fixed assets.

Impairment of assets and related needed provisions

Under the current circumstances, management has estimated at the recoverable amount of the assets. Management believes there are no indicators to form additional impairment provisions.

5. CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

This caption comprises the following:

	As of December 31,	
	2014	**2013**
	IQD	**IQD**
Cash in Treasury	32,663,981,057	12,481,754,547
Balances with the Central Bank of Iraq:		
Compulsory cash reserve*	18,100,987,078	8,010,576,144
Current accounts	148,126,938,722	150,843,945,471
	198,891,906,857	171,336,276,162

*The Bank maintains a compulsory reserve at the Iraqi Central Bank up to 15% of the total customer deposits in foreign currency and 10% of total customer deposits in Iraqi Dinar. Also, 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 confirmed by the Central Bank resolution on December 12, 2003.

6. BALANCES WITH BANKS

This caption comprises the following:

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

	As of December 31, 2013		
	Local Banks	**Foreign Banks**	**Total**
	IQD	**IQD**	**IQD**
Current and on demand accounts	26,364,893,782	11,118,938,311	37,483,832,093
	26,364,893,782	11,118,938,311	37,483,832,093

* Current accounts with banks bear no interests.

7. DIRECT CREDIT FACILITIES (NET)

This caption comprises the following:

	As of December 31, 2014 IQD	As of December 31, 2013 IQD
Entities:		
Current debit accounts	195,061,842,925	110,908,187,485
Loans	17,116,790,234	1,205,826,888
	212,178,633,159	112,114,014,373
Individuals:		
Current debit accounts	8,599,518,053	27,010,441,400
Loans	21,633,552,997	2,687,181,850
	30,233,071,050	29,697,623,250
	242,411,704,209	141,811,637,623
Less:		
Provision for impairment losses of credit performing direct facilities	(4,463,907,398)	(2,025,911,259)
Provision for impairment losses of non-performing direct facilities	(32,933,138,848)	(33,014,257,384)
Suspended interest on non-performing direct facilities	(686,216,489)	(591,087,910)
Direct credit facilities (net)	204,328,441,474	106,180,381,070

Financial position statement

A- Provision for impairment losses of direct credit facilities

	As of December 31, 2014 Entities IQD	Individual IQD	Total 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
Balance at December 31, 2014	4,046,542,797	417,364,601	4,463,907,398

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

	Entities	Individual	Total
Balance at January 1, 2014	16,445,368,026	16,568,889,358	33,014,257,384
Reversal within the year	-	(81,118,536)	(81,118,536)
Balance at December 31, 2014	16,445,368,026	16,487,770,822	32,933,138,848

C-Suspended interest

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

A- Provision for impairment losses of direct credit facilities

	As of December 31, 2013		
	Entities	**Individual**	**Total**
	IQD	**IQD**	**IQD**
Balance at January 1, 2014	1,782,686,992	211,903,578	1, 994,590,570
Additions during the year	-	43,125,657	43,125,657
Reversal within the year	(11,804,968)	-	(11,804,968)
Balance at December 31, 2014	1,770,882,024	255,029,235	2,025,911,259

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

Balance at January 1, 2014	16,447,087,471	28,773,046,915	45,220,128,386
Additions during the year	(1,713,445)	(12,204,157,557)	(12,205,871,002)
Balance at December 31, 2014	16,445,368,026	16,568,889,358	33,014,257,384

C- Suspended interest

Balance at January 1, 2014	89,542,746	158,291,869	247,834,615
Suspended interest during the year	129,497,966	213,755,329	343,253,295
Balance at December 31, 2014	219,040,712	372,047,198	591,087,910

Statement of profit or loss and other comprehensive income

	As of December 31, 2014		
	Entities	**Individual**	**Total**
	IQD	**IQD**	**IQD**
Net (Provision) / reversal of impairment credit losses for direct 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)
	2,275,660,773	81,216,830	2,356,877,603

	As of December 31, 2013		
	Entities	**Individual**	**Total**
	IQD	**IQD**	**IQD**
Net (Provision) / reversal of impairment credit losses for indirect facilities			
Additions / (Reversal) during the year			
Preforming loans	(11,804,968)	43,125,657	31,320,689
Non-performing loans	(1,713,445)	(12,204,157,557)	(12,205,871,002)
	(13,518,413)	(12,161,031,900)	(12,174,550,313)

8. INVESTMENTS HELD FOR TRADING

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Investment in equity instruments	225,443,700	225,443,700
	225,443,700	225,443,700

Due to the lack of an active market for these financial instruments, which represent non-tradable equity instruments in private joint-stock companies 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. PROPERTY AND EQUIPMENT

This caption comprises the following:

	Lands	Buildings	Decorations & fixtures	Machine & equipment	Equipment & Furniture	Vehicles	Total
	IQD	IQD	IQD	IQD	IQD	IQD	IQD
Historical Cost:							
Balance at January 1, 2013	5,522,400,000	503,100,000	389,993,062	367,122,726	1,630,863,052	18,172,110	8,431,650,950
Additions	12,272,942,437	-	1,549,860	16,520,502	61,432,116	-	12,352,444,915
Balance at December 31, 2013	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
Accumulated Depreciation:							
Balance at January 1, 2013	-	(120,744,000)	(289,385,918)	(216,137,536)	(925,008,796)	(1,817,794)	(1,553,094,044)
Additions, year charges	-	(15,041,400)	(25,461,758)	(38,364,323)	(168,441,767)	(1,816,628)	(249,125,876)
Balance at December 31, 2013	-	(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)
Net Book Value:							
Balance at December 31, 2014	18,401,342,437	30,056,175,096	95,284,774	95,188,003	1,136,493,133	124,910,636	49,909,394,079
Balance at December 31, 2013	17,795,342,437	367,314,600	76,695,246	129,141,369	598,844,605	14,537,688	18,981,875,945

10. INTANGIBLE ASSETS

This caption comprises the following:

	Computer Software IQD
Historical Cost:	
Balance at January 1, 2013	303,160,000
Additions	23,320,000
Balance at December 31, 2013	326,480,000
Additions	330,048,880
Balance at December 31, 2014	656,528,880
Accumulated Amortization:	
Balance at January 1, 2013	(135,256,000)
Additions, year charges	(20,988,000)
Balance at December 31, 2013	(156,244,000)
Additions, year charges	(53,992,888)
Balance at December 31, 2014	(210,236,888)
Net Book Value:	
Balance at December 31, 2014	446,291,992
Balance at December 31, 2013	170,236,000

11. PROJECTS UNDER CONSTRUCTION

	As of December 31,	
	2014 IQD	2013 IQD
Balance at January 1	30,467,418,345	25,606,943,282
Additions	988,443,706	4,860,475,063
Transfer to property and equipment	(29,905,005,440)	-
Balance at December 31	1,550,856,611	30,467,418,345

12. OTHER ASSETS

This caption comprises the following:

	As of December 31,	
	2014 IQD	2013 IQD
Prepaid expenses	44,795,388	21,862,500
Advances and loans for employees	101,952,875	-
Cash deposit against letters of credit	995,519,000	-
Retentions with third parties	776,512,150	-
Accrued interest income	78,572,477	-
Other debit balances	-	9,170,277
	1,997,351,890	31,032,777

13. BANKS' DEPOSITS

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Current accounts	3,000,271,723	11,972,001,563
	3,000,271,723	11,972,001,563

The current accounts of banks bear n interests.

14. CUSTOMERS' DEPOSITS

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Current accounts	205,253,221,495	83,992,345,523
Savings accounts	5,799,457,326	6,093,420,426
Fixed deposits	236,098,000	102,500,000
	211,288,776,821	90,188,265,949

All current accounts of customers bear no interests.

15. CASH MARGINS

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Cash margins for letters of guarantee	2,125,104,925	2,124,378,303
Cash margins for letters of credit	1,791,934,200	1,168,798,400
	3,917,039,125	3,293,176,703

16. PROVISIONS

	As of December 31,	
	2014	2013
	IQD	IQD
Provision for impairment losses of indirect credit facilities	446,804,609	359,330,273
Management risk provision	363,779,400	-
	810,584,009	359,330,273

This caption comprises the following:

Statement of profit or loss and other comprehensive income

	As of December 31, 2014		
	Entities	Individuals	Total
	IQD	IQD	IQD
Balance at January 1, 2014	-	359,330,273	2,025,911,259
Additions during the year	-	87,474,336	87,474,336
Balance at December 31, 2014	-	446,804,609	446,804,609

	As of December 31, 2013		
	Entities	Individuals	Total
	IQD	IQD	IQD
Balance at January 1, 2013	-	125,040,619	125,040,619
Additions during the year	-	234,289,654	234,289,654
Refund during the year	-	-	-
Balance at December 31, 2013	-	359,330,273	359,330,273

	For the year ended December 31, 2014		
	Entities	Individuals	Total
	IQD	IQD	IQD
Additions during the year	-	451,253,736	451,253,736
Balance at December 31, 2014	-	451,253,736	451,253,736

	For the year ended December 31, 2013		
	Entities	Individuals	Total
	IQD	IQD	IQD
Additions during the year	-	234,289,654	234,289,654
Refund during the year	-	-	-
Balance at December 31, 2013	-	234,289,654	234,289,654

17. SUBORDINATED LOANS

This caption comprises loan borrowed from Central Bank in Kurdistan Region of Iraq of IQD 40 billion 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 would be paid over the next seven years through repayments of at least five billion Iraqi Dinars every year consecutively until the settling of the loan balance. 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.

18. OTHER LIABILITIES

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Revenues received in advance	92,225,817	87,339,731
Accrued expense	202,508,116	75,687,400
Outstanding debts	53,502,570	57,583,570
Certified checks	48,999,320	27,114,000
Bonds written on the bank	16,857,330	18,417,935
Other credit balances	57,021,650	22,419,368
	471,114,803	288,562,004

19. INTEREST INCOME

This caption comprises the following:

	For the year ended December 31, 2014 IQD	2013 IQD
Interest from night investment deposits at the central bank of Iraq	-	194,958,300
Direct credit facilities:		
Overdrafts current accounts	8,410,540,293	2,891,657,544
Loans	425,537,309	217,354,227
	8,836,077,602	3,303,970,071

20. INTEREST EXPENSE

This caption comprises the following:

	For the year ended December 31, 2014 IQD	2013 IQD
Customers' deposits:		
Saving accounts	293,969,806	265,341,045
Fixed deposits	7,459,544	5,591,628
	301,429,350	270,932,673

21. FEES AND COMMISSIONS INCOME

This caption comprises the following:

	For the year ended December 31, 2014 IQD	2013 IQD
Letter of guarantee commission	632,247,965	232,651,199
Commission credits	33,382,339	8,342,975
Transfers commission and discounted bonds commissions	757,223,207	1,107,315,748
Other banking commissions	170,291,005	138,784,566
	1,593,144,516	1,487,094,488

22. FEES AND COMMISSIONS EXPENSE

This caption comprises the following:

	For the year ended December 31, 2014 IQD	2013 IQD
Commission paid (checks, transfers, and other services)	236,358,891	353,766,580
	236,358,891	353,766,580

23. NET GAIN ON FOREIGN CURRENCIES AUCTIONS

This item represents the net gain from trading foreign currencies. The bank mainly purchased foreign currency from the Central Bank of Iraq.

	For the year ended December 31, 2014 IQD	2013 IQD
Net gain from trading of foreign currencies (FX auctions)	88,591,684,204	41,191,447,145
Auction entrance commission to Central Bank of Iraq	(79,668,037,000)	(28,596,047,000)
	8,923,647,204	12,595,400,145

24. OTHER REVENUES

This caption comprises the following:

	For the year ended December 31,	
	2014	2013
	IQD	IQD
Gain from reversing the provision of income tax	3,710,651,240	-
Telex and telegrams revenue	231,660	823,728
Rental income of fixed assets	4,460,000	5,330,000
Gain from investments held for trading	-	469,000
Other revenues	108,455,466	124,668,531
	3,823,798,366	131,291,259

25. SALARIES AND RELATED CHARGES

This caption comprises the following:

	For the year ended December 31,	
	2014	2013
	IQD	IQD
Salaries and related charges	1,675,074,206	1,126,150,919
Training expenses	11,439,350	12,969,778
Social security contributions	28,981,845	32,621,650
Other expenses	12,555,540	21,246,200
	1,728,050,941	1,192,988,547

26. OTHER OPERATING EXPENSES

This caption comprises the following:

	For the year ended December 31,	
	2014	2013
	IQD	IQD
Penalties and fines*	36,017,400	1,073,166,500
Taxes and fees	12,647,338	456,528,170
Telephone and communication expenses	81,807,182	39,218,704
Rent fees	166,716,072	42,649,500
Transportation expenses	161,015,623	76,760,658
Stationery and office supplies	63,890,848	33,131,668
Consulting and research services	353,717,560	12,243,000
Maintenance expenses	44,408,681	28,470,672
Other service expenses	347,131,692	151,941,000
Professional fees	114,436,900	121,325,400
Legal fees	30,350,000	19,012,900
Hospitality	90,321,049	55,376,631
Electricity and water	49,387,700	37,210,500
Subscriptions	73,472,645	80,812,460
Exhibitions	91,285,240	-
Other expenses	242,394,742	324,891,533
	1,959,000,672	2,552,739,296

* 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.

27. CASH AND CASH EQUIVALENT

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Cash and balances at the Central Bank of Iraq with		
Maturity less than 3 months (excluding the compulsory reserve)	180,790,919,779	163,325,700,018
Balances with banks and financial institutions		
(With maturity less than 3 months)	23,271,842,536	37,483,832,093
Less:		
Deposits from banks (with maturity less than 3 months)	(3,000,271,723)	(11,972,001,563)
	201,062,490,592	188,837,530,548

The compulsory cash reserve is excluded because it cannot be use in bank operations because it is blocked balance.

28. RELATED PARTIES TRANSACTIONS

This caption comprises the following:

(a)Statement of financial position items

	As of December 31, 2014			
	Parent Company	Board members and key personnel	Total	Total as of December 31, 2013
	IQD	IQD	IQD	IQD
Debit balances:				
Direct credit facilities	177,956,913,302	-	177,956,913,302	79,323,618,727
	177,956,913,302	-	177,956,913,302	79,323,618,727
Credit balances:				
Customers' deposits	28,638,260,417	2,830,374,556	31,468,634,973	2,997,264,860
Cash margins	707,507,127	-	707,507,127	170,000,000
Other liabilities	-	-	-	-
	29,345,767,544	2,830,374,556	32,176,142,100	3,167,264,860

(b)Off - balance sheet items

	As of December 31, 2014			
	Parent Company	Board members and key personnel	Total	Total as of December 31, 2013
	IQD	IQD	IQD	IQD
Debit balances:				
Letters of guarantee	7,075,071,273	-	7,075,071,273	1,000,000,000

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

	For the year ended December 31, 2014			Total for the Year ended December 31, 2013
	Parent company	Board members and key personnel	Total	
	IQD	IQD	IQD	IQD
Credit interest	6,884,183,373	-	6,884,183,373	2,288,978,232

The Bank entered into transactions with the parent company, within normal terms of business. The compensations for the key management personnel amounted to IQD 381,160,000 for the year ended December, 31 2014 (IQD 56.448.000 for the year ended December 31, 2013). The chairman and board members were not paid any compensations or bonuses during 2013 and 2014.

29. NON CASH TRANSACTIONS

For the purpose of preparing the statement of cash flows, the following non-cash transactions have been excluded:

- Additions on the suspended interest amount of 95128579 IQD.
- Transfers amounting to 29,905,005,440 IQD from the projects under implementation to the property and equipment's.

30. COMPARATIVE FINANCIAL STATEMENTS

At December 31, 2014 the company re-presented last year comparative figures to reflect the new reclassifications made for some accounts as follows:

	2013 Comparative figures current year financials	2013 Last year financials	Differences
	IQD	IQD	IQD
Direct credit facilities (net)	106,180,381,070	105,821,050,797	359,330,273
Provision for impairment losses of indirect credit facilities	(359,330,273)	-	(359,330,273)
	105,821,050,797	105,821,050,797	-

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.

	As of December 31, 2014			As of December 31, 2013		
	Book value	Fair value	Unrealized profit / (losses)	Book value	Fair value	Unrealized profit / (losses)
	IQD	IQD	IQD	IQD	IQD	IQD
Financial assets:						
Cash and balance with Central bank of Iraq	198,891,906,857	198,891,906,857	-	171,336,276,162	171,336,276,162	-
Balances with banks	23,271,842,536	23,271,842,536	-	37,483,832,093	37,483,832,093	-
Direct credit facilities	204,328,441,474	189,193,001,365	(15,135,440,109)	105,821,050,797	94,482,124,087	(11,338,926,710)
Investments held for trading	225,443,700	225,443,700	-	225,443,700	225,443,700	-
Other assets	1,997,351,890	1,997,351,890	-	31,032,777	31,032,777	-
Financial liabilities:						
Banks' deposits	3,000,271,723	3,000,271,723	-	11,972,001,563	11,972,001,563	-
Customers' deposits	211,288,776,821	211,288,776,821	-	90,188,265,949	90,188,265,949	-
Cash margins	3,917,039,125	3,917,039,125	-	3,293,176,703	3,293,176,703	-
Subordinated loans	25,000,000,000	19,963,550,185	5,036,449,815	34,000,000,000	19,693,335,513	14,306,664,487
Provision for income tax	2,260,385,055	2,260,385,055		3,710,651,240	3,710,651,240	-
Other liabilities	471,114,803	471,114,803	-	288,562,004	288,562,004	-
Accumulated unrealized changes in profit / (losses)			10,098,990,294.00			2,967,737,777

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 with 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, 2014 and 2013 which equals to 8% and 10% respectively.

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 as a result 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 and 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 and other services and 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, Emerald bank is working to establish the needed units to manage the risks that will work 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 and every 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)

	As of December 31,	
	2014	2013
	IQD	IQD
. Financial Position items:		
Balances with the Central Bank of Iraq	166,227,925,800	158,854,521,615
Balances with banks	23,271,842,536	37,483,832,093
	189,499,768,336	196,338,353,708
Credit facilities:		
Individuals	12,860,759,850	12,501,657,459
Entities	191,467,681,624	93,678,723,611
	204,328,441,474	106,180,381,070
Investment held for trading	225,443,700	225,443,700
Other assets	1,997,351,890	31,032,777
	2,222,795,590	256,476,477
. Off- balance sheet items:		
Letters of guarantee	21,279,674,563	18,922,093,542
Import credits	4,977,595,000	2,337,596,800
	26,257,269,563	21,259,690,342

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:

	As of DDecember 31, 2014		
	Individuals	**Entities**	**Total**
	IQD	**IQD**	**IQD**
Performing debts:			
Normal risks debts	13,745,300,228	195,733,265,133	209,478,565,361
Non-performing debts:			
Bad debts	16,487,770,822	16,445,368,026	32,933,138,848
	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	(16,905,135,423)	(20,491,910,823)	(37,397,046,246)
	12,860,759,850	191,467,681,624	204,328,441,474

Exposure to credit risk direct (after impairment provision and by guarantees and other minimized risks) as of 31 December 2013:

	As of December 31, 2013		
	Individuals	**Entities**	**Total**
	IQD	**IQD**	**IQD**
Performing debts:			
Normal risks debts	13,252,255,224	95,545,125,015	108,797,380,239
Non-performing debts:			
Bad debts	16,445,368,026	16,568,889,358	33,014,257,384
	29,697,623,250	112,114,014,373	141,811,637,623
Less:			
Suspended interest	(372,047,198)	(219,040,712)	(591,087,910)
Provision for credit losses	(16,823,918,593)	(18,216,250,050)	(35,040,168,643)
	12,501,657,459	93,678,723,611	106,180,381,070

3)Fair value of guarantees against credit facilities

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

Guarantees against	**Individuals**	**Entities**	**Total**
	IQD	**IQD**	**IQD**
Performing debts	11,822,204,000	369,699,300,000	381,521,504,000

This caption includes the following as of December 31, 2013:

Guarantees against	**Individuals**	**Entities**	**Total**
	IQD	**IQD**	**IQD**
Performing debts	3,030,440,000	349,220,000,000	352,250,440,000

4)Geographic concentration:

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

	As of December 31, 2014				
	Erbil IQD	Baghdad IQD	Duhook IQD	Sulaymaniyah IQD	Total 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
	135,404,676,549	159,495,886,681	100,571,727,234	578,714,936	396,051,005,400

	As of December 31, 2013				
	Erbil IQD	Baghdad IQD	Duhook IQD	Sulaymaniyah IQD	Total IQD
Balances at the Central Bank of Iraq	119,816,750,970	38,871,494,709	-	166,275,936	158,854,521,615
Balances with banks	35,548,730,595	-	703,504,248	1,231,597,250	37,483,832,093
Direct credit facilities	91,846,262,008	99,686,828	14,234,432,234	-	106,180,381,070
Investments held for trading	225,443,700	-	-	-	225,443,700
Other assets	31,032,777	-	-	-	31,032,777
	247,468,220,050	38,971,181,537	14,937,936,482	1,397,873,186	302,775,211,255

5) **Concentration by economical sector:**

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

	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
	191,722,563,926	874,055,002	189,277,755,046	12,860,759,850	1,315,871,576	396,051,005,400

	As of December 31, 2013					
	Financial	Industrial	Commercial	Individuals	Service	Total
	IQD	IQD	IQD	IQD	IQD	IQD
Balances at the						
Central Bank of Iraq	158,854,521,615	-	-	-	-	158,854,521,615
Balances with banks	37,483,832,093	-	-	-	-	37,483,832,093
Direct credit facilities	-	532,460,153	46,816,733,013	12,501,657,460	46,329,530,444	106,180,381,070
Investments held for trading	225,443,700	-	-	-	-	225,443,700
Other assets	-	-	-	31,032,777	-	31,032,777
	157,526,026,763	532,460,153	46,816,733,013	12,532,690,237	46,329,530,444	263,737,440,610

B)**Currency risks**

The currency risk is represented in the change in value of financial instruments caused by the change in foreign currencies exchange rates.
The Bank consider the Iraqi Dinar as its main currency, the board of directors sets limits on currencies positions and monitors these positions on a daily basis to ensure not to exceed the specified limits.
The bank prepares the sensitivity analysis to monitor the changes on profit and loss and case of any reasonable change in exchange rates.

1)Increase in exchange rate of 2%:

	As of December 31, 2014	
	Structural Position	Effect on profit and loss
	IQD	IQD
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

	As of December 31, 2013	
	Structural Position	Effect on profit and loss
	IQD	IQD
USD	10,794,029,675	215,880,593
EUR	207,114,208	4,142,284
GBP	-	-
AED	-	-

2)Decrease in exchange rate of 2%:

	As of December 31, 2014	
	Structural Position	Effect on profit and loss
	IQD	IQD
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)

	As of December 31, 2013	
	Structural Position	Effect on profit and loss
	IQD	IQD
USD	(10,794,029,675)	(215,880,593)
EUR	(207,114,208)	(4,142,284)
GBP	-	-
AED	-	-

Concentration in currency risks

December 31, 2014	USD	EUR	Pound	AED	Total
	IQD	IQD	IQD	IQD	IQD
Assets					
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	3,415,309,96	6,686,917	437,054,157	18,547,309,285
Credit facilities	38,697,927,422	-	-	-	38,697,927,422
Total assets	79,661,434,820	4,174,727,414	6,686,917	437,054,157	84,279,903,308
Liabilities					
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	(218,910,670)	-	-	-	(218,910,670)
Total liabilities	(62,474,452,568)	(4,742,257,153)	(67,069)	-	(67,216,776,790)
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)	-	-	(13,538,734,290)
Net concentration for Current year	133,574,748,098	3,939,389,567	6,753,986	437,054,157	137,957,945,808

December 31, 2013	USD	EUR	Total
	IQD	IQD	IQD
Assets			
Cash	10,045,824,440	486,566,678	10,532,391,118
Cash and balances at Central Bank of Iraq	9,378,859,171	-	9,378,859,171
Balances with banks	35,477,059,702	7,337,254	35,484,396,956
Credit facilities	4,448,674,745	-	4,448,674,745
Total assets	59,350,418,058	493,903,932	59,844,321,990
Liabilities			
Banks' deposits	(1,488,361,828)	-	(1,488,361,828)
Customers' deposits	(38,566,253,572)	(286,789,724)	(38,853,043,296)
Cash margin	(592,194,493)	-	(592,194,493)
Other liabilities	(66,928,400)	-	(66,928,400)
Total liabilities	(40,713,738,293)	(286,789,724)	(41,000,528,017)
Net concentration within The financial position	18,636,679,765	207,114,208	18,843,793,973
Net concentration outside The financial position	(7,842,650,090)	-	(7,842,650,090)
Net concentration for Current year	10,794,029,675	207,114,208	11,001,143,883

33. CAPITAL MANAGEMENT

The Bank maintains adequate capital to face risks inherent in its nature of activities. Capital adequacy ratios are monitored on a regular basis by the rates that are 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,	
	2014	2013
	IQD	IQD
Basic private money		
Registered and paid in capital	250,000,000,000	250,000,000,000
Capital legal reserve	1,867,811,511	1,163,145,121
Less:		
Net accumulated losses (net)	(16,709,975,353)	(30,098,636,761)
Intangible assets (net)	(446,291,992)	(170,236,000)
	234,711,544,166	220,894,272,360
Assets risks weighted	194,201,430,000	165,342,190,000
Assets risks weighted off – balance sheet accounts	19,791,702,000	17,031,476,000
Total risk weighted assets and liabilities	213,993,132,000	182,373,666,000
Capital adequacy ratio (%)	109.68%	121%

34. ANALYSIS OF MATURITY FOR FINANCIAL POSITION COMPONENTS

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

December 31, 2014	**Up to one year**	**Over one year**	**Total**
	IQD	**IQD**	**IQD**
Assets			
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	1,997,351,890	-	1,997,351,890
Total assets	428,714,986,457	51,906,542,682	480,621,529,139
Liabilities			
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	(471,114,803)	-	(471,114,803)
Total liabilities	(220,463,692,981)	(25,000,000,000)	(245,463,692,981)
	208,251,293,476	26,906,542,682	235,157,357,603

December 31, 2013	**Up to one year**	**Over one year**	**Total**
	IQD	**IQD**	**IQD**
Assets			
Cash and balances with the Central Bank of Iraq	171,336,276,162	-	171,336,276,162
Balances with banks	37,483,832,093	-	37,483,832,093
Direct credit facilities (net)	106,180,381,070	-	106,180,381,070
Investment held for trading	225,443,700	-	225,443,700
Property and equipment	-	18,981,875,945	18,981,875,945
Intangible assets	-	170,236,000	170,236,000
Projects under construction	-	30,467,418,345	30,467,418,345
Other assets	31,032,777	-	31,032,777
Total assets	315,256,965,802	49,619,530,290	364,876,496,092
Liabilities			
Banks' deposits	(11,972,001,563)	-	(11,972,001,563)
Customers' deposits	(90,188,265,949)	-	(90,188,265,949)
Cash margins	(3,293,176,703)	-	(3,293,176,703)
Subordinated loans	-	(34,000,000,000)	(34,000,000,000)
Provisions	(359,330,273)	-	(359,330,273)
Provision for income tax	(3,710,651,240)	-	(3,710,651,240)
Other liabilities	(288,562,004)	-	(288,562,004)
Total liabilities	(109,811,987,732)	(34,000,000,000)	(143,811,987,732)
	205,444,978,070	15,619,530,290	221,064,508,360

35. COMMITMENTS AND CONTINGENT LIABILITIES

This caption comprises the following:

	As of December 31,	
	2014	2013
	IQD	IQD
Letters of guarantee	21,279,674,563	18,922,093,542
Letters of credit	4,977,595,000	2,337,596,800
	26,257,269,563	21,259,690,342

36. Assets and Liabilities

The Bank has 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.

Debtor's Name\ Defendant	Granted Loan IQD	Provision for doubtful debts IQD
Customer (1)	625,107,874	625,107,874
Customer (2)	561,103,301	561,103,301
Customer (3)	294,491,116	294,491,116

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the board of directors by June 24, 2015.