COMMERCIAL BANK OF IRAQ
(PRIVATE SHAREHOLDING COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021

No: 1/2
Date: 30 March 2022

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 2021, 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 2021, 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 2021. 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.

<table>
<tr><td colspan="2">1. Expected credit losses (ECL) for credit facilities
Refer to note (5) to the consolidated financial statements</td></tr>
<tr><td>Key audit matter:

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.

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.

As at 31 December 2021, the Bank's gross credit facilities amounted to IQD 50,003,592 thousand and the related allowance for ECL amounted to IQD 9,121,861 thousand. The allowance for ECL policy is presented in the accounting policies in note (2) to the consolidated financial statements.</td>
<td>How the key audit matter was addressed in the audit:

Our audit procedures included the following:

• 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:

o Appropriateness of the Bank's staging.</td></tr>
</table>

	o Appropriateness of determining Exposure at Default, including the consideration of repayments in the cash flows and the resultant arithmetical calculations. o 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. o Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise. o Soundness and mathematical integrity of the ECL Model. o 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. o For exposures determined to be individually impaired we re-preformed 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.

Other information included in the Bank's 2021 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.

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 exist. 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.

- 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.

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 98.9%.

4. Currency auction operations that the Bank has entered for the benefit of the Bank's customers during 2021 were in line with Central Bank of Iraq instructions in that regards. The Bank sold an amount of USD 482,920,819 through currency auction with an average exchange rate of IQD 1463.015 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 2021.

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, Al-Mansour, Al-Khulani, Al-Kadhumain and Basrah branches and noted no issues. The management have conducted the physical count of the fixed assets and they have provided us with matched statements.

شركة مصطفى فؤاد عباس وشركاؤه
تضامنية
للتدقيق ومراقبة الحسابات

Firas Ismael Korban Ali
Chartered Public Accountant

Mustafa Fouad Abbas
Chartered Public Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 IQD (000)	2020 IQD (000)
ASSETS			
Cash and balances with Central Bank	3	122,736,508	346,872,896
Balances with banks	4	56,059,630	54,171,767
Direct credit facilities, net	5	27,136,047	18,840,651
Financial assets at fair value through other comprehensive income	6	1,441,061	1,412,027
Financial assets at amortized cost	7	287,238,815	185,933,818
Property, equipment and right of use assets, net	8	3,931,756	3,229,798
Other assets	9	13,767,848	6,488,272
Total assets		**512,311,665**	**616,949,229**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	10	335,102	15,716
Customers' deposits	11	159,654,573	272,745,127
Current tax liability	12	73,999	4,983,537
Other liabilities	14	37,705,072	31,450,220
Total liabilities		**197,768,746**	**309,194,600**
SHAREHOLDERS' EQUITY			
Paid capital	15	250,000,000	250,000,000
Statutory reserve	15	20,534,060	19,235,273
Other reserves		159,844	149,163
Fair value reserve		234,461	216,108
Retained earnings		43,614,554	38,154,085
Total shareholders' equity		**314,542,919**	**307,754,629**
Total liabilities and shareholders' equity		**512,311,665**	**616,949,229**

For Commercial Bank of Iraq-PSC

30/3/2022

Mohammed Hammeed Dragh Al-Dragh Chairman of the Board of Directors	Faisal Al-Haimus Chief Executive Officer	Mustafa Najm Kadhim Al-Furaiji Head of Finance

Subject to our report number 1/2 and dated on **30 March 2022**

Firas I. Korban Ali & Co. Certified Public Accountant

شركة مصطفى فؤاد عباس وشركاؤه تضامنية للتدقيق ومراقبة الحسابات

Firas Ismael Korban Ali Chartered Public Accountant	Mustafa Fouad Abbas Chartered Public Accountant

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		IQD (000)	IQD (000)
Interest income	17	17,511,400	14,589,962
Interest expense	18	(110,123)	(233,166)
Net interest income		**17,401,277**	**14,356,796**
Net fees and commissions	19	2,394,668	1,406,240
Net gains from foreign exchange	20	2,235,279	40,885,934
Other operating income	21	7,320,014	619,106
Total operating income		**29,351,238**	**57,268,076**
Employees' expenses	22	(3,994,477)	(3,910,169)
Depreciation of property, equipment and right of use assets	8	(792,865)	(708,365)
Other operating expenses	23	(13,280,783)	(12,227,017)
Total operating expenses		**(18,068,125)**	**(16,845,551)**
Operating profit before allowance for expected credit losses		**11,283,113**	**40,422,525**
Net recovery (allowance) for expected credit losses		1,726,143	(56,100)
Profit before income tax		**13,009,256**	**40,366,425**
Income tax expense	12	-	(4,909,872)
Net profit for the year		**13,009,256**	**35,456,553**
		IQD/Fils	**IQD/Fils**
Basic and diluted earnings per share	13	**0/052**	**0/142**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 IQD (000)	2020 IQD (000)
Net profit for the year	**13,009,256**	**35,456,553**
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)	29,034	65,950
Other comprehensive income for the year	**29,034**	**65,950**
Total comprehensive income for the year	**13,038,290**	**35,522,503**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

2021	Paid capital IQD (000)	Statutory reserve IQD (000)	Other reserves IQD (000)	Fair value reserve IQD (000)	Retained earnings * IQD (000)	Total IQD (000)
At 1 January 2021	250,000,000	19,235,273	149,163	216,108	38,154,085	**307,754,629**
Total comprehensive income	-	-	-	29,034	13,009,256	**13,038,290**
Transfer to reserves	-	1,298,787	10,681	(10,681)	(1,298,787)	**-**
Dividends	-	-	-	-	(6,250,000)	**(6,250,000)**
Balance at 31 December 2021	**250,000,000**	**20,534,060**	**159,844**	**234,461**	**43,614,554**	**314,542,919**

2020	Paid Capital IQD (000)	Statutory Reserve IQD (000)	Other reserves IQD (000)	Fair value Reserve IQD (000)	Retained earnings * IQD (000)	Total 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**

* 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.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		IQD (000)	IQD (000)
OPERATING ACTIVITIES			
Profit before income tax		13,009,256	40,366,425
Adjustments for:			
Miscellaneous accruals		7,278,019	3,092,747
Depreciation of property, equipment and right of use assets		792,865	708,365
Finance cost on lease		65,137	38,080
Recovery of income tax credit		(5,718,127)	-
Net (recovery) allowance for expected credit losses		(1,726,143)	56,100
Recovery of penalties imposed by CBI		(558,165)	-
Gain from sale of property		(185,548)	(444,204)
Gain from sale of repossessed assets		(125,861)	-
Dividends income		(24,912)	(20,902)
Gain from lease termination		(15,932)	-
Net non-cash gains from foreign exchange		-	(39,827,911)
Cash flow from operating activities before changes in operating assets and liabilities		**12,790,589**	**3,968,700**
Changes in operating assets and liabilities:			
Increase in direct facilities, net		(6,610,480)	(6,062,168)
(Increase) Decrease in other assets		(1,612,096)	224,742
(Decrease) Increase in customers' deposits		(113,090,554)	104,761,814
Decrease in other liabilities		(1,880,077)	(1,838,355)
Decrease (Increase) in statutory reserve with CBI		1,802,523	(13,020,051)
(Increase) Decrease in LGs margin reserve with CBI		(21,530)	626,704
Net cash flows (used in) from operating activities before income tax		**(108,621,625)**	**88,661,386**
Income tax paid		(4,909,538)	-
Net cash flows (used in) from operating activities		**(113,531,163)**	**88,661,386**
INVESTING ACTIVITIES			
Purchases of financial assets at amortized cost		(125,000,000)	-
Maturity of financial assets at amortized cost		23,729,119	38,070,787
Purchase of property and equipment		(661,698)	(791,384)
Proceeds from sale of property		193,825	465,718
Dividends received		24,912	20,902
Net cash flows (used in) from investing activities		**(101,713,842)**	**37,766,023**
FINANCING ACTIVITIES			
Dividends paid		(5,263,606)	(991,207)
Lease paid during the year		(279,268)	(234,231)
Net cash flows (used in) financing activities		(5,542,874)	(1,225,438)
Net (decrease) increase in cash and cash equivalents		**(220,787,879)**	**125,201,971**
Effect of change in foreign exchange on cash and cash equivalents		-	27,190,689
Cash and cash equivalents at beginning of the year	25	374,103,552	221,710,892
Cash and cash equivalents at end of the year	25	**153,315,673**	**374,103,552**

The accompanying notes from 1 to 33 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 80.3% of the Bank’s capital (2020: 75%). The consolidated financial statements of the Bank are consolidated with the parent’s consolidated financial statements.

The Bank has 100% (2020: 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 Iraqi Dinar 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 2021 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 (2020: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2021 (2020: 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 2020, except for the adoption of new standards and amendments effective as of 1 January 2021:

- **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

Interbank Offered Rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted.

Interest Rate Benchmark Reform - Phase 2 amendments have become effective from 1 January 2021 which address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.
The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. In addition, it provides certain exceptions to hedge accounting requirements.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Benchmark Rates, with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023.

This amendment had no material impact on the consolidated financial statements of the Bank.

- **Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2020**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases (IFRS 16). 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. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 New standards, amendments 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:

- **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The adoption of this new standard is not expected to have material impact on the consolidated financial statements of the Bank.

- **Definition of Accounting Estimates – Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank.

The Bank is currently evaluating the impact of these new standards and amendments. The Bank intends to adopt these on the effective date.

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.

2. ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the year ended 31 December 2021 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 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 behavioral 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, lawsuits 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.

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

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)
2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Recognition of income and expenses (CONTINUED)

- *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.

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:

	Useful lives (Years)
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 for seeable 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.

2.6 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.

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

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;
- Determining relevant period of exposure with respect to the revolving facilities and facilities undergoing restructuring at the time of the reporting date.

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 equipment for the purpose of calculating annual depreciation and amortization based on the general condition of these property and equipment 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.

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

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. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In preparing these consolidated financial statements, significant judgments were made by the management in applying the Bank's accounting policies. While the key performance metrics are subject to current economic volatility, these are considered to represent management's best assessment based on available or observable information.

The level of estimation uncertainty has increased as a result of the economic disruption and consequential impact of the COVID-19 pandemic.

The Bank has performed an assessment of the relevant macro-economic information based on the available guidance of regulators and IFRS, which has resulted in changes to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2021 and 2020.

The Bank has updated inputs and assumptions used for the determination of ECL in response to uncertainties caused by COVID-19 and oil prices volatility. Under IFRS 9, financial assets are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a significant increase in credit risk (SICR) since origination. A SICR occurs when there has been a significant increase to the risk of a default. The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or non-temporary.

Considering that the situation is evolving, the Bank has considered the impact of higher volatility in the for-ward-looking macroeconomic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustments in the established regression relationships. Management overlays are applied to the model outputs if consistent with the objective of SICR and to address the current market conditions. Furthermore, the Bank continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors.

3. CASH AND BALANCES WITH CENTRAL BANK

	2021	2020
	IQD (000)	IQD (000)
Cash on hand*	15,673,825	13,452,428
Balances with Central Bank of Iraq:		
Current accounts	81,915,451	306,492,243
Statutory cash reserve **	24,506,448	26,308,971
LGs margin reserve ***	640,784	619,254
	107,062,683	**333,420,468**
	122,736,508	**346,872,896**

* Cash on hand includes foreign currency balances amounting to IQD 9,227,712 thousand as of 31 December 2021 (2020: 3,825,077 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

	2021		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	95,370	11,423,476	**11,518,846**
Time deposits	-	44,542,653	**44,542,653**
Less: Allowance for ECL *	(1,869)	-	**(1,869)**
	93,501	**55,966,129**	**56,059,630**

	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**

Non-interest-bearing deposits amounted to IQD 11,518,846 thousand (2020: IQD 3,561,715 thousand).
Interest bearing deposits amounted to IQD 44,542,653 thousand (2020: IQD 50,612,882 thousand).

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 55,967,028 thousand as of 31 December 2021 (2020: 54,079,438 IQD thousand). The above Balances with banks do not include any past due or impaired balances as 31 December 2021 and 2020.

4. BALANCES FROM BANKS (CONTINUED)

	2021 IQD (000)			
Balances with banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High standard grade	-	-	-	**-**
Standard grade	56,061,499	-	-	**56,061,499**
	56,061,499	**-**	**-**	**56,061,499**
Less: allowance for ECL	(1,869)	-	-	**(1,869)**
	56,059,630	**-**	**-**	**56,059,630**

	2020 IQD (000)			
Balances with banks	**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**

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

	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 1 January	2,830	-	-	**2,830**
Transfer from stage 1	-	-	-	**-**
Transfer from stage 2	-	-	-	**-**
Transfer from stage 3	-	-	-	**-**
Net remeasurement of ECL	(961)	-	-	**(961)**
At Year end	**1,869**	**-**	**-**	**1,869**

	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**

5. DIRECT CREDIT FACILITIES, NET

	2021 IQD (000)	2020 IQD (000)
Retail	34,333,454	31,448,414
Corporate	15,670,138	11,938,296
Gross direct credit facilities	**50,003,592**	**43,386,710**
Less: allowance for ECL *	(9,121,861)	(10,806,777)
Less: suspended interest**	(13,745,684)	(13,739,282)
	27,136,047	**18,840,651**

	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High standard grade	-	-	-	-
Standard grade	**26,817,260**	**277,484**	**-**	**27,094,744**
Impaired (net of suspended interest)	-	-	**9,163,164**	**9,163,164**
	26,817,260	**277,484**	**9,163,164**	**36,257,908**
Less: allowance for ECL	**(169,328)**	**(60,598)**	**(8,891,935)**	**(9,121,861)**
	26,647,932	**216,886**	**271,229**	**27,136,047**

	2020 IQD (000)			
Direct credit facilities, net	**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)

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

	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 1 January:	106,512	180,776	10,519,489	**10,806,777**
Transfer from stage 1	(5,591)	3,702	1,889	-
Transfer from stage 2	49,176	(69,259)	20,083	-
Transfer from stage 3	-	17,923	(17,923)	-
Net remeasurement of ECL	19,231	(72,545)	(1,631,602)	**(1,684,916)**
At Year end	**169,328**	**60,597**	**8,891,936**	**9,121,861**

	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**

** The movement of the suspended interest is as follows:

Suspended interest:	**2021 IQD (000)**	**2020 IQD (000)**
At 1 January	13,739,282	10,732,594
Additions	1,177,203	1,728,398
Recoveries	(1,170,801)	(320,446)
Written-off during the year	-	(244,106)
Exchange adjustments	-	1,842,842
	13,745,684	**13,739,282**

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	IQD (000)	IQD (000)
Quoted equities	621,587	592,553
Unquoted equities	819,474	819,474
	1,441,061	**1,412,027**

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

	2021	2020
	IQD (000)	IQD (000)
At 1 January	**1,412,027**	556,603
Addition during the year	**-**	789,474
Adjustments in fair value	**29,034**	65,950
At year end	**1,441,061**	1,412,027

7. FINANCIAL ASSETS AT AMORTIZED COST

	2021 IQD (000)	2020 IQD (000)
Government bonds *	287,460,573	186,189,692
Allowance for ECL **	(221,758)	(255,874)
	287,238,815	**185,933,818**

Carrying amount of financial assets at amortized cost	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High standard grade	287,460,573	-	-	**287,460,573**
Standard grade	-	-	-	**-**
	287,460,573	**-**	**-**	**287,460,573**
Less: allowance for ECL	(221,758)	-	-	**(221,758)**
	287,238,815			**287,238,815**

Carrying amount of financial assets at amortized cost	2020 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
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**

* The average rate of USD bonds with a total amount of IQD 162,460,573 thousand is 7.06% maturing in 2028. The average interest rate of bonds with total amount of IQD 125,000,000 thousand is 6.64% maturing between 2023 and 2025.

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:

	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 1 January	255,874	-	-	**255,874**
Transfer from stage 1	-	-	-	**-**
Transfer from stage 2	-	-	-	**-**
Transfer from stage 3	-	-	-	**-**
Net remeasurement of ECL	(34,116)	-	-	**(34,116)**
At Year end	**221,758**	-	-	**221,758**

	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**

8. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET

2021	Land IQD (000)	Buildings IQD (000)	Equipment and machinery IQD (000)	Vehicles IQD (000)	Furniture IQD (000)	Computers IQD (000)	IT software IQD (000)	Right of use assets IQD (000)	Total IQD (000)
Cost:									
At 1 January	274,022	4,638,764	1,021,640	115,958	1,363,384	1,258,321	4,744,382	979,849	**14,396,320**
Additions	-	157,493	59,861	-	83,252	25,652	247,398	656,124	**1,229,780**
Transfers from work in progress	-	208,025	-	-	-	96,350	-	-	**304,375**
Transfers from repossessed assets *	-	176,508	-	-	-	-	-	-	**176,508**
Disposals	-	(44,843)	-	-	-	-	-	-	**(44,843)**
At 31 December	**274,022**	**5,135,947**	**1,081,501**	**115,958**	**1,446,636**	**1,380,323**	**4,991,780**	**1,635,973**	**16,062,140**
Accumulated depreciation:									
At 1 January	-	3,810,914	689,788	112,251	1,207,946	892,075	4,379,674	449,999	**11,542,647**
Charge of the year	-	92,380	18,549	3,707	173,014	123,895	134,173	247,147	**792,865**
Disposals	-	(36,566)	-	-	-	-	-	-	**(36,566)**
At 31 December	**-**	**3,866,728**	**708,337**	**115,958**	**1,380,960**	**1,015,970**	**4,513,847**	**697,146**	**12,298,946**
Net book value at 31 December 2021	**274,022**	**1,269,219**	**373,164**	**-**	**65,676**	**364,353**	**477,933**	**938,827**	**3,763,194**
Work in progress **	-	139,407	-	-	-	-	29,155	-	**168,562**
Net book value at 31 December 2021 including Work in Progress	**274,022**	**1,408,626**	**373,164**	**-**	**65,676**	**364,353**	**507,088**	**938,827**	**3,931,756**

* During the year, the Bank obtained CBI's approval to transfer the ownership of a repossessed building of one of its defaulted customers to its properties.
** Work in Progress represents fixtures and fittings that will be transferred to property and equipment upon completion.

8. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS, NET (CONTINUED)

2020	Land IQD (000)	Buildings IQD (000)	Equipment and machinery IQD (000)	Vehicles IQD (000)	Furniture IQD (000)	Computers IQD (000)	IT software IQD (000)	Right of use assets IQD (000)	Total IQD (000)
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	-	187,994	10,370	-	70,446	47,610	131,775	-	**448,195**
Transfers from work in progress	-	85,821	-	-	-	62,975	-	-	**148,796**
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.

9. OTHER ASSETS

	2021 IQD (000)	2020 IQD (000)
Suspended accounts *	8,780,294	6,999,815
Interest receivable	6,262,544	5,394,917
Deferred tax assets **	5,718,127	-
Repossessed assets ***	1,348,050	532,335
Prepayments and others	439,127	561,020
	22,548,142	**13,488,087**
Allowance for suspended accounts *	(8,780,294)	(6,999,815)
	13,767,848	**6,488,272**

* The Bank booked an allowance against misappropriations detected in 2010 and 2021 amounted to IQD 6,999,815 thousand and 1,780,479 thousand respectively.

** During the year, the General Commission of taxes approved, based on Cabinet of Ministers' approval, on returning an amount of IQD 5,718,127 thousand that was paid by the Bank in 2018 on the interest of Government of Iraq bonds maturing in 2028 in a form of income tax credit that will be used to pay future income taxes.

*** 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, these assets must be sold within two years from the date of possession. The movement on repossessed assets were as follow:

	2021 IQD (000)
Opening balance	532,335
Repossessed during the year	1,348,050
Sold during the year	(355,827)
Transferred to property and equipment	(176,508)
	1,348,050

10. DUE TO BANKS

	2021		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	448	334,654	**335,102**
	448	**334,654**	**335,102**

	2020		
	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Current and demand deposits	462	15,254	**15,716**
	462	**15,254**	**15,716**

11. CUSTOMERS' DEPOSITS

	2021	2020
	IQD (000)	IQD (000)
Current and call deposits	114,857,511	164,388,742
Saving accounts	17,720,954	80,564,831
Cash margin	27,076,108	27,791,554
	159,654,573	**272,745,127**

Non-interest-bearing deposits amounted to IQD 141,933,619 thousand (2020: IQD 192,180,296 thousand).
Interest-bearing deposits amounted to IQD 17,720,954 thousand (2020: IQD 80,564,831 thousand).

12. CURRENT TAX LIABILITY

Income tax liability

The movement on income tax liability was as follows:

	2021	2020
	IQD (000)	IQD (000)
At January 1	4,983,537	73,665
Charge for the year	-	4,909,872
Paid during the year	(4,909,538)	-
At December 31	**73,999**	**4,983,537**

The Bank paid the tax liabilities up to year 2020; final tax clearances are not yet obtained.

The reconciliation between the tax profit and the accounting profit for the years ended 2021 and 2020 is as follows:

	2021	2020
	IQD (000)	IQD (000)
Accounting profit before income tax	13,009,256	40,366,425
Nontaxable income	(21,552,168)	(12,774,594)
Nondeductible expenses	2,792,634	5,140,650
Taxable (loss) profit	**(5,750,278)**	**32,732,481**
Current income tax at Iraqi statutory income tax rate of 15% (2020:15%)	**-**	**4,909,872**

Effective income tax rate for 2021 is 0% (2020: 12.2%).

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.

	2021	2020
Profit for the year (IQD 000)	**13,009,256**	**35,456,553**
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	**0/052**	0/142

14. OTHER LIABILITIES

	2021 IQD (000)	2020 IQD (000)
Miscellaneous accruals	22,382,896	18,723,023
Dividends payable	3,375,264	2,388,870
Dormant accounts	420,550	198,400
Lease liabilities *	957,288	535,383
Management fees payable to parent bank	5,380,114	4,665,194
Allowance for indirect credit facilities **	19,910	26,060
Other credit balances	5,169,050	4,913,290
	37,705,072	**31,450,220**

* The movement of the lease liabilities as at 31 December 2021 is as follows:

	2021 IQD (000)
At 1 January	535,383
Additions	636,036
Paid during the year	(279,268)
Unwind of discount	65,137
At Year end	**957,288**

Maturity analysis of undiscounted lease payments to be paid as at 31 December 2021:

	2021 IQD (000)
1 year	246,469
2 years	161,494
3 years	161,494
> 3 years	419,269
	988,726

14. OTHER LIABILITIES (CONTINUED)

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

	2021 IQD (000)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 1 January	26,060	-	-	**26,060**
Transfer from stage 1	-	-	-	**-**
Transfer from stage 2	-	-	-	**-**
Transfer from stage 3	-	-	-	**-**
Net remeasurement of ECL	(6,150)	-	-	**(6,150)**
At Year end	**19,910**	**-**	**-**	**19,910**

	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**

15. PAID IN CAPITAL AND STATUTORY RESERVES

Paid in capital

Paid in capital comprises of 250 billion shares (2020: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2020: 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 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 the year ended 2019. On 1 June 2021, the Bank received the necessary legal approvals and proceeded with the dividends' distribution in accordance with the prevailing laws in Iraq.

17. INTEREST INCOME

	2021	2020
	IQD (000)	IQD (000)
Financial assets at amortized cost	14,370,029	13,046,870
Direct credit facilities	3,084,702	1,309,728
Balances with banks	56,669	233,364
	17,511,400	**14,589,962**

18. INTEREST EXPENSE

	2021	2020
	IQD (000)	IQD (000)
Saving accounts	44,986	195,081
Time deposits	-	5
Interest expense on lease	65,137	38,080
	110,123	**233,166**

19. NET FEES AND COMMISSIONS

	2021	2020
	IQD (000)	IQD (000)
Fees and commissions income	2,534,895	1,523,295
Fees and commissions expense	(140,227)	(117,055)
	2,394,668	**1,406,240**

20. NET GAINS FROM FOREIGN EXCHANGE

	2021	2020
	IQD (000)	IQD (000)
Net gains from foreign exchange *	779,157	40,450,637
Net gains from foreign currency window operations **	1,456,122	435,297
	2,235,279	**40,885,934**

* 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 2021, the Bank has purchased USD from CBI through currency auction for the benefit of the Bank's customers amounted to USD 482,920,819 on an exchange rate of 1,460 IQD/USD. The Bank sold USD to the foreign currency window customers during 2021 on an average exchange rate of 1463.015 IQD/USD.

21. OTHER OPERATING INCOME

	2021	2020
	IQD (000)	IQD (000)
Recovery of income tax credit (note 9)	5,718,127	-
Recovery of penalties imposed by CBI *	939,165	-
Gain from sale of property **	185,548	444,204
Rental income	150,524	139,502
Gain from sale of repossessed assets	125,861	-
Dividends income	24,912	20,902
Other bank charges	175,877	14,498
	7,320,014	**619,106**

* Recovery of penalties imposed by CBI includes an amount of IQD 381,000 thousand that represents a recovery from one of the banks customers and an amount of IQD 558,165 thousand that represents the amount of penalty that was waived by CBI.

** During the year 2021, the Bank sold its property located in Baghdad for an amount of IQD 193,825 thousand which resulted into gain amounted to IQD 185,548 thousand.

** During the year 2020, the Bank sold its property located in Basra for an amount of IQD 465,718 thousand which resulted into gain amounted to IQD 444,204 thousand.

22. EMPLOYEES' EXPENSES

	2021	2020
	IQD (000)	IQD (000)
Basic salary	2,372,391	2,299,102
Allowances	948,173	922,442
Transportation	387,330	382,206
Other allowances	21,036	51,351
	3,728,930	**3,655,101**
Social security	265,547	255,068
	3,994,477	**3,910,169**

23. OTHER OPERATING EXPENSES

	2021	2020
	IQD (000)	IQD (000)
Miscellaneous accruals	7,278,019	3,381,105
General and administrative expenses	3,882,210	3,404,511
Professional fees	1,690,715	4,234,352
Insurance	361,279	112,040
Audit fees	67,810	77,870
Interim review fees	750	3,000
Penalties imposed by CBI *	-	1,014,139
	13,280,783	**12,227,017**

* In 2020, the Bank booked a provision amounted to IQD 1,014,139 against penalties imposed by CBI in relation 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.

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) 2021	Fair value IQD (000) 2020	Fair value level	Method of valuation and observable inputs
Financial assets at fair value through other comprehensive income	621,587	592,553	Level 1	Based on price quotations in financial markets
Financial assets at fair value through other comprehensive income	819,474	819,474	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:

	2021		2020		
	Total carrying amount IQD (000)	***Total fair value*** IQD (000)	***Total carrying amount*** IQD (000)	***Total fair value*** IQD (000)	**Fair value level**
Financial assets at amortized cost	287,238,815	288,907,847	185,933,818	184,687,975	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:

	2021	2020
	IQD (000)	IQD (000)
Cash and balances with Central Bank	122,736,508	346,872,896
Add: Balances with banks	56,061,499	54,174,597
Less: Due to banks	(335,102)	(15,716)
Less: Statutory reserve with CBI	(24,506,448)	(26,308,971)
Less: LGs margin reserve	(640,784)	(619,254)
	153,315,673	**374,103,552**

26. RELATED PARTIES TRANSACTIONS

The Bank enters business transactions in the ordinary course of business with the parent bank and its subsidiaries and associates 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:

	2021	2020
	IQD (000)	IQD (000)
Consolidated statement of financial position:		
Balances with banks	**55,966,129**	54,078,485
Due to banks	**334,654**	15,254
Other liabilities	**5,380,114**	4,665,194
Off balance items:		
Letters of guarantee	**38,541,244**	38,029,044
Consolidated statement of incomes items		
Interest and commission income	**103,590**	321,001
Management fees	**1,440,720**	3,939,394

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

Compensation of the key management personnel is as follows:

	2021	2020
	IQD (000)	IQD (000)
Executive management salaries and benefits	**646,697**	577,788
	646,697	**577,788**

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	
	2021	2020
	IQD (000)	IQD (000)
Balances with CBI	107,062,683	333,420,468
Balances with banks	56,059,630	54,171,767
Direct credit facilities, net	27,136,047	18,840,651
Financial assets at amortized cost	287,238,815	185,933,818
Interest receivable and other assets	6,538,160	5,619,716
Total	**484,035,335**	**597,986,420**
Contingent Liabilities and Commitments		
Letters of guarantee	62,198,563	63,569,567
Undrawn loan commitments	355,425	1,101,350
Total Credit related commitments	**62,553,988**	**64,670,917**
Total credit risk exposure before credit risk mitigation	**546,589,323**	**662,657,337**
Credit risk mitigation		
Cash Margin	27,076,108	27,791,554
Real estates	31,613,025	30,840,775
Pledged shares	265,000	265,000
Total Credit risk mitigation	**58,954,133**	**58,897,329**
Total credit risk exposure after credit risk mitigation	**487,635,190**	**603,760,008**

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

Financial assets neither past due nor impaired:

	2021		
	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	107,062,683	56,061,499	**163,124,182**
Government - public sector	287,460,573	-	**287,460,573**
Retail	-	15,061,253	**15,061,253**
Corporate	-	12,033,491	**12,033,491**
	394,523,256	**83,156,243**	**477,679,499**

27. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (Continued)

Financial assets neither past due nor impaired:

	2020		
	High standard grade	Standard	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	333,420,468	54,174,597	**387,595,065**
Government - public sector	186,189,692	-	**186,189,692**
Retail	-	9,265,962	**9,265,962**
Corporate	-	7,697,771	**7,697,771**
	519,610,160	**71,138,330**	**590,648,490**

Impaired financial assets

	2021		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	7,949,704	7,678,475	**2,284,500**
Corporate	1,213,460	1,213,460	**-**
	9,163,164	**8,891,935**	**2,284,500**

	2020		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	11,470,236	9,306,028	8,817,900
Corporate	1,213,460	1,213,460	-
	12,683,696	**10,519,488**	**8,817,900**

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.

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)
2021					
Assets					
Cash and balances with Central Bank	-	-	-	122,736,508	**122,736,508**
Balances with banks	44,542,653	-	-	11,516,977	**56,059,630**
Direct credit facilities, net	811,828	13,292,872	13,031,347	-	**27,136,047**
Financial assets at fair value through other comprehensive income	-	-	-	1,441,061	**1,441,061**
Financial assets at amortized cost	13,121,750	13,121,750	260,995,315	-	**287,238,815**
Property, equipment and right of use assets, net	-	-	-	3,931,756	**3,931,756**
Other assets	-	-	-	13,767,848	**13,767,848**
Total Assets	**58,476,231**	**26,414,622**	**274,026,662**	**153,394,150**	**512,311,665**
Liabilities					
Due to banks	-	-	-	335,102	**335,102**
Customers' deposits	17,720,954	-	-	141,933,619	**159,654,573**
Current tax liabilities	-	-	-	73,999	**73,999**
Other liabilities	-	-	-	37,705,072	**37,705,072**
Total Liabilities	**17,720,954**	**-**	**-**	**180,047,792**	**197,768,746**
Interest rate gap	**40,755,277**	**26,414,622**	**274,026,662**	**(26,653,642)**	**314,542,919**
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**

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 2021 and 2020. 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 2021 Increase/(Decrease)**	Effect on profit before tax for the year ended 31 December 2020 Increase/(Decrease)
	IQD (000)	IQD (000)
+5%	**7,960,814**	10,694,328
-5%	**(7,960,814)**	(10,694,328)

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 62,159 thousand (2020: IQD 59,255 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:

2021	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	335,102	-	-	-	**335,102**
Customers' deposits	140,931,047	1,520,520	878,266	16,324,740	**159,654,573**
Total Liabilities	**141,266,149**	**1,520,520**	**878,266**	**16,324,740**	**159,989,675**

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**

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.

2021	Up to 3 months IQD (000)	3 to 6 months IQD (000)	6 to 12 months IQD (000)	More than 12 months IQD (000)	Undated IQD (000)	Total IQD (000)
Assets						
Cash and balances with Central Bank	122,736,508	-	-	-	-	**122,736,508**
Balances with banks	56,059,630	-	-	-	-	**56,059,630**
Direct credit facilities, net	811,828	11,967,651	1,325,222	13,031,346	-	**27,136,047**
Financial assets at fair value through other comprehensive income	-	-	-	-	1,441,061	**1,441,061**
Financial assets at amortized cost	13,121,750	-	13,121,750	260,995,315	-	**287,238,815**
Property, equipment and right of use assets, net	-	-	-	-	3,931,756	**3,931,756**
Other assets	2,505,886	3,757,860	7,504,102	-	-	**13,767,848**
Total assets	**195,235,602**	**15,725,511**	**21,951,074**	**274,026,661**	**5,372,817**	**512,311,665**
Liabilities and shareholders' equity						
Due to banks	335,102	-	-	-	-	**335,102**
Customers' deposits	140,931,047	1,520,520	878,266	16,324,740	-	**159,654,573**
Current tax liability	-	73,999	-	-	-	**73,999**
Other liabilities	6,303,036	-	30,444,748	957,288	-	**37,705,072**
Shareholders' Equity	-	-	-	314,542,919	-	**314,542,919**
Total liability and shareholders' equity	**147,569,185**	**1,594,519**	**31,323,014**	**331,824,947**	**-**	**512,311,665**
Net liquidity gap	**47,666,417**	**14,130,992**	**(9,371,940)**	**(57,798,286)**	**5,372,817**	

27. RISK MANAGEMENT (CONTINUED)
F. Liquidity Risk (Continued)

2020	Up to 3 months IQD (000)	3 to 6 months IQD (000)	6 to 12 months IQD (000)	More than 12 months IQD (000)	Undated IQD (000)	Total IQD (000)
Assets						
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**
Liabilities and shareholders' equity						
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**	

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.

				Total	
	Retail Banking	Corporate Banking	Treasury and investments	2021	2020
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	2,757,010	460,121	26,134,107	**29,351,238**	**57,268,076**
Net recovery (allowance) for expected credit losses	1,684,916	6,150	35,077	**1,726,143**	**(56,100)**
Segment results	**4,441,926**	**466,271**	**26,169,184**	**31,077,381**	**57,211,976**
Unallocated expenses	(2,481,469)	(3,015,942)	(12,570,714)	**(18,068,125)**	**(16,845,551)**
Profit before tax	**1,960,457**	**(2,549,671)**	**13,598,470**	**13,009,256**	**40,366,425**
Income tax	-	-	-	-	**(4,909,872)**
Net profit	**1,960,457**	**(2,549,671)**	**13,598,470**	**13,009,256**	**35,456,553**
Other information					
Segment assets	23,011,132	4,355,018	467,245,912	**494,612,062**	**607,231,159**
Unallocated assets	-	-	-	**17,699,603**	**9,718,070**
Total Assets	**23,011,132**	**4,355,018**	**467,245,912**	**512,311,665**	**616,949,229**
Segment liabilities	38,318,940	121,335,632	335,102	**159,989,675**	**272,760,843**
Unallocated liabilities	-	-	-	**37,779,072**	**36,433,757**
Total Liabilities	**38,318,940**	**121,335,632**	**335,102**	**197,768,746**	**309,194,600**
Capital expenditure				**846,978**	**791,384**
Depreciation				**792,865**	**708,365**

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
2021	**IQD (000)**	**IQD (000)**	**IQD (000)**
Total Income	29,247,648	103,590	**29,351,238**
Total Assets	456,345,536	55,966,129	**512,311,665**
Total Liabilities	192,053,978	5,714,768	**197,768,746**

	Inside Iraq	Outside Iraq	Total
2020	**IQD (000)**	**IQD (000)**	**IQD (000)**
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**

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.

	2021	2020
	IQD (000)	**IQD (000)**
Primary capital		
Paid capital	250,000,000	250,000,000
Statutory reserve	20,504,193	19,207,546
Other reserves	394,305	365,271
Retained earnings	43,296,816	37,876,986
Total Primary capital	**314,195,314**	**307,449,803**
Supplementary capital		
General provisions	229,926	287,290
Total Supplementary capital	**229,926**	**287,290**
Total primary and supplementary capital	**314,425,240**	**307,737,093**
Total risk weighted assets	**317,816,018**	**417,455,910**
Capital adequacy (%) *	**98.9%**	**73.7%**

* 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% (2020: 12.5%). The Bank capital ratio is 98.9% as of 31 December 2021 (2020: 73.7%).

30. CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2021	2020
	IQD (000)	IQD (000)
Letters of guarantee	62,198,563	63,569,567
Undrawn loan commitments	355,425	1,101,350
	62,553,988	**64,670,917**

31. LAWSUITS

There are a number of lawsuits raised against the Bank in the normal course of business, and as a matter of prudence the management of the Bank believes that the provisions booked against those lawsuits are sufficient.

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. COMPARATIVE FIGURES

Some of the comparative figures for the year 2020 have been reclassified to correspond with those of 31 December 2021 presentation. The reclassification did not have any effect on profits or equity of 2020.