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## HAMMURABI COMMERCIAL BANK

### The financial statements for the fiscal year ended December 31, 2023

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**Company- Solidarity**  
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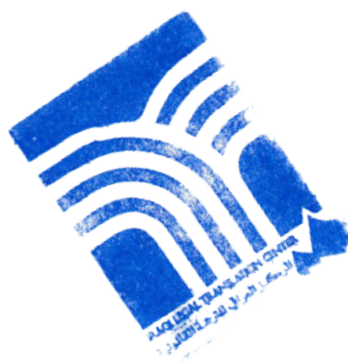
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## **A summary of the bank, its objectives, activities, expectations, branches and developments**

### **Establishment of the Bank**

Hammurabi Commercial Bank was established with a nominal capital of (201) billion dinars under the provisions of the Central Bank of Iraq Act No. (94) of 2004, and the provisions of the Companies Act No. (21) of 1997 under the certificate of establishment No. (RC/01/89003) on August 26, 2020 Hammurabi Commercial Bank company (Private Joint Stock Company) was considered an Iraqi bank licensed to practice banking activities in the Republic of Iraq, under the letter No. 9/2/17595 on November 29, 2020 issued by the Central Bank of Iraq, the bank commenced its banking activity on January 02, 2021. The establishment contract will be IQD (two hundred and fifty billion dinars), and amended by increasing its capital to increase the capital with the Companies in the process of completing legal Registration Department.

### **The Bank's Main Objectives**

Hammurabi Commercial Bank aims to become a recognized banking institution and achieve financial inclusion in its operations under the direction of the Central Bank of Iraq. By providing services to all segments and consolidating the culture of managing risks and costs, occupying a major position in financing development projects in Iraqi society, and expanding the number of bank branches in the governorates of Iraq, through thoughtful financial management for (commercial, industrial, agricultural, construction, tourism, etc.) the Bank aims to: -

1. Occupying a leading position among other banks operating in Iraq in providing the best services to clients.
2. Create relations with correspondent banks abroad in order to improve and expand the services provided.
3. Entering modern banking systems in all areas of banking, especially in the field of anti-money laundering and risk management.
4. Develop and improve financial services that meet the needs of Clients of all categories.
5. Constructing and developing a professional banking cadre capable of meeting the various and rapidly evolving variables in the local and international market.
6. Providing the bank's policies, plans and work procedures, including all its activities, and in line with the relevant legislation.



7. Ensure the existence of adequate and reliable information systems covering all activities of the bank.
8. Attention and focus on social development, which reflects its role in achieving the quality of social life of the community, and enhancing its productive capacity in order to raise the standard of living of the family.
9. Protecting Clients' deposits and savings, by establishing effective, efficient and high-level internal control.
10. Building strategic relationships with Clients, various financial and banking institutions, public institutions and ministries, achieving financial inclusion and working to alleviate the phenomenon of hoarding money.

## First: Information about the Bank

### 1. Bank's Branches

The approval of the Central Bank was obtained for the establishment of four branches of the bank during the period ending on December 31, 2023 (these branches are located in Baghdad, Erbil, Nineveh, Basra).

Below is a list of the names and locations of the bank's branches:

Governorate	Branch	Address	Telephone	E-mail
Baghdad	Main	Al-Saadoon Park - Al-Nidhal St.- 103/41/3	07816111111	info@hcb.iq
Erbil		Erbil - Ronaki - Al-Zera'a Sq.	07714444318	Erbil.Branch@hcb.iq
Nineveh		Mosul - Al-Faisaliah - Sennacherib Intersection	07714444317	Ninawa.branch@hcb
Basra		Basra Gov. - Al-Kazara District- Basra Province - Seq. 68/77 Bldg. No. 15	07801000268	

The bank works to activate the Basra branch after completing all the relevant legal procedures and preparing the necessary cadres for its work. The bank has decided to establish a branch in Ramadi governorate in the future.





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## Our Vision

Hamurabi Commercial Bank should be among the most innovative and outstanding banks in offering financial services and products that are aligned with the global banking industry's developments, and to be one of the preferred banks for Clients in the Iraqi market with distinguished local and international relations.

## Our Mission

Creation of the Bank's strategic vision and objectives. We maintain a permanent partnership with our Clients in the commercial and development sectors to provide all of our banking services with professionalism and high quality. and harnesses all its potential and that of its functional machinery to improve the levels of services provided that meet Clients' needs and aspirations, this contributes to the development of Iraq's national economy and the well-being of society, in line with the Central Bank of Iraq policy, instructions and all laws and customs in force.

## Our Intrinsic Values

Our values are to achieve financial inclusion-disclosure and transparency - accountability and discipline trust, competitiveness and sustainability in all its domestic and international transactions, in addition to supporting social and economic development.





## Board of Directors Chairman's Speech "In the name of Allah, the most Gracious the most Merciful"

Messrs, Distinguished Shareholders

Honorable Guests,

Peace and Allah's mercy and blessings be upon you

I am honored to welcome all of you on me and my brothers' behalf as members of the Board of Directors and Executive Management. We would also like to express our gratitude and welcome to the shareholders for their attendance at our invitation. The financial statements and the achievements achieved last year (2023) confirm the journey of success and development to ensure quality levels of the working environment.

I would like to point out to you that our bank has been able to overcome the obstacles encountered and has been able to achieve the continuity of banking activities and the management of assets and liabilities within existing and available capacities to keep pace with the developments in the banking industry. In addition to providing and maintaining services, banking products for Clients, and actively participating in all vital activities necessary for all social segments, it also complements infrastructure related to the system and modern electronic transactions. The Bank's oversight departments are activated to perform auditing, censoring, compliance, and risk management, and combating money laundering and terrorist financing. Our bank attaches special importance to implementing the best corporate governance practices emphasized by the Central Bank in the Corporate Governance Guide for Banks, and considering it a work guide to keep pace with international developments and apply best practices in the banking sector, by introducing developments in information and communications technology, electronic networks, and the software used in the bank.

To reflect our mission, we always work with the necessary and useful to develop our services and banking activities with the latest technology And provide integrated banking solutions to our Clients, according to the notion that the customer is always right in the application of regulations, instructions and directives of the central bank and finally the bank is working to develop and improve its human resources to build a team capable of working and improve the bank's performance at better levels at the organizational and operational level, creating an environment conducive to achieving the goals set.

With appreciation ...



Signed by:  
Hasan Lafta Hashim  
Chairman of Board of Directors



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## HAMMURABI COMMERCIAL BANK

### Report of the Board of Directors





## **Board of Directors' report on the bank's activity for the ended financial year on December 31, 2023**

The Board of Directors of Hammurabi Commercial Bank is pleased to present the bank's annual report on the final accounts and balance sheet in accordance with International Financial Reporting Standards (IFRS), for the ended financial year on December 31, 2023, prepared in accordance with the provisions of Paragraph (3) of Article (117) and Article (134) of Companies Act No. (21) of 1997, amended, is consistent with all laws, regulations, instructions, and recommendations issued by the Central Bank of Iraq and the relevant regulatory authorities, including the Banking Law, the Anti-Money Laundering and Terrorism Financing Law, and other laws, in addition to the Corporate Governance Guide for Banks.

To reflect our mission and clear vision, we are working to provide the best banking services in order to excel in employment, support social and economic development and cooperate with competent bodies in all fields and areas, To be an important center for attracting domestic and foreign investments to maximize and diversify financial resources and will make every effort to achieve excellence in banking goals “, and to move forward with careful and fruitful work to meet the challenges in achieving the goals set. Our bank aspires to occupy a distinguished position in the Iraqi and international banking industry and contribute to the development of the culture of society by attracting Clients to deal with the bank, in addition to achieving profits and raising the value of the stock in the interest of shareholders. This will be done through consistent adherence to banking laws, instructions and regulations.







## 2. The Bank's Main Activities

Hammurabi commercial bank carries out all banking activities inside and outside Iraq, where it provides an integrated set of banking and commercial services for companies and persons and finances all commercial and industrial activities and projects through its four branches with the activation of all activities related to the initiatives of the Central Bank of Iraq.

## 3. Future and Strategic Business Plans

Hammurabi Commercial Bank's administration aims to be actively involved in economic activity in Iraq in order to achieve the development of economic projects as directed by the Central Bank of Iraq. Achieving financial inclusion and generalizing financial services is a vital matter for the bank, in line with the directions of the Central Bank of Iraq, so that we can meet the needs of the customer base, with its focus on training and developing human resources, as it is necessary to achieve work safety and improve it and raise the level of its management that helps it support the ability The bank is competitive and obtains the best opportunities in the banking services market, in order to maximize profitable returns on capital and expand the property rights base, by developing a clear formulation of the bank's objectives.

In accordance with its vision and mission, the bank creates an ambitious strategic plan for 2023, 2024, and 2025: -

The three-year strategic plan focused on several key themes, including:

- (1) Creation and diversification of sources of income for the bank.
- (2) To proceed with the technological development plan, the provision of electronic services and the development of the technological infrastructure of the bank.
- (3) Development of new products, especially digital products.
- (4) Raising the level of governance in the bank, developing its mechanisms and modernizing the operational.
- (5) Increasing attention to social responsibility and financial inclusion.
- (6) Improving and developing the management of the bank's assets and liabilities in order to achieve the highest returns for the bank with attention to reducing risks.
- (7) Developing and improving risk management, money laundering, terrorist financing, compliance and internal control processes in the bank through the development of various regulatory departments.
- 8) Developing and raising the efficiency of human resources to enable the bank to provide banking services efficiently and effectively.



To achieve these major goals, a number of initiatives / business plans were formulated that would achieve the major goals in the light of the bank's vision, which in turn were then distributed over the three years of the strategy.

#### 4. Financial Inclusion

The Bank is working to achieve a policy of financial inclusion in response to the directions of the Central Bank of Iraq and the international financial institutions concerned with this issue. By delivering financial and banking services to the largest number of individuals and the business sector, providing financial products appropriate to their needs, such as deposit accounts, payment and transfer services, Insurance Services, cash and pledge credit services, as well as other banking products and services including online account movement. The Bank has developed future plans to expand such activities. The Bank's strategic plan for the coming years included a focus on the development of its electronic services, the promotion and distribution of customer access channels that would greatly help to enhance the process of financial inclusion and contribute to the development of national products.





## Second: Corporate Governance Report

Hammurabi Commercial Bank believes in the principles of corporate governance and its implementation in the Bank, which helps to achieve the Bank's strategic objectives and safely manage its operations and business, thereby ensuring the protection of depository holders and stakeholders. The Bank has prepared a governance manual based on the instructions of the Central Bank of Iraq in this regard, in addition to the guidelines issued by international regulatory authorities and the best professional practices in the field of governance, and it was published on the bank's website. These policies and procedures are updated and developed annually according to the development of work in the bank and the development of the requirements of the regulatory and strategic authorities.

The procedures for regulating and administering the bank to comply to the principles of governance depend on several matters, the most important of which are: -

- 1- Having an effective board of directors
- 2- Provides long-term strategies for the development of the bank's business in accordance with the principles and frameworks for risk management.
- 3- Work on the development and improvement of human resources.
- 4- Adopting sound accounting principles and integrated disclosure
- 5- Activating the role of the committees emanating from the board of directors.

Work has been started to implement the requirements of technology governance and Information Management in accordance with the COBIT standard (19), where CCP has been signed to assist the bank in this matter. The bank prepared and approved the IT governance manual and published it on the bank's website.



Members of the bank's Board of directors, taking into account the transparency of its composition and according to the bank's corporate governance manual:

Member's Name	Title	Educational Level	Date of Appointment	Committees	Commitment To Attendance
Dr. Majid Mohammed H. Al-Sory	Chairman of Board of Directors	PhD. Economic	October 12,2020	Chairman of the Committed Governance Committee Chairman of the Nomination and Remuneration Committee	Committed
Umit Inang	Deputy Chairman of the Board	Bachelor of Management and Economics Bachelor of Commerce Law	October 12,2020	Member of the Governance Committee	Committed
Samir Sameer M. Muslih	Member	Bachelor of Business Administration	October 12,2020		Committed
Mohammed S. Abdulateef	Member	Bachelor of Management and Economics	October 12,2020	Chairman of the Audit Committee Member of the Governance Committee	Committed
Hasan Lafta Hashim	Member	Bachelor of Law	October 12,2020	Chairman of the Risk Management Committee Member of the Audit Committee	Committed
Hussein Hameed Taha	Member	Bachelor of Computer Science	October 12,2020	Audit Committee Risk Management Committee Nomination and Remuneration Committee Committed	Committed



## Board of Directors' committees

The Board of Directors' committees exercise their duties in accordance with their established by laws and in accordance with the regulatory instructions. Below is a brief description of the Board of Directors' committees.

### 1- Audit Committee

The audit committee consists of three independent members of the board of directors, and the chairman of the committee is an independent member of the board of directors.

Committee members:

Committee members	Title
Mohammed Safwan Abdulateef	Chairman of the committee
Hasan Lafta Hashim	Member
Hussein Hameed Taha	Member
Samah Essa Mohammed	Rapporteur of the Committee

Committee Meetings

The committee held five meetings during the year 2023.

### 2- Risk Management Committee

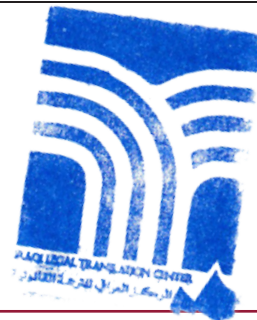
The committee consists of three non-executive members, provided that the chairman of the committee is an independent member and the members of the committee must have experience in risk management, practices and related issues.

Committee Members:

Committee members	Title
Hasan Lafta Hashim	Chairman of the committee
Hussein Hameed Taha	Member
Dr. Majid Mohammed Hasan Al-Sory	Member
Ammar Hatim Ahmed	Rapporteur of the Committee

Committee Meetings

The committee held only one meeting during the year 2023.



### 3- Corporate Governance Committee

The corporate governance committee consists of three members, all of whom are independent and non-executive members, headed by the chairman of the board.

Committee Members:

Committee members	Title
<b>Dr. Majid Mohammed Hasan Al-Sory</b>	<b>Chairman of the committee</b>
<b>Hussein Hameed Taha</b>	<b>Member</b>
<b>Hasan Lafta Hashim</b>	<b>Member</b>
<b>Noor Hatim Abduljabbar</b>	<b>Rapporteur of the Committee</b>

Committee Meetings

The committee held four meetings during the year 2023.

### 4- Nomination and Remuneration Committee

The committee consists of three independent and non-executive members and the chairman of the committee is an independent member.

Committee Members:

Committee members	Title
<b>Hussein Hameed Taha</b>	<b>Chairman of the committee</b>
<b>Hasan Lafta Hashim</b>	<b>Member</b>
<b>Dr. Majid Mohammed Hasan Al-Sory</b>	<b>Member</b>
<b>Noor Hisham Rasheed</b>	<b>Rapporteur of the Committee</b>

Committee Meetings

The committee held only one meeting during the year 2023.



### 3- Local Banks:

A- The cash balance of local banks amounted to (158) billion dinars as on December 31, 2023, which is more than the balance of the previous year by (7) billion dinars.

B- The ratio of cash in local banks (80%) to the total cash.

C- We have verified the authenticity of the existence of conformities with the statements of local banks, noting that we have a qualified regarding the amount deposited in local banks (Dar Al-Salaam Bank) as shown below: -

1) The presence of a financial concentration in the bank's cash, as the percentage of deposits in Dar Al-Salaam Bank (75%) of the capital, contrary to the instructions of the Central Bank with tal, contrary to t the number (9/2/183) on May 04, 2017.

2) Noting that Dar Al-Salaam Bank is considered one of the Troubled Banks (it is now under liquidation) as on December 31,2023.

3) The amounts deposited with Dar es Salaam Bank amounted to (151) billion dinars include the amount of a deposited check amounted to (83) billion dinars, a legal action was filed against (Sermian Company for General Trading and Oil Products) deposited for this amount on the basis that the deposited instrument is a fictitious check without a balance. Note that the above company is one of the shareholders with a capital of about (76) billion dinars in the capital of Hammurabi bank.

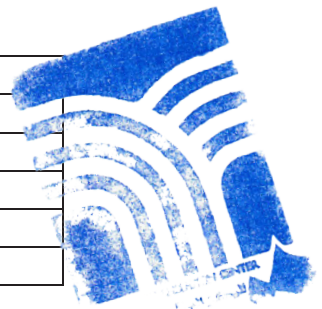
\* Due to the above three paragraphs, we have a qualified regarding the amounts deposited in Dar Al-Salaam Bank because they negatively affect the financial position of Hammurabi Bank as on December 31,2023.

Note that the bank's administration to some extent got rid of this qualified in the first quarter of 2024.

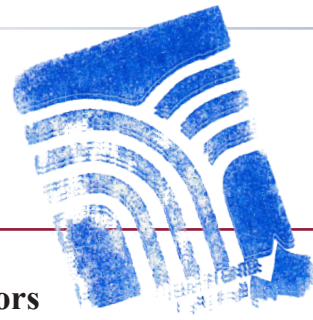
### 4- Foreign Banks:

The balance of foreign banks amounted to (2106) million dinars as on December 31,2023, and the cash balances with foreign banks were matched with the SWIFT sent to the bank, according to what is shown in the table below, noting that the above balance did not exceed the percentages specified by the Central Bank.

Bank's Name	Amount / Million dinar
Capital Bank	26
Jordan Ahli Bank	26
Aktif Bank	1977
Shajank Shoko	77
Total	2106







### Third: Board of Directors

The board of Directors is responsible for the accuracy and adequacy of the bank's financial statements and the information contained in the annual report and the adequacy of the internal control and control systems, in addition to monitoring and following up the objectives of the bank's strategy through the Board of Directors' committees.

#### 1- Duties and responsibilities of the Board of Directors

- \* Adopt the Bank's plans that include vision, mission and objectives consistent with the Bank's objectives in the light of the directions of the General Authority, and then direct the executive management to implement the plans while monitoring, evaluating and adjusting their performance, if necessary, in accordance with the evolution of the Bank's business and governance requirements.
- \* Supervise the executive management and follow up its performance, and ensure that the bank's financial conditions are sound and adequate.
- \* Adopt appropriate policies and procedures for periodic supervision and control of the bank's performance
- \* Adopt a policy to monitor and review the performance of executive management by establishing key performance indicators to determine, measure and monitor performance and progress towards achieving the bank's institutional objectives.
- \* Ensuring the availability of work policies, plans and procedures at the bank, including all its activities, and in line with relevant laws and instructions, and circulating them at all administrative levels, while reviewing them regularly.
- \* Drawing clear lines of responsibility and accountability for all the bank's activities, and establishing a high culture of ethical standards of integrity and professional behavior for the bank's administrators.
- \* Follow up on the implementation of the General Authority's decisions.
- \* Submitting the bank's final accounts and financial statements and a comprehensive report on the results of implementing the annual plan to the General Assembly for discussion and approval.
- \* Ensure compliance with standards, laws and instructions in all bank operations and activities.
- \* Discussing and approving annual plans and budgets related to the bank's activity and following up on their implementation.
- \* Forming Board of Directors committees and selecting their members from among or outside the Board members in accordance with governance principles.
- \* Approving the selection of candidates for executive management positions, evaluating and following up their performance periodically, supervising and holding them accountable, and obtaining from them a clear interpretation and explanation on the subject of accountability.





- \* Approve the internal control and control systems of the bank and review them annually and ensure that the internal auditor and coordination with the external auditor (auditor) review these systems at least once a year and the board shall include the annual report of the bank confirming the adequacy of these systems
- \* Ensuring the independence of the external auditor (auditor).
- \* Adopting an effective risk management strategy and monitoring its implementation and ensuring that the bank is not exposed to high risks and that the board is familiar with the operational business environment of the bank and the risks associated with it, and making sure that there are necessary and sufficient tools and infrastructure for Risk Management in the bank, capable of identifying, measuring, controlling and controlling all types of risks to which the bank is exposed.
- \* Ensure that the bank implements the basic principles of good governance as stated in the rules of good governance and the internal control system contained in instructions No. 4 of 2010
- \* Ensuring the existence of adequate and reliable management information systems covering all activities of the bank.
- \* Spreading the culture of governance in the bank and committing all available means to all employees and executive management to apply its practices.

### **The original members of the board of directors and the amount of their contribution to the capital on December 31, 2023**

The bank's board of directors consists of the Messrs.' whose names and number of shares are listed on December 31, 2023, as shown below:

#### **Original Members**

<b>Names of Original Members</b>	<b>Number of Shares</b>
<b>Sermian Company, represented by Managing WET Director Umit Inang</b>	<b>75,986,147,948</b>
<b>Al Khatim Company, represented by Samir Sameer M. Muslih</b>	<b>41,232,890,334</b>
<b>Hussein Hameed Taha</b>	<b>9,089</b>
<b>Mohammed Safwan Abdulateef</b>	<b>9,089</b>
<b>Hasan Lafta Hashim</b>	<b>9,089</b>

\* Referring to the letter of the Central Bank of Iraq No. (9/2/326) dated November 28, 2023, Mr. (Hasan Lafta Hashim) was authorized as Chairman of the Board of Directors instead of Dr. (Majid Mohammed Hasan Al-Sory).

## Substitute Members

Substitute members of the board of directors and the amount of their contribution to the capital on December 31, 2023

Names of Substitute Members	Number of Shares
Saleem Ameen Saleem	251,983,310
Faris Dawood Salman	536,948,603
Qasim Hadi Rzoqi	836,505,576
Al-Musanada Company, represented by Salahudeen Naser	118,877,585

## Information about the members of the board of directors:

### Names of shareholders who own 5% or more of the capital

Shareholder Name	Number of Shares	Percentage of Capital
Sermian Company, represented by Managing Director Umit Inang	75,986,147,948	38%
Al Khatim Company, represented by Samir Sameer M. Muslih	41,232,890,334	21%
Hatim Mahmood Hameed Al-Ani	25,013,632,751	12%
Mohammed Rasim Mahmood	25,000,000,000	12%

## Board of Directors meetings

The number of Board of Directors meetings during the year subject of the report was six.

1- Amounts received by members of the Board of Directors and the Managing Director The members of the Board of Directors did not receive any cash compensation during their work.



## 2- Facilities granted to members of the Board of Directors

Credit facilities were granted to current and former members of the Board of Directors and related parties amounted to (255) million dinars.

### Fourth: Executive Administration:

The executive administration is represented by a number of high-level employees, as stated in Article (1) of the Banking Act No. 94 of 2004, and in accordance with the instructions of the Central Bank of Iraq, and the organizational structure of the bank. It consists of the authorized director, his assistant, and department managers in the bank. The bank works to ensure that the members of the executive administration enjoy the greatest degree of credibility, integrity, efficiency, and devote time to the work of the bank. The Board of Directors and the Nomination he bank. and Remuneration Committee are responsible for ensuring this.

### Executive Administration Duties

Names and job titles for the bank's executive administration in 2023

Name	Job Title
Rajih Abed Ali Ahmed	For/ Managing Director



### Executive Administration's Committees:

The senior administration has formed committees to assist it in carrying out its duties and submit reports to the relevant Board of Directors committees on a regular basis to ensure the effectiveness of control and supervision. The executive administration committees are composed of at least three members, and members of the Board of Directors may attend as observers to assist them, and the committees send the dates of their meetings to the Board of Directors.

### 1- Credit Committee

The committee meets at least once a month or whenever necessary

Committee members

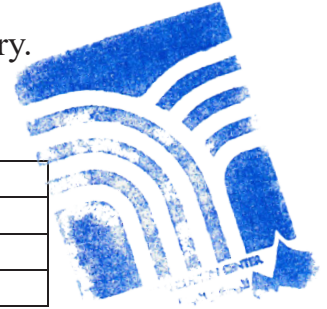
Committee Member	Title
Safaa Hasan Essa	Chairman of the committee
Reham Adnan Mohammed	Member
Aws Mahmood Abdulateef	Member

## 2- Investment Committee

The committee held only one meeting during the month or whenever necessary.

Committee Members

Committee Member	Title
Nofal Abdulwadood Mohammed	Chairman of the committee
Mustafa Ja'afar Abed	Member
Haider Noory Kadhim	Member



## 3- Information and Communications Technology Committee

The committee held only one meeting during the month or whenever necessary. Committee members

Committee Member	Title
Ahmed naeem abdulridh	Chairman of the committee
Ahmed Sameer Ebrahim	Member
Nahla Salim Bahnam	Member

## 4- Legal Committee

The Legal Committee held only one meeting during the month or whenever necessary.

Committee Member

Committee Member	Title
Safaa Hasan Essa	Chairman of the committee
Najlaa Mamdouh Abdulateef	Member
Teeba Haitham Wawi	Member

## Risk Management:

Hammurabi Bank believes that risk management in the bank is the responsibility of all employees.

Risk management in the bank is based on three basic pillars, as follows:

- Full understanding and awareness by the Board of Directors, senior management and the bank's employees of the types of risks inherent in the bank's business.
- The existence of an appropriate strategy, policies and procedures for risk management.
- The existence of systems that help manage various risks.

The bank has also established a fully independent risk management department, which works with the risk management committee emanating from the Board of Directors.

The bank has adopted a conservative risk policy, as the bank has prepared an integrated policy that shows the degrees of risk acceptable to the bank's management for all types of risks to which the bank may be exposed.



## Compliance Monitoring:

Compliance risks are considered to mean the risks that the bank may be exposed to, which may result in legal penalties, material losses, or reputational damage as a result of its failure to comply with the laws, regulations, instructions, codes of conduct, standards, and sound banking practices issued by local and international regulatory authorities.

Realizing the importance of compliance, the bank did the following:

- Preparing a compliance policy approved by the Council
- Taking the necessary measures by the Council to promote the values of integrity and correct professional practice in a way that makes compliance with laws, regulations and instructions a basic goal that everyone must work to achieve.
- Managing the compliance monitoring process through an independent department that reports directly to the Board of Directors through the Chairman of the Board.
- Monitoring compliance risks through a database that includes all laws and instructions.
- Anti- money laundering and terrorist financing
- As for anti-money laundering and terrorist financing operations, the bank follows policies and work procedures approved by the Board of Directors through:
  - Continuous updating of policies and procedures to combat money laundering and terrorist financing.
  - Adopting a methodology for classifying clients according to their risks.
  - Using an automated system to help detect anti-money laundering and terrorist financing operations.
- Providing continuous training in the field of compliance for bank employees.





### **Internal Auditing:**

For the purposes of activating governance, a special department for auditing and internal control was established in accordance with international principles and standards. It works to help the bank's administration to achieve its stated goals by following a systematic approach to evaluate and improve the effectiveness of banking operations.

- The department is functionally affiliated with the Audit Committee emanating from the Board. The department's reports are submitted to the Audit Committee. The department is independent and has the right to obtain any information and contact any employee within the bank.

- The department works to provide reasonable assurance about the effectiveness and efficiency of the bank's internal control systems and their ability to achieve:

1. Accuracy and data dependency.
2. Efficiency of operational processes.
3. Work continuity.
4. Maintaining the bank's assets and properties, and the scope of internal audit work includes all the bank's work centers, activities and operations.
5. The Internal Audit Department implements its work according to an annual plan prepared based on risks.

### **Analysis and indicators of the final financial statements:**

1. Assets: The balance of assets as of December 31,2023 amounted to (254,369,720,135) dinars, which is (total dinar + total resident dollar), but in the year 2022 it was (210,255,592,800) dinars.
2. Cash liquidity: The bank's liquidity ratio in 2023 reached (250%).
3. Financial Assets (Investments): Financial investments in government construction bonds amounted to (25,000,000,000) billion dinars as of December 31,2023 and that the issuance date recorded in the bond certificate December 19,2021 for one-year period.
4. Credit facilities: Credit Cash was granted to bank employees and employees outside the bank, commercial, and the Central Bank initiative in an amount of (7,005,500,000) dinars.
  - The amount granted to employees outside the bank is (563,500,000) dinars, and the amount granted to commercial individuals and companies is (142,000,000) dinars, and the amount granted to soft loans is (2,500,000,000) dinars.
  - Small and medium enterprise loans amounting to (3,300,000,000) dinars, and soft loans amounting to (500,000,000) dinars.
  - The amounts paid from the original grants are (1,880,485,312.87) dinars.
  - Therefore, the balance after payment until December 31,2023 reached (5,125,014,689) dinars, including details of employee loans outside the bank amounting to (300,959,077) dinars and commer-





cial loans in the amount of (103,312,047) dinars.

- Soft loans amounting to (1,725,334,042) dinars, project loans amounting to (2,508,292,262) dinars, and housing loans amounting to (486,835,474)

- Noting that the amount granted to the bank's employees is (577,250,000) dinars, and the amount paid from the original grants is (451,643,339.31) dinars, while the remaining amount after payment is (125,606,661) dinars.

5. Client deposits: Client deposits, which include (current deposits + savings deposits + deposits of a current nature), amounting to (17,127,138,593) dinars.

6. Off-balance operations, including internal letters of guarantee, amounting to (80,826,443,725) dinars, in exchange for cash deposits amounting to (13,864,078.030) dinars.

7. Other liabilities: The balance of other liabilities reached (19,439,676,387) dinars.

8. Shareholders' balance: The shareholders' balance reached (201) billion dinars.

9. Volume of profits (losses): The bank's profits amounted to (2,050,145,836) dinars before deducting the tax.

10. The allowance for the depreciation of fixed assets amounted to: (64,703,279) dinars.

11. Noting that the capital adequacy ratio reached (152%) as of December 31, 2023.

### **Human Resource:**

- The total number of employees at the end of the year 2023 reached (119) employees, and the total salaries, wages, incentive bonuses and compensatory allocations amounted to (1,751,704,311) dinars, the annual total before deduction of tax and social security.

- The amount of social security is (108,452,877) dinars, and the social security amounts have been paid.

- Regarding the salaries tax, it will be paid

- The bank's management focuses on attracting good banking cadres who hold university degrees and who have the competence and ability to work on computers, as the bank applies advanced electronic banking systems that include all banking aspects.



Employees distribution according to administrative and technical levels

Seq.	Administrative level	number
1	Managing Director	1
2	Managing Director Asst.	1
3	Secretary	2
4	Legal Advisor	-
5	Department Manager	18
6	Branch Manager	2
7	Department Manager Asst.	18
8	Branch Manager Asst.	2
9	Supervising Branch Work	1
10	Division official	6
11	Head of Cashiers	1
12	Head of Observers	1
13	Senior Accountant	1
14	Engineer	2
15	Programmer Asst.	5
16	Observer	5
17	Observer Asst.	14
18	Client Service employee	6
19	Cashier	5
20	Clerk	1
21	Technical Employee	1
22	Cleaner	3
23	Driver	2
24	Authorizer	3
25	Guard	14
26	Packer	2
27	Storekeeper	1
28	Queries employee	1
	<b>total</b>	<b>119</b>





- The bank worked to invest in the human resources working in it by involving them in training courses and seminars aimed at raising their skills and competence to meet the requirements of their current and future jobs. Employees were also included in online courses that focused on several topics to cover the needs.

Seq.	Course Name	Course Date	Location
1	Technical risks of the documentary credit	22-26/1/2023	Iraqi Private Banks League
2	Constraints related to the implementation of financing the purchase of electricity generation systems from renewable energy	26/1/2023	Central Bank of Iraq Headquarter
3	Compliance with international sanctions	22-26	Iraqi Private Banks League
4	Implementation of IFRS9 standard	19/1/2023	Central Bank of Iraq Headquarter
5	Banking supervision reporting system	22/1/2023	Central Bank of Iraq Headquarter
6	Leadership skills development	29/1/2023	Central Bank of Iraq Headquarter
7	Basel decisions	2/2/2023	Central Bank of Iraq Headquarter
8	Banking letters of guarantee	6-7/2/2023	Bait Al-Hikma for Training and Administrative Consulting-online
9	Compliance with international sanctions	5-9/2/2023	Iraqi Private Banks League
10	Implementing banking quality standards	12-16/2/2023	Central Bank of Iraq Headquarter
11	Implementing information systems governance standards in banks	13/2/2023	Bait Al-Hikma for Training and Administrative Consulting-online
12	Technical risks of documentary credit	12-16/2/2023	Iraqi Private Banks League
13	Operating loss disclosure form	21/2/2023	Central Bank of Iraq Headquarter
14	Prospects of interesting from the Central Bank's initiative to acquire electricity generating organizations	23/2/2023	Central Bank of Iraq Headquarter
16	Electronics Payments	26/2-7/3/2023	Iraqi Private Banks League
17	Automated Clearing House	26-28/2/2023	Central Bank of Iraq Headquarter
18	Workshop on facilitating account opening procedures	1/3/2023	Central Bank of Iraq Headquarter

19	Assessing creditworthiness and creating a provision	6-9/3/2023	Bait Al-Hikma for Training and Administrative Consulting-online
20	Certified specialist in money laundering and terrorist financing (CAMS).	12-16/3/2023	Central Bank of Iraq Headquarter
21	Banking Supervision Reporting System Workshop BSRS	19/3/2023	Central Bank of Iraq Headquarter
22	Credit risk management	2-4/4/2023	Central Bank of Iraq Headquarter
23	Electronic platform project for financing plans and financial competency letters	16/4/2023	Central Bank of Iraq Headquarter
24	Secured documents system	18/4/2023	Central Bank of Iraq Headquarter
25	Modern methods of human resources management	16-18/4/2023	Central Bank of Iraq Headquarter
26	Activating electronic payment and electronic collection tools	17/5/2023	Central Bank of Iraq Headquarter
27	Selling bullion and gold coins to banks	24/5/2023	Central Bank of Iraq Headquarter
28	Spread adequate understanding of the banking sector	31/5/2023	Central Bank of Iraq Headquarter
29	Banking supervision report platform BSRS	8/6/2023	Central Bank of Iraq Headquarter
30	Electronic Secured Documents System Workshop	12/6/2023	Central Bank of Iraq Headquarter
31	Regulatory compliance and anti-money laundering in electronic payment channels	18-22/6/2023	Bait Al-Hikma for Training and Administrative Consulting-online
32	Preparing quarterly budgets and financial reports	18-22/6/2023	Bait Al-Hikma for Training and Administrative Consulting-online
33	Localization of salaries and payroll file	25/6/2023	Central Bank of Iraq Headquarter
34	The importance of implementing Payment Card Industry Data Security Standard in the financial sector	26/2/2023	Central Bank of Iraq Headquarter



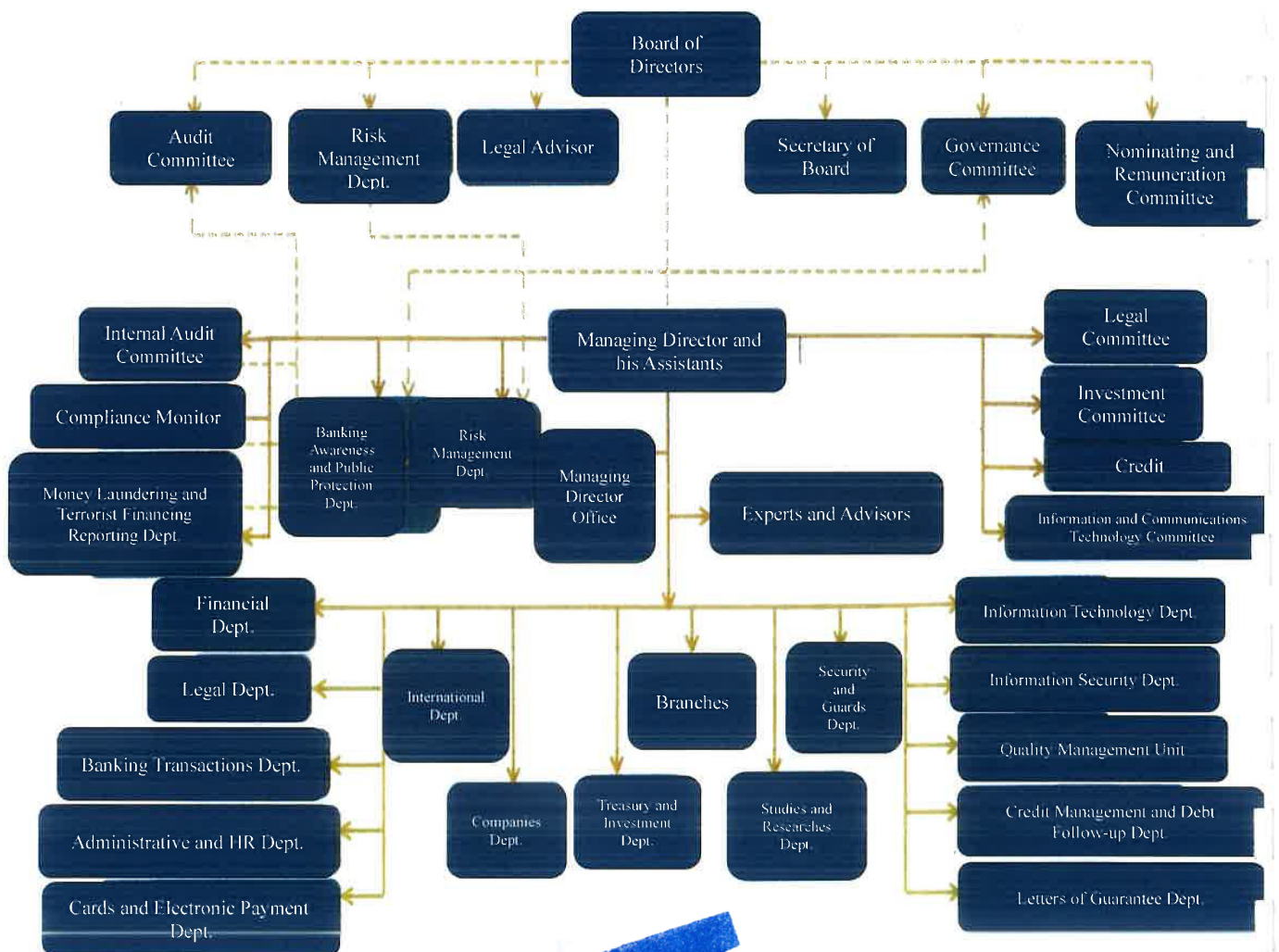
36	Balanced scorecard for financial institutions	11-12/7/2023	Iraqi Private Banks League
37	Cash, treasury and institutions management	16-20/2023	Bait Al-Hikma for Training and Administrative Consulting-online
38	Electronic security clearance	20/47/2023	Central Bank of Iraq Headquarter
39	Stress tests	20/7/2023	Central Bank of Iraq Headquarter
40	Preparing for mutual evaluation	2-3/8/2023	Central Bank of Iraq Headquarter
41	Due diligence procedures and suspicious indicators	6-10/8/2023	Central Bank of Iraq Headquarter
42	The advanced program for preparing leaders in the banking sector	13-17/8/2023	Central Bank of Iraq Headquarter
43	Supervision according to compliance regulations	20-24/8/2023	Central Bank of Iraq Headquarter
44	The advanced program for preparing leaders in the banking sector	13/8/2023	Central Bank of Iraq Headquarter
45	International sanctions and ban lists	20-24/8/2023	Bait Al-Hikma for Training and Administrative Consulting-online
46	Strategic management of human resources - gateway to the future	27-31/8/2023	Bait Al-Hikma for Training and Administrative Consulting-online
47	Non-current assets in accordance with the International Accounting Standard	12/9/2023	Central Bank of Iraq Headquarter
48	Mutual assessment of compliance with international standards issued by FACTA	12/9/2023	Central Bank of Iraq Headquarter
49	Accounting errors and ways to detect and correct them	17-21/9/2023	Central Bank of Iraq Headquarter
50	Corporate banking department course in banks	20/9/2023	Bait Al-Hikma for Training and Administrative Consulting-online



51	Skills of cashiers and fund management	20/9/2023	Bait Al-Hikma for Training and Administrative Consulting-online
52	Internal audit activity	25/10/2023	Central Bank of Iraq Headquarter
53	Anti-money laundering and sanctions	2/11/2023	Iraqi Private Banks League
54	A seminar on infrastructure management and risk management	3/11/2023	Training and Solutions Institute
55	Systems for following up on suspicions of money laundering and terrorist financing and mechanisms for reporting them	5/11/2023	Central Bank of Iraq Headquarter
56	Anti-money laundering and sanctions	7/11/2023	Iraqi Private Banks League
57	Innovation for financial inclusion	8/11/2023	Iraqi Private Banks League
58	Advanced systems for reviewing accounts and auditing budgets	12-16/11/2023	Central Bank of Iraq Headquarter
59	Workshop on quality management system	18/11/2023	Bait Al-Hikma for Training and Administrative Consulting-online
60	Information security industry standard PCL-DSS	19-23/11/2023	Central Bank of Iraq Headquarter
61	Industry standard for information security PCL-DSS and cybersecurity analyst CSA	26/11/2023	Central Bank of Iraq Headquarter
62	Cyber security analyst CSA	26-30/11/2023	Central Bank of Iraq Headquarter
63	Digital transformation in the banking Sector	26/12/2023	Central Bank of Iraq Headquarter
64	Banking merger is a tool for building an agile and effective banking sector	27/12/2023	Central Bank of Iraq Headquarter
65	Electronic Secured Documents System - Second Edition	28/12/2023	Central Bank of Iraq Headquarter

## The bank's organizational structure

The manuscript below explains the organizational structure of the bank for the purpose of organizing the relationship between departments and defining lines of authority and communication between superiors and subordinates:







Contracts concluded during 2023:

Contracts concluded by the bank during the year 2023:

<b>Details</b>	<b>The contracted company</b>
<b>On-site cleaning services</b>	<b>Tareeg Al-Rawnaq for cleaning service LLC.</b>
<b>Integrated public health pest control</b>	<b>The Green Home Company</b>
<b>Guards</b>	<b>Pêşmerge Security Company</b>
<b>Implementation of Standard No. (9)</b>	<b>ICS BANKS COMPANY Bait Al-Hikma for Training and Administrative Consulting</b>
<b>External bank auditor</b>	<b>Khalel Ebrahim Al-Abdulah Company Ali Faris Ali</b>
<b>Legal advisor</b>	<b>AEGFS Offshore Company</b>
<b>General supplier agreement for software delivery, maintenance and special services SWIFT</b>	<b>REFINITIV</b>
<b>Inquiry about the Money Laundering Department through international sanctions lists WORD-CHECK</b>	<b>Design Center Office</b>
<b>Renewing a hosting contract for email and website services</b>	<b>Akkadia for Information Technology Company</b>
<b>Implementing the independent evaluation of the Client security program for the SWIFT system</b>	<b>ICS Financial Systems Limited Company</b>
<b>Extracting the clients' accounts receivable file through the credit authority system</b>	<b>Qi Card</b>
<b>Joint cooperation agreement – launching special services (debit card)</b>	<b>Qi Card</b>
<b>Joint cooperation agreement - launching the "Selfny" service</b>	<b>Qi Card</b>
<b>Credit card issuance and processing agreement</b>	<b>Ofoq Al Mada Mobile Communications Company - First Telecom</b>
<b>Internet service supply agreement</b>	<b>The contracted company</b>





## Main department activities of 2023

### Credit Department:

Credit is considered one of the main activities in the bank, and the bank's administration has given importance to this department, supporting it with the specialized staff and monitoring its work with the aim of controlling its operations based on credit operations, adopting guarantee indicators, and studying the Client's financial position and reputation in the commercial market. The net credit facilities amounted to the cash granted is (5,125,014,687) dinars, and the net pledged credit is (80,826,434,725) dinars.

During the year 2023, the department continued to follow up on all credit-related matters and calculate expected credit losses on a quarterly basis according to Standard No. 9.

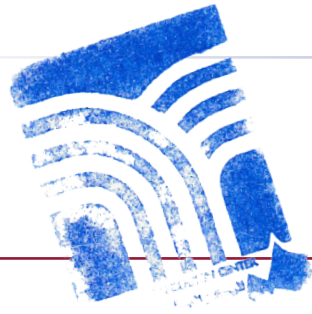
\* The bank's administration has made distinguished efforts in implementing Standard No. (9), as it contracted with an external consulting company (Bait Al-Hikma for Training and Administrative Consulting), and a very advanced automated system was purchased for the purpose of calculating the expected credit loss (ECL) after contracting with (ICS) company, in response to the instructions of the Central Bank. We are currently testing the system and verifying the accuracy of the data. The results of the application were as follows:

### Financial Dept.:

The Financial Department continued its performance in preparing financial and periodic statements in accordance with the forms sent by the Central Bank of Iraq, as well as the Securities Commission. It also organizes and prepares the final accounts and interim accounts in accordance with followed accounting standards.

This department was able to provide accurate financial information and reports, and display the bank's accounts in a comprehensive manner, in cooperation with the Information Technology Department, the Central Bank of Iraq, external auditors, the General Commission of Taxes, the Social Security Directorate, and other relevant parties.



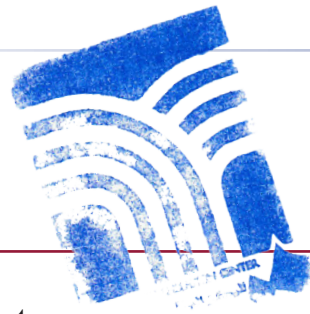


## Compliance Dept.:

The Compliance Department continued to develop its various activities, as it developed a development plan for the department that is consistent with the best professional practices in this regard. Instructions No. (4) of 2010 regarding facilitating the implementation of Banking Law No. (94) of 2004 have indicated that the tasks carried out by the compliance monitor are that he (works to evaluate the extent of the bank's compliance in its daily banking operations with the requirements of the relevant laws and instructions and ensure the validity of these policies. And procedures, as well as avoiding errors and violations that would expose the bank to various risks and in cooperation with other executive departments in the bank. Its work is also based on the legal texts stipulated in both the Central Bank of Iraq Law No. (56) of 2004 and the Law Banks No. (94) of 2004 and Anti-Money Laundering and Terrorist Financing Law No. (39) of 2015. Given the importance of the tasks and responsibilities entrusted to the Compliance Department, it attends the Board meetings as an observer, and the instructions referred to at the beginning oblige it to submit quarterly reports that include verifying the extent of the bank's compliance with the Board of Directors' decisions and internal policies and their implementation, in addition to the procedures established under the laws and regulations. Instructions issued by the Central Bank of Iraq, reviewing the procedures followed by the various departments in the bank, ensuring their consistency with laws and regulations, following up on deviations, submitting proposals to address and improve them, and organizing banking activities and services with corresponding legal requirements and instructions related to them, and this is done. By determining the relevant applicable law and then the businesses, activities and banking services that fall under it.

Cooperation is carried out with the branches in circulating all letters issued by the Central Bank of Iraq without delay, following up on the answers to the reports of the Central Bank of Iraq inspection committees and addressing the observations contained therein, within the time limit specified for that, and reviewing the reports submitted to the Central Bank of Iraq by each. From the Risk Management Department and the Money Laundering and Terrorist Financing Reporting Department, including all requirements of the instructions and laws issued in this regard, and a study of policies and procedures related to the bank's activity, verifying the extent of their compatibility with laws, regulations and regulatory instructions and updating them in accordance with the requirements of the development of banking activity, coordinating with the legal department in identifying the laws, regulations and instructions, and submitting quarterly reports to each of the senior administration in the bank, and To the Banking and Credit Control Department at the Central Bank of Iraq, regarding the detected deviations and the suggestions and correction measures taken in order to avoid their recurrence in the future.





## **Money Laundering and Terrorist Financing Reporting Dept.**

The department submitted quarterly reports to the Anti-Money Laundering and Terrorist Financing Office, in addition to sending copies to the Central Bank of Iraq, and submitted reports of cash transactions on the electronic reporting platform (GOAML) on a daily basis, in addition to monitoring the cash transactions that continue by clients on bank accounts. Through an electronic system specialized in the field of Anti-money laundering and terrorist financing (AML), and according to the scenarios circulated by the Central Bank of Iraq. And from the Anti-Money Laundering and Terrorist Financing Office, where due diligence continues regarding banking operations and services provided in implementation of the Anti-Money Laundering and Terrorist Financing Law No. (39 of 2015), the supervisory controls issued by the Central Bank and the instructions of the Anti-Money Laundering Office.

The department provides the branches and bank departments with policies and procedures for combating money laundering and terrorist financing, in addition to organizing the tasks of liaison employees in the branches, and providing appropriate training to employees in this field. Through the search and investigation system, the Client's name is scrutinized and researched and investigated before opening the account with the names of BLACK LIST), to ensure that he is not included in the local and international lists of suspects (HM, CE, UN, OFAC), and upon ensuring that the name is not included, the employee performs the procedures to open the account according to the instructions issued by the Central Bank, follow up on its transactions, and fill out the sources of funds form for deposits above (\$10,000) ten thousand US dollar and its equivalent in other currencies.

## **Risk Management Department:**

The department follow up the continuous development processes that emulate the best professional practices in the field of risk management. This year, the department introduced various forms of monthly reports and modern monitoring methodologies for all risks. It also prepared the following policies:

- An integrated policy for managing liquidity risks.
- Liquidity contingency plan.
- Early warning indicators.
- Updating and developing the bank's acceptable risk policy document.

The department continued the process of identifying and evaluating the various risks surrounding the bank's business, as the bank contracted with a specialized company that provided the risk management department with a special system for calculating stressful situation scenarios and monitoring acceptable risk limits, in addition to monitoring all market, credit, operational, and liquidity risk indicators and submitting recommendations to executive administration and the Risk Management Committee emanating from the Board of Directors



### **Internal Audit Department:**

The Audit Department conducted many audit missions programmed in the annual audit plan approved and authorized by the Audit Committee emanating from the Board of Directors. Through the implementation of the duties entrusted to it, the department seeks to achieve the department's objectives of ensuring the efficiency and effectiveness of risk management, internal control and governance system, and providing reasonable assurance about achieving the bank's objectives contained within its approved strategy.

### **Legal Dept.:**

The Legal Department has many tasks and responsibilities as it represents the bank to the authorities

Various legal matters include the following:

A- Issuing warnings to Clients who are late in paying.

B- Filing a criminal complaint against Clients responsible for issuing checks in favor of the bank and not paying them.

C- Participation in investigative committees.

D- Reviewing official and unofficial departments, such as the Companies Registration Department, the Real Estate Registration Department, estates, notaries, courts, and police stations.

E- Contribute effectively to organizing all contracts.

F- Legal supervision of all operations of the bank branches.

G- Seizing all real estate mortgaged to the bank in the event of Clients' reluctance.

H. Attending pleadings in lawsuits brought against others.

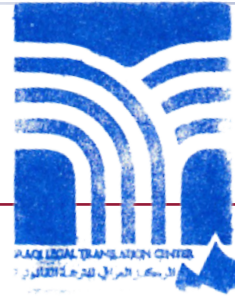
I- Reviewing all of the bank's contracts with local and international bodies.

G- file civil and criminal lawsuits to obtain the bank's legal rights.

K- Providing legal advice to all departments of the bank.

L- Conducting a consensual settlement with debtors, and following up on the implementation of judicial rulings issued by the courts that have acquired the final degree before the enforcement departments.





### **Accounting policies:**

- A- Follow International Financial Reporting Standards (IFRS).
- B. Follow the accrual basis in calculating revenues and expenses and adopt the straight-line method in calculating depreciations on fixed assets.
- C-Continuing to adopt the principle of historical cost of fixed assets and showing them at the book value in the statement of financial position after subtracting the accumulated depreciation allowance.

### **Correspondent banks:**

- 1- The Housing Bank of Jordan was contacted, and the requirements were sent for the purpose of establishing a banking relationship with National Bank of Egypt in the UAE, FAB Abu Dhabi Bank, and Al Baraka Bank, ZIRAAT BANK, GARANTI BANK in Turkey.
- 2- A contract was signed with (CAPITAL INTELLIGENCE) for credit rating, which is one of the largest companies internationally accredited in credit rating of banks, and (EY) ERNT & YOUNG to evaluate the framework for anti-money laundering and terrorist financing, and to audit previous transfers in implementation of the instructions of the Central Bank of Iraq.
- 3- The account opening procedures have been completed and work has begun with the correspondent banks (AKTIF Bank), Jordan Ahli Bank Amman, and (ZHEJIANG CHOUZHOU) an Ahli Bank Bank in China.
- 4- Our bank is still in the process of dealing with international companies and internationally classified banks to raise the level of the bank and provide good banking services that distinguish our bank in the Iraqi banking market.

### **Electronic banking information systems:**

In light of the tremendous development achieved by the computer and communications sector and the rapid and comprehensive exchange of information, which was accompanied by the investment of the Internet in the field of commercial and electronic activity and the increasing reliance on it, which led to the development of the concept of banking. The bank adopts the BANKS system, which is considered one of the best comprehensive banking systems. The bank worked during the year 2023 to develop the technical infrastructure by activating a wide range of banking systems and digital services.

1. The credit card issuance system (MasterCard) has been activated and preparations are being made to introduce automated teller machines (ATM) and point-of-sale (POS) machines into service soon.
2. Work is underway to implement an electronic archiving system to keep pace with developments in the field banking applications and in implementation of the instructions of the Central Bank of Iraq.



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3. Work is underway to implement all international standards for information technology and security (COBIT19, PCI-DSS, ISO27001, ISO27001, ISO22301, ISO9001).
4. Working to activate the (Mobile Banking and Internet Banking) systems, which are considered a qualitative shift in the field of banking, as these systems will allow the possibility of opening and managing a bank account and issuing external and internal transfers through the Internet and mobile phone.
5. Work is underway to implement the international transfer tracking system (GPI), which will allow the possibility of follow-up and tracking international transfers (SWIFT) from the moment of issuance until receipt by the final beneficiary.
6. Using the latest digital technologies to ensure the quality and security of information and to develop banking systems with the highest degree of quality and security, and focusing on continuous improvement of the electronic services it provides.

Sealed by:  
HAMMURABI  
COMMERCIAL BANK

Signed by:  
Rajih Abed Ali Ahmed  
For/Managing Director

Signed by:  
Hasan Lafta Hashim  
Chairman of Board of Directors

Sealed and Signed by:  
Khalel Ebrahim Mohammed Al-Abdullah and Partners Company  
License No. 18  
For control and Audit  
Accounts, Solidarity





## Sub/ Audit Committee Report

### Greetings:

Dear shareholders of HAMMURABI COMMERCIAL BANK (Pvt. Joint-stock Co.), in implementation of Article (24) of the Iraqi Banking Law No. (94) of 2004, the committee carried out its work through its presence in the bank and issued directives to the bank's branches and all departments. The following is a summary of the committee's work during the year/ 2023.

1. The committee began its work with on-site visits to the bank's branches and departments to review the progress of work there and provide guidance and recommendations in this field.
2. Emphasis on administration when appointing good, experienced personnel and establishing the elements for retaining and developing them.
3. The accounting controls adopted in the bank and the process of applying those controls were verified correctly. The financial statements and final accounts for the period ending on December 31, 2023 were also examined.
4. The committee reviewed all contracts concluded during the year (2023) and confirmed that the Chairman and members of the Council, the Managing Director and the executive directors have no interest in those contracts.
5. The committee reviewed the external auditor's report regarding the financial statements submitted by the auditor, Mr. Khalel Ebrahim Al-Abdullah, before presenting it to the Board of Directors.
6. The Committee supports that all banking transactions adhered to the Anti-Money Laundering Law No. (39) of 2015, Nor has the Bank been found to have engaged in terrorist financing operations and to have ascertained the Bank's compliance with senior management and other departments operating in the Bank.
7. The committee found that the financial indicators achieved during the year /2023 are all good in terms of liquidity, which means that the bank is on the right path and that these results came through the efforts of the Chairman and members of the Board of Directors, the Managing Director and the employees.



Yours sincerely

Signed by:  
Mohammed Safwan Abdulateef  
Chairman of the Audit Committee



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## HAMMURABI COMMERCIAL BANK

### Auditor's Report







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KHALEL-I-M.ALBDALAH  
Certified Accountant and Consultants  
By Board of Monitoring and Auditing Profession in Republic of Iraq  
Class (A)  
License No. 285  
Baghdad - Al-Harithiya - The street opposite the hospital  
Al-Zayton/ Dist. 213, St. 44, H. 31  
No. : Kh/134  
Date: February 08, 2024

Emblem of:  
Khalel Ebrahim Muhammed Al  
Abdulah Co.  
Certified Accountant and Auditors  
Solidarity

**Messrs/ Shareholders of Hammurabi Commercial Bank**  
**Subject/ Independent auditor's report on the financial statements for the ended financial year on December 31, 2023**

**Opinion:**

We have audited the financial statements of Hammurabi Commercial Bank, which include: a statement of financial position as of December 31, 2023, a statement of profits and losses and other comprehensive income, a statement of changes in ownership rights, a statement of cash flow for the ended year on the same date, and clarifications to the financial statements, including a summary of important accounting policies.

**In our opinion/qualified opinion:**

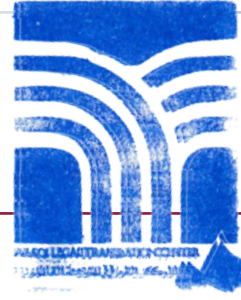
Taking into account the audit results set out later in this report, the bank's financial statements (except for what was stated in our qualified regarding the local banks paragraph and the capital paragraph) fairly present in all material respects the financial position of the bank as of December 31, 2023, and its financial performance and cash flows for the ended year on the same date in accordance with International Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board, and local laws in this regard, including Banking Law No. (94) of 2004, and Companies Law No. (21) of 1997, as amended.

**Basis of Opinion:**

The audit work was carried out on the basis of the issued auditing standards, the International Auditing Standards issued by the International Federation of Accountants. Our responsibility under these standards is explained later in the auditor's responsibilities for auditing the financial statements section of this report.

We are independent from the bank according to the ethical requirements related to auditing the financial statements contained in the rules of professional conduct, and we have fulfilled our responsibility in accordance with those requirements.

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



## Important Audit Findings

Our audit results revealed the following clarifications and observations:

### 1- International Standards:

A- During the years 2020-2023, the bank prepared and organized the balance sheet and final accounts in accordance with International Financial Reporting Standards (IFRS).

B- The bank prepared interim financial reports during the year 2023 based on International Accounting Standard No. (34) and International Auditing Standard No. (2410) and the instructions of the Central Bank of Iraq in accordance with Article (23) Disclosure and Transparency in Paragraph (4) thereof in accordance with the Corporate Governance Guide for Banks.

C- Referring to the letter of the Central Bank/Banking Supervision Department, No. (73/3/9) on February 01,2023, attached to the letters No. (377/3/9) on September 29, 2022, upon which the bank established Obtaining an offer from (ICS BANKS) on April 06,2023, and the Hammurabi Bank administration approved the offer on April 11,2023 (according to the documents submitted to us in this regard). Therefore, we recommend the need to expedite the calculation of the quantitative impact of applying IFRS Standard No. (9) to include all credit losses related to financial instruments, according to the directives of the Central Bank of Iraq.

D- The credit risk allocations for the expected future losses of financial instruments for the current year 2023, amounted to (85) million dinars, was calculated according to a calculation by the Bayt Al-Hikma Company for Economic and Financial Consulting and under a contract signed with the bank's management until the completion of the requirements of the company (ICS).

### 2- Cash:

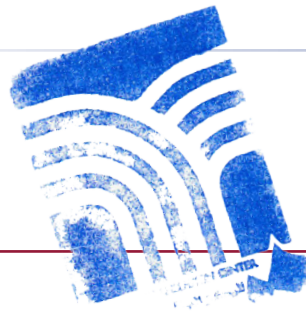
A-the balance of cash in the coffers of the bank and the Central Bank of Iraq amounted to (38) billion dinars, as on December 31,2023, which is more than the balance of the previous year by an estimated (10) billion dinars, mostly due to the increase in customer deposits and guarantees of banking operations.

B-the balance of cash in the bank's coffers amounted to (13) billion dinars as on December 31,2023, which constitutes (33%) of the total cash, knowing that the inventory process was supervised by us and the inventory results were identical.

C- The balance of the Central Bank of Iraq amounted to (25) billion dinars, as on December 31,2023, and the percentage is (67%) of the total cash, which is more than the balance of the previous year by (6) billion dinars.

D- The cash liquidity ratio reached (250%), the Liquidity Coverage Ratio (LCR) (442%) and the Net stable funding ratio (NSFR) (336%), which exceeds the ratios set by the Central Bank of Iraq, which are determined by (30%, 100%, 100%, respectively), and the excess of this liquidity indicates the lack of optimal use of the financial resources available to the bank, which requires the search for operational lines to maximize resources.





## 5- Cash Credit:

A- The balance of the above account amounted to (5125) million dinars on December 31, 2023, before deducting the allocations for credit facilities.

B- The calculation of the cash credit risk allocations amounted to (85) million dinars on December 31, 2023.

C- Cash credit constitutes a percentage of about 2% of the bank's financial position, which in our opinion is a very small percentage.

D- The percentage of credit facilities granted according to the initiative of the Central Bank of Iraq reached (91%) of the total credit facilities.

E- The loans granted were concentrated as follows:

Account's Name	Amount/ Thousand Dinar	Percentage
Long-term loans/individuals	100812	1.97%
Short-term loans/companies	2500	0.058%
Employee advances/outside the bank	295327	5.76%
Loans according to the initiative of the Central Bank	4671859	91.16%
Loan receivables	54517	1.06%
Total loans	5125015	100%

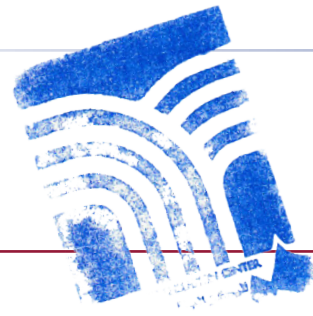
## F-Credit Portfolio

We noticed that sectoral financing ratios are distributed among only four sectors, as shown below, which requires restructuring the credit portfolio in order to distribute risks across all economic sectors.

Economic Sector	Financing Ratio
Commercial	40.5%
Service	8.5%
Real Estate	9.5%
individuals (facilitated by the Central Bank initiative)	41.5%
Total	100%

G- The cash credit includes balances granted to current and former members of the Board of Directors and related persons amounted to (250) million dinars on December 31, 2023.

H. Twenty files of major Clients granted loans amounted to (1018) million dinars were reviewed, examined and audited, and we found that there were guarantees in the form of personal guarantees for loans amounted to (50) million dinars and less. With the exception of three clients, real estate guarantees were taken because the loans granted to them exceeded one hundred million dinars.



## 6- Contractual Credit:

A- The number of letters of guarantee issued reached (346) letters, and the balance of contractual credit (letters of guarantee) amounted to (81) billion dinars on December 31, 2023, which is more than the previous year's balance by an amount of (57) billion dinars, and represents an increase of (241%).

B- The ratio of the value of letters of guarantee reached (40%) to the capital, and this ratio is not the required level, knowing that the percentage allowed by the Central Bank of Iraq is (200%). We recommend the necessity of expanding in this area, provided that solid guarantees are continued in exchange for that.

C- The insurance letters of guarantee received amounted to (14) billion dinars on December 31, 2023, which constitutes a percentage of (17%) of the total letters of guarantee, and the bank is committed to the specified percentage of (15%) from paragraph (7- B) According to the Central Bank letter No. (9/2/5228) dated March 17, 2021. Noting that we noticed that there were (3) letters of guarantee for which the percentage of cash guarantees reached (100%).

D- The number of letters of guarantee granted for (performance bond) is (310) letters of guarantee, constituting a percentage of (%98) to the total letters of guarantee, which requires diversification in letters of guarantee as well as in the field of granting banking facilities for documentary credits.

## 7- Financial Assets (Investments):

A- The balance of investments reached (25) billion dinars on December 31, 2023 and represents the construction bonds of the Ministry of Finance. We have reviewed the documents and verified the validity of the above balance. Note that investment revenues during the year amounted to (1,750) million dinars.

B- The percentage of investments reached (10%) of the value of the financial position (total assets).

### 8- Fixed assets:

A- The balance of the above account in book value amounted to (533) million dinars on December 31, 2023, noting that the additions (purchases) during the current year amounted to (421) million dinars, most of which represent (machinery, equipment, furniture, office equipment, partitions, and decorations). Verifying the authenticity of the additions after reviewing some of the documents and priorities.

B- The bank leased three real estate after the approval of the Central Bank of Iraq to open branches (Erbil, Basra, and Nineveh), and the updated lease contracts for the financial year 2023 were examined and reviewed.



C- We noticed that the bank's administration contracted with the Dar Al-Salaam Bank to lease a building for the general administration of Hammurabi Commercial Bank after the prior approval of the Central Bank of Iraq for that.

D- Referring to what was stated in the letter of the Central Bank of Iraq No. (9/3/34295) dated December 28,2023, we therefore recommend the necessity of accelerating the establishment of the bank's administration and seek to own a building for the general administration and the main branch of Dar Al-Salaam Bank after the completion of the procedures related to the value. The building is estimated by a committee formed by the Central Bank of Iraq.

### **9- Intangible Assets:**

The balance of intangible assets amounted to (738) million dinars on December 31, 2023, which represents establishment expenses and the cost of acquiring banking systems.

### **10- Other Assets:**

The balance of this account amounted to (25) billion dinars on December 31, 2023, noting that most of this account belongs to selfnykhalel wallet (Qi Card).

### **11- Current Accounts and Deposits:**

A- The customer deposit account balance amounted to (17) billion dinars on December 31, 2023, which indicates a tangible development over the previous year's balance, noting that most of this account is concentrated in creditable current accounts / private sector/companies.

B- The above account includes fixed deposits and low savings accounts. We recommend the necessity of taking action to attract Clients in accordance with the financial inclusion instructions issued by the Central Bank of Iraq in accordance with their letter No. (9/3/80) on February 20,2019 to avoid the risks of non-essential deposits.

### **12- Cash Insurance:**

The balance of the above account amounted to (14) billion dinars on December 31, 2023, which represents insurances received for letters of guarantee amounted to (81) billion dinars, which constitute a percentage of (17%) of the total amounts of letters of guarantee.

### **13- Received Loans:**

A- The balance of received loans from the Central Bank of Iraq amounted to (4503) million dinars on December 31, 2023, which is less than (1255) million dinars than the previous year's balance.

B- The received loans above constitute a percentage (9) of the total current liabilities. Note that it constituted (43) during the previous financial year 2022.

C- The mechanism for receiving and granting these loans is in accordance with the terms and instructions of the Central Bank of Iraq and the Small and Medium Loans Support Initiative.

#### 14 - Other liabilities:

The balance of the above account amounted to (19) billion dinars on December 31, 2023, and most of this account represents the balances shown below:

Account's Name	Amount/ Million Dinar
Companies service adjustments	6507
Cash auction deposits	5583
Deposit deposits	5999
<b>the total</b>	<b>18089</b>

#### 15- Capital Adequacy:

The capital adequacy ratio reached (152%) according to the risk-weighted table, noting that the percentage allowed by the Central Bank of Iraq is (15%), the Banking Act is (12%), and the Basel decisions are (8%). Noting that the reason for the high ratio is This is due to the decrease in risky assets inside and outside the budget, noting that this percentage is more than double the percentage of the previous year and the reason for this is due to the increase in the issuance of letters of guarantee for this year.

#### 16- Financial Position:

A- The financial position (total assets) reached (254,370) million dinars on December 31, 2023, which is more than the previous year's balance by (44) billion dinars, at a rate of (21%). Most of that increase is due to the other assets account (payments). On your Qi Card account.

B- We show below the components of the financial position on December 31, 2023.

Account Name	Amount / Million Dinar	Percentage of Components
Cash and balances with the Central Bank of Iraq (2)	37931	14.91%
Local and foreign banks (1)	159901	62.86%
Net credit facilities (loans)	5041	1.98%
Financial assets (investments) (3)	25000	9.83%
Other assets (receivables) (3)	25227	9.92%
Tangible fixed assets (net)	533	0.21%
Intangible assets	738	0.29%
<b>Total</b>	<b>254370</b>	<b>100%</b>

\* It is clear from the table above that the ratio of the components of the financial position is concentrated in the account of the local and foreign banks, which comes in first place, and the cash account in the bank's coffers and at the Central Bank, which comes in second place. The third place belongs to both investments and the debtors' account (most of which represents payments on the (Qi Card system).

C- We show below the relative importance of the financial position (liabilities) on December 31, 2023.

Account Name	Amount / Million Dinar	Percentage of Components
Deposits	16741	6.58%
Borrowing	4503	1.77%
Insurance and Receipts	13864	5.45%
Allocations	330	0.13%
Other Liabilities	19439	7.64%
Property Rights	199439	78.43%
<b>Total</b>	<b>254370</b>	<b>100%</b>

### 17- Annual Activity Results:

A- The bank achieved a net profit before tax of (2050) million dinars for the year ending on December 31, 2023, compared to a profit of (80) million dinars for the previous year. This is a good indicator, but not at the required level, which requires increasing the effectiveness of banking operations activity and searching for operational lines in order to Maximize resources.

B- Total operating income revenues amounted to (4305) million dinars, in addition to investment profits amounting to (1750) million dinars for the ended financial year on December 31, 2023, an increase of (73%) compared to the previous year's revenues, which amounted to (3360) million dinars. This indicates an increase in the basic revenues of banking operations.

C- The total expenses for the ended financial year on December 31, 2023 amounted to (3761) million dinars, an increase of (491) million dinars, at a rate of (15%) over the previous year's balance, noting that there is an increase in employee salaries of (617) which constitutes an increase of (47%) over the previous year's balance.

D- It is clear from the above paragraphs that the percentage of increase in revenues is many times the percentage of increase in expenses, which was reflected positively in the increase in profits before tax.

E- The results of the branches' activity for the ended financial year on December 31, 2023 were as shown below:

Branch's Name	Profit (loss) for the year (thousand dinars)
Center (General Administration)	(701189)
The main branch	3038702
Erbil branch	(264165)
Nineveh branch	(17952)
Basra branch	--
<b>Total</b>	<b>2,055,396</b>



\* It is clear from the above table that the branch managers should be given powers to expand the banking activity in order to avoid future losses. In addition, the branch in Basra governorate did not engage in the activity and thus incurred financial burdens. The rent amounted to (2500) thousand dinars and without economic benefit. The administration has indicated to us that it is working to solve the problems in order to activate the branch's activity.

#### 18- Foreign currency buying and selling outlet:

Dollar purchases from the currency buying and selling window amounted to (362,036,171) US dollars and achieved a revenue of (787,836,710) Iraqi dinars during the financial year 2023. Purchases in the Chinese yuan amounted to (450,843,744) and achieved a revenue of (450,843,744) and achieved a revenue of (429,342,902) dinars, as shown in the tables below. Upon inquiry from the bank's administration and the concerned department regarding the decrease in currency sale revenues indicated that this decrease depends on economic factors after the decrease in the price of the dollar against the Iraqi dinar according to the Central Bank of Iraq letter numbered (9/2/95) on February 08, 2023.

Category	Purchases in Dollars	Revenues in Dinars
Foreign Transfer	5,616,171	56,161,710
Cash (banking companies)	329,850,000	469,450,000
Cash (bank Clients)	26,570,000	262,225,000
Total	362,036,171	787,836,710

Category	Purchases in Dollars	Revenues in Dinars
Foreign Transfer	450,843,744	429,342,902
Total	450,843,744	429,342,902

#### 19- Law Suits:

A- The number of lawsuits filed by the bank against third parties reached (3) lawsuits and their value reached (100) billion dinars, and the procedures are still continuing. We recommend the necessity of activating the procedures and follow-up in order to recover the bank's material and moral rights.

B- The lawsuits filed by third parties against the bank amounted to (7) lawsuits, and their value amounted to (84200) million dinars.

#### 20- Capital and the bank's continued existence:

A - A conservative opinion was expressed by us on the financial position of the bank regarding the bank's capital paragraph at the beginning of this report. The reason for this is due to the presence of (75%) of the bank's capital in the form of non-performing deposits with Dar Al- Salaam Investment



Bank (which is a bank currently under judicial receivership).

B- In accordance with International Standard No. (IAS 570) and the extent of the bank's continued existence in the future, in our opinion, the bank has eliminated most of these non-performing deposits with Dar Al-Salaam Bank by entering new investors and increasing the bank's capital until March 31, 2024, to reach a capital of (250) billion dinars, according to the letter of the Studies, Registration and Licensing Division of the Commercial Banking Supervision Department, numbered (9/2/328) on January 08, 2024 and based on the decision of the Board of Directors of the Central Bank No. (11) on January 01, 2024.

C- Which requires accelerating the implementation of the decision of the Board of Directors of the Central Bank mentioned in the above paragraph and taking all measures to subscribe and inform the Company Registration Department in this regard.

## 21- New Shareholders:

A- The new shareholders will make payments amounting to (50) billion dinars during the financial year 2023, regarding the transfer of ownership of the shares of the Central Bank of Iraq to (Mr. Hatem Mahmoud Hameed and Mr. Mohammed Rasim Mahmoud) and we have examined the share transfer contract in accordance with Article (66) From the Companies Law No. (21) of 66) Fr 1997, as amended.

B- Referring to the letter of the Central Bank of Iraq/ Studies, Registration and Licensing Division, numbered (9/2/328) dated January 08, 2024, the capital structure will be as follows: -

- (87.4) billion dinars, contribution by Mr. Mohammed Rasim Mahmoud.
- (87.4) billion dinars, the contribution of Mr. Hatem Mahmoud Hamid.
- (41) billion dinars, the contribution of Al Khatim Company.
- (34) billion dinars other contributions from small shareholders.

We recommend the need to expedite taking all legal measures in order to inform the Registrar of Companies and amend the bank's articles of incorporation.

## 22- Correspondence of the Central Bank of Iraq and audit results:

We were not aware of the existence of audit results books issued by the Central Bank of Iraq for the fiscal year ending on 12/31/2023, based on field visits to the bank. The bank's management indicated to us that there were no audit results books during the above-mentioned year according to a memorandum from the bank's management/financial department in 1/31/2024.

## 23- Quarterly Reports:

The bank is committed to preparing quarterly reports based on the instructions of the Central Bank of Iraq, and these reports have been audited to ensure that they were prepared in accordance with the controls and with the adequate level of information required for the following sections:





### **Risk Management Department Reports:**

A- The bank, through reports prepared by the Risk Management Department, identifies and measures each type of risk, represented by credit risks, liquidity risks, concentration and market risks, and operational risks, in addition to money laundering risks and non-compliance risks. B- The bank also, through an electronic system, prepares stress test scenarios and measures their impact on the financial position. Risk management reports also include recommendations, corrective actions, and the time frame for correction.

### **Compliance department reports:**

1- The reports of the compliance monitor for the year subject to the audit were reviewed and were prepared in accordance with the instructions of the Central Bank of Iraq and included: -

- \* The most important indicators of the bank's financial position.
- \* Indicators of the calculated percentage, such as the capital adequacy ratio and the ratio of cash credit to deposits, in addition to other financial ratios.
- \* Aspects related to the work of the bank's board of directors.

2- The Compliance Department follows up on the Central Bank's observations related to business oversight and the results of the bank's office audit and works to liquidate them.

### **Internal Audit Department Report:**

A - The establishment of the Internal Control Department was with the aim of activating governance procedures and determining responsibilities, and the more effective the internal control and audit activity is manifested in increasing the sobriety of the financial position so that it reflects the objectivity and fairness of financial and banking activities, therefore we recommend that the Internal Control Department/Internal Audit Department audit all the bank's activities, documents, bills of exchange, receipts and accounting records in accordance with the instructions.

#### **B-Audit programs:**

We noticed that the Director of the Internal Audit Department prepared and organized internal audit programs for some of the bank's activities, and we recommend that they be approved quickly by the Board of Directors.

C- We have not seen the existence of administrative orders to distribute work and tasks among the employment staff, for example (a competent employee for credit auditing, a competent employee for office auditing, and a competent employee for field auditing). Therefore, we recommend issuing such orders when banking activity expands.

D- We also recommend that internal control reports for auditing electronic systems for the purpose of preparing reports be more comprehensive and prepared in accordance with the principles of disclosure, transparency and objectivity.

## Anti-money laundering and terrorist financing

Based on Paragraph (3Z of Article 2) of the regulatory controls issued pursuant to the letter of the Central Bank of Iraq No. (9/1/306 on September 18, 2016), a report on the bank's activity in anti-money laundering and terrorist financing, achievements and periodic work is prepared. Referring to the letter of the Central Bank of Iraq / Banking Control Department, numbered (9/2/5228 on 3/17/2021), Paragraph (11) thereof, according to which the auditor is required to indicate whether the bank has taken sufficient measures to prevent anti-money laundering and terrorist financing operations according to the controls issued by the Anti-Money Laundering and Terrorist Financing Office, numbered (2/1/T H/ Attachment No.2 on June 17,2019). We would like to clarify the following:

A- The department submits quarterly reports to the Anti-Money Laundering and Terrorist Financing Office, in addition to sending copies to the Central Bank of Iraq, and submitting reports of cash transactions on the electronic reporting platform (GOAML) on a daily basis. In addition to monitoring the cash transactions that continue by Clients on bank accounts through an electronic system specialized in the field of anti-money laundering and terrorist financing (AML), and according to the scenarios circulated by the Central Bank of Iraq. And from the Anti- Money Laundering and Terrorist Financing Office.

B-Through the search and investigation system, the customer's name is audited and investigated before opening the account along with the names of the BLACK LIST, to ensure that he is not included in the local and international suspect lists (HM, CE, UN, OFAC). When the name is received, the employee carries out the procedures for opening the account according to the instructions issued by the Central Bank of Iraq.

C- The Board of Directors is committed to adopting policies, procedures and internal controls that are match with the nature of banking activity and the Anti-Money Laundering and Terrorist Financing Act No. (39 of 2015).

D- We noticed the bank's interest in collecting information about the customer or company and filling out the Know Your Customer (KYC) form.

E- There is an interest on the part of the bank's administration in training and developing human resources, gaining experience and improving performance through the participation of bank employees in training programs and workshops.

F- The electronic reporting system was acquired according to the directives of the Anti-Money Laundering and Terrorist Financing Office and the Central Bank of Iraq, and reports were submitted to the Central Bank of Iraq.

G- These reports include data according to the following table, regarding which the necessary measures have been taken by the Director of the Reporting Department:



Seg.	Data	Number
1	Number of open investigations	None
2	Suspicion reports sent to the Anti-Money Laundering and Terrorist Financing Office	None
3	Fraud complaints	None
4	Reports sent to electronic transfer companies	The procedures related to working with MoneyGram are completed

#### 24- Endorsements of Debit and Credit Balances:

We have not seen the endorsements letters for debit and debt balances, which appear in the bank's financial position.

#### 25- Corporate Governance and Board of Directors Reports:

A-Six Board of Directors meetings were held during the year 2023, which is within the minimum number specified in accordance with Article 112 of the Companies Act No. 21 of 1997, as amended.

B- The bank prepared a governance guide in accordance with the instructions of the Central Bank of Iraq, and the principles of governance were adhered to and the tasks of the Board of Directors were separated from the tasks of executive management.

C- The executive administration and the Board of Directors are committed to implementing corporate governance instructions through disclosure in annual reports and governance reports.

D-The bank is committed to the specific requirements contained within Article 23 of the Corporate Governance Manual issued by the Central Bank of Iraq, as the annual report of the bank's administration included disclosure of the results of operations and the financial position of the bank.

E- Due to the importance of corporate governance as one of the requirements for good management in institutions, the bank believes in adopting corporate governance that helps achieve the strategic objectives and manage the bank's operations.

F- We noticed that the Board of Directors gave special importance to implementing the Corporate Governance Guide issued by the Central Bank of Iraq on February 03/2020.

G- The Corporate Governance Committee was formed within the committees emanating from the Board of Directors, which is responsible for Control and Supervising the preparation of governance for the bank in line with the Governance Guide and relevant laws and adherence to the principles and instructions of (Corporatr Govemance). It follows up on the branches and departments and develops them in light of developments and the directives and evidence issued.



## 26 - Development of the Quality Management Unit:

In reference to the directives of the Central Bank of Iraq, a quality management unit was developed in the organizational structure of the bank and the appointment of employees for this activity was completed in accordance with the specifications of the Central Bank of Iraq in terms of Educational Attainment (university degree). Therefore, we recommend the necessity of contracting with reputable international companies subject to international professional procedures to obtain an ISO certificate (ISO9000).

## 27- Subsequent Events:

A- Initial approval was obtained for the appointment of Mr. Mohammed Qahtan Farhan Al- Tamimi) to the position of Director of the Legal Department, in accordance with the letter of the Central Bank of Iraq No. (9/2/157) on January 07, 2024.

B- Work is underway to implement all international standards for information technology and security COBIT19, PCI-DSS, ISO27001, ISO20001, ISO22301, ISO9. Work is underway to activate the (Mobile Banking, Internet Banking) systems, which are considered a paradigm shift in the field of banking, as these systems will allow the possibility of opening and managing a bank account and issuing external and internal transfers through the Internet and mobile phone. C- Work is underway to implement the (GPI) system for international transfer tracking, which will allow the possibility of following and tracking international transfers (SWIFT) from the moment of issuance until receipt by the final beneficiary.

D- Referring to the letter of the Central Bank/Banking Supervision Department, No. (9/8S/156) dated February 04,2024, regarding the issue of prohibiting dealing in the US dollar currency. Accordingly, we recommend the necessity of improving and developing your compliance systems in accordance with international requirements and as stated in The Central Bank issued the number (M.M./1/18) on January 25,2024, in order to avoid problems in dealing with the US dollar currency and dealing with the electronic platform of the Central Bank of Iraq.

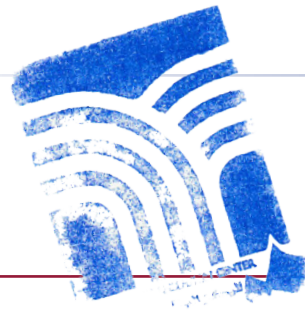
## 28- Other matters:

A- Referring to the directives of the Central Bank of Iraq, we recommend the necessity of expediting joining the Iraqi Stock Market.

B- Work is underway to implement the electronic archiving system to keep pace with developments in the field of banking applications and to implement the instructions of the Central Bank of Iraq.

C- We recommend that the director of the Internal Audit Department must hold a bachelor's degree in the field of Accounting and have no less than (15) years of experience.

D- With reference to the letter of the Central Bank of Iraq No. (9/2/326) dated November 28,2023,



Mr. Hasan Lafta Hashim was authorized as Chairman of the Board of Directors instead of Dr. (Majid Mohammed Hasan Al-Sory).

E- We recommend that the General Assembly be held to elect the Chairman and members of the Board of Directors (original and substitute) as soon as possible.

### **Other information:**

Administration is responsible for the other information contained in its annual report, and our opinion on the financial statements does not cover this information and we do not give any form of assurance or conclusion regarding it.

In regard with our audit of the financial statements, our responsibility is to read the other information when it becomes available to us to consider whether the other information is incompatible with the financial statements or the information obtained in our audit appears to be materially misstated.

### **Responsibilities of Administration - Governance Officers for Financial Statements**

Administration is responsible for preparing the financial statements in accordance with the requirements of the law and international financial reporting standards, and for the internal control that administration deems necessary to enable the preparation of the financial statements to be free from significant misstatements, whether they occur due to manipulation, fraud, or mistakes.

In preparing the financial statements, administration is responsible for evaluating the bank's ability to continue as a going concern, disclosing, when necessary, issues related to going concern and using the going concern basis of accounting unless management moves toward liquidating the bank or terminating its operations, or when there is no other realistic alternative to doing so. Also, those responsible for governance are responsible for supervising and following up on financial reporting processes.

### **The Auditor's Responsibility for Auditing the Financial Statements:**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from significant misstatements, whether they occur due to manipulation, fraud, or mistakes, and to issue an audit report that includes our opinion.

Reasonable certainty is a high level of certainty, but it is not a guarantee that an audit conducted by us in accordance with International Standards on Auditing will always detect significant misstatements when they exist. A misstatement may arise from manipulation, fraud or mistake and is considered significant if it could have been reasonably expected, individually or collectively, to influence the economic decisions of beneficiaries taken on the basis of those financial statements.





### Other requirements:

In addition to what was mentioned above, we would like to make the following observations in order to meet the legal requirements adopted in Iraq:

- 1- The accounting system used by the bank (BANKS), in our opinion, included recording all of the bank's assets, liabilities, expenses and revenues, and the internal control system also included the necessary procedures that ensure the accuracy of this data.
- 2- The bookkeeping group used by the bank and the manual records are consistent with the requirements of the bookkeeping system and include the assets, liabilities, bank resources, and uses of these resources.
- 3- For records, these assets have been evaluated in accordance with the approved accounting foundations and principles. The process of inventorying fixed and cash assets was carried out properly, and the results of this inventory were identical
- 4- The administration's annual report and the financial and accounting information it contains reflect the view of the bank's management.
- 5- The financial statements have been organized in accordance with financial accounting standards, international financial reporting standards, and applicable laws and legislation, and are fully consistent with what the records show.

With appreciation.....



Signed by:

Khalel Ebrahim Mohammed Al-Abdullah and  
Partners Company for Control and Audit Ac-  
counts- Solidarity Khalel Ebrahim Al-Abdullah  
Chartered Accountant and Auditor

Sealed by:

Khalel Ebrahim Mohammed Al-Abdullah and  
Partners  
Company  
License No. 18  
For Control and Audit Accounts- Solidarity



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## HAMMURABI COMMERCIAL BANK

### Financial Statement







## Financial Position on December 31, 2023

Assets	Clarifications	December 31, 2023 / Dinar	December 31, 2022 / Dinar
Cash and balances with the Central Bank of Iraq	5		
Local and foreign banks	67	37,930,634,214	28,163,609,304
Direct credit facilities (Net)	8	159,900,651,291	150,862,976,888
Financial assets	9	5,040,585,162	5,805,386,916
Other assets	10	25,000,000,000	25,000,000,000
Tangible fixed assets	11	25,227,105,456	248,543,790
Intangible assets		532,934,209	175,075,902
assetsTotal		737,809,803	0
		254,369,720,135	210,255,592,800

## Requirements and Property rights

### Liabilities

Customers deposits	12	16,740,753,037	818,686,936
Banking operations insurance	13	13,864,078,030	5,478,208,000
Received loans / Small and medium projects	14	4,503,192,660	5,757,719,908
Other liabilities	15	19,439,676,387	873,711,220
Other allocations	16	329,973,682	9,032,730
Total current liabilities	17	54,877,673,796	12,937,358,794

### Property rights

Capital	12	201,000,000,000	201,000,000,000
Legal reserve	13	90,933,270	-
Accumulated surplus	14	1,727,732,127	-
Accumulated deficit	15	3,326,619,058-	3,681,765,994-
Total property right	16	199,492,046,339	197,318,234,006
Total of liabilities and Property rights	17	254,369,720,135	210,255,592,800

Signed by:  
Finance Dept. Director  
Mustafa Jaafar Abed Ridha  
A/ 38016

Signed by:  
Managing Director  
Rajih Abed Ali Ahmed

Signed by:  
Chairman of Board Directorate



IRAQ - Baghdad  
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iltc@goodtogo.iq.com

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المركز العراقي للترجمة القانونية

License No. 35

Signed by:  
Khalel Ebrahim Mohammed  
Al-Abdullah and  
Partners Company for Control  
and Audit  
Accounts- Solidarity  
Khalel Ebrahim Mohammed  
Al-Abdullah  
Certified Accountant and Au-  
ditors

Sealed by:  
Khalel Ebrahim Mohammed  
Al-Abdullah and  
Partners Company  
License No. 18

Sealed by;  
Syndicate of Accountants and  
Auditors  
We certify the validity of the  
accountant's  
membership  
Name: Suhaib Mahmoud Feb-  
ruary 2, 2024

Pursuant to our report No. (Kh/134) dated on February 8, 2024

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements.





Statement of income and comprehensive income for the Financial ended Year on December 31,2023

	Clarifications	December 31, 2023 / Dinar	December 31, 2022 / Dinar
Credit interest	17	151,332,174	124,170,395
Debit interest	18	1,414,165	446,039
Net interest income		149,918,009	123,724,356
Net commission income and banking fees	19	2,827,674,908	1,181,056,188
Debit commissions	20	48,786,213	41,271,471
Net interest and commission income		2,778,888,695	1,139,784,717
Profits (losses) from buying and selling foreign currencies	21	1,217,179,612	87,998,000
Other profits	22	159,018,390	196,253,644
<b>Total operating income</b>		<b>4,305,004,706</b>	<b>1,547,760,717</b>
Employee salaries and details	23	1,909,669,438	1,292,956,720
Operating expenses	24	1,768,059,712	1,887,975,778
Depreciation and amortization	10	64,703,279	15,416,095
Allocations of cash and pledged credit risks		19,181,879	74,280,378
<b>Total expenses</b>		<b>3,761,614,308</b>	<b>3,270,628,971</b>
Profit/loss before tax		543,390,398	1,722,868,254-
Profit/losses on financial assets		1,750,000,000	1,812,328,767
Comprehensive income provisions /foreign currency valuation differences		243,244,562-	
Net Income (loss) before tax		2,050,145,836	89,460,513
Net profit (loss) before tax		2,050,145,836	89,460,513
Reduced/income tax 15%		307,521,875	13,419,077
Profit (loss) after tax is distributed as follows		1,742,623,961	76,041,436
Mandatory reserve		87,131,198	3,802,072
Required reserves		-	-
Distributable surplus		1,655,492,763	
		1,742,623,961	72,239,364
<b>Comprehensive income profits (losses).</b>		<b>1,742,623,961</b>	<b>72,239,364</b>





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License No. 35

Signed by:  
Finance Dept. Director  
Mustafa Jafaar Abdulrifha  
A/38016

Signed by:  
Deputy Director  
Rajih Abd Ali Ahmed

Sealed by:  
Republic of Iraq  
Council of the Profession of Control and Auditing  
Secretariat

We certify the authenticity of the auditor's seal and signature  
and that he is practicing the profession of auditing and  
monitoring the accounts for the year 2024 without any  
responsibility for the contents of these financial statements.

Ahmed Amer Khudair

Receipt No. 1133 Date: February 19 Signature: Signed



## Property Right Statement for the Financial Ended Year on December 31, 2023

Statement	Capital/Dinar	Legal reserve	Accumulated surplus/ Dinar	Accumulated deficit/ Dinar	Total property rights/ Dinar
Balance on July 1, 2023	201,000,000,000	0	0	3,681,765,994	197,318,234,006
Increase in Capital	0	-	-	-	0
Reduces/surplus of previous year	-	-	-	-	0
Reduces / Legal reserve of previous year	-	-	72,239,364	72,239,364-	0
Reduces / Income tax for the previous year	-	3,802,072	-	3,802,072-	13,419,077-
Profit (loss) of the current year	-	87,131,198	1,655,492,763	0	1,742,623,961
Reduces / Adjusting entries / establishment fees	-	-	-	442,937,449	442,937,449
Reduces / Adjusting entries for calculating audit fees	-	-	-	1,670,000	1,670,000
Balance on December 31, 2023	201,000,000,000	90,933,270	1,727,732,127	3,326,619,058-	199,492,046.339

## Statement of changes in property rights for the Financial Ended Year on December 31,2023

Statement	Capital/Dinar	reserveLegal	Accumulated surplus/ Dinar	Accumulated deficit /Dinar
Balance of July 1, 2022	201,000,000,000	0	3,718,247,739-	197,281,752,261
Increase in Capital				0
Adjusting entries			52,978,768-	52,978,768-
Profit (loss) of the current year	0	0	89,460,513	89,460,513
Additions through the year	0	0	0	0
Balance in December 31, 2022	201,000,000,000	0	3,681,765,994-	197,318,234,006

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements

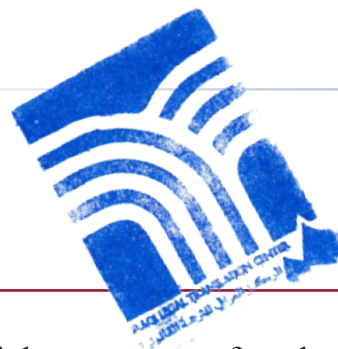




Cash Flows for the Financial Ended Year on December 31, 2023  
Statement of cash flows for the Financial Ended Year on December 31, 2023

	December 31, 2023	December 31, 2022
<b>Operational activities</b>		
Profit (loss) before tax	2,050,145,836	89,460,513
Adjustments for non-cash clauses		
Depreciation and amortization	64,703,279	15,416,095
Allocations for credit facilities	84,429,527	62,247,648
Increase or decrease in allocations	13,419,077	9,032,730
<b>Total flows from operating activities before changes</b>	<b>2,212,697,719</b>	<b>179,156,986</b>
Assets and Liabilities		
Direct credit facilities	680,372,227	5,382,551,971-
Other assets	24,978,561,666-	384,031,182
Customer deposits	15,922,006,101	760,940,657
Banking operations insurance	8,385,870,030	3,273,836,00
Other liabilities	18,565,965,167	6,727,434,885-
Adjusting entries	442,937,449	52,978,767-
<b>Total</b>	<b>19,018,649,308</b>	<b>7,744,157,784-</b>
<b>Total cash flows from operating activities</b>	<b>21,231,347,027</b>	<b>7,568,000,798-</b>
Subtracted Paid income tax	0	0
<b>Net cash flows from operating activities</b>	<b>21,231,347,027</b>	<b>7,568,000,798-</b>
Cash flows from investing activities		
Financial assets	0	0
Fixed assets	434,310,663-	129,503,402-
Intangible assets	737,809,803-	0
<b>Net cash flows from investing activities</b>	<b>1,172,120,466-</b>	<b>129,503,402-</b>
Financing activities		
Retained earnings	0	0
Credit loans	1,254,527,248-	4,274,719,908
Capital increase	0	0
<b>Net cash flows</b>	<b>18,804,600,313</b>	<b>3,421,784,202</b>
<b>Cash and its rewards at the beginning of the year</b>	<b>179,026,586,192</b>	<b>182,451,370,484</b>
<b>Cash and its rewards at the end of the year</b>	<b>197,831,285,505</b>	<b>179,026,586,192</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements



clarifications disclosures related to the financial statements for the ended financial year 31/12/2023

## 1. General information:

The bank was established according to the registration certificate issued by the Companies Registration Department No. 01-000089003 dated August 08,2020 after the bank obtained the approval of the sectoral authority (the Central Bank of Iraq) and the HAMMURABI COMMERCIAL BANK Company (private joint-stock) was considered an Iraqi bank licensed to practice banking activities. In the Republic of Iraq, according to the Central Bank of Iraq letter No. (9/2/17595) and dated November 29,2020, the bank began its banking activity on January 01,2021.

## 2. Implementing the new and amended international financial reporting standards:

A-The new and amended international financial reporting standards that do not have a fundamental impact on the financial statements:

The following new and amended international financial standards were implemented in preparing the bank's financial statements, which became effective for financial periods beginning on or after January 1, 2016, and which did not fundamentally affect the amounts and disclosures contained in the financial statements for the year and previous years. Noting that it may have an impact on the accounting treatment of future transactions and arrangements:

- IFRS No. (14) Deferred Accounts for Regulatory Reasons.
- Amendments to IAS No. (1) Presentation of Financial Statements related to the disclosure initiative.
- Amendments to IFRS No. (H) Joint Arrangements relating to the accounting treatment for purchases of interests in joint operations.
- Amendments to IAS No. (16) Property, Plant and Equipment and IAS No. (38) Intangible Assets clarify acceptable accounting methods for depreciation and amortization.
- Amendments to IAS No. (27) Separate Financial Statements allow entities to record investments in subsidiaries, joint ventures and associates using the equity method in separate financial statements.
- Amendments to IFRS No. (10) Consolidated Financial Statements, IFRS No. (12) Disclosure of Interests in Other Entities, and IAS No. (28) Investment in Associates and Joint Ventures, relating to the application of the consolidation exception to investment entities.
- Annual improvements to IFRS issued during the years 2012-2014, which cover the amendments to IFRS.No. (5) and (7) and IAS No. (19) and (34).





## B- New and amended IFRS issued but not yet effective:

The Bank has not implemented the new and amended IFRS received during their issuance and ready for early implementation, but they are yet to be effective:

### The new and amended IFRS

-The annual improvements to the IFRS issued during the years 2014-2016, which cover the amendments to IFRS No. (1) and (12) and IAS No.(28)

**The amendments to IFRS No. (1) and IAS No. (28) are effective for financial periods starting from January 1, 2018 amendments to IFRS No.12 the Validity for financial periods starting from January 1, 2017**

- Amendments to IAS No. (12) Income Taxes related to the recognition of deferred tax assets for unrealized losses.

- Amendments to IAS No. (7) Cash Flows Statement related to adding disclosures that enable users of financial statements to evaluate changes in liabilities resulting from financing activities.

**January 1, 2017**

**January 1, 2018**

- Interpretation of the IFRS Interpretations Committee No. (22) Split operations in foreign currencies and advance payments.

By dealing with the interpretation of segmented operations in foreign currencies or parts of operations where:

\*There is a price in a foreign currency.

\*The entity recognizes a prepaid asset or a deferred revenue liability related to that price before recognizing the related assets, revenues or expenses.

\*A prepaid asset or deferred revenue liability is a non-monetary asset or liability.

**January 1, 2018**

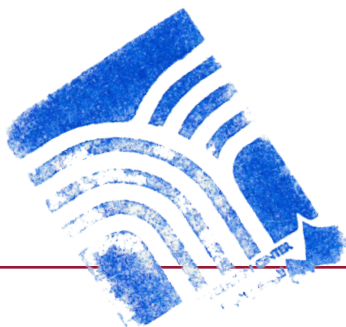
-Amendments to IFRS No. (2) Share-Based Payment related to the classification and measurement of share- based payment operations.

**January 1, 2018**

**When IFRS No. (9) is implemented**

- Amendments to IFRS No. (4) Insurance Contracts related to the difference between the effective date of both IFRS No. (9) and the new insurance contracts standard.

**When IFRS No. (9) is implemented**





January 1, 2018

-Amendments to IAS No. (40) Real Estate Investments, where Paragraph No. (57) was amended to stipulate that the entity transfers any real estate to or from Real estate investments are made only when there is evidence of a change in use. A change in use occurs when real estate conforms or ceases to conform to the definition of real estate investments. A change in administration's intentions to use the real estate does not constitute evidence that the list of examples contained therein is not exhaustive.

- Amendments to IFRS No. (7) Financial Instruments Disclosures related to the initial implementation of IFRS No. (9).

- IFRS No. (7) Disclosures related to additional disclosures about hedge accounting (and subsequent amendments) resulting from the application of the hedge accounting chapter in IFRS No. (9).

- IFRS No. (9) Financial Instruments {amended versions of 2009, 2010, 2013 and 2014}. IFRS No. (9) Financial Instruments was issued in November 2009 and introduced new requirements for classification and measurement of financial assets and was amended in October 2010 to add requirements for classification, measurement, and exclusion of financial liabilities. A new version was also released in November 2013 to include new requirements for hedge accounting.

An amended version of the standard was also issued in July 2014 to mainly include (A) impairment requirements for financial assets (B) specific amendments to the classification and measurement requirements by introducing a category for measuring financial assets through other comprehensive income for some simple debt instruments. The final version to the IFRS No. (9) contains accounting requirements for financial instruments and replaced IAS No. (39) Recognition and Measurement. The new version of the standard includes the following requirements:

Classification and measurement:

Classification of financial assets based on the business model and contractual cash flows. The 2014 version introduced a new classification for some debt instruments, as they can be classified as financial assets at fair value through other comprehensive income, and financial liabilities are classified similarly to IAS No. (39), but there are differences in Requirements applicable to measuring credit risk related to the entity.



January 1, 2018

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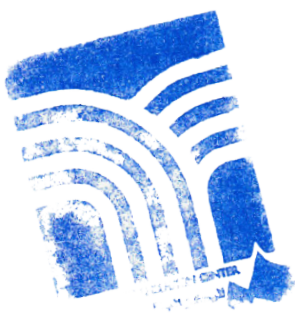
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January 1, 2018

**Impairment:**

2014 version introduced the expected credit loss model to calculate the impairment loss on financial assets, and accordingly it became unnecessary to increase credit risk.

advance so that the impairment loss is recognized.

**Hedge accounting:**

2014 edition introduced a new hedging accounting model that is designed to be more compatible with how entities manage risks when exposed to financial and non-financial hedging risks.

**Recognition Cancellation:**

The recognition cancellation requirements for financial assets and financial liabilities were followed as stated in IAS No. (39).





- IFRS No. (15) Revenues from Contracts with Clients IFRS No. (15) was issued in May 2014, establishing a comprehensive and unified system that entities use to record revenues resulting from contracts concluded with Clients.

IFRS No. (15) will replace the current guidance on revenue recognition, including IAS No. (18) Revenues, IAS No. (11) Construction Contracts, and related interpretations when IFRS No. (15) becomes effective. The basic principle of the IFRS is based on No. (15) However, the entity must recognize its revenues to describe the transfer of agreed-upon goods or services to Clients at a value that reflects the value that the entity expects to obtain in exchange for those goods or services. The standard precisely provides an approach to recognizing revenues based on five steps:

- \*Step 1: Determine the contracts concluded with the client.
- \*Step 2: Determine the performance obligations contained in the contract.
- \*Step 3: Neutralize the transaction value.
- \*Step 4: Allocate the transaction value to the performance obligations contained in the contract.
- \*Step 5: Revenue recognition when the entity fulfills its performance obligations.

Based on IFRS No. (15), an entity recognizes its revenues when the obligation is fulfilled, that is, when it transfers control to the client over the goods or services that involve fulfilment an obligation. More forward-looking guidance has been added to IFRS No. (15) to address specific cases. In addition, IFRS No. (15) requires more detailed disclosures.

- Amendments to IFRS No. (15) Revenue from Contracts with Clients related to clarifying three aspects of the standard (identification of performance obligations, principal versus agent considerations, and licenses) and to provide a convenient transition between amended contracts and completed contracts.

- IFRS No. (16) Leases This standard specifies how to recog-

**January 1, 2018**

**January 1, 2018**

**The implementation date is not yet determined**





nize, measure, present and disclose leases in accordance with IFRS. This standard also provides a unified accounting model for the lessee, as it requires lessees to recognize the assets and liabilities of all lease contracts with the exception of contracts with a term of 12 months. A month or less, or their assets have low values. Lessors continue to classify lease contracts as operating or financing within the concept of IFRS No. (16) related to accounting for the lessor, without a fundamental change from the previous IAS No. (17).

- Amendments to IFRS No. (10) Consolidated Financial Statements and IAS No. (28) Investment in Associates and Joint Ventures (2011), relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.



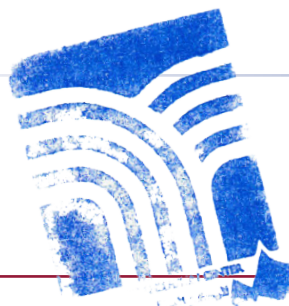
The bank's management expects that the abovementioned standards will be implemented in preparing the financial statements on the effective date of each of them, without these standards having any fundamental impact on the bank's financial statements, with the exception of the implementation of IFRS No. (9), (15) and (16), The management expects IFRS to be implemented. (9) and (15) in the bank's financial statements during financial periods beginning on or after January 1, 2018, and International Reporting Standard No. (16) on or after January 1, 2019, noting that It may have a fundamental impact on the amounts and disclosures contained in the financial statements related to revenues from contracts with clients, the bank's financial assets and liabilities, and lease contracts, but it is impractical to reasonably estimate the impact of implementing this at the present time until management completes the detailed study of implementing these standards to The bank's financial statements.

### 3. Accounting policies:

A. The bank's financial statements were prepared in accordance with IFRS issued by the IAS Board and in accordance with applicable local laws and instructions issued by the Central Bank of Iraq. In this regard, the requirements contained in IFRS No. (1) were taken into account in particular:

- \* All assets and liabilities required to be recognized under IFRS have been recognized.
- \* Not recognizing items as assets or liabilities if IFRS do not allow such recognition.
- \* Some items were reclassified for the purpose of presenting the financial position differently than it was in the unified accounting system.





- \* IFRS were implemented to measure all recognized assets and liabilities, and no differences emerged from what was previously implemented.
- \* Since these financial statements are prepared for bank branches, the scope of implementation includes the bank's financial statements.
- \* The implementation included all executed IFRS on January 01, 2020.
- \* The financial data included in the report were presented, the financial data of the HAMMURABI COMMERCIAL BANK for the ended financial year December 31, 2023, and compared with the financial statements of the previous year on December 31, 2022.

B. The transition to international standards did not affect the financial position, its financial performance, and its cash flows because there were no differences in measurement and simplicity of the operations carried out by the branches.

C- Foreign currencies: Transactions carried out in a foreign currency other than the financial reporting currency are recorded on the basis of the exchange rates prevailing on the dates of the transactions. At the end of each financial period, financial items in foreign currencies are converted on the basis of the exchange rates prevailing on the date of the statement of financial position, while non-financial items in foreign currencies recorded at fair value are retranslated on the basis of the exchange rates prevailing on the date on which the fair value was determined, while the items For non-financial items that were valued on the basis of historical cost in a foreign currency that is not reconverted, the exchange differences are recorded in profits or losses in the period in which they arise, and the bank has approved the following exchange rates:

D- Classification of financial assets Subsequent to initial recognition, investments in securities are evaluated according to their classification:

Foreign currencies	2023	2022
The Iraqi dinar exchange rate against the US dollar	1310	1460
The Irai dinar exchange rate against the euro	1439.3	1783.098

As it is reserved for the due date, or loans and advances, or available for sale, where investments reserved for the due date and investments in loans and advances are measured on the basis of amortized cost using the effective interest method, while investments in securities available for sale are recorded on the basis of fair value, and profits are included or Unrealized losses are included in other comprehensive income, except in the case of unquoted shares whose fair value cannot be reliably estimated, in which case they are recorded at cost.



C- Financial Liabilities: Financial liabilities that are not held for trading and are not determined at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method.

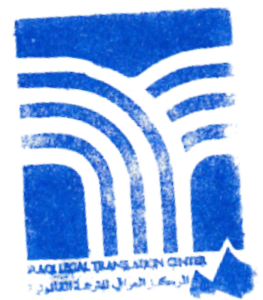
D- Measuring the fair value of financial instruments: The fair value is the value agreed upon to exchange an asset or settle a liability between a willing buyer and a willing seller in a pure commercial transaction. The bank adopts market prices to evaluate its financial instruments traded in an active financial market. If the market for the financial instrument is not active, the bank determines the fair value using a specific evaluation method based on observable market data along with other factors that are likely to affect the fair value of the instrument. The fair value is based on A financial instrument depends on one or more factors, such as the time value of money and the credit risk of the instrument, taking into account other influential factors such as liquidity risk.

E- Impairment of the value of financial assets: At the date of each statement of financial position, financial assets other than those based on fair value through profit or loss are evaluated in terms of the presence of indicators of impairment in their value. Impairment in the value of financial assets occurs when there is tangible evidence as a result of one or more events occurred after the initial recording of the assets took place, and the estimated future cash flows of the investments were affected. The impairment in the value of the recorded assets is measured on the amortized cost basis by the difference between the book value of the assets and their estimated recoverable value.

F- Loans and advances: Loans and advances are recorded on the amortized cost basis after deducting the unrealized lead, and after an allowance for impairment of debts when applicable. Bad and doubtful debts are recorded on the cash basis due to the presence of doubts and the possibility of not collecting their original value and returns.

G-Tangible fixed assets: Tangible fixed assets are shown on the basis of historical cost after deducting accumulated amortizations. The impairment loss, if any, is calculated using the straight-line method in light of the instructions in force in Iraq and on the basis of the estimated service life of the assets in question, as follows:

Assets Type	Estimated service duration
<b>Buildings and facilities</b>	<b>50 years</b>
<b>Machines and equipment</b>	<b>5 years</b>
<b>Means of transport</b>	<b>5 years</b>
<b>Office furniture and devices</b>	<b>5 years</b>





The profits or losses resulting from the exclusion of any fixed assets are recorded in profits or losses.

H- Impairment in the value of tangible and intangible assets: at the end of each financial period, the bank reviews the book values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss in value. If such an indication exists, the recoverable value of the asset is estimated. To determine the extent of the impairment loss. The recoverable value is the highest value between the fair value less the cost of selling and the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks inherent in the asset for which the future cash flow estimates have not been modified.

I- Allocations: Allocations are recorded as a result of a past event that gives the bank a 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.

J- Revenues and charges achieving: Interest revenues and charges are recorded on an accrual basis, taking into account the asset balance and the applicable percentage, with the exception of loans and advances that are classified as sub-ordinary and doubtful, the proceeds of which are recognized only when their recovery is achieved. Fee and commission revenues are recorded when performing the specific services, and profit shares are recognized when the right to inquire about the specific payments arises.

K- Income Tax: Tax expense represents the amounts of taxes due. The bank calculates the income tax provision in accordance with the provisions of the effective Income Tax Law No. 113 of 1982 and its amendments, which set the tax at a rate of 15% of the net taxable profit.

L- Expansion reserve: The bank deducts an expansion reserve of 5% of net profit after all legal deductions are met.

M- Cash and its rewards: It is cash and cash balances that mature within a period of three months or less, and includes cash in bank vaults, balances with the Central Bank of Iraq, and balances with banks and banking institutions, subtracts the deposits of banks and banking institutions that mature during the aforementioned period, and the balances restricted for withdrawal.

#### 4. Important accounting estimates:

In applying the bank's accounting policies, administration must make decisions and make estimates and assumptions about the book values of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on previous experience and other relevant factors, and it is possible that the actual results will differ from the estimates.

The bank reviews the estimates and assumptions related to this on an ongoing basis, and the re-

strictions resulting from amending the accounting estimates are made in the financial year in which the amendment occurs, if the amendment affects only that year, or in the year of the amendment and subsequent years if the amendment affects the current year and subsequent years. Important estimation processes include the following:

- \* Losses on debts allocations, loans and advances.
- \* Determining fair values for financial assets that do not have a market price.
- \* Income tax allocation.
- \* Estimated useful ages of fixed assets.
- \* Impairment of assets



### Hammurabi Commercial Bank (Private Joint-Stock Company)

Statement of Clarifications related to the statement of ended financial year on December 31,2023

#### 5- Cash and balances with the Central Bank of Iraq: -

The details of this clause are as follows

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Cash in the safe/dinar	12,598,614,000	8,888,407,750
Foreign banknotes in the safe	21,738,140	28,164,860
Total cash in the safe	12,620,352,140	8,916,572,610
Current cash balances at the Central Bank	14,288,856,119	19,047,202,014
Legal reserve at the Central Bank	1,238,766,110	199,834,680
Clearing	9,874,778,725	0
Currency centers/ banking	4,118,880-	0
Total balances with the Central Bank	25,310,282,074	19,247,036,694
Grand Total	37,930,634,214	28,163,609,304

#### 6- Local and Foreign Banks

The details of this clause are as follows

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Cash in local banks		
Dar Al-Salaam Bank	150,857,033,116	150,857,048,117
International Islamic Bank	5,450,947,778	2,581,071
Trans Iraq Bank	3,501,490	3,347,700
Al-Rafidain Bank	1,482,186,239	0
Elaf Bank	1,032,000	0
Cash at foreign banks	2,105,950,668	0
Total	159,900,651,291	150,862,976,888

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements

Hammurabi Commercial Bank (Private Joint-Stock Company)

Statement of Clarifications related to the statement of ended financial year on December 31,2023

7- Net Direct Credit Facilities

The details of this clause are as follows

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
<b>A- Facilities granted</b>		
<b>Long-term loans / individuals</b>	<b>100,812,047</b>	<b>11,750,000</b>
<b>Short-term loans / companies</b>	<b>2,500,000</b>	<b>5,555,556</b>
<b>Employee advances/outside the bank</b>	<b>295,327,046</b>	<b>404,751,438</b>
<b>Soft personal loans / Central Bank initiative</b>	<b>1,719,919,005</b>	<b>2,219,664,396</b>
<b>Loans for small and medium projects / Central Bank initiative</b>	<b>2,465,828,727</b>	<b>3,103,269,600</b>
<b>Housing loans / Central Bank initiative</b>	<b>486,111,111</b>	<b>100,000,000</b>
<b>Soft loans due</b>	<b>5,415,037</b>	<b>8,255,658</b>
<b>Project loans due</b>	<b>42,463,535</b>	<b>14,913,444</b>
<b>Employee advances due / outside the bank</b>	<b>5,632,032</b>	<b>2,474,472</b>
<b>Central Bank Initiative Loans Due (Housing)</b>	<b>724,364</b>	<b>0</b>
<b>Short-term loans due – companies</b>	<b>281,785</b>	<b>0</b>
<b>Total</b>	<b>5,125,014,689</b>	<b>5,870,634,564</b>
<b>Decreases/allocation for impairment of direct credit facilities</b>	<b>84,429,527</b>	<b>65,247,648</b>
<b>Net direct credit facilities</b>	<b>5,040,585,162</b>	<b>5,805,386,916</b>

B- Statement of Financial Position

<b>The balance at the beginning of the period</b>	<b>65,247,648</b>	<b>0</b>
<b>Added during the year</b>	<b>19,181,879</b>	<b>65,247,648</b>
<b>Balance at the end of the period</b>	<b>84,429,527</b>	<b>65,247,648</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements



Statement of Clarifications related to the statement of ended financial year on December 31, 2023

#### 8- Financial assets

This clause details as follows:

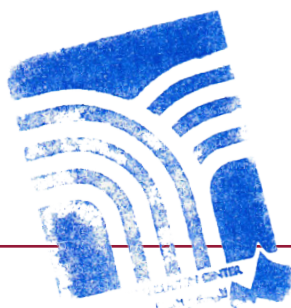
Account Name	December 31, 2023	December 31, 2022
Ministry of Finance building bonds	25,000,000,000	25,000,000,000
Other financial assets	0	0
<b>Total</b>	<b>25,000,000,000</b>	<b>25,000,000,000</b>

#### 9- Other Assets

This clause details as follows:

Account Name	December 31, 2023	December 31, 2022
Community activities initiative Debtors	26,600,000	0
Prepaid expenses	491,250	5,549,460
Private sector debtors - companies	7,050,000	0
Employees advance	125,606,661	156,845,767
Unreceived accruing interest/Ministry of Finance construction bonds	62,328,767	62,328,767
Selfny wallet	25,000,000,000	0
Paid expenses/Central Bank initiative commission	0	1,000,000
Cash differences	0	14,538,500
Judicial expenses	687,250	392,000
Accrued advance for employees	0	332,065
Accrued interest/project loans	2,748,276	5,816,718
Accrued interest / housing loans / Central Bank initiative	427,685	100,000
Accrued interest/advances for employees outside the bank	664,397	1,270,546
Interest accrued /long-term loans/individuals	242,222	28,427
Accrued interest/Companies loans	625	
Accrued interest/Employees advance	258,323	342,062
<b>Total</b>	<b>25,227,105,456</b>	<b>248,543,790</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements.





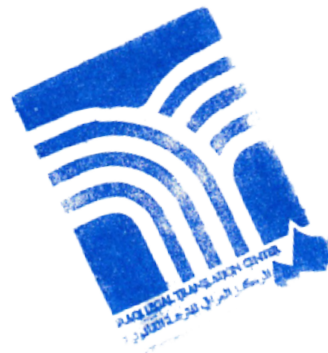
Statement of Clarifications related to the statement of ended financial year on December 31, 2023

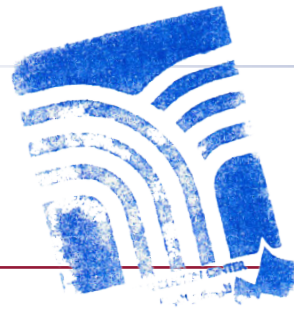
10- Fixed tangible assets

The following table includes details of fixed tangible assets and their depreciation

Statement	Machines and equipments/ Dinar	Tools and frameworks/ Dinar	Office furniture and equipment/ Dinar	Decorates And Partitions/ Dinar	Total/Dinar
<b>Cost</b>					
Balance on July 1, 2023	2,219,000	300,000	167,815,541	20,906,834	191,241,375
Additions during the year	61,230,000	0	348,045,129	12,052,096	421,327,225
Adjusting entry	0	0	0	0	0
Amortization of deferred expenses				3,168,703	3,168,703
Balance on December 31, 2023	63,449,000	300,000	515,860,670	29,790,227	609,399,897
<b>Accumulated depreciation</b>					
Current year depreciation	157,283	65,000	15,943,190	0	16,165,473
Accumulated depreciation amortizations	416,800	60,000	61,057,776		61,534,576
Accumulated depreciation on December 31, 2023	567,333	125,000	75,773,355	0	76,765,688
Book value on December 31, 2023	62,881,667	175,000	440,087,315	29,790,227	532,934,209
Book value December 31, 2020	2,061,717	235,000	151,872,351	20,906,834	175,075,902

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements.





Statement of Clarifications related to the statement of ended financial year on December 31, 2023

### 11. Intangible assets

The following table include details of Intangible assets

Account name	December 31, 2023/ Dinar	December 31, 2023/ Dinar
Establishment expenses	0	0
Additions	0	737,809,803
Settlements	0	0
<b>Total</b>	<b>0</b>	<b>737,809,803</b>

### 12. Costumers Deposits

The following table include accounts of costumers deposits.

Account name	December 31, 2023 /Dinar	December 31, 2022 /Dinar
Current accounts/financial sector	571,168,500	115,098,500
Credit current accounts / private sector / companies	/ 15,471,073,854	410,155,148
Credit current accounts/private sector/individuals	388,311,104	129,992,995
Savings accounts	103,707,827	120,992,995
Current accounts/employee salaries	13,537,752	2,388,695
Certified and seized cheques	0	34,000,000
Bills withdrawal on the bank-	192,604,000	6,104,700
Calculating incoming central transfers	350,000	0
<b>Total</b>	<b>16,740,753,037</b>	<b>818,686,936</b>

### 13. Cash insurance

This clause includes the following: -

Account name	December 31, 2023/ Dinar	December 31, 2022/ Dinar
Insurance of letters of credit	13,864,078,030	5,478,208,000
<b>Total</b>	<b>13,864,078,030</b>	<b>5,478,208,000</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements.

Statement of Clarifications related to the statement of ended financial year on December 31,2023

14: Received loans

This item consists of the following:

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Long term loans/Central Bank initiative (SMEs)	4,503,192,660	5,757,719,908
<b>Total</b>	<b>4,503,192,660</b>	<b>5,757,719,908</b>

15. Other liabilities

This item details are as follows:

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Creditors/credit inquiry fees	890,000	15,000
Non-commercial activity creditors	589,796,826	589,796,826
Accrued unpaid expenses	35,920,000	26,670,000
Creditors/Adjustments Company Service	6,507,199,832	0
Stamp duty due	3,318,965	0
Creditors/private sector/individuals	100,000	0
Auction deposits - transactions	330,000,000	0
Auction deposits - cash	5,583,146,000	0
Deposits	5,998,752,061	
Amounts received for company registration	202,000,000	0
Amounts seized at the request of official bodies	4,007,560	4,007,560
Deductions from employees for the account of others	180,966,592	253,221,834
MasterCard account	3,578,551	
<b>Total</b>	<b>19,439,679,387</b>	<b>873,711,220</b>

16: Other allocations:

This item consists of the following:

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Risks Allocations of undertaking obligations	9,032,730	9,032,730
Income tax allocation	320,940,952	
<b>Total</b>	<b>329,973,682</b>	<b>9,032,730</b>

The notes in the attached statement in disclosure of clarifications No. (1) to (25) are considered an integral part of the financial statements

## Statement of Clarifications related to the statement of ended financial year on December 31,2023

### 17. Credit interest

Below is a table detailing the credit interest

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Granted loans Interests	6,325,400	2,547,295
Employees advances Interests	11,408,962	23,975,599
Employees advances Interests /outside the bank	29,479,386	41,344,324
Project loans Interest /Central Bank initiative	95,410,378	56,344,324
Housing loans Interest /Central Bank initiative	8,708,029	100,000
Deferred interest not received	19	0
<b>Total</b>	<b>151,332,174</b>	<b>124,170,395</b>

### 18. Debit interest

Below is a table detailing the payed interest

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Interest/savings deposits	1,414,165	446,039
Interest/time deposits	0	0
<b>Total</b>	<b>1,414,165</b>	<b>446,039</b>

### 19. Commission income and banking fees

Below is a table detailing revenues from commissions and banking fees

Account name	December 31,2023 Dinar	December 31,2022 Dinar
Miscellaneous services revenues	19,883,720	7,922,500
Master Card revenues	45,845,000	
Internal transfer commission	50,000	5,495,152
Foreign transfer commission	144,081,369	272,571,780
Commission for issuing vouchers and approving checks	1,910,873	102,000
Commission for receiving letters of guarantee	0	473,000
Additional commissions	0	7,008,496
Commission for internal letters of guarantee	2,603,247,306	833,785,260
Commission for brokerage the sale of stocks and bonds	0	20,000
Commission for rejected/returned checks	230,240	15,000
Commission for receiving checks	2,232,400	340,000
Counting and sorting commission	9,103,000	4,323,000
Commission for granting loans from the Central Bank initiative	1,000,000	49,000,000
<b>Total</b>	<b>2,827,674,908</b>	<b>1,181,056,188</b>

The notes in the attached statement in disclosure of clarifications No. (1) to (25) are considered an integral part of the financial statements.

Statement of Clarifications related to the statement of ended financial year on December 31,2023

## 20. Debit Commissions

Below is a table of debit commissions

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Interests of credit current accounts	52	0
Banking commissions paid	48,786,161	41,271,471
<b>Total</b>	<b>48,786,213</b>	<b>41,271,471</b>

## 21. Revenue from buying and selling foreign currencies

The following table includes details of buying and selling foreign currencies

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Revenue from buying and selling foreign currencies/auction	509,065,000	87,998,000
Revenue from buying and selling foreign currencies/trading	708,114,612	
<b>Total</b>	<b>1,217,179,612</b>	<b>87,998,000</b>

## 22. Others Revenues

The following table includes an analysis of other revenues

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Refunded communications expenses	29,596,195	13,465,000
Other bank commissions	85,408,700	153,476,729
Sales of banking publications	22,932,119	7,640,200
Revenues from the sale of gold bullion	21,039,000	0
Donations received	0	7,300,000
Compensation and fines	0	6,300,000
Incidental revenues	42,376	8,018,390
<b>Total</b>	<b>159,018,390</b>	<b>196,253,644</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements



Statement of Clarifications related to the statement of ended financial year on December 31,2023

### 23. Employee salaries and details

Below is a detailed table of employee expenses, including salaries and wages:

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Salaries and wages	965,807,118	645,730,918
Additional work fees	76,091,644	0
Incentive rewards	19,387,945	3,481,565
Compensatory allocations	690,417,604	511,536,737
Training and rehabilitation	25,574,000	50,809,500
Medical personnel equipment	3,955,000	1,296,000
Transporting workers	19,983,250	16,022,000
Contribution to social security	108,452,877	64,080,000
<b>Total</b>	<b>1,909,669,438</b>	<b>1,282,956,720</b>

### 24. Operating expenses

Below is an analytical table of operating expenses

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
Supplies and equipment	42,756,473	6,555,930
Stationery	100,838,009	28,866,070
Water and electricity	10,730,953	19,537,100
Maintenance Services	102,147,725	52,094,320
Research and consulting services	19,535,000	195,098,500
Advertising	1,334,000	3,743,000
Publication and print	0	245,000
Hospitality	12,029,500	7,471,900
Conferences and seminars	81,557,018	11,446,400
Festivals	613,250	0
Bonuses for non-employees	19,777,490	8,535,000
Fuel and oils	27,880,000	21,330,000
Travel and delegate	0	5,708,720
Travel and delegate for activity purposes	14,787,600	7,971,330
Participations	458,430,978	339,062,998
General communications	2,890,500	19,507,720
Transport of goods and commodities	2,739,500	2,576,500
Renting buildings	315,801,250	301,158,820
Legal services	17,792,000	17,650,000
Banking services	49,178,161	136,632,070
Auditor audit fees	32,450,000	26,670,000
Other audit fees	15,400,000	14,250,00
Special service expenses	18,450,000	84,000,000
Donations to others	103,900,000	71,400,00
Compensation and fines	105,533,350	23,596,200
Miscellaneous taxes and fees	48,488,000	383,690,500

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements





## 25. Off-balance sheet operations (commitments and potential liabilities)

This clause includes the following details:

Account's Name	December 31,2023 Dinar	December 31,2022 Dinar
<b>Obligations for letters of guarantee</b>	<b>80,826,443,725</b>	<b>23,709,330,000</b>
<b>Reduction: letters of guarantee</b>	<b>13,864,078,030</b>	<b>5,478,208,000</b>
<b>Total</b>	<b>66,962,365,695</b>	<b>18,231,122,000</b>

The notes contained in the attached statement of clarifications No. (1) to (25) are considered an integral part of the financial statements





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