



CONSERVATIVE

CONSISTENT

CLIENT-DRIVEN

## VISION

The International Development Bank (IDB) will be the premier domestic financial services enterprise in providing superior products and services of high quality through innovation, technology and life-long client relationships.

## MISSION

IDB to emerge as a leading retail and commercial bank offering a selective range of investment and banking services, including corporate and individual finance, throughout the Republic of Iraq. We aim to continuously provide innovative products and services, catering the growing investments of our clients, while abiding to high ethical and professional standards of conduct. In so doing we aim to maximise shareholders' value as well as contribute towards supporting Iraq's objective of strengthening ties with regional and international financial markets. The Bank will expand its overseas presence in more locations in which it chooses to operate in order to satisfy the diversified needs of clients. We believe clients are the driving force in everything we do. We will not compromise on our absolute commitment to providing the very best in client service.



International Development Bank

## IDB Profile

Established in 2011 as a private share holding company which has grown steadily to become one of the country's leading providers of retail and commercial banking services.

Though the Bank has been established since three years only, IDB has captured a major share of the total domestic commercial banking market with current network of 7 branches and 23 branches to be opened before end of 2014. At the same time, the Bank continues to diversify and develop capabilities to capture business opportunities in the region and international markets.

Market driven and customer led, the Bank harnesses the latest technology to people skills, enabling its employees to deliver highly professional services for retail and corporate customers.

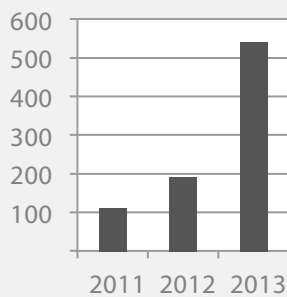
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# Financial Performance Highlights

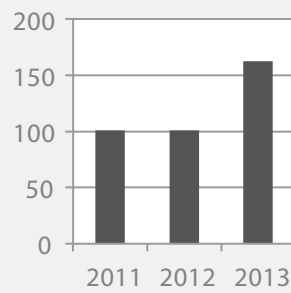
## TOTAL ASSETS

IQD Billion



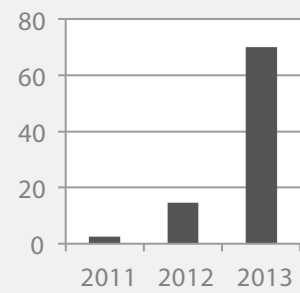
## SHAREHOLDERS EQUITY

IQD Billion



## TOTAL REVENUE

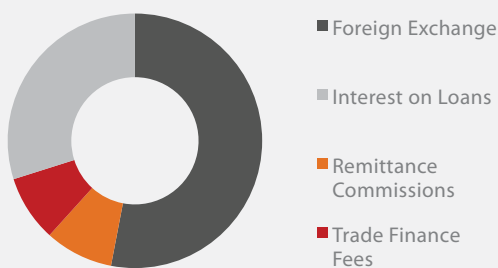
IQD Billion



## TOTAL EARNINGS

IQD Millions

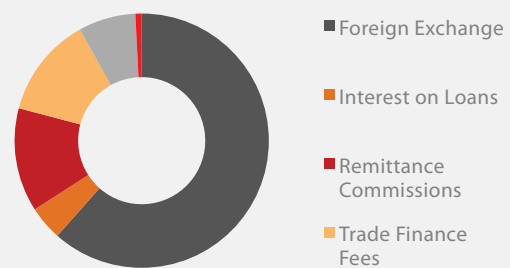
Year end 31 December 2012



## TOTAL EARNINGS

IQD Millions

Year end 31 December 2013



## Financial Ratios

### RETURN ON ASSETS

2011	1.05%
2012	1.12%
2013	5.83%

### LIQUIDITY - CURRENT

2011	8.49x
2012	1.67x
2013	01.4x

### RETURN ON EQUITY

2011	1.17%
2012	2.16%
2013	19.48%

### LOANS TO DEPOSITS

2011	Nil
2012	Nil
2013	27.04%

### LEVERAGE (LIABILITIES TO ASSETS)

2011	10.11%
2012	59.84%
2013	71.59%

### NET PROFIT MARGIN

2011	45.50%
2012	15.03%
2013	45.17%



## Chairman's Statement

On behalf of the Board of Directors, I present the Annual Report of International Development Bank (IDB) for the year ended 31 December 2013.

### General Operating Environment

2013 has been a year of high growth in Iraq. An improving security environment and foreign investments have helped to spur economic activities, particularly in the energy, construction, and retail sectors. Broader economic development, long-term fiscal health, and sustained improvements in the overall standard of living still depend on the Central Government passing major policy reforms. Iraq's largely state-run economy is dominated by the oil sector that provides more than 90% of government revenue and 80% of foreign exchange earnings. Iraq in 2013 boosted oil exports to a 30-year high of 3.6 million barrels per day, a significant increase from Iraq's average of 2.6 million in 2012. Government revenues increased as global oil prices remained persistently high for much of 2013.



Iraq's economy, though is not immune from the effects of the global slowdown, has performed reasonably well, compared to economies around the world.

Iraq's economy has seen favorable trends emerging based on the data available for 2013 that points to a broad based recovery. Most sectors have experienced a clear growth since last year, including mainstays such as construction.

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## Overall Performance

2013 has been another successful year for the Bank with a net profit of IQD 31.65 billion, a vast increase of 1350 percent over 2012. Strong growth in revenue and careful expense management resulted in an operating profit before provisions of IQD 70.07 billion for 2013, an increase of 382.7 per cent over the previous year. These results are a testimony to the resilience of the Bank's business model that focuses on strong domestic growth while selectively seeking new business opportunities in the global market. Total equity increased by 93 percent and total assets increased by 179 per cent. The Bank remains well capitalized with strong liquidity and a well-diversified asset portfolio.

Customer deposits at IQD 340 billion showed a growth of 287 percent reflecting the continued success of our deposit mobilization initiatives. Total earning assets increased from IQD 195 billion at the end of 2012 to IQD 543 billion at the end of 2013, as the Bank cautiously added new loans that met with our well established risk reward criteria. The surplus funds were invested in bonds and money market.

The prospects for 2014 appear promising although there are significant challenges facing the local economy. We hope the authorities in developed countries continue their relentless efforts to overcome the hurdles facing their economy which will have significant impact on the growth prospects for the region.

## Acknowledgements

The Directors, on behalf of the shareholders, take this opportunity to express their gratitude and sincere appreciation to government ministries and institutions-especially the Ministry of Finance and the Central Bank of Iraq, for their guidance, kind consideration and support. The Directors also extend their thanks and appreciation to the staff of the Bank whose dedicated service and commitment has played a vital role in the achievements of the Bank over the years and to all our valued customers and friends for their continuous support and confidence reposed by them in the International Development Bank-Iraq.

Mueen Hussain Al-Hashimi  
Chairman



CONSISTENT  
PERFORMANCE

&

GROWTH  
DEMONSTRATES

THE BANK'S STRENGTH IN  
STRATEGY AND MANAGEMENT



International Development Bank



## Board Of Directors



### *Mueen Hussain Al Hashimi* | **Chairman**

An established businessman from a reputed and well known family in Iraq with over 35 years of experience in Business and Trading. Mr. Mueen Al-Hashimi is also the Chairman of Al-Hashimi Group, established over 100 years ago as the first importer of foodstuff in Iraq. Al-Hashimi Group is currently the proud agent of Mercedes Benz, Volkswagen, Audi & Porsche. Mr. Mueen holds a BSc in Economy.



### *Saleem Ameen Al-Jaf* | **Vice Chairman**

Mr. Al-Jaf held various senior positions at Al-Rafidain Bank, Trade Bank of Iraq and Iraq Middle West Bank. He has over 30 years of experience in banking and financial institutions in Iraq. Prior to joining IDB in 2013, he served as the Managing Director of Iraqi Depository Centre for Commercial Papers. Mr. Al-Jaf is a graduate with BSc in Mathematics from Al Mustansiriya University.



### *Fouad Mohammed Al-Jawahri* | **Member & Managing Director**

Mr. Al-Jawahri has over 50 years of banking experience. He held many managerial positions in the Central Bank of Iraq, in addition to serving in leadership position in Al-Bilad Islamic Bank. Mr. Al-Jawahri holds a BSc in Accounting from University of Baghdad.



### *Mahmood Mohammed Al-Barazenchi* | **Member**

Mr. Al-Barazenchi has over 50 years of banking experience in prominent banks and financial institutions in Iraq. He was the deputy general manager of Al Raffidain Bank, the former Managing Director of both Baghdad Bank and Kardistan International Bank. He also served as financial banking expert in the Trade Bank of Iraq. Mr. Al-Barazenchi graduated from University of Baghdad with BSc in English Literature.



### *Safa Hussein Habib Alfartosy* | **Member**

Safa Hussein Habib Alfartosy is a prominent banker with vast experience in managing financial institutions at its best. With over 23 years in the banking industry and with another 13 years in managing a power plant he brings with him a huge experience of value addition. He is a Bachelor of Mechanical Engineering from University of Baghdad and a Master of Arabic Language from University of Baghdad.



## Managing Director's statement

*"To further enhance product and service offerings besides strengthening customer relationships and expanding distribution network, the IDB took several initiatives during 2013, resulted in achieving a high record performance for the year."*

The Bank focused on its strategy for consolidating its position in the domestic market, while selectively seeking new business opportunities in the international market was translated into a notable high record performance for the year. Key performance indicators show steady progress as the Bank continues to enhance products and services offerings to its clients.

The Bank maintained its growth momentum during the year with a strong increase in business volumes and operating revenue while maintaining strict control on operating costs. The impetus during the year was to selectively expand our assets portfolio while efficiently deploy surplus liquidity in other earning assets both domestically and globally. While revenue showed strong growth, we continue maintaining strict vigil on operating expenses with several cost rationalization measures.

The Bank's business model is built on sound and prudent business practices with a well-balanced asset profile. Total earning assets has recorded in a well-diversified portfolio of loans and investments.

Commercial Banking maintained its leadership position in the domestic market. This was done through expansion of the distribution network, introducing of several banking products in line with the changing preferences of customers. The Bank is well positioned to leverage on the network of branches and other delivery channels to target new business opportunities and cross-sell products to existing customers.

Business Banking focusing on relationship management and maintaining close contact with customers resulted in tailor made solutions being offered to individual customers to


*Continues..*

**“ We are optimistic about the growth prospects that these initiatives will offer for the financial services industry. ”**

meet their specific requirements. The bank also acquired new customers and increased exposures to existing customers who meet the Bank’s stringent risk parameters. On the liabilities side, the bank was successful in attracting new deposits by leveraging on the Bank’s image as a safe and sound financial institution in Iraq.

Iraq government is committed to improving the wellbeing of its citizens and is taking several initiatives to stimulate domestic growth. We are optimistic about the growth prospects that these initiatives will offer for the financial services industry. IDB’s strategic plan and balance sheet is well positioned to capitalize on these opportunities to achieve stronger growth in the coming years. We will leverage on the network of branches and other delivery channels in Iraq to cross sell our products and services to our valued customers, both in the retail and corporate segments. Since the beginning, we have built a strong reputation as a sound and safe institution following a path of prudent growth. This together with the well-established business franchise, strong capital base and adequate liquidity will enable us to achieve our strategic business priorities.

Fouad Mohammed Al-Jawahri  
Managing Director



“Good corporate governance is a vital ingredient in the creation of sustainable shareholder value and protecting the interests of all stakeholders.”

## Corporate Governance

The Board of Directors is responsible for the overall governance of International Development Bank. The Board ensures that high ethical standards are established across the Bank and regularly reviews the Bank's compliance with Central Bank of Iraq regulations, regarding corporate governance. The Board recognizes that good corporate governance is a vital ingredient in the creation of sustainable shareholder value and protecting the interests of all stakeholders.

Maintaining the best standards of corporate governance has provided the Bank's customers, counterparties, shareholders, regulators, employees and rating agencies with a high degree of confidence in our institution; achieved an appropriate balance between long-term growth and short-term objectives; created a sound portfolio of assets, a stable customer base, income diversity as well as the ability and resources to face economic cycles and uncertainties. The Board has set the moral tone for the Bank with a high degree of intolerance for any instances of malpractice, fraud and unethical behaviour and ensured the highest degree of adherence to laws, rules and regulations.

## Board of Directors

The Board of Directors are elected by secret ballot at the ordinary general meeting of the shareholders, by a simple majority of valid votes. The individuals concerned should meet the 'fit and proper' criteria established by the Central Bank of Iraq and their appointment is subject to prior approval by the Central Bank of Iraq. The present Board of Directors was elected at the annual general meeting in 2013.

On joining IDB's Board, all directors are provided with a "Directors Kit" which covers key issues like the Bank's strategy, brief overview of the Bank and its business profile, key policies, terms of reference of the Board and its sub-committees and corporate governance guidelines. Induction sessions are also held with the Chairman and Chief Executive Officer which focuses on business profile, opportunities, challenges and risks faced by the Bank.

In accordance with the definitions stipulated by the CBI, directors are categorized as executive, non-executive, independent and non-independent. The roles of the Chairman and the Chief Executive Officer are separate and exercised by different persons.

The Board's primary responsibility is to deliver sustainable value to all stakeholders by charting the strategic direction of the Bank as well as setting the risk appetite and the overall capital structure of the Bank. The Board is also responsible for monitoring management's running of the business within the agreed framework. The Board seeks to ensure that the management strikes an appropriate balance between long-term growth and short-term objectives. The Board is ultimately accountable and responsible for the affairs and performance of the Bank. Accordingly the main functions of the Board are to:

- Maintain an appropriate Board Structure.
- Maintain an appropriate management and organization structure in line with the Bank's business requirements.
- Plan the strategic future of the Bank, approve annual business plans, approve and monitor major initiatives.
- Monitor the operations framework of the Bank and the integrity of internal controls.
- Ensure compliance with laws and regulations.
- Monitor the Bank's performance, approve financial results and ensure transparency and integrity in stakeholders reporting including, financial statements.
- Evaluate periodically the Board's own performance including that of Board sub- committees.
- Ensure equitable treatment of all shareholders including minority shareholders.

The Chairman is mainly responsible for the leadership of the Board, ensuring that it operates effectively and fully discharges its legal and regulatory responsibilities.

The Board of directors meets regularly throughout the year and maintains full and effective control over strategic, financial, operational, internal control and compliance issues as per its terms of reference, the Board shall meet at least once every calendar quarter.

In its role as the primary governing body, the Board of Directors provides oversight for the Bank's affairs and constantly strives to improve and build on the Bank's strong corporate governance practices. The business performance of the Bank is reported regularly to the Board of Directors. Performance trends as well as performance against budget and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies, in accordance with the Iraqi and the International financial reporting standards. Operational procedures and controls have been established to facilitate



completeness, accuracy and timely processing of transactions and safeguarding of assets.

The Board of directors has unlimited authority within the overall regulatory framework. Whereas the Board has delegated approval authorities to its sub-committees and members of management; all transactions falling outside the delegated limits are referred to the Board for approval. In addition, the Board approves on a yearly basis the annual budget, risk strategy and operating limits for various activities of the Bank.

### Management Structure

The Board has established a management structure that clearly defines roles, responsibilities and reporting lines, the details of which are annexed to this report. Within the management structure there are separate committees responsible for Business review, development and planning; credit; asset/liability management; human resources; operational risk management and Business continuity planning. These committees, comprising of members of the senior management, meet on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

The corporate secretary has direct access to the Board of directors as per the requirements of corporate governance.

### Performance Evaluation of Board & Sub-Committees

Scoring Matrix for the aim of self-evaluation is set to assess the performance of Board of Directors and its sub-committees for the year 2013. This was carried out through the completion of a structured questionnaire on the effectiveness and contribution of each member against certain pre-defined criteria as per the mandate of the Board and each Board sub-committee. The nomination and remuneration committee is responsible for overseeing the process and the findings were presented to the Board of Directors in Jan 2014 which confirms that IDB's Board continue to operate with a high level of effectiveness.

### Related Party Transactions and Conflict of Interest

Directors have a duty under CBI regulations as well as the Bank's corporate governance policy to avoid situations in which they may have conflicts of interest with those of the

Bank, unless they are specifically authorized by the Board of Directors. This includes potential conflicts that may arise when a director takes up a position with another company or has any material transactions with the Bank.

The Bank has policies and procedures for handling related party transactions including loans and advances to Directors, Senior Management and their related parties, as well as transactions and agreements in which a director or an employee has a material interest. In addition, exposures to Directors and Senior Management are governed by the regulations of the CBI. As per the Bank's policy, the Directors concerned do not participate in decisions in which they have or may have a potential conflict of interest. Having reviewed all such transactions during 2013, it was concluded that there were no transactions involving potential conflict of interest which need to be brought to the attention of the shareholders.

### Code of Conduct

The Board has adopted a comprehensive code of conduct that provides a framework for directors, officers and employees on the conduct and ethical decision making integral to their work. All officers and employees subscribe to this code and are expected to observe high standards of integrity and fairness in their dealings with customers, regulators and other stakeholders.

### Whistle Blower Policy

The Board has adopted a Whistle blower policy which provides all employees with the opportunity to report in good faith, any instances they observe regarding unethical and improper practices or any other wrongful conduct of a financial or legal nature in the Bank. The policy is available on the Bank's website.

### Communication strategy

The Bank has a public disclosure policy, approved by the Board of Directors. The Bank is committed to support the timely and accurate disclosure of material information in accordance with the requirements set out in the rules and regulations of the CBI as well as other applicable laws, to facilitate efficient capital market activities. The Bank believes in the principle of transparency about its financial performance thus enabling all stakeholders to have access to such information on a timely basis. The External Auditors review the system of internal controls considered necessary for them to form an opinion

on the financial statements. In addition to the annual audit, the external auditors conduct reviews on the Bank's quarterly financial statements. These statements are subsequently published in the newspapers and posted on the Bank's website in accordance with regulatory requirements. The annual report including the complete financial statements for the current financial year and the preceding financial years are provided on the Bank's website.

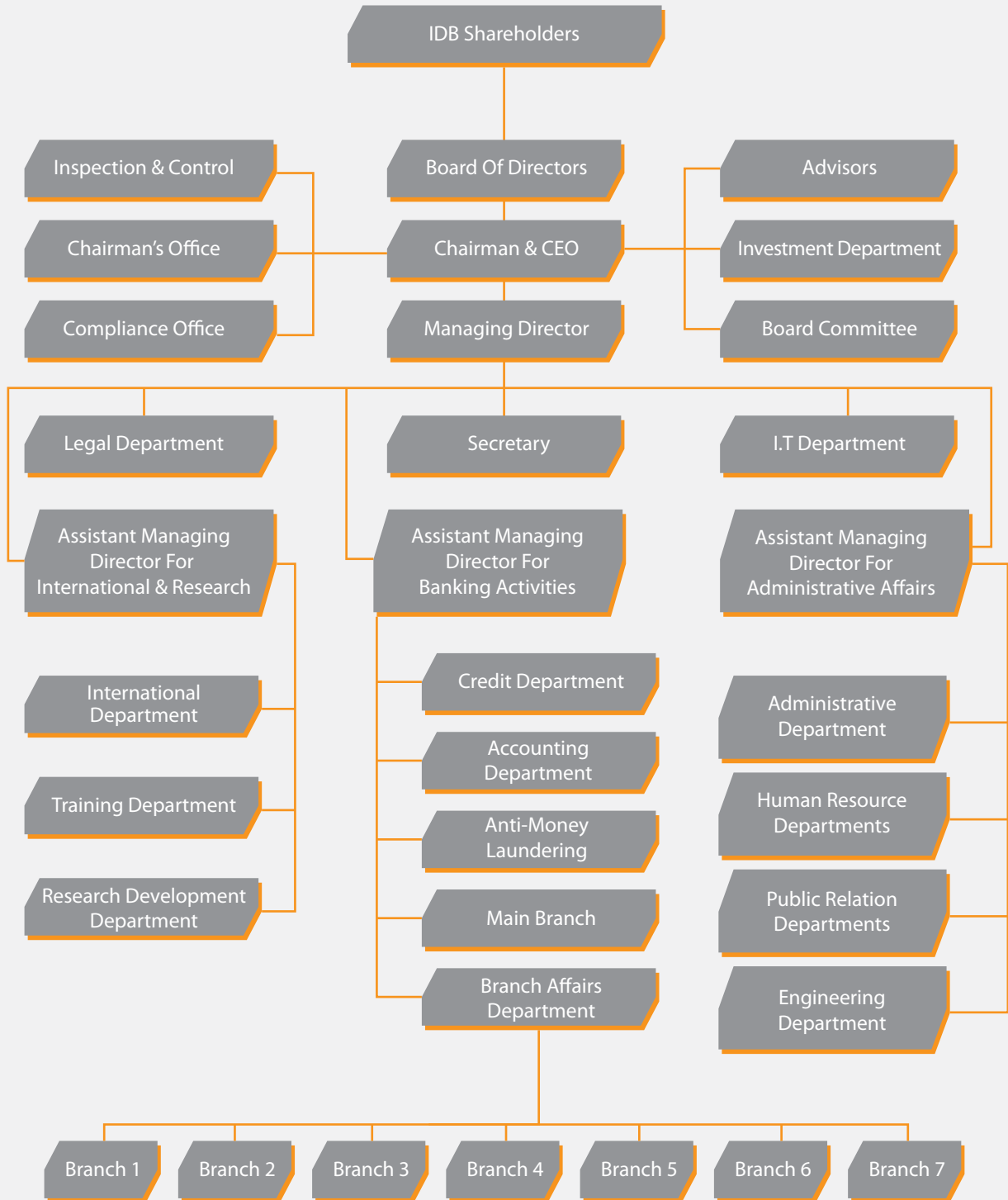
### Board of Directors Remuneration Policy

The Board of directors is paid an annual remuneration as approved by the shareholders at the annual general meeting. While the amount of remuneration is not directly linked to the performance of the Bank, factors such as the Bank's performance, industry comparison and the time and effort committed by the directors to the Bank, are considered for determining the total remuneration. Directors' remuneration is accounted as an expense as per International Accounting Standards and CBI regulations, the payment of which is subject to approval by the shareholders at the annual general meeting. In addition, the members are paid sitting fees for the various sub-committees of the Board of directors.

### Employees Remuneration Policy

As the quality of human capital is fundamental to success, the Bank's remuneration policy is to attract, retain and motivate the best talent. In line with this strategy, employees' remuneration and benefits are reviewed and revised annually in the context of business performance, industry and local practices. While a major component of employees' remuneration consists of fixed monthly salaries and allowances, employees are provided with several other benefits like performance bonus, and retirement benefits. The Bank does not have any share based incentive schemes at present.

# Organization Structure





*“Information technology department’s strategic projects and initiatives for the year 2013, concentrated primarily to enhance core banking systems functionality, upgrade I.T infrastructure and to develop satellite systems, to achieve the objective of a strategically planned migration toward technology services,”*

## Executive Management Report

Information technology department's strategic projects and initiatives for the year 2013, concentrated primarily to enhance core banking systems functionality, upgrade I.T infrastructure and to develop satellite systems, to achieve the objective of a strategically planned migration toward technology services, enhance our customer services and ensure compliance for regulatory requirements as well as compliance for internal control.

IDB customer delivery systems were enhanced to provide our customers with more facilities, enriching their banking experience. The Bank's I.T has implemented a state-of-art Internet Banking service for its corporate and commercial segment of customers, who can conduct their banking transactions on a real-time basis from their locations. In an effort to support the "go green" initiative, I.T has implemented systems that enable sending customer accounts statements via e-mails straight through processing (STP) of both the inward and the outward remittances have been implemented providing thereby a real-time transfer of funds facilities for our customers.

Credit card customers' service has been extended and IDB customers can now pay their credit card bills through our Internet Banking.

During the year, the bank committed resources to enhance protection of its customer information, embarking on projects that were aimed at augmenting the network security framework and to restructure the security architecture. Besides, to protect our Internet Banking customers from phishing attempts, IDB has periodically conducted customer awareness campaigns. In an effort to protect our customers, coupled with the CBI mandate, IDB I.T has implemented SMS alerts for customers' card based transactions.

IDB's disaster recovery capabilities were pro-actively perfected based on the periodic mock drills conducted to assess bank's readiness to switch over to the DR site addressing Business continuity requirements

## Call Centre

IDB call centre manages service delivery of Inbound / outbound voice operations with a multitalented team of customer service associates. The year 2013 has been a very customer and sales centric year for IDB's call centre. The key thrusts of this year were to augment customer experience, service efficiency and cost rationalization. The call centre has always led from the front in information dissemination and to continue on the same spirit this year the centre initiated a satisfaction survey.

The call centre aims to become a profit centre and therefore one of our focuses was to augment sales and work hand in hand with direct sales staff. The call centre associates strongly cross and up sold IDB's products on inbound calls. Direct sales complemented our efforts by successfully closing a lot of the generated leads.

After the successful training and implementation of workflow system within the cards centre on 2012; call centre's challenge for the year 2013 was to implement the workflow for all IDB branches and merchant sales and support. The purpose of workflow is to identify the exact statistics of customer requests, enquires and complaints. This will lead us to identify the weakness of the current procedures and processes.

Another achievement this year is the customer satisfaction survey, the call centre conducted customer satisfaction survey by calling IDB customers. The purpose of conducting the survey was to gauge the satisfaction level of our customers and to find gaps in our services. The survey analysis will also help us in thrusting right products for the demographic group. Overall it was a challenging year and we hope to continue our efforts in providing unparalleled customer satisfaction.

### Card Centre

IDB launched the prestigious Classic, Gold & the prestigious Platinum card in association with Master Card making 2013 a distinguished year for cardholders. The IDB card center successfully implemented the payment of credit cards through Internet Banking. To further enhance the service levels, credit card payments from any channel would be credited to the cardholders card promptly giving customers the freedom to spend and load the cards 24 x 7. Compliance to CBI mandates has been paramount to IDB's operational endeavours.



### Central Operations

IDB has always strived to maintain the highest standards of services in funds transfer operations and in 2013, the Bank remained committed to this strategic initiative.

The Bank also successfully implemented a STP system ("Straight Through Processing"). The implementation of such system is mainly aimed at providing much better customer services by enhancing the process efficiency of the incoming and outgoing wire transfers, where incoming wire transfers are automatically credited to customer's account instantly once are received, the outgoing payments are also handled in a better efficient methodology. This implementation is considered as one of the most important bank's implementations that enhances the operations process, eliminating human errors and ultimately providing best customer's services.

## Human Resources

During 2013, competency building process was at the core of HR priorities. Enabling staff to deliver best in class customer service and prudent financial advice was the mandate behind the design & development of various training programs, which were targeted at the front-end customer facing staff. The competencies built through these training programs are part of the Bank's core competency framework, which is linked to the performance management system. Through this integrated approach efforts are being put to focus the staff on the Bank's values and key strategic priorities of the Bank.

Developing the business in middle market segment (small & medium enterprises - SME), is one of the strategic priorities for the Bank. This priority resulted in the development of SME financing training program for Branches heads.

## Corporate and Commercial Banking

IDB's Corporate and Commercial Banking continued to stream-line business, maintained strong financial position and continued to be a market leader in serving customers by all means possible.

In an environment which has challenged even well established players, the Bank has revised the products and services together with our delivery channels on a regular basis, and where possible has made the necessary changes to strengthen business propositions in the prevailing market condition.

The Bank has kept in close contact with customers throughout the year in order to better understand how they are performing. Based on this information, wherever possible, the Bank has endeavoured to "tailor made products" which met the customer's requirements during this demanding period.

IDB's commitment to the local economy is reflected by the booking of new assets (loans) during the year. We firmly believe that Iraq is not only well positioned to withstand the prevailing economic conditions but come out of this as a much stronger economy based on the knowledge and experience gained during this difficult period. The Bank has witnessed a strong growth in 2013, which is a good sign for 2014 and beyond.

On the liabilities side, the Bank continued to attract new deposits resulting in a significant growth. We leveraged on the sound reputation of the Bank, and depositors were inclined to place their deposits with IDB.

Corporate and Commercial Banking activities continued to improve their products and services for the benefit of the Bank's customers. . The unit looks forward to 2014 with optimism, based on improving market situation and strong deal flows in the pipeline. The Bank is confident that it is strongly positioned to meet customers' needs in 2014 and beyond.



## Personal Banking

Some banks continued to offer high rates to attract deposits. Banks with better liquidity and lower cost of funds reduced pricing on retail loans, as a relatively lower risk option. Operating within these market parameters, new packages and campaigns were launched aimed at individuals, while existing ones were streamlined. The bank took a price leadership positioning in retail loans and offered rates that were very competitive to customers. This strategy was well supported through below the line campaigns, through branch merchandising, bulk messaging and data mining to cross sell to existing customer base. This strategy helped the bank in enhancing booking volumes and income. Money Transfer services via Western Union was introduced for inbound and outbound transfers in all of our 7 branches which connects the bank with 515,000 Western Union Agents worldwide.

## Management Review of Operations

The Gross Domestic Product (GDP) of Iraq expanded 4.21 percent in 2013 from the previous year. GDP Annual Growth Rate in Iraq is reported by the Central Bank of Iraq. GDP Annual Growth Rate in Iraq averaged 8.06 Percent from 1991 until 2013, reaching an all-time high of 54.16 Percent in 2004 and a record low of -56.40 Percent in 1991. In Iraq, oil extraction is the most important sector of the economy and accounts for 55 percent of GDP. The services sector constitutes 33 percent of the output. Within services, the largest segments are: community, social and personal services (13 percent of GDP); finance, insurance and real estate services (9 percent) and wholesale and retail trade and restaurants and hotels (7 percent). Manufacturing, construction and water and electricity production and distribution account for 8 percent of the wealth and agriculture, forestry, hunting and fishing for the remaining 4 percent.

## Foreign Exchange & Money Markets

Increased market uncertainties coupled with banking credit downgrades, and depressingly low interest rates during 2013 resulted in an extremely challenging year for the Fx & Money Market unit. Nevertheless, the Bank managed to lucratively exceed its targeted budget.

During 2013, the Bank succeeded in cautiously implementing a prudent yet advantageous management stratagem, by profitably augmenting a number of gapping activities in international currencies.

However, in adherence to our conservative approach and relevant to arising credit concerns during the course of the year, IDB elected to adopt a cautious cash management approach, with liquidity being maintained on a relatively short-term basis.

## Treasury Marketing & Sales

Determined to protect the Bank's market share in FX operations, IDB has effectively acquired steady FX turnovers throughout the year which enabled it to achieve the budgeted income for 2013.

IDB has succeeded in maintaining high volumes of customers' deposits with good size of amounts booked for long tenors with the bank at competitive rates.

## Risk Management

In a world characterized by high integration of global financial markets, innovation in financial products, extensive use of derivatives, market volatility and large scale regulatory changes, the management of risk is a key issue for every bank. IDB has developed risk management into a core competence and remains well positioned to meet these challenges. The Bank evaluates risk in terms of the impact on income and asset values. The evaluation reflects the Bank's assessment of the potential impact on its business on account of changes in political, economic and market conditions and in the credit worthiness of its clients. Risk management at IDB has always been prudent and proactive with the objective of achieving the optimum balance between risk appetite and expected returns risk arises from the Bank's lending and investment activities as carried out by the various units. International Banking Department is involved in identifying and financing trade flows between Iraq and the rest of the world. Commercial banking's responsibilities cover the borrowing requirements of small to medium-sized companies based in Iraq. Personal banking handles lending to individuals in Iraq and other retail services.

The overall authority for risk management in the Bank is vested in the Board of Directors. The Board authorizes appropriate credit and market risk policies as well as suitable operational guidelines based on the recommendation of Management. Approval authorities are delegated to different functionaries in the hierarchy depending on the amount, type of risk and collateral security. The Bank has established committees that decide on all risk issues and authorities are properly structured.

Integral to the Bank's risk management system is the internal audit department that plays a role in evaluating the independence and overall effectiveness of the Bank's risk management functions. A periodic review of risk assets is conducted by the department to confirm that established policies, procedures and approved terms are complied with, and to review asset quality and highlight areas of concern so that corrective action can be taken in time.

The Risk Group of the Bank provides the necessary support to senior management and the business units in all areas of risk management. This division functions independently of the business units to analyze risks and put forth its recommendations prior to approval by the delegated authorities. The Bank promotes healthy debate among the business units and risk group to achieve an optimum balance between risk and return. The Bank's risk management process encompasses the various dimensions of risk as follows:

### Credit risk

Credit risk represents the potential financial loss as a consequence of a customer's inability to honor the terms and conditions of the credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items. The Bank has well laid out procedures, not only to appraise but also to regularly monitor credit risk. Regular reviews are carried out for each account and risks identified are mitigated in a number of ways, which include obtention of collateral, counter-guarantees from shareholders and/or third parties. Adequate margins are maintained on the collateral to provide a cushion against adverse movement in the market price of collateral.

In addition to rigorous credit analysis, the terms and conditions of all credit facilities are strictly implemented by the credit administration section. An internal grading system and review process ensures prompt identification of any deterioration in credit risk and consequent implementation of corrective action. The Bank's internal ratings are based on a 10-point scale that takes into account the financial strength of a borrower as well as qualitative aspects, to arrive at a comprehensive snapshot of the risk of default associated with the borrower. Ratings are further sub-divided into categories which reflect estimates of the potential maximum loss if default occurs. Risk ratings assigned to each borrower are reviewed at least on an annual basis. Regular monitoring of the portfolio enables the Bank to weed out accounts that evidence deterioration in risk profile.

The Bank has systems and procedures in place to generate alerts in case of past dues in any account. A stringent classification process is followed for all accounts with past dues of over 90 days. The bank applies rigorous standards for provisioning and monitoring of non-performing loans. Level of provisions required is determined based on the security position, repayment source, discounted values of cash flows, etc. Adequate provisions are carried to guard against inherent risks in the portfolio.

## Legal Risk

Legal Risk Management Systems Supplement the above credit procedures and guard against the inability of the Bank to enforce claims against counterparties and borrowers. In-house expertise together with firms of International repute retained by the Bank ensures that the facility documentation encompasses eventualities that might affect the implementation of stipulated terms and conditions.

## Liquidity Risk

Liquidity risk is classified as the potential inability of the bank to meet its financial obligations on account of a maturity mismatch between assets and liabilities. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Bank the assets/liabilities management policies of the bank define various liquidity criteria that need to be complied with, such as minimum level of liquid assets, gap limits, ratio of liquid assets to total assets, etc.

The Bank maintains adequate investments in liquid assets such as inter-bank placements and treasury bills. In addition, the Bank also relies on trading assets and other marketable securities to provide secondary sources of liquidity. The high level of liquidity enables the Bank to meet fluctuating customer borrowings and drawdowns comfortably.

The Bank's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base. The marketing strategy of the Bank has ensured a balanced mix of demand and time deposits. As a result of its successful deposit and asset-liability management strategies, the Bank is a net placer of funds in the interbank market and is not dependent on volatile short-term borrowings.

The Bank closely monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. Substantial investment securities with contractual maturities of more than three months can also be readily liquidated. Considering the effective maturities of deposits based on retention history and in view of the ready availability of liquid investments, the Bank is able to ensure that sufficient liquidity is always available. Proper contingency plans exist and can be implemented on a timely basis to minimize the risk associated with dramatic changes in market conditions.

## Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact margins, net interest income and the economic value of the Bank's equity. The Bank's asset and liability management process is utilized to manage interest rate risk through the structuring of on-balance sheet and off-balance sheet portfolios. Net interest income will be affected as a result of volatility in interest rates to the extent that the reprising structure of interest bearing assets differs from that of liabilities. The Bank's goal is to achieve stable earnings growth through active management of the assets and liabilities mix while selectively positioning itself to benefit from near-term changes in interest rate levels.

The Bank uses interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to reprising mismatches between rate sensitive assets, liabilities.

## Market risk

Market risk is classified as the risk to the value of the trading portfolio arising from changes in interest rates, foreign exchange, commodities and equity prices. The bank's trading activities are governed by conservative policies, adherence to limits set annually and regular reviews. Quality and rating are the main criteria in selecting a trading asset.

Using the standardized method, the bank calculates the capital that is required to be held on account of the various risk factors affecting the trading book and currency positions. Capital requirement on account of interest rate risk, foreign exchange risk, equity risk, commodity risk and options risk are calculated separately and then summed up to arrive at the total market risk capital requirement of the bank.

## Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The bank has well laid out procedures and systems that set out the methodologies for carrying out specific tasks. These systems and procedures are constantly reviewed and revised to address potential risks.

The Operational Risk management department within the Risk management group independently monitors and manages all aspects of operational risk on a bank wide basis. The Bank has established an operational risk management committee to supervise, monitor and review operational risk issues and ensure that adequate mitigants are developed and implemented for all operational risk issues.

The scope of the Bank's internal audit department encompasses audits and reviews of all business units, support services and branches. The internal audit process focuses primarily on assessing risks and controls and ensuring compliance with established policies, procedures and delegated authorities. New products and services are also reviewed by the internal audit department and assessed for operational risk prior to their implementation. The internal audit department is operationally independent and reports significant internal control deficiencies to the audit committee.

The Bank has a well-established off-site computer back-up centre that provides full system support to the Bank's operations in case of an emergency in the information technology systems. The computer back-up centre is regularly tested to ensure its readiness for seamless switchover in case of any emergency.

Necessary procedures and systems have been put in place to protect the Bank from money laundering activities. All the aspects of risk mentioned above are reviewed regularly at each meeting of the Board of directors and the executive committee based on a comprehensive risk report. This integrated approach to risk management also serves the Bank in achieving its objective of protecting the interests of shareholders and customers.

**INTERNATIONAL DEVELOPMENT BANK (PRIVATE SHAREHOLDING COMPANY)  
BAGHDAD, IRAQ**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31-12-2013**

محاسب عامومي ومراقب حسابات  
شخصيو المعهد العربي  
للتنمية الاقتصادية والبنوك  
شاهلا هكمت البزاز

No.84  
Date:10/04/2014

**The respected Shareholders of International Development Bank (private joint stock) Baghdad  
Auditors Report for the Financial year 31/12/2013**

We have audited the Financial Statements of International Development Bank (private joint stock) Baghdad as at 31.12.2013 and examined the information and statements of the bank for the same period and the annual report of the bank prepared pursuant to the provisions of the Companies Act No.21 amended on 1997 and rules and regulations issued there under.

The preparation and fair presentation of financial statements are the responsibility of the Bank's management and our responsibility is to express an opinion on such information depending on our audit.

We have obtained all the information and explanations which in our opinion was necessary for the performance of our mission that we have done in accordance with the recognized audit procedures and according to the financial legislation in force, we have the following clarifications:

- 1- The book keeping method used by the bank was in accordance with the requirements of commercial book keeping system and we estimated that it contained all the financial operations of the bank.
- 2- The process of inventory for fixed assets was done by the bank management.
- 3- The annual report and its contents reflecting comprehensive way the banking operation for the period of audit and it was in accordance with applicable laws.
- 4- The information and final accounts were organized in accordance to accounting rules and financial legislation and it is consistent with the accounts and prepared pursuant to the provisions of the Companies Act and rules and regulations.
- 5- The bank took all necessary procedures to prevent money laundering and antiterrorism financing with the control of anti money laundering law no. (93) for the year 2004 as the report of the bank.

Taking into consideration the above and in our opinion as per our examination for the bank records and the explanations provided to us, that the attached financial statements fairly presents the financial position of the bank as at 31/12/2013 and the results of its activities for the year end.



Seal and Signature  
Shahla Hekmat AlBazaz  
Chartered Accountant and Auditor/232

بغداد - شارع المستنصر - صياحه صيارف العراق - ط ٢ - شقق آ - هاتف 667 918 - فاكس 11 711 070 - جوال 303 270 770  
shahlahikmat@yahoo.com

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**STATEMENT OF FINANCIAL POSITION AS AT 31-12-2013**

ACCOUNT NAME	NOTE NO.	2013	2012
ASSETS		Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>CURRENT ASSETS</b>			
CASH AT HAND AND AT BANKS	1	323,430,525	62,843,681
SHORT TERM LOANS TO CUSTOMERS	4	91,928,064	-
SHORT TERM INVESTMENTS	2	54,573,922	81,839,874
DEBTORS	3	18,712,567	9,145,976
<b>TOTAL CURRENT ASSETS</b>		<b>488,645,078</b>	<b>153,829,531</b>
<b>FIXED ASSETS</b>			
FIXED ASSETS BOOK VALUE	5	3,748,512	3,580,492
PROJECTS IN PROGRESS	7	47,453,059	32,064,473
DEFERRED EXPENSES	6	-	5,203,677
<b>TOTAL FIXED ASSETS</b>		<b>51,201,571</b>	<b>40,848,642</b>
<b>TOTAL ASSETS</b>		<b>539,846,649</b>	<b>194,678,173</b>
OBLIGATIONS OF THE CUSTOMERS FOR BANKING OPERATIONS	8	192,835,043	55,934,613
<b>TOTAL</b>		<b>732,681,692</b>	<b>250,612,786</b>

The attached notes 1 to 20 part of the Financial Statement



**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**STATEMENT OF FINANCIAL POSITION AS AT 31-12-2013-Continued**

ACCOUNT NAME	NOTE NO.	2013	2012
		Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>LIABILITIES</b>			
<b>SHORT TERM LAIBILITIES</b>			
CURRENT ACCOUNTS AND DEPOSITS	9	339,836,575	87,563,297
PROVISIONS	10	11,547,728	3,074,501
SHORT TERM CREDITORS	11	1,324,493	2,945,746
<b>TOTAL SHORT TERM LAIBILITIES</b>		<b>352,708,796</b>	<b>93,583,544</b>
<b>LONG TERM LAIBILITIES</b>			
PAID UP CAPITAL	20	160,000,000	100,000,000
RESERVES	12	27,137,853	1,094,629
<b>TOTAL LONG TERM LAIBILITIES</b>		<b>187,137,853</b>	<b>101,094,629</b>
OBLIGATIONS OF THE CUSTOMERS FOR BANKING OPERATIONS	8	192,835,043	55,934,613
<b>TOTAL</b>		<b>732,681,692</b>	<b>250,612,786</b>



*Director of Accounts*

Abdulammer Jawad Kyoon



*Managing Director*

Fouad Mohammed Al Jawahri



*Chairman of the Board of Directors*

Mueen Hussein Al Hashimi

Membership No./M-7604

Subject to our Report No.84 on 10/04/2014



Seal and Signature

Shahla Hekmat AlBazaz

Auditor Chartered Accountant

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**STATEMENT OF INCOME FOR THE YEAR ENDED AS AT 31-12-2013**

ACCOUNT NAME	NOTE NO.	2013	2012
		Thousand Iraqi Dinars	Thousand Iraqi Dinars
INCOME FROM OPERATING ACTIVITIES	13	64,966,898	10,351,648
INCOME FROM INVESTMENTS	14	5,099,118	4,163,392
<b>TOTAL INCOME</b>		<b>70,066,086</b>	<b>14,515,040</b>
OPERATING EXPENSES	16	26,670,309	8,261,481
DEPRECIATION AND AMORTIZATION	5&6	6,706,039	431,235
ADMINISTRATIVE EXPENSES	15	6,134,571	3,322,171
<b>TOTAL OPERATING EXPENSES</b>		<b>39,510,919</b>	<b>12,014,887</b>
SURPLUS FROM BANKING OPERATIONS		30,555,098	2,500,153
ADD OTHER INCOME	17	8,192	3,752
		<b>30,563,290</b>	<b>2,503,905</b>
LESS OTHER EXPENSES			
REMITTANCE EXPENSES	18	(1,076,814)	(279,671)
OTHER EXPENSES	19	(920,071)	(42,464)
<b>NET INCOME</b>		<b>28,566,405</b>	<b>2,181,770</b>
<b>INCOME GENERATED TO BE DISTRIBUTED AS</b>			
PROVISION FOR INCOME TAX		4,284,961	327,266
CAPITAL RESERVE		1,214,072	92,725
ACCUMULATED SURPLUS		23,067,372	1,761,779
<b>TOTAL</b>		<b>28,566,405</b>	<b>2,181,770</b>

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31-12-2013**

	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
DEPRECIATION AND AMORTIZATION	1,075,240	-
INCREASE IN CURRENT ACCOUNTS	252,273,278	
INCREASE IN ACCOUNT PAYABLES	(1,621,253)	
INCREASE IN ACCOUNT RECEIVABLES	(9,566,591)	
INCREASE IN LOANS	(91,928,064)	
<b>TOTAL</b>		<b>150,232,610</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
INCREASE IN CAPITAL	60,000,000	
INCREASE IN PROVISIONS	8,473,227	
INCREASE IN RESERVES	26,043,224	
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>94,516,451</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
DECREASE IN DEFERRED EXPENSES	5,230,677	
INCREASE IN FIXED ASSETS	(1,243,260)	
INCREASE IN PROJECTS IN PROCESS	(15,388,586)	
INCREASE IN INVESTMENTS	27,265,952	
		<b>15,837,783</b>
<b>NET CASH FLOW</b>		<b>260,586,844</b>
PLUS CASH BALANCE AS AT 01-01-2013		62,843,681
<b>CASH BALANCE AS AT 31-12-2013</b>		<b>323,430,525</b>

**INTERNATIONAL DEVELOPMENT BANK**  
**BAGHDAD, IRAQ**  
**PRIVATE SHAREHOLDING COMPANY**  
**AS AT 31-12-2013**

### Note No.1

#### CASH IN HAND AND BANK

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
CASH AT HAND	29,580,817	2,052,573
CASH AT LOCAL BANKS	599,066	680,303
CENTRAL BANK OF IRAQ PAYMENTS IQD	159,647,750	11,625,236
CENTRAL BANK OF IRAQ PAYMENTS USD	2,130,285	502,911
SHORT TERM DEPOSITS AT CENTRAL BANK OF IRAQ IQD	2,169,193	3,305,336
SHORT TERM DEPOSITS AT CENTRAL BANK OF IRAQ USD	2,423,255	3,641,142
STATUTORY DEPOSITS AT CENTRAL BANK OF IRAQ IQD	14,111,638	4,100,814
STATUTORY DEPOSITS AT CENTRAL BANK OF IRAQ USD	5,502,247	325,424
REMITTANCES	-	34,013,503
CASH AT FOREIGN BANKS	97,162,039	2,569,439
CHEQUES	10,104,235	-
<b>TOTAL</b>	<b>323,430,525</b>	<b>62,843,681</b>

### Note No.2

#### INVESTMENTS

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
LONG TERM INVESTMENTS / PRIVATE COMPANIES	47,343,922	48,668,774
FINANCIAL INVESTMENTS / MURABAHA	7,230,000	33,171,100
<b>TOTAL</b>	<b>54,573,922</b>	<b>81,839,874</b>

### Note No.3

#### ACCOUNT RECEIVABLE

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
CURRENCY VALUATION DIFFERENCE	-	123,611
CASH MARGINS WITH BANKS	15,894,219	8,290,123
ACCURED INCOME	2,166,555	305,176
PREPAID EXPENSES	96,145	136,526
<b>TOTAL</b>	<b>18,156,919</b>	<b>8,855,436</b>
LOANS TO STAFF	449,573	189,935
LOANS TO NON STAFF	106,075	21,000
LOAN FOR OTHER PURPOSES (TRAVEL ARRANGEMENTS)	555,648	79,605
<b>TOTAL</b>	<b>18,712,567</b>	<b>9,145,976</b>

### Note No.4

#### LOANS

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>SHORT TERM LOANS</b>		
SHORT TERM LOANS TO CUSTOMERS	91,928,064	-
<b>TOTAL</b>	<b>91,928,064</b>	<b>-</b>

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**Note No.5**

<b>FIXED ASSETS</b>		Thousand Iraqi Dinars			
<b>COST</b>	<b>EQUIPMENT</b>	<b>VEHICLES</b>	<b>TOOLS</b>	<b>FURNITURE</b>	<b>TOTAL</b>
AS AT 01-01-2013	456,001	350,811	90,010	3,248,312	4,145,134 *
ADDITIONS	279,287	100,348	6,228	873,218	1,259,081
DISPOSALS	-	(15,821)	-	-	(15,821)
<b>COST AS AT 31-12-2013</b>	<b>735,288</b>	<b>435,338</b>	<b>96,238</b>	<b>4,121,530</b>	<b>5,388,394</b>
<b>DEPRECIATION</b>					
DEPRECIATION AS AT 01-01-2013	45,600	35,081	18,002	465,959	564,642 *
CHARGE FOR THE YEAR	147,058	87,068	19,248	824,306	1,077,679
LESS DEPRECIATION OF DISPOSALS	-	(2,439)	-	-	(2,439)
<b>AS AT 31-12-2013</b>	<b>192,658</b>	<b>119,710</b>	<b>37,250</b>	<b>1,290,265</b>	<b>1,639,882</b>
<b>NET BOOK VALUE AS AT 31-12-2013</b>	<b>542,630</b>	<b>315,628</b>	<b>58,988</b>	<b>2,831,265</b>	<b>3,748,512</b>

\* Book Value of Fixed Assets as at 01-01-2013 (4,145,134 - 564,642= 3,580,492)

**Note No.6**

<b>DEFERRED EXPENSES</b>		Thousand Iraqi Dinars		
<b>DESCRIPTION</b>	<b>EXPENSE BEFORE OPERATIONS</b>	<b>DECORS AND FIXTURES</b>	<b>DEFERRED EXPENSES</b>	<b>TOTAL</b>
BALANCE AS AT 01-01-2013	1,583,239	80,438	3,540,000	5,203,677
ADDITIONS DURING THE YEAR	380,306	46,816	-	427,122
BALANCE AS AT 01-12-2013	1,963,545	127,254	3,540,000	5,630,799
AMORTIZATION %	100%	100%	100%	100%
AMOUNT AMORTIZED	(1,963,545)	(127,254)	(3,540,000)	(5,630,799)
<b>BOOK VALUE AS AT 31-12-2013</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>

**Note No.7**

<b>PROJECTS UNDER CONSTRUCTION</b>		Thousand Iraqi Dinars	
<b>ACCOUNT NAME</b>	<b>INVESTMENT EXPENSES</b>	<b>COMPUTER AND SERVICES</b>	<b>TOTAL</b>
BALANCE AS AT 01-01-2013	31,980,404	84,069	32,064,473
ADDITIONS	14,489,166	899,420	15,388,586
<b>TOTAL</b>	<b>46,469,570</b>	<b>983,489</b>	<b>47,453,059</b>

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note No.8**

**OFF -BALANCE SHEET ITEMS**

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>LETTER OF GUARANTEE</b>		
LETTER OF GUARANTEE ISSUED FOR LOCAL MARKET	129,867,608	31,851,186
LESS CASH MARGINS RECEIVED	(14,012,847)	(4,685,216)
	<b>115,854,761</b>	<b>27,165,970</b>
<b>LETTER OF CREDITS</b>		
COMMITMENTS TO MEET LETTER OF CREDITS	89,004,466	36,785,378
LESS CASH MARGINS RECEIVED	(12,024,184)	(8,016,735)
	<b>76,980,282</b>	<b>28,768,643</b>
<b>TOTAL</b>	<b>192,835,043</b>	<b>55,934,613</b>

**Note No.9**

**CURRENT ACCOUNTS AND DEPOSITS**

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>CURRENT ACCOUNTS</b>		
CURRENT ACCOUNT CORPORATES	187,570,329	52,668,815
CURRENT ACCOUNT INDIVIDUALS	103,659,673	21,951,431
CHEQUES (CERTIFIED)	771,096	17,166
	<b>292,001,098</b>	<b>74,637,412</b>
<b>SAVINGS ACCOUNTS</b>		
SAVINGS	16,339,342	-
FIXED DEPOSITS	4,311,100	-
<b>TOTAL</b>	<b>20,650,442</b>	-
<b>CASH MARGIN RECEIVED FOR THE BANKING OPERATIONS</b>		
CASH MARGIN FOR LETTERS OF CREDIT	12,024,184	8,016,735
CASH MARGIN FOR LETTERS OF GUARANTEE	14,012,847	4,685,215
POST PAID PROCEEDS	116,559	-
	<b>26,153,590</b>	<b>12,701,950</b>
<b>REMITTANCE AND LOCAL CHEQUES</b>		
BILLS DRAWN ON THE BANK	8,605	132
CHEQUES DRAWN ON THE BANK	1,022,840	223,803
<b>TOTAL</b>	<b>339,836,575</b>	<b>87,563,297</b>

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note No.10**

<b>PROVISIONS</b>				Thousand Iraqi Dinars	
<b>ACCOUNT NAME</b>	<b>BALANCE AS AT 01-01-2013</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>BALANCE AS AT 31-12-2013</b>	
TAX PROVISION	327,266	4,284,960	327,266	4,284,960	
PROVISION PRICE	-	-	-	-	
FLUCTUATIONS	-	478,358	-	478,358	
PROVISION OF COMMITMENT RISK	2,747,235	4,037,175	-	6,784,410	
<b>TOTAL</b>	<b>3,074,501</b>	<b>8,800,493</b>	<b>327,266</b>	<b>11,547,728</b>	

**Note No.11**

<b>CREDITORS</b>		
<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>MISCELLANEOUS A/C PAYABLES</b>		
CASH MARGIN RECEIVED	526,635	729,664
REVENUE RECEIVED IN ADVANCE	140,450	-
ACCURED EXPENSES	251,870	325,793
ACCURED SALARIES AND WAGES	-	1,950
FEES PAYABLE TO FINANCIAL INSTITUTIONS	198,519	-
OTHER ACCOUNTS	-	116,559
DEPOSIT RECEIVED	100,039	-
<b>TOTAL</b>	<b>1,217,514</b>	<b>1,173,966</b>
CASH MARGIN RECEIVED	106,979	10,000
DIVIDEND PAYABLES	-	1,761,780
<b>TOTAL A/C PAYABLES</b>	<b>1,324,493</b>	<b>2,945,746</b>

**Note No.12**

<b>RESERVES</b>			Thousand Iraqi Dinars	
<b>RESERVE TYPE</b>	<b>CAPITAL RESERVE</b>	<b>ACCUMULATED SURPLUS TOTAL</b>		
BALANCE AS AT 01-01-2013	142,821	951,808	1,094,629	
ADDITIONS	951,282	(951,808)	-	
UNDISTRIBUTED PROFIT	-	1,761,780	1,761,780	
CURRENT YEAR REPORT	1,214,072	23,067,372	24,281,444	
<b>TOTAL</b>	<b>2,308,175</b>	<b>24,829,152</b>	<b>27,137,853</b>	

**INTERNATIONAL DEVELOPMENT BANK  
BAGHDAD, IRAQ  
PRIVATE SHAREHOLDING COMPANY  
AS AT 31-12-2013**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note No.13**

**INCOME FROM BANKING OPERATIONS**

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>FOREIGN CURRENCY INCOME</b>		
FOREIGN EXCHANGE INCOME	43,125,079	7,387,601
<b>INTEREST INCOME</b>	-	-
INTEREST ON LOANS GRANTED	3,042,449	-
INTEREST ON PERSONAL LOANS	14,456	-
	<b>3,056,905</b>	-
<b>COMISSION INCOME FROM REMITTANCES</b>		
COMMISSION ON INTERNAL REMITTANCES	37,607	1,211,113
COMMISSION ON EXTERNAL REMITTANCES	9,210,694	-
	<b>9,248,301</b>	<b>1,211,113</b>
<b>INCOME FROM LETTER OF CREDITS</b>		
COMMISSION FROM LETTER OF CREDITS	1,205,009	160,180
	<b>1,205,009</b>	<b>160,180</b>
<b>INCOME FROM LETTER OF GURANTEEE</b>		
COMMISSION FROM LETTER OF GURANTEEE	7,774,948	1,012,530
	<b>7,774,948</b>	<b>1,012,530</b>
<b>COMISSION INCOME FROM OTHER BANKING ACTIVITIES</b>		
CHECKS APPROVING COMMISSION	2,435	2,850
OTHER COMMISSION	309,345	548,809
	<b>311,780</b>	<b>551,659</b>
<b>TOTAL</b>	<b>64,722,022</b>	<b>10,323,083</b>
<b>REFUNDABLE EXPENSES</b>		
REFUNDABLE EXPENSES	5,456	
STAMP DUTY EXPENSES	197,087	26,305
SALES OF BANKING PRINTS	42,333	2,260
<b>TOTAL</b>	<b>244,876</b>	<b>28,565</b>
<b>TOTAL REVENUE OF BANKING ACTIVITIES</b>	<b>64,966,898</b>	<b>10,351,648</b>

**Note No.14**

**INCOME FROM INVESTMENTS**

ACCOUNT NAME	2013	2012
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>INCOME FROM INVESTMENTS</b>		
INVESTMENT REVENUES	4,877,819	4,125,374
EXTERNAL A/C PAYABLES REVENUES	221,299	38,018
<b>TOTAL</b>	<b>5,099,118</b>	<b>4,163,392</b>



**INTERNATIONAL DEVELOPMENT BANK  
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**Note No.15**

**ADMINISTRATIVE EXPENSES**

<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>SALARIES FOR STAFF</b>	-	-
SALARIES	1,776,909	760,673
WAGES TO ADDITIONAL WORKERS	106,139	36,149
INCENTIVE REWARDS	789,326	353,275
PROFESSIONAL ALLOWANCES	227,394	81,308
COMPENSATORY ALLOWANCES	355,374	142,280
OTHER ALLOWANCES	199,691	86,831
<b>TOTAL</b>	<b>3,454,833</b>	<b>1,460,516</b>
BANKS SHARE IN SOCIAL SECURITY	253,150	113,326
<b>TOTAL SALARIES AND WAGES</b>	<b>3,707,983</b>	<b>1,573,842</b>
<b>INTERMEDIATE GOODS</b>		
FUEL AND OILS	134,927	201,454
BACK UP TOOLS	48,851	105,761
	<b>183,778</b>	<b>307,215</b>
<b>MISCELLANEOUS</b>		
SUPPLIES	52,180	27,528
STATIONARY	177,478	19,473
GARMENTS	2,554	1,776
SANITARY WARE	198	2,061
	<b>232,410</b>	<b>50,838</b>
<b>WATER AND ELECTRICITY</b>		
WATER	15,599	66
ELECTRICITY	20,626	20,738
	<b>36,225</b>	<b>20,804</b>
<b>TOTAL INTERMEDIATE GOODS</b>	<b>452,413</b>	<b>378,857</b>
<b>INTERMEDIATE SERVICES</b>		
<b>MAINTENANCE SERVICES</b>		
MAINTENANCE OF COMPUTERS AND ACCESSORIES	194,507	12,525
MAINTENANCE OF BUILDINGS AND FACILITIES	70,125	50,169
MAINTENANCE OF MACHINEARY AND EQUIPMENT	30,801	10,989
MAINTENANCE OF VEHICLES	8,286	847
MAINTENANCE OF FURNITURE AND OFFICE EQUIPMENT	-	-
<b>TOTAL</b>	<b>303,719</b>	<b>74,530</b>
RESEARCH AND CONSULTING SERVICES	566,151	107,000
SEMINAR EXPENSES	5,064	50
<b>TOTAL</b>	<b>571,215</b>	<b>107,050</b>
<b>ADVERTISING PRINTING AND HOSPITALITY</b>		
ADVERTISING	42,934	16,235
HOSPITALITY	56,699	8,494
SUNDRY EXPENSES	4,667	9,966
<b>TOTAL</b>	<b>104,300</b>	<b>34,695</b>

**INTERNATIONAL DEVELOPMENT BANK  
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<b>TRANSPORT AND COMMUNICATION AND DISPATCH</b>		
WORKERS TRANSPORT	36,113	151,307
TRANSPORT OF GOODS	2,945	1,737
TRAVEL EXPENSES	185,407	266,594
PUBLIC COMMUNICATIONS	76,524	58,173
CASH TRANSFER WAGES	20,075	4,950
<b>TOTAL</b>	<b>321,064</b>	<b>482,761</b>
<b>RENTAL FIXED ASSETS</b>		
RENTAL OF BUILDINGS AND FACILITIES	189,626	422,303
<b>TOTAL</b>	<b>189,626</b>	<b>422,303</b>
<b>OTHER SERVICE EXPENSES</b>		
SUBSCRIPTIONS	304,611	87,974
BONUS FOR NON STAFF	43,388	26,727
TAX AND FEES PAID TO FOREIGN ENTITIES	-	3,618
AUDIT FEES	52,870	27,000
OTHER SERVICE EXPENSES	83,382	102,910
	<b>484,251</b>	<b>248,229</b>
<b>TOTAL INTERMEDIATE SERVICES</b>	<b>1,974,175</b>	<b>1,369,570</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>6,134,571</b>	<b>3,322,171</b>

**Note No.16**

**EXPENSES OF BANKING OPERATIONS**

<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
<b>EXPENSES OF BANKING OPERATIONS</b>		
INTEREST EXPENSE ON SAVINGS ACCOUNTS	60,272	-
INTEREST EXPENSE ON FIXED DEPOSITS	90,613	
EXPENSES AND COMMISSIONS PAID	25,949,754	5,422,191
FOREIGN CURRENCY VALUATION DIFFERENCE	569,670	92,056
COMMITMENT RISK EXPENSES	-	2,747,234
<b>TOTAL</b>	<b>26,670,309</b>	<b>8,261,481</b>

**Note No.17**

**OTHER INCOME**

<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
INCIDENTAL REVENUE	8,192	3,752
<b>TOTAL</b>	<b>8,192</b>	<b>3,752</b>

**Note No.18**

**REMITTANCE EXPENSES**

<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
TAXES AND FEES	-	-
MISCELLANEOUS	1,076,814	279,671
<b>TOTAL</b>	<b>1,076,814</b>	<b>279,671</b>

**INTERNATIONAL DEVELOPMENT BANK (PRIVATE SHAREHOLDING COMPANY)**  
**BAGHDAD, IRAQ**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note No.19**

**OTHER EXPENSES**

<b>ACCOUNT NAME</b>	<b>2013</b>	<b>2012</b>
	Thousand Iraqi Dinars	Thousand Iraqi Dinars
CAPITAL LOSS	6,940	-
PREVIOUS YEARS EXPENSES	913,131	42,464
<b>TOTAL</b>	<b>920,071</b>	<b>42,464</b>

**Note No.20**

**PAID UP CAPITAL**

Based on the Regulations of Central Bank of Iraq and pursuant to the approval in the Annual General Meeting, the Bank has increased its paid up equity share capital to IQD 250 Billion to strengthen its capital base. The subject increase in the capital will be reflected in the 2014 first quarter financial statements.



International Development Bank

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