

**COMMERCIAL BANK OF IRAQ
(PRIVATE SHAREHOLDING COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020**

Chairman Statement

Dear Members of the General Assembly,

On behalf of the Board of Directors of Commercial Bank of Iraq (CBIQ), it gives me great pleasure to welcome you all to attend the Annual General Meeting of the bank and accepting our invitation to discuss the Bank's performance for the financial year ended 31 December 2020.

The year 2020 experienced the outbreak and spread of the COVID-19 which negatively impacted the global economy and sadly resulted into the loss of many lives. Almost every economic sector was affected by strict protocols including lockdown measures to control the spread of the virus. CBIQ implemented social distancing norms, precautionary equipment and materials as well as health support / advices were provided to customers and staff, periodic disinfection of office and branch premises continue to be undertaken in compliance with respective governmental guidelines and regulations

Despite the surrounding circumstances resulting from the Corona virus and oil price fluctuation CBIQ performed better than most of its market peers in 2020. This was driven by its diversified operations and by its prudent management of the various risks that resulted in mitigating unforeseen circumstances associated with the pandemic outbreak. Bank prudently managed its asset-mix, liquidity and capital adequacy ratios in 2020.

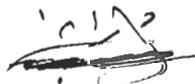
In financial terms Commercial Bank of Iraq continued its positive performance with a conservative approach and succeeded in achieving net profits of IQD 35.5 billion 2020 (2019: IQD 6.6 billion). Your bank continued to pursue its prudently diversified strategy through a spread of liquidity deployment in investments and lending while effectively managing assets and liabilities to optimise risk adjusted returns within an acceptable risk framework. Nonetheless, it is important to note that CBIQ's performance in 2020 was affected by the prevailing low interest rate environment resulting in Net Interest Income of IQD 14.4 billion (2019: IQD 16.7 billion). We will continue to provide customer centric products that are delivered seamlessly to our valued customers in Iraq and to our cross-border clientele.

We remain grateful to our strategic partner Ahli United Bank B.S.C. for its guidance, ongoing co-operation particularly in cross border business, training and technical support which has helped the bank over the years to optimise its performance and operate within acceptable risk parameters.

The bank's risk adjusted optimal performance would not have been possible without the concerted efforts of all our staff and management, the unstinting support of our customers and the valuable guidance of the regulatory authorities. A prudent and pragmatic approach will continue to drive bank's business and operations to achieve sustainable results backed up by solid underlying balance-sheet fundamentals.

Finally, as a Chairman of the bank I would like to take this opportunity to thank The Central Bank of Iraq, The Companies Registrar, shareholders and staff for their continued and unstinted support to the bank.

Once again, a very warm welcome to you all and thank you for coming.



Mohammed Hameed Dragh Al-Dragh
Chairman of the Board of Directors

**Board of Directors' Report Concerning the
Bank's Operations for the Year Ended on 31 December 2020**

Members of the General Assembly,

The Board of Directors of Commercial Bank of Iraq are pleased to provide the shareholders with the annual comprehensive report of the Bank's operations, together with the consolidated financial statements for the year ended 31 December 2020. Pursuant to the provisions of Articles 117 and 134 of the Companies Law No.21 of 1997 (as amended) and pursuant to the Accounting Rule No. (10) issued by the Accounting and Auditing Standards Council, provisions of the Banking Law No. 94 of 2004 and the corporate governance guide for banks issued by the Central Bank of Iraq.

The Board of Directors of the Commercial Bank of Iraq is responsible for the accuracy and adequacy of consolidated financial statements and their fair presentation in accordance with the standards of international financial reports, in addition to identifying the control systems and internal control system necessary to prepare the consolidated financial statements and to show them without errors, whether caused by fraud or by mistake.

First: Background about the Bank

1. Bank Establishment:

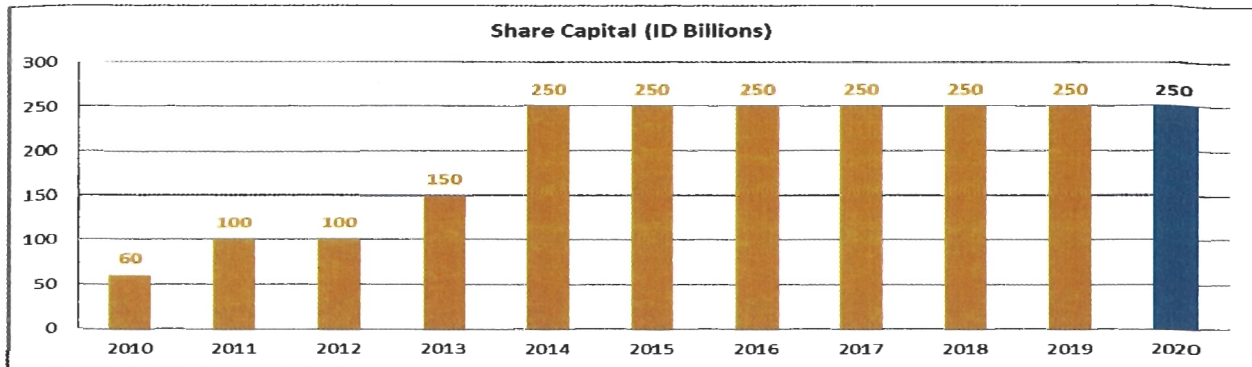
CBIQ was established in 1992 as a private joint stock company with a paid-up capital of IQD 150 million, and was one of the first private banks to be licensed in Iraq. The Bank was incorporated under Registration License No. M.S.H. 4524 of 11 February 1992, issued by the Ministry of Trade – Companies Registration Directorate. The Bank was authorized to offer commercial banking services, pursuant to Letter of the Central Bank of Iraq's General Department of Banking and Credit Control, referenced 14314/9 and dated 12 July 1992.

2. Bank's capital increase:

The Bank's paid-up capital saw a steady increase from IQD 150 million in 1992 to IQD 250 billion in 2014. The most significant change occurred during 2005, when Bahrain-based Ahli United Bank B.S.C. injected a sum of IQD 50 billion in consideration for a 49% equity stake in Bank's share capital, which paved the way to establish a strategic partnership with this leading regional banking group operating across the MENA region and the United Kingdom. At the end of 2020, Ahli United Bank B.S.C's shareholding stood at 75%.

Trend of capital growth

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital (IQD Billions)	60	100	100	150	250	250	250	250	250	250	250



3. Bank's contribution in subsidiary companies:

The Bank has 100% (2019: 100%) of the paid-in capital of IQD 200 million in a subsidiary, Ahli United Brokerage and Investment Company the "Subsidiary", has been registered in Iraq since 3 July 2008 as a private company. The principle activity of the subsidiary is brokerage.

4. Bank's main objectives:

CBIQ seeks to achieve the following strategic objectives under a normalized operating environment:

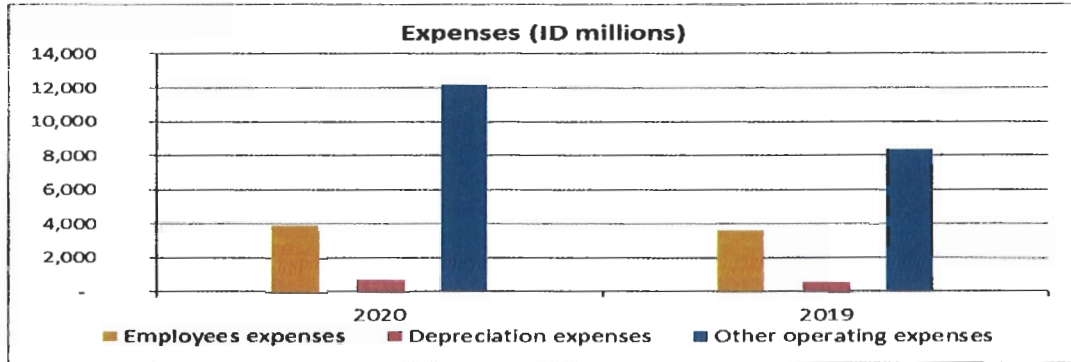
- Develop reputation as Iraq's leading and preferred provider of financial products and services.
- Increase the local and the international client base by providing customer-driven solutions.
- Enhance performance and service delivery through branch expansion and use of modern banking technology.
- Maximize shareholders' value with sustainable return in a secure environment.
- Entrench a disciplined risk and cost management culture.
- Contribute positively to the social and economic development of Iraq.

To achieve these strategic objectives, CBIQ has invested in establishing a modern, robust operational and technological infrastructure, which shall enable the Bank to capitalize on business opportunities and better serve its clients through a prudent conservative approach.

Second: Results of Implementing the Annual Business Plan for the year ended 31 December 2020

Key highlights of Bank's performance during 2020 were:

1. The Bank's net profits after tax for the year reached to IQD 35,457 million (2019: IQD 6,554 million).
2. Shareholders' equity amounted to IQD 307,755 million (2019: IQD 272,232 million).
3. Total reserves stood at IQD 57,755 million (2019: IQD 22,232 million).
4. The total guarantees in favour of customers amounted to Iraqi Dinars 63,570 million (2019: IQD 23,425 million).
5. Cash balances on hand with Central Bank Iraq, local and foreign banks stood at IQD 401,045 million (2019: IQD 238,338 million).
6. The following table present the various expense comparison for the year ended 31 December 2020 and 31 December 2019:



Account Name	Year 2020 IQD Millions	Year 2019 IQD Millions
Employees expenses	3,910	3,626
Depreciation expenses	708	559
Other operating expenses	12,227	8,343
Total	16,845	12,528

Advertising and promotional expenses amounted to IQD 4 million (2019: IQD 18 million) and hospitality costs at IQD 8.6 million (2019: IQD 22.5 million). The donation expenditure amounted to IQD 175 million (2019: 72).

7. Branches Profitability:

Branch Code	Branch Name	Year 2020 IQD Millions	Year 2019 IQD Millions
802	Khalani Branch	(159)	(219)
803	Shorja Branch	(131)	(157)
804	Palestine Street Branch	75	234
805	Mansour Branch	(120)	432
807	Khadimain Branch	(100)	(97)
808	Aadhamiyah Branch	(175)	53
809	Basra Branch (Al Jazayir)	521	2,519
810	Main Branch & Head Office	35,671	3,479
811	Basra Branch (Times Square)	5	330
812	Najaf Branch	(133)	(42)
	Total Branches	35,454	6,467
	Ahli United Brokerage & Investment Company	2	22
	Total Consolidated NPAT	35,457	6,554

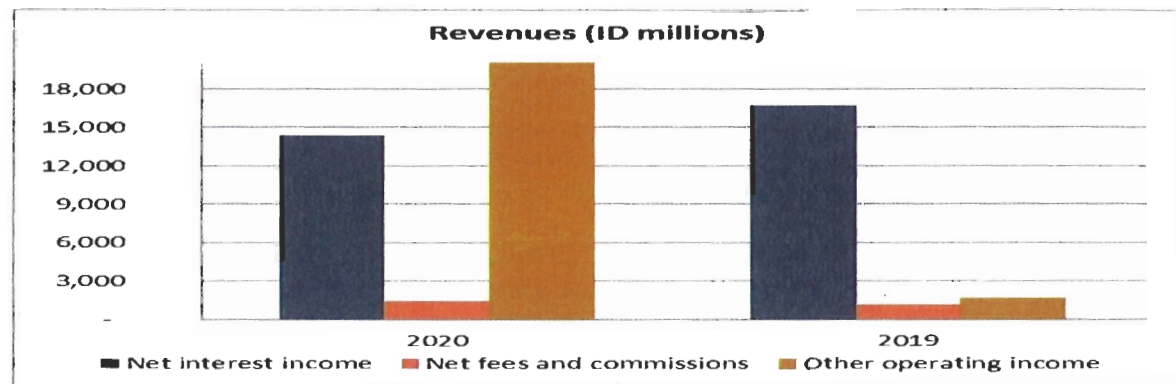
Third: Reserves and provisions

Account Name	Year 2020 IQD Millions	Year 2019 IQD Millions
Reserves	57,755	22,232
Provisions	18,749	14,610
Total	76,504	36,842

Fourth: Investments

Account Name	Year 2020 IQD Millions	Year 2019 IQD Millions
Long term investments/Government of Iraq bonds	185,934	159,983
Long term investments/Equity Shares	1,412	557
Short term investments/Treasury Bills	-	29,597
Total	187,346	190,137

Fifth: Total revenues



Account Name	Year 2020 IQD Millions	Year 2019 IQD Millions
Net interest income	14,357	16,726
Net fees and commissions	1,406	1,162
Other operating income	41,505	1,659
Total	57,268	19,547

Sixth: Material changes

There were no fundamental changes or subsequent events affecting the Bank's business from the date of the Financial Statements preparation till date.

Seventh: Bank's future plans

In line with Central Bank of Iraq's guidelines for banks to establish clear, long term plans aimed at developing a modern, efficient and well governed banking sector in Iraq, CBIQ has adopted a strategy focusing all efforts on achieving the following objectives:

1. Expand credit granting activities, both in cash loans and documentary credit extended, in accordance with guidelines set by Central Bank of Iraq and cash flow and collateral parameters established under Bank's Credit Policy.
2. Grow the Bank's deposits commensurately to fund expanded financing activities.
3. Leverage a stronger working relationship through bank partnerships with financial institutions within and outside Iraq to facilitate cross-border business/ trade flows in furtherance of Bank's business and financial objectives.
4. Become the financial services provider of choice for local medium sized companies as well as regional and international corporates operating in Iraq, through the underwriting of major, viable financing transactions.
5. Uphold Bank's investment policy and expand its investing activities, in compliance with Investment Law No. 13/2006.
6. Implement necessary upgrades and modernize existing branches to better meet the needs and expectations of our clients.
7. Deploy customer centric automated systems and IT infrastructure, to further enhance the range and quality of products and services offered.

Eighth: Accounting policies

Since its inception, the Bank has applied the Unified Accounting System for Banks and Insurance Companies, issued by the Ministry of Finance in 1992 for the preparation of financial statements. During 2016, the Central Bank of Iraq issued an instruction No. 12/9 on 4 January 2016 to prepare the financial statements according to International Financial Reporting Standards (IFRS). The Bank continues to strictly adhere to directions of the Central Bank of Iraq, whether in the general scope of its guidelines or as related to the laws and instructions pertaining to anti-money laundering and maintaining adequate levels of statutory reserves. The Bank adopts Depreciation law number 9 dated 1994 for computing depreciation.

Ninth: Other basic information and notes

In 20 December 2020, Central Bank of Iraq revised the base exchange rate against USD from 1,190 IQD/USD to 1,460 IQD/USD which resulted in foreign exchange gain amounted to IQD 39.6 Billion.

Tenth: Bank's property

The bank's owned and leased properties are listed below

No.	List of Branch/Building owned properties	No.	List of Branch/Building leased properties
1	Main Branch, Headquarters	1	Shorja Branch
2	Khadimain Branch	2	Palestine Street Branch
3	Mansour Branch	3	Aadhamiyah Branch
4	Khalani Branch	4	Basra (Times Square Mall) Branch
5	Alsho'la Building	5	Najaf Branch
6	Basra Building/Jaza'er		

During the year 2020, the Bank sold its property located in Basrah for an amount of IQD 465,719 thousand which resulted into gain from sale of property of IQD 444,204 thousand.

Eleventh: Executives Managers

Names	Job Title
Nouri Al Dubaisi	Chief Executive Officer
Bassam Jawdat Abo Auda Jaber	Deputy CEO
Mustafa Najem Kadhew Hawwas	Head of Finance
Eman Tareq Hussien	Head of Branches
Ahmed Raad Abdul Baqi	Head of Internal Audit
Dina Hamid Alabood	Head of Human Resources
Ahmed Sabry Al Rubeay	Head of information Technology
Ansam Abbass Shafeeq	Head of Banking Operations
Maha Noaman Al Bayati	CEO- Brokerage Company
Fatema Ibrahim Ahmed	Treasury and Investment Manager
Mohammed Kherallh Mohammed	Anti - Money Laundering Manager
Dina George Roman	Compliance Manager
Jaber Hassan Neama	Legal Counselor
Ali Adnan Baqer	Risk Management Manager
Ahmed Basil Mahmoud	Credit Risk Manager
Samer Qais Abdulah	Administration Manager- Civil Engineer
Zahed Mohammed Ahmed	Customers Awareness Manager

Twelfth:

A. The bank shareholders and the amount of their contribution to the capital as at 31 December 2020, there are no mortgaged shares of The Commercial Bank of Iraq to any other party.

Names	Number of shares	Percentage of Ownership
Ahli United Bank B.S.C.	187,500,000,000	75.00%
International Finance Corporation	12,434,782,600	4.97%
Srinivasan Rathinam	4,682,582,838	1.87%
Prakash Mohan	4,588,632,139	1.84%
Abbas Ali Naji Al-Rubayee	4,126,060,714	1.69%
Mohan Subramaniam	4,057,373,103	1.62%
Other Shareholders individually below 1% ownership	32,610,568,606	Below 1%
Total	250,000,000,000	100.0%

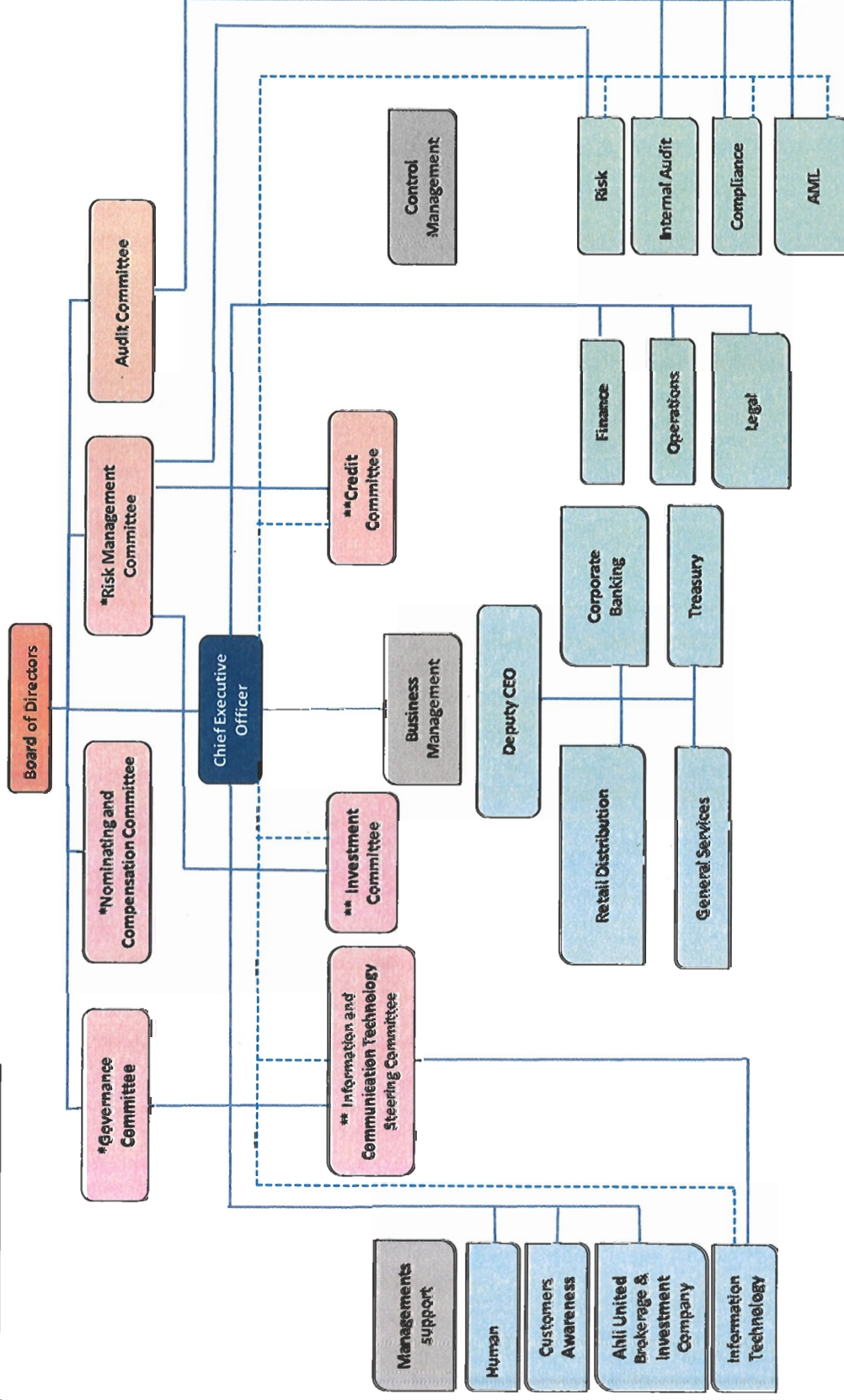
B. Normal distribution of Shareholders as of 31 December 2020:

From	To	Number of Shareholders	Number of Shares
1	100,000	1,043	57,460,384
100,001	1,000,000	1,915	797,877,731
1,000,001	5,000,000	707	1,659,028,842
5,000,001	10,000,000	183	1,353,780,066
10,000,001	50,000,000	222	5,242,432,413
50,000,001	100,000,000	48	3,283,060,338
100,000,001 and above		59	237,606,360,226
Total		4,177	250,000,000,000

C. Bank branches and contact details:

Main Branch and Headquarters (810) Saddon Street/District 102/Street 9/Building 121 Tel 07710102075/ 07904464419	Khadimain Branch (807) Otaifia/District 413/Street 2/Building 15 Tel 07834057226
Khalani Branch (802) Khulafa Street/District 104/Street 1/Building 52 Tel 07802803207	Aadhamiyah Branch (808) Haybit Khatoon / District 314/Street 19/ Building 24/1 Tel 07706539398
Shorja Branch (803) Jomhourya Street/District 115/Street 1 Building (Baloor building) 121 Tel 07824179981	Basra Branch (809) Aljazar Street/Faras district Tel 07817150135
Palestine Street Branch (804) 14 July/District 510/Street 32/Building 33 Tel 07834113652	Basra (Times Square) Branch (811) Jubaila / Time Square Mall / First Floor Tel 07815159599
Mansour Branch (805) Mutanabi/District 605/Street 13/Building 87 Tel 07834006316	Al-Najaf Branch (812) Al-Ameer Street - Al-Rawan Street Intersection Tel 07803553227

Thirteenth: Organizational Chart



المصرف التجاري العراقي
شارع السعديين، مبنى ١٢١
بغداد، العراق
موبايل: +٩٦٤ ٧٨٠٥٦٦٣٨٧٥

Commercial Bank of Iraq
Saddon Street, Building 121
Baghdad, Iraq
Mob: (+954) 7805662835
Email: CB.Iraq@cbiq.com.iq
Website: <https://www.cbiq.com.iq>

Fourteenth: Management activities

1. Salaries, wages and allowances:

During the year, salaries and wages paid to 227 staff and personnel at Bank's head office and branches amounting Iraqi Dinars 3,910 million.

2. Staff training, development and travel:

The Bank has been keen on developing its human resources to enhance performance at work by utilizing its professional training centre that is equipped with latest technologies to keep pace with the latest vocational training standards. During the year, the Bank invested IQD 4.7 million compared with IQD 85.7 million in 2019 in staff training, development and travel.

The following are the most important training courses that conducted in 2020:

Course types	Number of courses	Number of participants
Training within the Bank	7	392
Training outside the bank	20	37
Total	27	429

3. Branches of the Bank and names of Branch managers:

Branch	Branch Manager
Main	Dhalia Ibrahim Abdulqader
Khalani	Sawsan Talib Mohamed
Shorja	Suhad AbdulWahed Shamkhi (Acting)
Palestine	Basma Sabah Mohamed
Mansour	Jenan Ali Saleh
Khadimain	Hiba Faleh Hassan
Aadhmiya	Lamyaa Abdul Razaq Abbass (Acting)
Basra (Aljazar St.)	Moayad Jaffer Mohammed
Basra (Times Square Mall)	Manal Abdul Hussein Zaboona
Najaf Branch	Muna Abdul Hassan Jaber

4. Developing Human Resources:

Human resources are one of the cornerstones of the Bank upon which the Bank relies on. It is responsible to implement banking guidelines, customer service, functions of development, modernization and implementation of plans and programs in accordance with the policy set by the Board of Directors. In this context, management of the bank is keen to provide continued support for the purpose of raising the level of worker skills, administrative and banking abilities through enrolling them into courses, seminars and conferences specialized to improve performance and customer services provided.

5. Maintenance of Bank's buildings and premises:

During the year, the bank had completed renovation and development works for the buildings owned and leased for the sum of IQD 274 million.

6. Deployment of latest technologies:

The Bank's strategy has focused on investing in latest technologies in order to fully automate core banking processing and facilitate the provision of an expanded range of banking services to its customers. Below is the major information technology initiatives implemented during this year:

- Developing of the current infrastructure and security system
- Initiating a project to establish an electronic interface between the banking system and the ACH, RTGS and SWIFT system.
- Initiating the project of shifting the ATM switch to Baghdad
- Initiating Mobile Banking project (Under implementation)
- Initiating Commercial Gate project (Under study)
- Providing all Bank branches with ATMs.
- Connecting Banking system with the credit information system (Under implementation)
- Activating Banking system with SWIFT system.
- Upgrading the cashier system.
- Upgrading the signature system and linking it to the cashier system.
- Rehabilitating disaster recovery site
- Rehabilitating data centre in the Head office (Under study)
- Project of buying fixed assets
- Commissions Automation (Under implementation)
- Monthly Income (Under implementation)

Fifteenth: Anti-money laundering

To ensure no money laundering incidence occurs, the Bank is committed to upholding the anti-money laundering laws no. (39)/2015 and recommendations from the Financial Action Task Force and banking law no. (94)/2004 and CBI law no. (56)/2004.

Sixteenth: Risk Management

The commercial bank of Iraq manages its various banking risks by following comprehensive procedures for risk management, including appropriate and effective controls by the Board of Directors and bank's executive management in order to identify, measure, follow up and monitor the relevant risk categories and report them, and maintain an adequate capital is to prevent these risks.

The main risks associated with the bank's business are credit risk, operational risk, market risk, liquidity risk and other types of risks.

Complying with Banking Law No. 94 of 2004, the bank set its policy and procedures to manage its risks in accordance with the size and complexity of operations, therefore the bank has developed risk management policies accordingly.

CBIQ represented by its board of directors, is also keen to establish and implement the principles of institutional governance by introducing structural, legislative and supervisory developments aimed at reducing the risks that the bank may be exposed to. Therefore, among the directions of the bank's board was to ensure the independence of supervisory activities, including the activity of risk management. In the bank, and in implementation of the best international practices in this field, the administrative structure for risk management has been formed within the following data: -

First - Formation of the Risk Committee from the Board of Directors

This committee operates within an approved business charter that includes its duties and responsibilities. Among its main tasks in relation to risk management are the following:

- Reviewing the risk management framework in the bank.
- Reviewing the bank's risk management strategy before approval by the Board.
- Reviewing the bank's risk management policies before approval by the Board.
- Following up the developments that affect risk management in the bank and submitting periodic reports to the Board.
- Verifying that there is no discrepancy between the actual risks that the bank takes and the level of acceptable risks approved by the Board.
- Ensuring the availability of policies and frameworks for risk management, the programs and tools required for that with periodic review to ensure their effectiveness and amend them if necessary.
- Ensuring that the bank manages its risks in an efficient manner, so that the bank carries the appropriate risks against the appropriate return.
- Creating appropriate conditions to insure identifying the risks that have a substantial impact, identifying any bank's activity that may lead to risks greater than the level of acceptable risks, and submitting their reports to the board.
- Verifying that violations of the acceptable levels of risk are addressed, including discussing these violations with executive management then submitting reports to the BOD.

Sixteenth: Risk Management (Continue)

First - Formation of the Risk Committee from the Board of Directors (Continue):

- Reviewing the assumptions and scenarios used within the stress tests, discussing the results of the tests, and reviewing the measures to be taken based on these results before they are approved by the BOD.
- Reviewing the methodology for the internal evaluation of the bank's capital adequacy and submitting it to the BOD for approval, so that this methodology is comprehensive, effective and capable in identifying all risks that the bank may face, they take into account the bank's strategic plan and the capital plan, and review this methodology periodically and verify its application, and ensure that the bank maintains sufficient capital to meet all the risks it faces.
- Reviewing Bank's accepted risk document before the approval of the Board
- Ensuring the independency of risk management.

Second - Risk management independency

The risk management is independent as it is linked to risk committee derived from the board of directors (BOD) hence risk management is reporting directly to the risk committee. In according to the authority granted by the Board of Directors, this management can approach any information from other departments in the bank or by the coordination with other various banks' committees, moreover, it works to identify, measure and control all the risks to which the bank is exposed or that it may be exposed to, in addition to hedge these risks to mitigate their impacts on the bank's activities, and to ensure its good management with the aim of maximizing property rights through the following:

- Monitoring the bank's executive departments' to comply with the determined levels of acceptable risks.
- Reviewing the risk management framework in the bank before the approval of the board.
- Implementing the risk management strategy in addition to developing policies and work procedures to manage all types of risks.
- Educating and raising employees' awareness about risk management.
- Developing methodologies for identifying, measuring, monitoring and controlling all types of risks.
- Reviewing the assumptions used in preparing the bank's estimated budget and submitting the necessary recommendations to the Risk Committee derived from BOD and a copy for the bank's executive management.
- Conducting stress tests to measure the bank's ability to bear various conditions.
- Studying and reviewing the bank's credit portfolio to ensure its consistency with the bank's credit policy.
- Identifying risks for all products, services, processes and systems and ensuring that these risks are within the limits. In addition, procedures have been put in place to control and monitor these risks. This also includes identifying the risks in the event of modifications to the products, services, processes and systems in the bank.
- Supervising the preparation of the business continuity plan and ensuring its effectiveness.

The commercial bank of Iraq in the circumstances of Corona pandemic

Banking sector as a part of other life aspects, which have been affected by COVID 19 pandemic, which may last in the future, and through crises CBIQ has shown a great ability to tolerate as well as operate during this crisis with an excellent achievement that should be highlighted. This success is due to the bank's efforts to manage its various risks and the investments.

The CBIQ has dealt with the crisis not only as a matter of business continuity and keep customers' confidence since it is a major matter in the financial services system that is beneficial to customers, shareholders and the economy in general, but through the application of some regulatory requirements such as classification conditions and building allocations from In terms of the structures, schedules , methodologies used, the application of accounting standards for asset reduction, and the requirements for calculating liquidity and capital adequacy ratios.

Application of International Accounting Standard No. 10, and the subsequent events after the reporting period

CBIQ has taken precautionary measures to limit the spread of "Corona virus", which has been classified as a global a pandemic by the World Health Organization. These precautionary procedures aims to reduce socialization and overcrowded and gatherings as much as possible to combat Corona infection, as these precautionary measures extended to stop gatherings in the workplace, keep distances, reduce working hours, set a specific period for the customers inside banks, activate the remote work feature and directly engage in business from homes in the quarantine.

International Accounting Standard (10) imposes continuity principle

In such unique circumstances face corporates sectors at the international level, CBIQ has realized that it must arm up itself with accounting standards in preparing its financial statements and strive to implement its requirements, such as the principle of continuity, as it is taken into account that the management should evaluate the capability of the bank in terms of continuity when it comes to prepare financial statements, in a way that the bank prepares its financial statements based on the assumption of business continuity.

Also the term of disclosure should include the probability of uncertainty in the continuity of bank's business when it is affected by circumstances and events, as well as this criterion requires the management to take into account the available information about the foreseeable future which represents a period of not less than twelve months from the end of the financial period for which the statements are prepared and it may exceed that when evaluating the appropriateness of the accounting assumption related to continuity.

International Accounting Standard (10) imposes continuity principle (Continue)

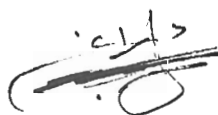
The management sometimes takes into consideration some other factors in the current and expected profitability as well as loan payment schedules and prospective alternative sources of financing before settling into the certainty that the assumption of continuity is appropriate, and in the case of the potential impacts of the Coronavirus, the management must take future information for the twelve months following the reporting period, at least, whether in relation to the negative impacts of the virus on business or debt-repayment capacity. On the other hand, what is related to the positive effects of the facilities and support package that the state provides to businesses affected by the events of the Coronavirus.

It should also be emphasized that the bank must evaluate the appropriateness of preparing the financial statements on the basis of continuity in the period following the end of the fiscal year and before publishing its financial statements, as the requirements of International Accounting Standard No. 10 regarding the preparation of financial statements must be applied there are indicators prevent the bank to assume business continuity after the end of fiscal year and before the financial statements are published.

Seventeenth: International Award

The Commercial Bank of Iraq is the first Iraqi Bank won "The Best Bank in Iraq Award" rewarded by Global Finance Magazine in New York, for five consecutive years (2009 – 2013). CBIQ was also the first Iraqi Bank to be licensed by MasterCard International to issue credit and direct debit cards since 2008.

In conclusion, it is my pleasure to sincerely thank all those who have supported Commercial Bank of Iraq, to the regulatory authorities and to the community at large where the bank operates, wishing the banking sector continued prosperity and further development in order to better serve the citizens and the country.



Mohammed Hameed Dragh Al-Dragh
Chairman of the Board

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COMMERCIAL BANK OF IRAQ
CORPORATE GOVERNANCE REPORT
2020

First: OVERVIEW

The Board of Directors of the Commercial Bank of Iraq (CBIQ) is committed to implementing best Corporate Governance practices across the Bank's operations and structures, and to ensuring that CBIQ is run in accordance with appropriate and robust governance policies to support the success of the Bank and sustain its business growth.

CBIQ is also committed to an appropriate and transparent information disclosure framework and the enabling of timely access to key information by all stakeholders. For this purpose, the Bank has put in place a comprehensive disclosure and transparency policy which reflects all aspects of disclosure requirements (both financial and non-financial disclosures including all key statements on Bank's developments, operations and financial performance in accordance with the framework of stakeholders).

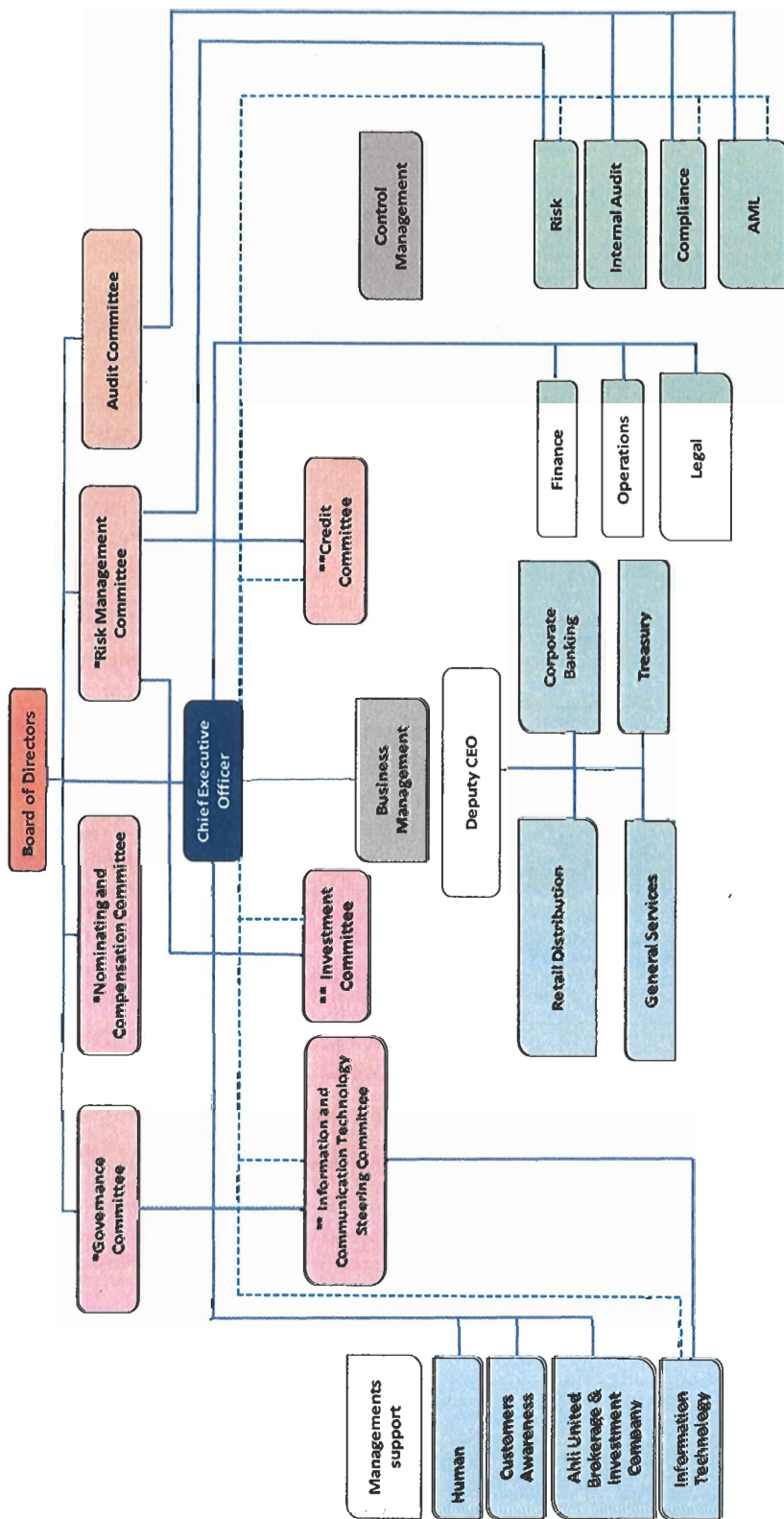
Elected by the General Assembly, the Board of Directors, is fully responsible for overseeing all aspects of Bank's conduct of business as well as managing associated risk exposures. The Board of Directors carries out this responsibility through Board-delegated committees which serve as active and independent lines of communications and oversight between the Board and senior management of the Bank.

The Board of Directors relies on independent committees for the exercising of its audit and oversight roles, whether through controls such as risk management, compliance, corporate governance and regulatory disclosure functions; or post facto control such as internal audit.

Additionally, the Bank conducts its business within agreed risk parameters, as set by the Bank's rigorous policy framework and procedures and defined delegated authority limits pursuant to the Bank's risk tendency and strategy.

The Board of Directors also relies on periodic MIS reporting prepared by senior management to the Board of Directors and its committees to ensure the timely monitoring of Bank's progress and focus on the key aspects and prompt remedy to areas of risk.

Second : CBIQ organizational structure as on 31 of Dec 2020



Third: THE BOARD OF DIRECTORS

The Board of Directors of the Commercial Bank of Iraq is the ultimate decision making body within CBIQ. It is responsible for overseeing the bank's conduct of business and ensuring the successful implementation of its strategy in delivering consistent and sustainable returns for its shareholders, employees and the society at large, taking into consideration business continuity and achieving corporate goals. As CBIQ is also a subsidiary of Bahrain-based Ahli United Bank Group (AUB), its Board has a dual role in overseeing the implementation of the Group's strategy as relates to the Iraqi market and ensuring optimal synergy with the Group's broader business objectives and operations region-wide.

- Board of Directors Members

Mohammed Hamed AlDaragh (Chairman of the Board of Directors)

Held the position of the Chairman of the Board of Directors since 2017, awarded Bachelor degree - college of Literature, University of Baghdad, and Bachelors in Law from Al Mustansiriyah University. He has experience in the Banking Sector in which he has filled several position including a member of the Board of Directors in Rafidain Bank in 1972, after that he became a member of the Board of Directors in Iraq Commercial Bank for three consecutive terms and became the chairman of the Board of Directors till the end of 2005.

Nouri Muzaal Sudon AlDubaysi (Managing Director)

Member of the Board of Directors since 2012, awarded a Diploma in Accounting from Beirut in 1959. He has an experience in the Banking Sector for 60 years in which he held several positions including Head of Branch for several branches for Rafidain Bank in Iraq and Head of Branch in Amman, Jordan. Also, he was Head of several branches in Rasheed Bank in Iraq and held the position of Banking Supervision Director in Rasheed Bank. In 2001, he also held the position of the General Manager of Rasheed Bank.

Othman Ahmed Yagoub Hujazi (Vice Chairman of the Board of Directors)

Vice Chairman of the Board of Directors since 2020, holds a Masters in Finance from University of Western Sydney, Australia. He has experience in the Banking Sector and several companies for 27 years. Board member, Al Hilal Life B.S.C.(c) and Al Hilal Takaful B.S.C.(c), Bahrain; Board Member, Al Ahli Real Estate Company WLL, Bahrain; Director, Property Company One & Two Ltd, UK . Former: Executive Director International Corporates – Origination and Customers Coverage – Saudi and Kuwait Markets, Standard Chartered Bank, UAE; Executive Director – Head of Local Corporate Business – Origination and Customer Coverage – Sharjah and Northern Emirates, Standard Chartered Bank, UAE; Senior Relationship Manager – Business Banking Group, Abu Dhabi Commercial Bank, UAE; Relationship Manager, Commercial Bank International, UAE.

Jamil Elie Jamil Ghattas (Member of the Board of Directors)

Member of the Board of Directors since 2017, awarded Bachelors in Business and Economics in the United States of America. He has experience in the Banking Sector for 35 years in which he held several positions that include the Head of Strategic Development in Ahli United Bank from 2010 to date, and the Head of Credit Risk for the Group – Ahli United Bank, Bahrain from 2002 to 2010. He was also Assistant of the Vice President - Arab Banking Corporation from 1991 to 2001. In addition to holding the position of Head of Economics Department in Arab Banking Corporation from 1985 to 1991.

Mirna Michael ElAchkar (Member of the Board of Directors)

Member of the Board of Directors since 2017, awarded Masters in Law. She has experience in the Banking Sector for 14 years in which she held several positions including an attorney at law for The Lebanese Canadian Bank (LCB), also worked in Tyan & Zgheib Law Firm in Biuret in 1997. Also, held the position of Head of Legal Department - KGL Investment Company in 2007, Kuwait. And in 2010, held the position of Deputy Head of Legal Affairs in Global Investment House, Kuwait.

Jamal Tahir Yahya (Member of the Board of Directors)

Member of the Board of Directors since 2017 awarded Bachelor from University of Baghdad. He has experience in the Banking sector gained from his numerous Companies and its contributions with Iraq and Foreign Banks throughout many years. He also currently holds positions including a Managing Director of Iraqi International Company for Trading And Services Machinery And Equipment from 1989 to date. In addition to holding the position of the Managing Director of Iraq union for Trading heavy Machinery Company from 2004 to date. He is also the Managing Director for Al Mayasem Trading Company from 2003 to date.

Hisham Zaghloul Mohammed Abdul Mutaleb (Member of the Board of Directors)

Member of the Board of Directors since 2017, awarded Bachelor of Arts Degree in Economics from Faculty of Economics & Political Science from Cairo University. He has experience in the Banking sector for 20 years, in which he held several positions throughout the Middle East, including BNP Paribas (Egypt), Commercial International Bank (Egypt), United Bank for Commerce & Investment (Libya), and Ahli United Bank KSCP (Kuwait).

Currently holds the position of Senior Deputy Chief Executive Officer - Banking Group (Acting) in Ahi United Bank KSCP (Kuwait), he is Vice Chairman of Middle East Financial Investment Company (MEFIC) in Saudi Arabia and also a Board Member in United Bank for Commerce and Investment (UBCI) in Libya.

- Composition of the Board of Directors

CBIQ's Board of Directors is composed of 7 principal members in addition to 7 alternate members, with the composition of the Board representing an appropriate mix of professional qualifications, skills and expertise.

The Directors are elected by the General Assembly for a term of 4 years subject to approval by the Central Bank of Iraq. Directors may be reelected for no more than a second term. The Board shall elect a Chairman and a Deputy Chairman.

Independent members on CBIQ's Board constitute over a third of its members, in line with the requirements of Corporate Governance and for the formation of Board committees.

Members of the Bank's Board of Directors as at 31 December 2020:
Principal members and respective number of shares:

No.	Names	Representing	Title	Number of shares
1	Mohammed Hameed Dragh Al-Dragh	Self	Board Chairman	500,000
2	Othman Ahmed Yaqoub Hujazi	Ahli United Bank B.S.C.	Deputy Chairman	187,500,000,000
3	Hisham Zaghloul Mohamed Abdulmutalib	Iraq Development and Services Company (IDS)	Board member	100,000
4	Nouri Mizal Saadoun Al-Dubaisi	Self	Executive Manager	500,000
5	Jamal Taher Yahya Al-Takreti	Self	Board member	560,474
6	Mirna Michele Salebi ElAchkar	Mustaqbal Alemtiyaz Trading Company	Board member	100,000
7	Jamil Elie Jamil Ghattas	Gulf Oasis Oil Services Company	Board member	100,000

Alternate members and number of shares:

No.	Names	Title	Number of shares
1	Furat AbdulAdheem Abdulrazzak Kubba	Board member	1,960,592
2	Redha Mohamed Ali Redha	Board member	100,000
3	Saad Jawad Ali Mohamed Saeed	Board member	25,000
4	Walaa Hussain Hashim NasrAllah	Board member	25,000
5	Yahya Ismaeel Dawood Alhakeem	Board member	25,000
6	Mudhur Ismaeel Yahya Mohamed	Board member	25,000
7	Sadiq Khalaf Bunyan Al-Saadi	Board member	10,000

- Board responsibilities

The Board is responsible for setting the Bank's strategy and monitoring its implementation within the approved risk profile. The role of the Board of Directors is to strike an appropriate balance as well as to delegate authority within an effective internal control framework implemented by the Bank's executive management.

- Board's meetings

The Board shall meet at least six (6) times per annum, but may convene at any time in case of urgent circumstances. Board members should endeavor to attend all meetings, nonetheless should a Director not be able to attend in person, he or she may attend, subject to Chairman's approval- through a video or audio call, but may not cast a vote or sign the minutes of the meeting. Board's resolutions are adopted by the majority of voting attendees. In the event of a tied vote, the Chairman will cast the deciding vote.

The table below details the Board meetings held during 2020 and the attendance of each member:

No.	Names	Meeting Date		
		09/02/2020	19/11/2020	09/12/2020
1	Mohammed Hameed Dragh Al-Dragh	√	√	√
2	Othman Ahmad Yaqoub Hijazi	-	√	√
3	Hesham Zaghlool Mohamed Abdulmuttaleb	√	√	√
4	Nori Mezaal Sadoon Al-Dabis	√	√	√
5	Jamal Taher Yahya Al-Tekreeti	√	√	√
6	Mirna Michel Salebi El Achkar	√	√	√
7	Jamil Elie Jamil Ghattas	√	√	√
8	Furat AbdulAdheem Abdulrazzak Kubba(Board member)	√	-	-

Fourth: BOARD COMMITTEES

The Board has constituted four committees, membership of which is drawn from among its members, which are directly reporting to the Board. These committees carry out their responsibilities pursuant to Corporate Governance Guidelines and their duly delegated powers by the Board to ensure best business practices. These Committees are listed below.

1) Governance Committee

The Governance Committee's main role is to assist the Board of Directors in discharging its oversight responsibilities relating to sound corporate governance practices and the implementation of governance policies across Bank's units.

The names of the Governance Committee members and their memberships in the Board Committees and attendance at meetings held during 2020 are detailed below:

Members	Meeting Dates
	09/02/2020
Mohammed Hameed Dragh Al-Dragh (Chair)	√
Jamil Elie Jamil Ghattas (Member)	√
Mirna Michel Salebi El Achkar (Member)	√

Corporate Governance Committee responsibilities and duties:

- The Committee supervises preparation of bank's Corporate Governance Guide and monitors implementation of Corporate Governance in accordance with the size of the bank's operations, the multiplicity and diversity of its activities, its modernization and monitoring of its application.
- Supervising and preparing the Corporate Governance report and including it in the bank's annual report.
- Ensuring bank's adherence to principles of corporate governance and its good practices.

2) Audit Committee

The Audit Committee assists the Board in overseeing the functions of internal controls, external audit, internal audit, regulatory compliance and financial reporting in accordance with regulatory guidelines and international financial reporting standards.

The names of the Audit Committee members and their memberships in the Board Committees and attendance at meetings held during 2020 are detailed below:

Members	Meeting Dates	
	09/02/2020	29/9/2020
Othman Ahmad Yaqoub Hijazi (Chair), Attended instead of Tareq Waleed Muhmood	✓	✓
Jamal Taher Yahya Al-Tekreeti (Member)	✓	✓
Mirna Michel Salebi El Achkar (Member)	✓	✓

Audit committee's responsibilities and duties

- The extent of Internal Audit adequacy and the follow up with external auditor and discuss his reports.
- Discuss accounting issues with material impact on bank's financial statements.
- Ensure adequacy and efficiency of the bank's internal control systems.
- Ensure compliance to international standards and combatting of money laundering in all bank's activities and operations. The Committee has the right to investigate, search and audit any operation, procedure or regulation that could affect bank's strength and integrity.
- Recommend to the Board of Directors bank's organizational structure, initiate or cancel the organizational formations, merge identify and modify their duties along with the terms of reference.
- Review bank's annual training plan and track its implementation. Moreover, review reports of executive management on human resources situations.
- Review policies and instructions relating to appointments, promotions, resignations and termination of service to all bank personnel, including executive management, against applicable laws.

- Prepare a quarterly report regarding the committee's work after each financial quarter to be submitted to the Board of Directors.
- Audit and approve the accounting procedures, annual audit plan and accounting instructions.
- Confirm bank's complies to disclosures set by International Financial Reporting Standards (IFRS), Central Bank of Iraq instructions and other relevant legislations. Ensure executive management awareness of the amendments to made in IFRS and other relevant standards.
- Ensure bank's annual report includes a report on the adequacy of internal supervision and control systems for financial reporting. The report shall include the following:
 - A paragraph clarifying the responsibility of the internal auditor in cooperating with the executive departments to establish and maintain controlling systems and internal supervision over financial reporting in the bank.
 - A paragraph on the framework used by internal auditor to evaluate and determine effectiveness of internal supervision and controlling systems.
- Ensure compliance to international standards in all banking activities and operations.
- Ensure that there is anti-money laundering and terrorist financing body which directly reports to the Board of Directors and responsible for implementing policies of Know Your Customer (KYC) as well as initiates periodic reports about office's activity.
- Monitor the implementation of U.S. Foreign Account Tax Compliance Act (FATCA)
- Identify weaknesses in internal supervision and controlling systems that could possibly lead to incorrect statement with substantial impact.
- A report from the external auditor shows his opinion on the effectiveness of internal control systems.
- The committee's relationship with the external auditor: the committee is directly responsible for the following:
 - Proposing eligible candidates eligible to serve as external auditors or recommend their dismissal.
 - Providing direct communication between the external auditor and the committee.
 - Approving the scope of the audit with the external auditor.
 - Receiving audit reports and ensuring that the bank's management takes the necessary corrective measure to timely solve the problems identified by the external auditor.
- The committee's relationship with the internal auditor: the committee is directly responsible for the following:
 - Appointing the internal auditor or recommending his dismissal, promotion or transference after obtaining Central Bank approval.
 - Reviewing and approving the internal audit plan.
 - Requesting reports from the internal audit manager.
- The Audit Committee should ensure that there are adequate financial and human resources to manage and train internal audit.
- Ensure independency of internal audit staff and not being assigned to any other operational tasks.

- Monitor bank's compliance, and anti-money laundering and terrorist financing laws, regulations and controls applied on the bank and reporting to the Board.
- Review bank's reports sent to the Central Bank.
- Submit the annual report to the Board of Directors to disclose bank's activities and operations.
- The Committee must have the authority to obtain any information from the executive department and has the right to call any director to attend any of its meetings without having the status of a member of the Committee.
- The committee meets with the external auditor, internal auditor, compliance department officer and anti-money laundering officer at least 4 times a year without the presence of any members of the executive management.
- The Committee reviews and monitors procedures that enable staff report confidentially any error in the financial reports or other matters, and ensures that the commission has the necessary arrangements for an independent investigation, protection of the staff member and ensures that the results of the investigation are followed up and processed objectively.
- Review anti-money laundering and terrorist financing reports.
- Follow-up the implementation of business continuity and disaster recovery and crisis programs in coordination with the ICT Committee.
- The Chairman of the Committee presents the minutes of its meetings and recommendations to the Board of Directors for voting.

3) Risk Management Committee

This committee advises and assists the Board in overseeing the Bank's overall risk management framework, including identifying its risk exposures, policies and adopted risk appetite and limits.

The names of the Risk Committee members and their memberships in the Board Committees and attendance at meetings held during 2020 are detailed below:

Members	Meeting Date			
	20/02/2020	29/07/2020	05/10/2020	14/12/2020
Othman Ahmad Yaqoub Hijazi (Chair), Attended instead of Tareq Waleed Muhmood	✓	✓	✓	✓
Jamal Taher Yahya Al-Tekreeti (Member)	✓	✓	✓	✓
Jamil Elie Jamil Ghattas (Member)	✓	✓	✓	✓

Risk committee's responsibilities and duties:

- Review bank's risk management strategy prior the approval of the Board of directors.
- Review bank's credit policy and make recommendations to the Board of Directors for approval as well as supervise the implementation of their proposed credit policy.
- Monitor "credit risk" incurred by the bank, whether in relation to the "standard entry", "internal classification-based entry", "operating risk", "market risk", "supervisory review" and "market discipline" as issued by the Basel Committee.
- Determine credit ceilings that exceeds the authority of the CEO or regional manager.
- Monitor bank's ability to avoid liquidity risks under Basel III, including liquidity guidelines.
- Recommendation to abandon risky activities that the bank cannot handle.
- Ensure that the Bank complies with the regulations, instructions and policies related to risk management.
- Periodic review of the risk management policy proposed by the bank's senior management and make recommendations to the Board of Directors for acknowledgement and approval.
- Supervise senior management's procedures towards complying with the bank's risk policies.
- Regular follow up with the head of Risk Department to obtain reports on matters relating to bank's current risk situation, in addition to reports on the limits and ceilings set and any excesses and risk evasion plans.
- Supervise capital and liquidity management strategies and related risk management strategies to ensure that they are in line with the bank's risk framework.
- Risk committee receives periodic reports from committees emanating from executive management (credit, investment, ICT).
- Review bank investment policy and make recommendations to the Board of Directors for approval as well as oversee the implementation of the investment policy proposed by them.
- Assess the performance of the investment portfolio in terms of return and risk in relation to the bank's internal and external investments and the continuous follow-up of the indicators and movement of domestic and foreign capital markets.

4) Nominating and Compensation Committee

This Committee assists the Board in monitoring the Bank's short and long term remuneration and makes recommendations in this regards. The Committee is also responsible for identifying and recommending to the Board persons qualified to become Directors, members of Board- board committees or senior managers of the Bank. The Committee also assists in evaluating the performance of the Board, its Committees and Directors.

4) Nominating and Compensation Committee (Continue)

The names of the Nominating & Compensation Committee members and their memberships in the Board Committees and attendance at meetings held during 2020 are detailed below:

Members	Meeting Date
	16/04/2020
Tareq Waleed Muhmmood (Chair)	
Hesham Zaghlool Mohamed Abdulmuttaleb (Member)	✓
Jamil Elie Jamil Ghattas (Member)	✓

Responsibilities of Nominating and Compensation committee

- 1- Identify the nominees eligible to join bank's Board of Directors or Senior Management of the bank with the exception those qualified to hold the position of Head of Audit, which is the responsibility of the Audit Committee.
- 2- Prepare Compensation Policy and submit it to the Board of Directors for approval and supervision of its application, taking into account the following:
 - To be in line with the principles and policies of good governance to ensure bank's long-term interests over immediate or short-term considerations.
 - The extent of which the Bank achieves its long-term objectives in accordance with its strategic plan.
 - Ensure that the compensation policy takes considers all types of risks to which the bank is exposed, so that the profits achieved are balanced with the degree of risk involved in the activities and banking.
 - The compensation policy should include all levels and categories of bank employees. Conduct a periodic review of the rewarding policy, salaries and incentives, or when recommended by the Board of Directors, recommendations to the Board to amend or update this policy, and periodic assessment of the adequacy and effectiveness of the grant policy. Rewards, salaries and incentives to ensure that its stated objectives are achieved.
 - Develop a replacement policy to secure the bank's executive management functions, which should be reviewed at least annually so that the bank is ready to deal normally with any change that may occur to the occupants of the executive management functions without affecting the bank's performance and continuing operations.
 - Ensure the preparation of plans and provide programs to train and prepare board members on an ongoing basis to keep up with all the important developments in the field of banking and financial services (commercial and Islamic).
 - Supervising the evaluation of the bank's human resources performance, particularly executive management, reviewing the reports and making recommendations to the Board of Directors.

Responsibilities of Nominating and Compensation committee (Continue)

- 3- Review the committee's work list annually and propose any amendments, if any.
- 4- The Chairman of the Committee presents the minutes of its meeting and recommendations to the Board of Directors.
- 5- The Committee undertakes to submit periodic reports and an annual report on the results of its work to the Board of Directors.

Fifth: STAKEHOLDER PROTECTION

CBIQ has adopted a comprehensive set of policies and procedures, in order to protect the rights and interests of all stakeholders and to enshrine the principles of integrity, fairness and equal opportunity in its dealings with internal and external stakeholders. The policies and procedures are as follows:

- **Code of Business Conduct:** this code provides guidance on ethical business behavior and personal conduct for the Bank's Directors, senior management and staff.
- **Confidentiality & IT Security:** CBIQ has robust policies to ensure the privacy, confidentiality and protection of Bank's data, underpinned by a well-formulated framework for IT Security, which is actively monitored by the Bank's Risk Management Committee.
- **Conflict of Interest:** The Bank is keen on ensuring adherence to prevailing laws and international regulations and to best business ethics practices. Cases of potential conflict of interest are duly reviewed and reported to avoid any risks.
- **Whistleblowing:** The Bank has a detailed policy and procedures on whistleblowing, designed to handle and investigate well-founded concerns raised by internal or external stakeholders regarding potential misconduct occurring within, or associated with, CBIQ.
- **Customers' Complaints:** Effectively managing customers' complaints is essential to retaining their trust and confidence. A dedicated and well-resourced unit is tasked with handling customers' complaints each independently, addressing their concerns and setting high standards for quality assurance and achieving customers' satisfaction.

Sixth: Major Shareholders of CBIQ as at 31 DECEMBER 2020. (THERE ARE NO MORTGAGED SHARES OF THE COMMERCIAL BANK OF IRAQ TO ANY THIRD PARTY).

Names	Number of shares	Percentage of Ownership
Ahli United Bank B.S.C.	187,500,000,000	75.00%
International Finance Corporation	12,434,782,600	4.97%
Rathinam Srinivasan	4,682,582,838	1.87%
Prakash Mohan	4,588,632,139	1.84%
Abbas Ali Naji Al-Rubayee	4,217,750,000	1.69%
Mohan Subramanian	4,057,373,103	1.62%
Other Shareholders individually below 1% ownership	32,518,879,320	Below 1%
Total	250,000,000,000	100.0%

Seventh: TRANSPARENCY AND DISCLOSURE

Transparency and disclosure (T&D) are essential to an effective corporate governance framework as they provide the basis for informed decision making by shareholders and stakeholders.

CBIQ has put in place a clear and comprehensive framework for the accurate, transparent and timely dissemination of information to shareholders in line with guidelines issued by the Central Bank of Iraq and the Iraqi Securities Commission as well as relevant international standards.

Eighth: COMPENSATION DISCLOSURES

CBIQ's management is keen to maintain the competencies of its employees and motivate them to raise up the level of performance, through the coordination made with both human resources department besides the directors of all departments. The bank annually evaluates performance of all staff on the basis of achievements, goals, skills and qualifications. Employees are also evaluated based on responsibilities assigned to them in addition to the performance report according to specific guidelines.

The Board of Directors also supervises, through the Compensation Committee the process of evaluating the performance of the executive management and employees and determines the levels of their rewards. Annual remuneration of the board of directors is determined in the general assembly meeting of the bank.

The table below shows the total up of monthly salaries for the year 2019 and the salaries were approved for the year 2020:

Total salaries 2019 (Million IQD)	Approved increase for 2020 (Million IQD)	Total salaries approved for 2020 (Million IQD)
241	11	252

The total value of the Eid salary that was approved for the year 2020 is (230.2) million Iraqi dinars. This amount is disbursed in two phases, where the first phase is 50% of the appropriate amount on the occasion of Eid al-Fitr and the remaining 50% on the occasion of Eid al-Adha.

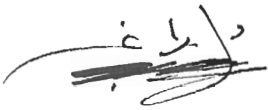
The following table shows the total performance bonuses for the year 2017 that were paid in 2019 and the total performance bonus that was approved for the year 2019 and was paid in 2020:

Performance Bonus 2018 (Million IQD)	Increase approved for performance bonus 2019 (Million IQD)	Total performance bonus approved for 2019 during 2020 (Million IQD)
223	87	263

Bonus in 2020 to members of the Board of Directors amounted to (105) million Iraqi dinars for the business of the fiscal year ending on December 31, 2019, as determined by the meeting of the bank's general assembly on 10/2/2020.

Ninth: CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The Board oversees the Bank's corporate social responsibility (CSR) program. As a responsible bank, CBIQ is focused on incorporating sound sustainable practices into its day-to-day operations, and identifying new initiatives and opportunities to further contribute to the social and economic well-being of fellow citizens of Iraq. The Bank reviews its CSR outreach on a periodic basis to improve such initiatives, both in terms of scope and quality of delivery. More details on the CSR programs are found in the CBIQ's CSR Report which was first launched in 2020.



Mohammed Hameed Dragh Al-Dragh
Chairman of the Board

Audit Committee Report

Messrs. Shareholders of the Commercial Bank of Iraq (P.S.C.)

With reference to the approval of the General Meeting of the Commercial Bank of Iraq held on 25 December 2006 for the formation of the Audit Committee and with reference to the corporate governance requirements issued by the Central Bank of Iraq we are pleased to inform you that the committee has reviewed the financial statements dated 31 December 2020 and the Annual Report of the Commercial Bank of Iraq prepared according to the provisions of the Companies Law No.21 of the Year 1997, as amended, the Regulations and Instructions issued in accordance therewith and according to the recognized audit standards, we examined all the information and disclosures that we deemed necessary for the protection of the Shareholders and for carrying out our duty that we have undertaken according to the applicable legislation and in compliance with the prevailing audit procedures which included the necessary tests of the areas of operations while fully confirming the notes contained in the Auditor's report and in keeping therewith. In our opinion and according to the available information and disclosures, we wish to note the following:

1. The books used by the Bank conform to the bookkeeping requirements and in our opinion, they contain records of all the assets, liabilities, uses and resources.
2. The annual report and its contents of financial and accounting information reflect a full and complete picture of the Bank's financial position during the year subject to the audit and such information is not in breach of the provisions of the financial laws and legislation in force.
3. Pursuant to the Banking Law No.94 of the Year 2004, the Committee reviewed the accounting procedures, guidelines, the auditor's report of the Bank's financial statements and the reports submitted by the Bank to the Central Bank of Iraq and we ensured that the Bank has applied the guidelines of the Central Bank of Iraq and in accordance with International Financial Reporting Standards (IFRS).
4. There has not been any evidence of violation of the International Standards or Anti-money laundering operations in all the Bank operations and activities.
5. The procedures that enable the employee to report any error in the financial reports or any other matters in confidential manner are sound, and that the necessary arrangements to achieve the independence, investigation, protection of the employee and following up on the results of the investigation and processing them are done objectively.
6. The annual report prepared by the executive management includes all the basic requirements stipulated in the corporate governance.

The Committee has taken measures to control and monitor the banking operations in all its branches through effective work allocation and authority segregation as necessitated by business requirements which has successfully contributed to reducing risks and to facilitate smooth banking operations.

Yours faithfully,



Othman Ahmed Yaqoub Hijazi
Chairman of the Audit Committee



No: 38-530

Date: 28 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Commercial Bank of Iraq
Baghdad – Iraq

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Commercial Bank of Iraq and its subsidiary (the Bank), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iraq, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Expected credit losses (ECL) for credit facilities Refer to note (5) to the consolidated financial statements	
Key audit matter:	How the key audit matter was addressed in the audit:
<p>We considered ECL as a key audit matter as the Bank exercises significant judgement to determine when and how much to record ECL on credit facilities.</p> <p>There is a risk that inappropriate allowance for ECL are booked, whether from the use of inaccurate underlying data, or the use of unreasonable assumptions. Due to the significance of the judgments used in classifying credit facilities into various stages stipulated in IFRS 9 and determining related allowance requirements, this audit area is considered a key audit risk.</p> <p>As at 31 December 2020, the Bank's gross credit facilities amounted to IQD 43,386,710 thousand and the related allowance for ECL amounted to IQD 10,806,777 thousand. The allowance for ECL policy is presented in the accounting policies in note (2) to the consolidated financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We gained an understanding of the Bank's key credit processes comprising granting and recording; and tested the operating effectiveness of key controls over these processes. We read the Bank's ECL provisioning policy and compared it with the requirements of IFRS 9 as well as relevant regulatory guidelines and pronouncements. We assessed the Bank's expected credit loss model, in particular focusing on its alignment of the expected credit loss model and its underlying methodology with the requirements of IFRS 9. We examined a sample of exposures, assessed on an individual basis and performed procedures to evaluate the following: <ul style="list-style-type: none"> ○ Appropriateness of the Bank's staging.

Muhammad Fadhel Al-Assaf and partners
Chartered Accountants & Auditors

Member of the Iraqi Association of Certified Public Accountants)



Firas I. Korban Ali & Co.

Certified Public Accountant

شركة فراس اسماعيل قربان علي وشركه

لرابة وتدقيق الحسابات (تضاميه)

- Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations.
- Appropriateness of the Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD) and Effective Interest Rate (EIR) used for different exposures at different stages.
- Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise.
- Soundness and mathematical integrity of the ECL Model.
- For exposures moved between stages we have checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality.
- For exposures determined to be individually impaired we re-performed the ECL calculation we also obtained an understanding of the latest developments in the counterparty's situation of the latest developments in estimate of future cash flows, current financial position any rescheduling or restructuring agreements.
- For forward looking assumptions used by the Bank in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information.
- We assessed the consolidated financial statements disclosures to ensure compliance with IFRS 7.
- We assessed the accounting policies, critical accounting estimates and judgments, disclosures of credit facilities and on ECL in notes (2) and (5) to the consolidated financial statements.

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بغداد - كراة خارج - عمارة الوركاء

Baghdad - AL Karrada kharj - AL Warqaa Building



Other information included in the Bank's 2020 annual report

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Bank to cease to continue as a going concern.

Muhannad Fadhel Al-Assaf and partners
Chartered Accountants & Auditors

Member of the Iraqi Association of Certified Public Accountants)



Firas I. Korban Ali & Co.
Certified Public Accountant

شركة فراس اسماعيل قربان علي وشريكه

للمراجعة وتدقيق الحسابات (تضامياً)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiary or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, , and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

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Report on regulatory requirements

We have the following comments and notes:

1. During the performance of our audit procedures and to the nature of the banking transactions, nothing has come to our attention for the existence of transaction related to money laundering or financing terrorism.
2. The annual report was prepared in accordance with Companies Law number 21 of 1997 and its amendments.
3. Capital adequacy stood at 73.7%.
4. Currency auction operations that the Bank has entered for the benefit of the Bank's customers during 2020 were in line with Central Bank of Iraq instructions in that regards. The Bank sold an amount of USD 67,776,006 through currency auction with an average exchange rate of IQD 1,196.42 IQD for every 1 USD during the year. Also, we have received confirmation from CBI regarding currency auction operations that were conducted by the Bank during 2020.
5. We reviewed the internal audit reports; we did not note any major issues.
6. The accounting records used by the Bank complied with the requirements of the bookkeeping regulations and comprised the assets, liabilities, the Bank's sources and uses of funds for the fiscal year.
7. We observed the physical cash count with management at the Main, AlWatheq, Al-Mansour and Al-Khulani branches and noted no issues. The management have conducted the physical count of the fixed assets and they have provided us with matched statements.

Muhannad Fadhel Al-Assaf
Chartered Public Accountant



Firas Ismael Korban Ali
Chartered Public Accountant



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COMMERCIAL BANK OF IRAQ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 IQD (000)	2019 IQD (000)
ASSETS			
Cash and balances with Central Bank	3	346,872,896	202,968,845
Balances with banks	4	54,171,767	35,368,994
Direct credit facilities, net	5	18,840,651	11,446,640
Financial assets at fair value through other comprehensive income	6	1,412,027	556,603
Financial assets at amortized cost	7	185,933,818	189,579,497
Property, equipment and right of use assets, net	8	3,229,798	3,168,293
Other assets	9	6,488,272	6,506,778
Total assets		616,949,229	449,595,650
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Due to banks	10	15,716	1,691
Customers' deposits	11	272,745,127	146,011,721
Current tax liability	12	4,983,537	73,665
Other liabilities	14	31,450,220	31,276,447
Total liabilities		309,194,600	177,363,524
SHAREHOLDERS' EQUITY			
Paid capital	15	250,000,000	250,000,000
Statutory reserve	15	19,235,273	15,689,715
Other reserves		149,163	149,163
Fair value reserve		216,108	81,348
Retained earnings		38,154,085	6,311,900
Total shareholders' equity		307,754,629	272,232,126
Total liabilities and shareholders' equity		616,949,229	449,595,650

For Commercial Bank of Iraq-PSC


Mohammed Hameed Dragh Al-Dragh
 Chairman of the Board of Directors


Nouri Mizal Saadoun El-Dubaisi
 Chief Executive Officer


Mustafa Najm Kadhim Al-Furaiji
 Head of Finance

Subject to our report number 38 - 530 and dated on 28 March 2021


Muhannad Fadhel Al-Asa
 Chartered Public Accountant


Firas I. Korban
 Chartered Public Accountant

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

COMMERCIAL BANK OF IRAQ**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020	2019
		IQD (000)	IQD (000)
Interest income	17	14,589,962	17,056,851
Interest expense	18	(233,166)	(330,925)
Net interest income		14,356,796	16,725,926
Net fees and commissions	19	1,406,240	1,162,065
Net gains from foreign exchange	20	40,885,934	339,911
Gain from sale of financial assets at amortized cost		-	1,050,732
Other operating income	21	619,106	268,324
Total operating income		57,268,076	19,546,958
Employees' expenses	22	(3,910,169)	(3,625,579)
Depreciation of property, equipment and right of use assets	8	(708,365)	(559,220)
Other operating expenses	23	(12,227,017)	(8,343,128)
Total operating expenses		(16,845,551)	(12,527,927)
Operating profit before allowance for expected credit losses		40,422,525	7,019,031
Net allowance for expected credit losses		(56,100)	(464,705)
Profit before income tax		40,366,425	6,554,326
Income tax expense	12	(4,909,872)	-
Net profit for the year		35,456,553	6,554,326
		IQD/Fils	IQD/Fils
Basic and diluted earnings per share	13	0/142	0/026

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

COMMERCIAL BANK OF IRAQ**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	IQD (000)	IQD (000)
Net profit for the year	35,456,553	6,554,326
Items that will not be reclassified subsequently to consolidated statement of income		
Change in fair value of financial assets at fair value through other comprehensive income (note 6)	65,950	(22,795)
Other comprehensive income for the year	65,950	(22,795)
Total comprehensive income for the year	35,522,503	6,531,531

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

COMMERCIAL BANK OF IRAQ
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Paid capital	Statutory reserve	Other reserves	Fair value reserve	Retained earnings *	Total
2020	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
At 1 January 2020	250,000,000	15,689,715	149,163	81,348	6,311,900	272,232,126
Total comprehensive income	-	-	-	65,950	35,456,553	35,522,503
Transfer to reserves	-	3,545,558	-	-	(3,545,558)	-
Derecognition of financial assets at FVOCI	-	-	-	68,810	(68,810)	-
Balance at 31 December 2020	250,000,000	19,235,273	149,163	216,108	38,154,085	307,754,629
2019	Paid Capital	Statutory Reserve	Other reserves	Fair value Reserve	Retained earnings	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
At 1 January 2019	250,000,000	15,035,389	149,163	104,143	18,669,551	283,958,246
Transition adjustment on adoption of IFRS 16	-	-	-	-	(7,651)	(7,651)
Restated balance at 1 January 2019	250,000,000	15,035,389	149,163	104,143	18,661,900	283,950,595
Total comprehensive income	-	-	-	(22,795)	6,554,326	6,531,531
Transfer to reserves	-	654,326	-	-	(654,326)	-
Dividends (note 16)	-	-	-	-	(18,250,000)	(18,250,000)
Balance at 31 December 2019	250,000,000	15,689,715	149,163	81,348	6,311,900	272,232,126

* Retained earnings include an amount of IQD 39,567,077 thousand which represents gain as a result of changing the exchange rate of USD from 1,190 IQD/USD to 1,460 IQD/USD. The distribution of this amount is subject to the approval of Central Bank of Iraq.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

COMMERCIAL BANK OF IRAQ
**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 IQD (000)	2019 IQD (000)
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		40,366,425	6,554,326
Adjustments for:			
Depreciation of property, equipment and right of use assets		708,365	559,220
Net allowance for expected credit losses		56,100	464,705
Gain from foreign exchange		(39,827,911)	(571,896)
Gain from sale of property		(444,204)	-
Gain from sale of financial assets at amortized cost		-	(1,050,732)
Cash flow from operating activities before changes in operating assets and liabilities		858,775	5,955,623
Changes in operating assets and liabilities:			
(Increase) Decrease in direct facilities, net		(6,062,168)	3,153
(Increase) Decrease in other assets		224,742	45,964
Increase in customers' deposits		104,761,814	11,259,189
Increase in other liabilities		1,292,472	4,620,049
Increase in statutory reserve with CBI		(13,020,051)	(214,337)
Decrease (Increase) in LGs margin reserve with CBI		626,704	(198,425)
Net cash flows from operating activities before income tax		88,682,288	21,471,216
Income tax paid		-	(814,021)
Net cash flows from operating activities		88,682,288	20,657,195
<u>INVESTING ACTIVITIES</u>			
Purchases of financial assets at amortized cost		-	(108,738,457)
Maturity of financial assets at amortized cost		38,070,787	146,548,702
Proceeds from sale of financial assets at amortized cost		-	41,467,694
Purchase of property and equipment		(791,384)	(967,220)
Proceeds from sale of property		465,718	-
Net cash flows from investing activities		37,745,121	78,310,719
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(991,207)	(16,842,457)
Lease paid during the year		(234,231)	(272,902)
Net cash flows used in financing activities		(1,225,438)	(17,115,359)
Net increase in cash and cash equivalents		125,201,971	81,852,555
Effect of FX on cash and cash equivalents		27,190,689	210,569
Cash and cash equivalents at beginning of the year	25	221,710,892	139,647,768
Cash and cash equivalents at end of the year	25	374,103,552	221,710,892

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Commercial Bank of Iraq ("the Bank") is a private shareholding company offering retail and corporate banking services in Iraq. The Bank was incorporated on 11 February 1992 and conducts its operations through 10 branches located in Baghdad, Basra and Najaf. The Bank's registered office is at Al-Sadoon Street, Baghdad, Iraq. The Bank is a subsidiary of Ahli United Bank (Bahrain) ("the Parent") which owns 75% of the Bank's capital (2019: 75%). The consolidated financial statements of the Bank are consolidated with the parent's consolidated financial statements.

The Bank has 100% (2019: 100%) ownership interest in a subsidiary, Ahli United Brokerage and investment Co. ("the Subsidiary"), which has been registered in Iraq on 3 July 2008. The principal activity of the subsidiary is brokerage. The Bank and its subsidiary are collectively known as ("the Bank").

2. ACCOUNTING POLICIES**2.1 BASIS OF PREPARATION**

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements. The consolidated financial statements are presented in Iraqi Dinars (IQD), rounded to the nearest thousand Dinars except otherwise indicated. IQD is the functional currency of the Bank and its subsidiary.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank as at 31 December 2020 and its Subsidiary (Ahli United Brokerage and Investment Co.) over which the Bank has the power to govern the financial and operating policies of the Subsidiary so as to obtain benefits from its activities. All balances, transactions, income, and expenses between the Bank and the Subsidiary are eliminated in full upon consolidation. The financial statements of the Bank's subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies. The subsidiary paid-in capital is IQD 200,000 thousand (2019: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2020 (2019: 100%).

The subsidiary's main activity is investment brokerage. The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues to be consolidated until the date that such control ceases.

2. Accounting Policies (Continued)**2.3 New standards and interpretations effective for the year**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's reported annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and amendments effective as of 1 January 2020:

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Bank does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Bank has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

2. Accounting Policies (continued)**2.3 New standards and interpretations effective for the year (continued)****Amendments to IAS 1 and IAS 8: Definition of “Material”**

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments to the definition of material did not have a significant impact on the Bank’s consolidated financial statements.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Bank.

2.4 New standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank’s consolidated financial statements are disclosed below:

Interest Rate Benchmark Reform (Phase 2)

On 27 August 2020, the IASB published ‘Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16’ (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an Inter-Bank Offered Rate (an IBOR) with an alternative nearly risk-free rate (an RFR). The amendment is effective for annual reporting periods beginning on or after 1 January 2021 with earlier adoption permitted.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statement are set out below. These policies have been consistently applied to all year presented.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to 'Net gains from foreign exchange' in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are initially recognised at the fair value plus, for an item not recorded at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortised on a systematic basis to maturity using the effective interest rate method and taken to interest income or interest expense as appropriate.

a) Date of recognition

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Bank receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

b) Direct credit facilities

Direct credit facilities are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial recognition, these are subsequently measured at amortised cost using the effective interest rate method, less any amounts written off, allowance for expected credit losses and interest in suspense. The losses arising from impairment of these assets are recognised in the consolidated statement of income in "allowance for expected credit losses" and in an allowance for expected credit losses account in the consolidated statement of financial position. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "interest income" in the consolidated statement of income.

Interest and commission arising on non-performing facilities are suspended when loans become impaired according to the Central Bank of Iraq regulations.

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (Continued)***c) Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income consists equity investments that are not held for sale in the near future.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of income when the Bank's right to receive the payment is established.

d) Financial assets at amortized cost

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely payment of principal and interest (SPPI) on the outstanding principal amount.

Debt instruments meeting these criteria are initially measured at fair value plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.

Impairment of financial assets

The Bank's allowances for expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for expected credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. Due to the recent development and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the year ended 31 December 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the year ended 31 December 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weights to the downside scenarios.

Expected credit losses are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is the expected amount of exposure at the point of

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Impairment of financial assets (Continued)***

default which is mainly determined by the current exposure value for funded exposures. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioural analysis and regulatory Credit Conversion Factors (CCF). The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc. Management overlays may be applied to the model outputs if consistent with the objective of a significant increase in the credit risk.

The impairment model measures allowances for credit loss using a three-stage approach based on the extent of credit deterioration since origination as described below:

Stage 1 – Measures and recognizes allowance for expected credit loss equal to 12-month ECL for financial instruments for which credit risk has not significantly increased since initial recognition. All investment grade assets are deemed to be Stage 1 as per Bank's policy under the low credit risk presumption except in cases where there are past dues in excess of 30 days (rebuttable) or 60 days (non-rebuttable).

Stage 2 – If credit risk has increased significantly since initial recognition (whether assessed on an individual or collective basis), then measure and recognize allowance for expected credit loss at an amount equal to the lifetime ECL. The key drivers to consider an asset as Stage 2 as per Bank's policy are as follows:

- Movements in risk rating since origination where the rating movement has deteriorated by 50% or more, 'the amortized cost of financial asset is automatically migrated to Stage 2.
- Number of days past due (30 days - rebuttable) subject to approval of IFRS 9 Bank's working committee (WC) decision; 60 days (non-rebuttable).
- Delays in credit reviews or resolving credit exceptions subject to WC decision.
- Sector or country specific weakness subject to WC decision.

Any other specific indicators including forward looking information which are available without undue cost or effort with respect to the obligor or the exposure such as, but not limited to, arrears with other lenders, law suits filed against the obligor by other lenders / creditors, negative movements in market indicators of financial performance etc. and the WC determines that this represents a significant deterioration in credit quality, etc.

Stage 3 – Financial instruments where there is objective evidence of impairment are considered to be in credit impaired are included in this stage. Similar to Stage 2, the allowance for expected credit losses captures the lifetime expected credit losses.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Point-in-Time PD (PiT PD). The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses. The forecast economic variables are applied to established regression relationships to determine PiT PD. Macro-economic factors taken into consideration include oil related variables, gross domestic product, unemployment and real estate indices. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Definition of default***

Financial assets that are subject to ECL measurement are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, indications that it is probable that the borrower will enter bankruptcy or other significant financial reorganisation, the disappearance of an active market, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank. The Bank continues its policy of treating financial instruments as credit impaired under Stage 3 category when the repayment of the principal or interest is overdue for 90 days or more.

Financial assets are written off after all restructuring and collection activities have taken place and there is no realistic prospect of recovery.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognized where:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- ▶ Either:
 - (a) the Bank has transferred substantially all the risks and rewards of the asset, or
 - (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of fair value

The fair value for financial instruments traded in active markets at the consolidated statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

Where the fair values of financial instruments recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models, the inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model input such as volatility for longer dated derivative and discount rates, prepayment rates and default rates for asset backed securities.

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Offsetting financial instruments***

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in statement of financial position.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other liabilities', being the commissions received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income in 'Net allowance for expected credit losses'. The premium received is recognized in the consolidated statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.

The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Bank expects to recover

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- ***Interest and similar income and expense***

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liability. Interest that is 90 days or more overdue is excluded from income interest on impaired direct credit facilities and other financial assets is not recognized in the consolidated statement of income.

- ***Fees and commissions income***

Credit origination fees are treated as an integral part of the effective interest rate of financial instruments and are recognised over their lives, except when the underlying risk is sold to a third party at which time it is recognised immediately. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling those obligations. Other fees and commission income are recognised when earned.

- ***Dividend income***

Revenue is recognized when the Bank's right to receive the payment is established.

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Cash and cash equivalents***

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash on hand, current accounts with Central Bank and amounts Balances with banks on demand or with an original maturity of three months or less.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment in value, if any. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Project in progress is stated at cost, net of accumulated impairment losses.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	<i>Useful lives</i> <i>(Years)</i>
Buildings	20
Equipment and machinery	5
Vehicles	5
Furniture	5
Computers / IT Software	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in 'Other operating income' or 'Other operating expenses' in the consolidated statement of income in the year the asset is derecognized.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. ACCOUNTING POLICIES (CONTINUED)**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Leases*****a) Right of use assets**

The Bank recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment. The carrying value of right-of-use assets are recognized under 'Property, equipment and right of use assets, net' in the consolidated statement of financial position.

b) Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognized under other liabilities in the consolidated statement of financial position.

Taxes**Current income tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities, and in accordance with IAS 12.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

Assets seized by the bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "Other assets" at the lower of their carrying value or fair value. Assets are revalued at the consolidated statement of financial position date on an individual basis and losses from impairment are transferred directly to the consolidated statement of income, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

2. ACCOUNTING POLICIES (CONTINUED)**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain significant accounting judgments, estimates, and assumptions that affect the reported amount of assets and liabilities, it requires management to exercise its judgment in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events.

The most significant uses of judgement and estimates are as follows:

Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio; and
- Management's strategy in terms of earning contractual interest revenues or generating capital gains.

Measurement of the Expected Credit Loss (ECL) allowance

The measurement of the ECL for financial assets measured at amortized cost and debt instruments measured at FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions, credit behavior (e.g. the likelihood of customers defaulting and the resulting losses), estimation of the amount and timing of the future cash flows and collateral values. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculation are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Internal credit rating model, which assigns Probability of Defaults (PDs) to the individual ratings;
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Defaults (EADs) and Loss Given Defaults (LGDs);
- Selection and relative weightings of forward-looking scenarios to derive the economic inputs into the ECL models;
- Establishing Banks of similar financial assets for the purposes of measuring ECL; and
- Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

2. ACCOUNTING POLICIES (CONTINUED)**2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)****Provisions**

A provision is set for lawsuits raised against the Bank. This provision is based to an adequate legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future.

Income Taxes

The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards.

Useful life of property and equipment

The Management periodically reassesses the economic useful life of property and equipments for the purpose of calculating annual depreciation and amortization based on the general condition of these property and equipments and assessing their expected useful life in the future.

Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Fair value of financial instruments

Estimates are also made in determining the fair values of financial assets that are not quoted in an active market. Such estimates are necessarily based on assumptions about several factors involving varying degrees of uncertainty and actual results may differ resulting in future changes in such estimates.

COVID-19 Impact

COVID-19 pandemic has severely impacted various economies globally, causing disruption to business and economic activities and resulting in significant uncertainties in the operating environment. Global financial markets have also experienced enhanced levels of volatility. Government and central bank have responded with monetary and fiscal interventions to stabilize economic conditions.

Meanwhile, during the year, oil prices have witnessed unprecedented volatility and the overall decline in average oil prices is expected to have medium to long-term impact on economies.

The level of estimation uncertainty has increased since Q1/2020 as a result of the economic disruption and consequential impact of the COVID-19 pandemic as explained in note 33.

3. CASH AND BALANCES WITH CENTRAL BANK

	2020	2019
	IQD (000)	IQD (000)
Cash on hand*	13,452,428	8,753,805
Balances with Central Bank of Iraq:		
Current accounts	306,492,243	170,587,374
Time deposits	-	7,000,000
Statutory cash reserve **	26,308,971	15,381,708
LGs margin reserve ***	619,254	1,245,958
	333,420,468	194,215,040
	346,872,896	202,968,845

* Cash on hand includes foreign currency balances amounting to IQD 3,825,077 thousand as of 31 December 2020 (2019: 3,605,438 IQD thousand).

** These amounts represent statutory cash reserve held by Central Bank of Iraq (CBI) and are non-interest-bearing and not available for use in the Bank's day-to-day operations.

*** According to CBI Instructions dated 2 May 2019, a reserve against letters of guarantee was established. These amounts are held at CBI to face any deficit in covering claims against unpaid letters of guarantee and are non-interest-bearing and not available for use in Bank's day-to-day operations.

4. BALANCES FROM BANKS

	2020		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	96,112	3,465,603	3,561,715
Time deposits	-	50,612,882	50,612,882
Less: Allowance for ECL *	(2,830)	-	(2,830)
	93,282	54,078,485	54,171,767

	2019		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	96,566	554,925	651,491
Time deposits	-	34,719,913	34,719,913
Less: Allowance for ECL *	(2,410)	-	(2,410)
	94,156	35,274,838	35,368,994

Non-interest-bearing deposits amounted to IQD 3,561,715 thousand (2019: IQD 651,491 thousand).

Interest bearing deposits amounted to IQD 50,612,882 thousand (2019: IQD 34,719,913 thousand).

4. BALANCES FROM BANKS

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 54,079,438 thousand as of 31 December 2020 (2019: 35,275,641 IQD thousand). The above Balances with banks do not include any past due or impaired balances as 31 December 2020 and 2019.

31 December 2020 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	54,174,597	-	-	54,174,597
	54,174,597	-	-	54,174,597
Less: allowance for ECL	(2,830)	-	-	(2,830)
	54,171,767	-	-	54,171,767
31 December 2019 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
Balances with banks				
High standard grade	-	-	-	-
Standard grade	35,371,404	-	-	35,371,404
	35,371,404	-	-	35,371,404
Less: allowance for ECL	(2,410)	-	-	(2,410)
	35,368,994	-	-	35,368,994

* The movement of the allowance for expected credit losses of Balances with banks is as follows:

31 December 2020 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	2,410	-	-	2,410
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	420	-	-	420
At Year end	2,830	-	-	2,830

4. BALANCES WITH BANKS (CONTINUED)

31 December 2019 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	16,262	-	-	16,262
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(13,852)	-	-	(13,852)
At Year end	2,410	-	-	2,410

5. DIRECT CREDIT FACILITIES, NET

	2020 IQD (000)	2019 IQD (000)
Retail	13,165,717	10,949,528
Corporate	30,220,993	21,200,882
Gross direct credit facilities	43,386,710	32,150,410
Less: suspended interest*	(13,739,282)	(10,732,594)
Less: allowance for ECL **	(10,806,777)	(9,971,176)
	18,840,651	11,446,640

31 December 2020 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	16,338,840	624,892	-	16,963,732
Impaired (net of suspended interest)	-	-	12,683,696	12,683,696
	16,338,840	624,892	12,683,696	29,647,428
Less: allowance for ECL	(106,512)	(180,777)	(10,519,488)	(10,806,777)
	16,232,328	444,115	2,164,208	18,840,651

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
Direct credit facilities, net				
High standard grade	-	-	-	-
Standard grade	9,025,123	272,841	-	9,297,964
Impaired (net of suspended interest)	-	-	12,119,852	12,119,852
	9,025,123	272,841	12,119,852	21,417,816
Less: allowance for ECL	(123,818)	(112,302)	(9,735,056)	(9,971,176)
	8,901,305	160,539	2,384,796	11,446,640

* The movement of the suspended interest is as follows:

	31 December 2020	31 December 2019
	IQD (000)	IQD (000)
Suspended interest:		
At 1 January	10,732,594	9,848,221
Additions	1,728,398	981,912
Recoveries	(320,446)	(97,539)
Written-off during the year	(244,106)	-
Exchange adjustments	1,842,842	-
	13,739,282	10,732,594

** The movement of the allowance for expected credit losses of direct credit facilities is as follows:

	31 December 2020 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	123,818	112,302	9,735,056	9,971,176
Transfer from stage 1	(15,890)	13,000	2,890	-
Transfer from stage 2	40,505	(111,760)	71,255	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(41,921)	167,235	(101,218)	24,096
Written-off during the year	-	-	(201,912)	(201,912)
Exchange adjustments	-	-	1,013,417	1,013,417
At Year end	106,512	180,777	10,519,488	10,806,777

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	264,885	97,994	9,098,386	9,461,265
Transfer from stage 1	(56,098)	9,172	46,926	-
Transfer from stage 2	-	(89,490)	89,490	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(84,969)	94,626	474,731	484,388
Written-off during the year	-	-	(6,001)	(6,001)
Exchange adjustments	-	-	31,524	31,524
At Year end	123,818	112,302	9,735,056	9,971,176

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 IQD (000)	2019 IQD (000)
Quoted equities	592,553	493,126
Unquoted equities	819,474	63,477
	1,412,027	556,603

The movements of financial assets at fair value through other comprehensive income:

	2020 IQD (000)	2019 IQD (000)
At 1 January	556,603	579,398
Addition during the year	789,474	-
Adjustments in fair value	65,950	(22,795)
At year end	1,412,027	556,603

7. FINANCIAL ASSETS AT AMORTIZED COST

	2020	2019
	IQD (000)	IQD (000)
Treasury bills	-	29,596,932
Government bonds*	186,189,692	160,205,023
Allowance for ECL **	(255,874)	(222,458)
	185,933,818	189,579,497

	31 December 2020 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
Carrying amount of financial assets at amortized cost				
High standard grade	186,189,692	-	-	186,189,692
Standard grade	-	-	-	-
	186,189,692	-	-	186,189,692
Less: allowance for ECL	(255,874)	-	-	(255,874)
	185,933,818	-	-	185,933,818

	31 December 2019 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	189,801,955	-	-	189,801,955
Standard grade	-	-	-	-
	189,801,955	-	-	189,801,955
Less: allowance for ECL	(222,458)	-	-	(222,458)
	189,579,497	-	-	189,579,497

* Government bonds are issued by Iraq government with an average yield of 7.06% (2019: 7.06%) maturing in 2028.

7. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

** The movement of the allowance for expected credit losses of financial asset at amortized cost is as follows:

31 December 2020 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	222,458	-	-	222,458
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	33,416	-	-	33,416
At Year end	255,874	-	-	255,874

31 December 2019 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	227,633	-	-	227,633
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(5,175)	-	-	(5,175)
At Year end	222,458	-	-	222,458

COMMERCIAL BANK OF IRAQ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020
8. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2020									
Cost:									
At 1 January	274,022	4,524,339	1,011,270	115,958	1,292,938	1,147,736	4,612,607	979,849	13,958,719
Additions	-	273,815	10,370	-	70,446	110,585	131,775	-	596,991
Disposals	-	(159,390)	-	-	-	-	-	-	(159,390)
At 31 December	274,022	4,638,764	1,021,640	115,958	1,363,384	1,258,321	4,744,382	979,849	14,396,320
Accumulated depreciation:									
At 1 January	-	3,881,387	559,397	111,773	1,152,740	772,146	4,269,878	224,838	10,972,159
Charge of the year	-	67,404	130,391	478	55,206	119,929	109,796	225,161	708,365
Disposals	-	(137,877)	-	-	-	-	-	-	(137,877)
At 31 December	-	3,810,914	689,788	112,251	1,207,946	892,075	4,379,674	449,999	11,542,647
Net book value at 31 December 2020	274,022	827,850	331,852	3,707	155,438	366,246	364,708	529,850	2,853,673
Work in progress *	-	279,775	-	-	-	96,350	-	-	376,125
Net book value at 31 December 2020 including Work in Progress	274,022	1,107,625	331,852	3,707	155,438	462,596	364,708	529,850	3,229,798

* Work in Progress represents fixtures and fittings that will be transferred to property and equipment upon completion.

COMMERCIAL BANK OF IRAQ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020
8. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET (CONTINUED)

	Land	Buildings	Equipment and machin- ery	Vehicles	Furniture	Computers	IT software	Right of use assets	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2019									
Cost:									
At 1 January	274,022	4,466,913	702,646	115,958	1,212,200	946,312	4,371,384	-	12,089,435
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	-	-	747,539	747,539
At 1 January – restated	274,022	4,466,913	702,646	115,958	1,212,200	946,312	4,371,384	747,539	12,836,974
Additions	-	57,426	308,624	-	80,738	201,424	241,223	232,310	1,121,745
At 31 December	274,022	4,524,339	1,011,270	115,958	1,292,938	1,147,736	4,612,607	979,849	13,958,719
Accumulated depreciation:									
At 1 January	-	3,819,715	487,819	105,218	1,122,257	684,325	4,193,605	-	10,412,939
Charge of the year	-	61,672	71,578	6,555	30,483	87,821	76,273	224,838	559,220
At 31 December	-	3,881,387	559,397	111,773	1,152,740	772,146	4,269,878	224,838	10,972,159
Net book value at 31 December 2019	274,022	642,952	451,873	4,185	140,198	375,590	342,729	755,011	2,986,560
Work in progress*	-	181,733	-	-	-	-	-	-	181,733
Net book value at 31 December 2019 including Work In Progress	274,022	824,685	451,873	4,185	140,198	375,590	342,729	755,011	3,168,293

* Work in Progress represents fixtures and fittings that will be transferred to property and equipment upon completion.

9. OTHER ASSETS

	2020	2019
	IQD (000)	IQD (000)
Inter-branch balances *	6,999,815	6,999,815
Interest receivable	5,394,917	5,154,796
Advances	-	789,474
Repossessed assets **	532,335	355,826
Prepayments and others	561,020	206,682
	13,488,087	13,506,593
Allowance for inter branch balances *	(6,999,815)	(6,999,815)
	6,488,272	6,506,778

* During 2011, the Bank booked an allowance of IQD 6,999,815 thousand against misappropriation detected in 2010.

** During the year, the Bank had taken possession over a collateral against credit facilities of one of its defaulted customers. According to Banks' Law in Iraq, this asset must be sold within two years from the date of possession.

10. DUE TO BANKS

	2020		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	462	15,254	15,716
	462	15,254	15,716
	2019		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	377	1,314	1,691
	377	1,314	1,691

11. CUSTOMERS' DEPOSITS

	2020	2019
	IQD (000)	IQD (000)
Saving accounts	80,564,831	80,120,437
Current and call deposits	164,388,742	47,341,321
Cash margin	27,791,554	18,547,763
Term deposits	-	2,200
	272,745,127	146,011,721

Non-interest-bearing deposits amounted to IQD 192,180,296 thousand (2019: IQD 65,889,084 thousand).
Interest-bearing deposits amounted to IQD 80,564,831 thousand (2019: IQD 80,122,637 thousand).

12. CURRENT TAX LIABILITY**Income tax liability**

The movement on income tax liability was as follows:

	2020	2019
	IQD (000)	IQD (000)
At January 1	73,665	887,686
Charge for the year	4,909,872	-
Paid during the year	-	(814,021)
At December 31	4,983,537	73,665

The Bank paid the tax liabilities up to year 2018; final tax clearances are not yet obtained.

The reconciliation between the tax profit and the accounting profit for the years ended 2020 and 2019 is as follows:

	2020	2019
	IQD (000)	IQD (000)
Accounting profit before income tax	40,366,425	6,554,326
Nontaxable income	(12,774,594)	(11,452,050)
Nondeductible expenses	5,140,650	4,730,919
Taxable (loss) profit	32,732,481	(166,805)
Current income tax at Iraqi statutory income tax rate of 15% (2019:15%)	4,909,872	-

Effective income tax rate for 2020 is 12.2% (2019: 0%).

13. EARNINGS PER SHARE

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

	2020	2019
Profit for the year (IQD 000)	35,456,553	6,554,326
Weighted average number of shares during the year (thousand share)	250,000,000	250,000,000
	IQD/Fils	IQD/Fils
Basic and diluted earnings per share	0/142	0/026

14. OTHER LIABILITIES

	2020	2019
	IQD (000)	IQD (000)
Miscellaneous accruals	18,723,023	14,582,169
Funds to be remitted abroad	-	7,125,000
Dividends payable	2,388,870	3,380,077
Dormant accounts	198,400	2,096,120
Lease liabilities *	535,383	749,034
Management fees payable to parent bank	4,665,194	725,799
Allowance for indirect credit facilities **	26,060	27,892
Other credit balances	4,913,290	2,590,356
	31,450,220	31,276,447

* The movement of the lease liabilities as at 31 December 2020 is as follows:

	2020
	IQD (000)
At 1 January	749,034
Additions	-
Paid during the year	(251,731)
Unwind of discount	38,080
At Year end	535,383

Maturity analysis of undiscounted lease payments to be paid as at 31 December 2020:

	2020
	IQD (000)
1 year	200,104
2 years	200,104
3 years	35,000
> 3 years	100,175
	535,383

14. OTHER LIABILITIES (CONTINUED)

** The movement of the allowance for expected credit losses of indirect credit facilities is as follows:

31 December 2020 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	27,892	-	-	27,892
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(1,832)	-	-	(1,832)
At Year end	26,060	-	-	26,060

31 December 2019 IQD (000)				
	Stage 1	Stage 2	Stage 3	Total
At 1 January	28,548	-	-	28,548
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(656)	-	-	(656)
At Year end	27,892	-	-	27,892

15. PAID IN CAPITAL AND STATUTORY RESERVES**Paid in capital**

Paid in capital comprises of 250 billion shares (2019: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2019: 1 Iraqi Dinar per share).

Statutory reserve

The accumulated amount in this account represents 10% of the Bank's net income and 5% of its subsidiary's net income after income tax. This transfer will continue until the balance of this reserve equals to 50% of paid in share capital. The statutory reserve is not available for distribution to shareholders.

16. DIVIDENDS

On 13 January 2019 and 2 October 2019, the General Assembly approved in its ordinary meetings the distribution of the cash dividends to the shareholders amounted to IQD 8.75 billion and IQD 9.5 billion on 2017 and 2018 profits respectively. On 13 February 2019 and 11 November 2019 respectively, the Bank received legal approvals and proceeded with the dividends' distribution in accordance with the prevailing laws in Iraq.

Subsequently, on 27 Jan 2021, the General Assembly approved in its ordinary meeting the distribution of the cash dividends to the shareholders amounted to IQD 6.25 billion for financial year ended 2019. The Bank is in the process of receiving legal approvals to proceed with the dividends' distribution in accordance with the prevailing laws in Iraq.

17. INTEREST INCOME

	2020	2019
	IQD (000)	IQD (000)
Financial assets at amortized cost	13,046,870	14,900,695
Direct credit facilities	1,309,728	1,620,324
Balances with banks	233,364	535,832
	14,589,962	17,056,851

18. INTEREST EXPENSE

	2020	2019
	IQD (000)	IQD (000)
Saving accounts	195,081	236,911
Time deposits	5	42,949
Interest expense on lease	38,080	51,065
	233,166	330,925

19. NET FEES AND COMMISSIONS

	2020	2019
	IQD (000)	IQD (000)
Fees and commissions income	1,523,295	1,288,536
Fees and commissions expense	(117,055)	(126,471)
	1,406,240	1,162,065

20. NET GAINS FROM FOREIGN EXCHANGE

	2020	2019
	IQD (000)	IQD (000)
Net gains from foreign exchange *	40,450,637	236,961
Net gains from currency auction operations **	435,297	102,950
	40,885,934	339,911

* On 20 December 2020, Central Bank of Iraq revised the base exchange rate against USD from 1,190 IQD/USD to 1,460 IQD/USD which resulted in foreign exchange gain amounted to IQD 39,567,077 thousand.

** During 2020, the Bank has purchased USD from CBI through currency auction for the benefit of the Bank's customers amounted to USD 67,776,006 on an exchange rate of 1,190 IQD/USD. The Bank sold USD to the currency auctions customers during 2020 on an average exchange rate of 1,196.42 IQD/USD.

21. OTHER OPERATING INCOME

	2020	2019
	IQD (000)	IQD (000)
Gain from sale of property *	444,204	-
Rental income	139,502	146,639
Dividend income	20,902	12,456
Other bank charges	14,498	109,229
	619,106	268,324

* During the year 2020, the Bank sold its property located in Basrah for an amount of IQD 465,719 thousand which resulted into gain amounted to IQD 444,204 thousand.

22. EMPLOYEES' EXPENSES

	2020	2019
	IQD (000)	IQD (000)
Basic salary	2,299,102	2,076,670
Allowances	922,442	876,766
Transportation	382,206	363,355
Other allowances	51,351	67,175
	3,655,101	3,383,966
Social security	255,068	241,613
	3,910,169	3,625,579

23. OTHER OPERATING EXPENSES

	2020	2019
	IQD (000)	IQD (000)
General and administrative expenses	3,404,511	2,927,940
Miscellaneous accruals	3,381,105	2,733,083
Penalties imposed by CBI *	1,014,139	1,713,826
Professional fees	4,234,352	848,718
Insurance	112,040	55,061
Audit fees	77,870	60,500
Interim review fees	3,000	4,000
	12,227,017	8,343,128

* During 2019, CBI imposed two penalties relating to discrepancy and authenticity of import documents for transaction related to CBI's foreign currency selling window where customers demanded foreign currency to import goods through Northern Iraqi border for transactions conducted in 2012 and 2015. During 2020, a provision of IQD 1,914,265 thousand was recognized in this regard (2019: IQD 1,913,826 thousand), this was offset by recovery of fine from customer amounting IQD 900,000 thousand (2019: IQD 200,000 thousand).

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

A. Fair value of financial assets and liabilities of the Bank measured in fair value continuously:

The Bank is revaluing financial assets at fair value through other comprehensive income at the end of each reporting period and the table below shows information related to determining the fair value:

	Fair value IQD (000)		Fair value level	Method of valuation and ob- servable inputs
	31 December 2020	31 December 2019		
Financial assets at fair value through other comprehensive income	592,553	493,126	Level 1	Based on price quotations in financial markets
Financial assets at fair value through other comprehensive income	819,474	63,477	Level 2	Through Comparison of similar financial instruments

B. Fair value of financial assets and liabilities, other than those disclosed in the table below approximate their carrying values:

	31 December 2020		31 December 2019		Fair value level
	<i>Total carrying amount</i>	<i>Total fair value</i>	<i>Total carrying amount</i>	<i>Total fair value</i>	
	IQD (000)		IQD (000)		
Financial assets at amortized cost	185,933,818	184,687,975	189,579,497	197,549,753	Level 1 and 2

25. CASH AND CASH EQUIVALENTS

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

	2020	2019
	IQD (000)	IQD (000)
Cash and balances with Central Bank	346,872,896	202,968,845
Add: Balances with banks	54,174,597	35,371,404
Less: Due to banks	(15,716)	(1,691)
Less: Statutory reserve with CBI	(26,308,971)	(15,381,708)
Less: LGs margin reserve	(619,254)	(1,245,958)
	374,103,552	221,710,892

26. RELATED PARTIES TRANSACTIONS

The Bank enters into business transactions in the ordinary course of business with the parent bank and its subsidiaries at commercial interest and commission rates. There are no loans and advances to related parties.

The following related party balances and transactions took place during the year:

	2020	2019
	IQD (000)	IQD (000)
<u>Consolidated statement of financial position:</u>		
Balances with banks	54,078,485	35,274,838
Due to banks	15,254	1,314
Other liabilities	4,665,194	7,850,799
<u>Off balance items:</u>		
Letters of guarantee	38,029,044	2,030,948
<u>Consolidated statement of incomes items</u>		
Interest and commission income	321,001	464,668
Management fees	3,939,394	725,799

Related parties' transactions are with the parent bank and its subsidiaries, and no transactions are with the members of the board of directors.

Compensation of the key management personnel is as follows:

	2020	2019
	IQD (000)	IQD (000)
Executive management salaries and benefits	577,788	479,728
	577,788	479,728

27. RISK MANAGEMENT

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the bank's strategic planning process.

A. Credit Risk

Credit risk is the risk that one party to the financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers and groups of borrowers and for geographical and industry segments in accordance with Central Bank of Iraq regulations. The Bank also monitors credit exposures, and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security where appropriate, and limits the duration of exposure.

The Bank's risk management policy includes formation of a Credit Committee for reviewing the credit facilities.

This committee is responsible for the facilities control process that includes granting, classification and following up on the credit facilities.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown net of ECL and Interest in suspense, before the effect of mitigation through the use of master netting agreements.

27. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (Continued)

	Gross maximum exposure	
	2020	2019
	IQD (000)	IQD (000)
Balances with CBI	333,420,468	194,215,040
Balances with banks	54,171,767	35,368,994
Direct credit facilities, net	18,840,651	11,446,640
Financial assets at amortized cost	185,933,818	189,579,497
Interest receivable and other assets	5,619,716	5,166,120
Total	597,986,420	435,776,291
Contingent Liabilities and Commitments		
Letters of guarantee	63,569,567	23,424,847
Undrawn loan commitments	1,101,350	223,188
Total Credit related commitments	64,670,917	23,648,035
Total credit risk exposure before credit risk mitigation	662,657,337	459,424,326
Credit risk mitigation		
Cash Margin	27,791,554	18,547,763
Real estates	30,840,775	32,440,045
Pledged shares	265,000	265,000
Total Credit risk mitigation	58,897,329	51,252,808
Total credit risk exposure after credit risk mitigation	603,760,008	408,171,518

- Credit quality by class of financial assets is as follows:

Financial assets neither past due nor impaired:

	2020		
	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	333,420,468	54,171,767	387,592,235
Government - public sector	186,189,692	-	186,189,692
Retail	-	7,674,825	7,674,825
Corporate	-	9,288,908	9,288,908
	519,610,160	71,135,500	590,745,660

27. RISK MANAGEMENT (CONTINUED)**A. Credit Risk (Continued)***Financial assets neither past due nor impaired:*

	2019		
	High standard grade	Standard	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	223,811,972	35,368,994	259,180,966
Government - public sector	160,205,023	-	160,205,023
Retail	-	6,324,666	6,324,666
Corporate	-	2,973,298	2,973,298
	<u>384,016,995</u>	<u>44,666,958</u>	<u>428,683,953</u>

Impaired financial assets

	2020		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	4,168,921	2,030,783	8,253,900
Corporate	8,514,775	8,488,705	564,000
	<u>12,683,696</u>	<u>10,519,488</u>	<u>8,817,900</u>

	2019		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	4,227,525	1,906,943	8,168,400
Corporate	7,892,327	7,828,113	707,000
	<u>12,119,852</u>	<u>9,735,056</u>	<u>8,875,400</u>

B. Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology that reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses.

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27. RISK MANAGEMENT (CONTINUED)
C. Interest rate gap

The following analysis shows interest rate re-pricing or maturity dates; whichever is earlier:

	Up to 3 Months	3 months to 1 year	Over 1 year	Non-interest bearing	Carrying amount
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
2020					
Assets					
Cash and balances with Central Bank	-	-	-	346,872,896	346,872,896
Balances with banks	50,612,882	-	-	3,558,885	54,171,767
Direct credit facilities, net	8,331,177	2,953,064	7,556,410	-	18,840,651
Financial assets at fair value through other comprehensive income	-	-	-	1,412,027	1,412,027
Financial assets at amortized cost	13,121,750	13,121,750	159,690,318	-	185,933,818
Property, equipment and right of use assets, net	-	-	-	3,229,798	3,229,798
Other assets	-	-	-	6,488,272	6,488,272
Total Assets	72,065,809	16,074,814	167,246,728	361,561,878	616,949,229
Liabilities					
Due to banks	-	-	-	15,716	15,716
Customers' deposits	80,564,831	-	-	192,180,296	272,745,127
Current tax liabilities	-	-	-	4,983,537	4,983,537
Other liabilities	-	-	-	31,450,220	31,450,220
Total Liabilities	80,564,831	-	-	228,629,769	309,194,600
Interest rate gap	(8,499,022)	16,074,814	167,246,728	132,932,109	307,754,629
2019					
Assets					
Cash and balances with Central Bank	7,000,000	-	-	195,968,845	202,968,845
Balances with banks	34,719,914	-	-	649,080	35,368,994
Direct credit facilities, net	119,635	3,278,167	8,048,838	-	11,446,640
Financial assets at fair value through other comprehensive income	-	-	-	556,603	556,603
Financial assets at amortized cost	-	29,596,932	159,982,565	-	189,579,497
Property, equipment and right of use assets, net	-	-	-	3,168,293	3,168,293
Other assets	-	-	-	6,506,778	6,506,778
Total Assets	41,839,549	32,875,099	168,031,403	206,849,599	449,595,650
Liabilities					
Due to banks	-	-	-	1,691	1,691
Customers' deposits	80,120,437	2,200	-	65,889,084	146,011,721
Current tax liabilities	-	-	-	73,665	73,665
Other liabilities	-	-	-	31,276,447	31,276,447
Total Liabilities	80,120,437	2,200	-	97,240,887	177,363,524
Interest rate gap	(38,280,888)	32,872,899	168,031,403	109,608,712	272,232,126

27. RISK MANAGEMENT (CONTINUED)**D. Currency risk**

Currency risk is the risk that the functional currency value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank has significant net currency exposure towards US Dollar, based on foreign currency assets and liabilities held at 31 December 2020 and 2019. Hence, sensitivity of the Bank's consolidated statement of comprehensive income to a reasonably possible change in the exchange rate between the Iraqi Dinar and US Dollar was significant.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Bank's profit before tax due to changes in the carrying value of monetary assets and liabilities. The impact on equity is the same as the impact on profit before tax

Increase/decrease foreign exchange rate	Effect on profit before tax for the year ended 31 December 2020 Increase/(Decrease)	Effect on profit before tax for the year ended 31 December 2019 Increase/(Decrease)
	IQD (000)	IQD (000)
+5%	10,694,328	8,956,941
-5%	(10,694,328)	(8,956,941)

E. Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. Most of the Bank's financial assets at fair value through other comprehensive income are listed on the Iraq Stock Exchange. The effect of a 10% increase or decrease in these shares will result in an IQD 59,255 thousand (2019: IQD 49,313 thousand) increase or decrease in the fair value reserve.

27. RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

The Bank has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of Iraq. Net liquid assets consist of cash, short term deposit and liquid debt securities available for immediate sale, less deposits due to banks mature within three months.

The table below shows an analysis of financial liabilities based on contractual undiscounted repayment obligations:

2020	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial liabilities					
Due to banks	15,716	-	-	-	15,716
Customers' deposits	246,945,438	648,565	7,925,408	17,225,716	272,745,127
Total Liabilities	246,961,154	648,565	7,925,408	17,225,716	272,760,843
2019	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Financial liabilities					
Due to banks	1,691	-	-	-	1,691
Customers' deposits	129,611,880	15,000,000	1,136,151	263,690	146,011,721
Total Liabilities	129,613,571	15,000,000	1,136,151	263,690	146,013,412

27. RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk (Continued)

The table below summarizes the expected maturity profile of the Bank's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled.

	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Undated	Total
2020	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
<u>Assets</u>						
Cash and balances with Central Bank	346,872,896	-	-	-	-	346,872,896
Balances with banks	54,171,767	-	-	-	-	54,171,767
Direct credit facilities, net	8,331,177	347,978	2,605,086	7,556,410	-	18,840,651
Financial assets at fair value through other comprehensive income	-	-	-	-	1,412,027	1,412,027
Financial assets at amortized cost	13,121,750	-	13,121,750	159,690,318	-	185,933,818
Property, equipment and right of use assets, net	-	-	-	-	3,229,798	3,229,798
Other assets	2,158,612	3,236,950	1,092,710	-	-	6,488,272
Total assets	424,656,202	3,584,928	16,819,546	167,246,728	4,641,825	616,949,229
<u>Liabilities and shareholders' equity</u>						
Due to banks	15,716	-	-	-	-	15,716
Customers' deposits	246,945,438	648,565	7,925,408	17,225,716	-	272,745,127
Current tax liability	-	-	4,983,537	-	-	4,983,537
Other liabilities	5,033,652	-	25,881,184	535,384	-	31,450,220
Shareholders' Equity	-	-	-	307,754,629	-	307,754,629
Total liability and shareholders' equity	251,994,806	648,565	38,790,129	325,515,729	-	616,949,229
Net liquidity gap	172,661,396	2,936,363	(21,970,583)	(158,269,001)	4,641,825	

COMMERCIAL BANK OF IRAQ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2020****27. RISK MANAGEMENT (CONTINUED)****F. Liquidity Risk (Continued)**

	Up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Undated	Total
2019	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Assets						
Cash and balances with Central Bank	202,968,845	-	-	-	-	202,968,845
Balances with banks	35,368,994	-	-	-	-	35,368,994
Direct credit facilities, net	119,635	331,048	2,947,120	8,048,837	-	11,446,640
Financial assets at fair value through other comprehensive income	-	-	-	-	556,603	556,603
Financial assets at amortized cost	-	1,024,622	39,267,435	149,287,440	-	189,579,497
Property, equipment and right of use assets, net	-	-	-	-	3,168,293	3,168,293
Other assets	2,001,918	3,001,908	1,502,952	-	-	6,506,778
Total assets	240,459,392	4,357,578	43,717,507	157,336,277	3,724,896	449,595,650
Liabilities and shareholders' equity						
Due to banks	1,691	-	-	-	-	1,691
Customers' deposits	129,611,882	15,000,000	1,136,146	263,693	-	146,011,721
Current tax liability	-	73,665	-	-	-	73,665
Other liabilities	19,272,070	-	11,255,344	749,033	-	31,276,447
Shareholders' Equity	-	-	-	272,232,126	-	272,232,126
Total liability and shareholders' equity	148,885,643	15,073,665	12,391,490	273,244,852	-	449,595,650
Net liquidity gap	91,573,749	(10,716,087)	31,326,017	(115,908,575)	3,724,896	

G. Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited to: sovereign events such as defaults or restructuring; political events such as contested elections; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

H. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

27. RISK MANAGEMENT (CONTINUED)**I. Concentration of Risk in Geographical Area**

The Bank carries out most of its activities in Iraq, the political and economic destabilization in the area increases the risk of carrying out business and could adversely affect performance.

28. SEGMENT INFORMATION

For management purposes, the Bank is organized into three major business segments as following:

Retail banking: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

Corporate banking: Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury and investments: Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

These segments are the basis on which the Bank reports its primary segment information.

	Retail Banking	Corporate Banking	Treasury and investments	Total	
				2020	2019
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	958,324	3,061,007	53,248,745	57,268,076	19,546,958
Net (allowance) recovery of allowance for expected credit losses	(7,512)	(16,584)	(32,004)	(56,100)	(464,705)
Segment results	950,812	3,044,423	53,216,741	57,211,976	19,082,253
Unallocated expenses	(2,135,982)	(3,655,219)	(11,054,350)	(16,845,551)	(12,527,927)
Profit before tax	(1,185,170)	(610,796)	42,162,391	40,366,425	6,554,326
Income tax	-	-	(4,909,872)	(4,909,872)	-
Net profit	(1,185,170)	(610,796)	37,252,519	35,456,553	6,554,326
<u>Other information</u>					
Segment assets	9,600,926	9,239,726	588,390,507	607,231,159	439,920,579
Unallocated assets				9,718,070	9,675,071
Total Assets	9,600,926	9,239,726	588,390,507	616,949,229	449,595,650
Segment liabilities	53,080,387	219,664,740	15,716	272,760,843	146,013,412
Unallocated liabilities				36,433,757	31,350,112
Total Liabilities	53,080,387	219,664,740	15,716	309,194,600	177,363,524
Capital expenditure				791,384	967,220
Depreciation				708,365	559,220

28. SEGMENT INFORMATION (CONTINUED)**Geographical Information**

The following table shows the distribution of the Bank's operating income, assets and liabilities by geographic segment.

	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
2020			
Total Income	56,947,075	321,001	57,268,076
Total Assets	562,870,744	54,078,485	616,949,229
Total Liabilities	304,514,152	4,680,448	309,194,600
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
2019			
Total Income	19,082,290	464,668	19,546,958
Total Assets	414,320,812	35,274,838	449,595,650
Total Liabilities	169,511,411	7,852,113	177,363,524

29. CAPITAL MANAGEMENT

The primary objectives of the Bank capital management policies to ensure that the Bank complies with the externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

	2020	2019
	IQD (000)	IQD (000)
Primary capital		
Paid capital	250,000,000	250,000,000
Statutory reserve	19,207,546	15,662,085
Other reserves	365,271	230,511
Retained earnings	37,876,986	6,036,657
Total Primary capital	307,449,803	271,929,254
Supplementary capital		
General provisions	287,290	15,931,349
Total Supplementary capital	287,290	15,931,349
Total primary and supplementary capital	307,737,093	287,860,603
Total risk weighted assets	417,455,910	54,399,099
Capital adequacy (%) *	73.7%	529.2%

* The Bank's capital ratio is calculated in accordance with the capital adequacy guidelines, under Basel III, issued by the Central Bank of Iraq. The minimum capital adequacy ratio is 12.5% (2019 under Basel II: 12%). The Bank capital ratio is 73.7% as of 31 December 2020 (2019 under Basel II: 529.2%).

30. CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2020	2019
	IQD (000)	IQD (000)
Letters of guarantee	63,569,567	23,424,847
Undrawn loan commitments	1,101,350	223,188
	64,670,917	23,648,035

31. LAWSUITS

There is a lawsuit raised against the Bank in the normal course of business, and as a matter of prudence the Bank has booked a full provision for this lawsuit.

32. DEPOSITS PROTECTION SCHEME

All customers' deposits held with the Bank (except banks, governmental and margin deposits) are covered by the Deposits Security Scheme no.3 of 2016. This scheme covers eligible customers up to 51% for amounts below IQD 100 million and 25% for every amount over IQD 100 million which will be paid by the Iraqi Company for Deposits Insurance. A monthly contribution as paid by the Bank under this scheme as mandated by Central Bank of Iraq.

33. IMPACT OF COVID-19

The Bank considered the potential impact of the uncertainties caused by the COVID-19 pandemic together with the associated economic support and relief measures of government and central bank in its estimation of ECL requirements for the year ended 31 December 2020.

Significant increase in credit risk

The Bank considered the following aspects to assess if there was a significant increase in credit risk or objective evidence of impairment in the light of COVID-19 situation.

- Temporary financial difficulties of the customers are distinguished from longer-term or permanent impact;
- Customers operating in certain sectors or industries are likely to be more severely impacted;
- Deferral of instalments or profit payments on financing facilities will not automatically trigger significant increase in credit risk;
- Retail facilities to certain customer segment are more likely to have significant increase in credit risk arising from job losses and pay cuts; and
- Significant corporate exposures are individually assessed to identify significant increase in credit risk as and when reliable data is available.

The above assessment has resulted in staging downgrade of certain exposures and increase in ECL.

Macro-economic factors

The Bank considered of volatility witnessed in the range of macroeconomic factors and in the scenarios used for determination of ECL. In particular, given the continuing uncertainty stemming from fast evolving COVID-19, the Bank revised certain assumptions reflected through constructing a plausible forward-looking view of the macroeconomic environment.

Other impacts

The Bank considered the potential impact of the current economic volatility on the reported amounts in the Bank's consolidated financial statement. The reported amounts best represent management's assessment based on observable information. The impact of the highly uncertain economic environment remains judgmental and the Bank will accordingly continue to reassess its position and the related impact on a regular basis.

34. COMPARATIVE FIGURES

Some of the comparative figures for the year 2019 have been reclassified to correspond with those of 31 December 2020 presentation. The reclassification did not have any effect on profits or equity of 2019.