شركة فراس اسماعيل قربان علي وشريكه
لمراقبة وتدقيق الحسابات القانونية
Firas I. Korban Ali & Co.

Mustafa Fouad Abbas & Co.

For auditing and monitoring Accounts
Members of Iraqi ACA

COMMERCIAL BANK OF IRAQ
(PRIVATE SHAREHOLDING COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2022

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المصرف التجاري العراقي
commercial bank of iraq

Chairman Statement

Dear Members of the General Assembly,

On behalf of the Board of Directors of Commercial Bank of Iraq (CBIQ), it gives me great pleasure to welcome you all to attend the Annual General Meeting of the bank and accepting our invitation to discuss the bank's performance for the financial year ended 31 December 2022.

Despite the continuing global challenges, the Middle East and North Africa (MENA) region including Iraq recorded higher economic growth rates in 2022 as a direct consequence of the hike in oil prices, resulting from the fallout from the Ukraine/Russian war. According to IMF, the global economic growth slowed down to 3.4% in 2022 compared to a 6.3% growth in the previous year, whereas the MENA region registered higher growth of 5.3% in 2022 vis-à-vis 4.3% growth in 2021. However, Iraq continues to face domestic challenges on account of internal political issues.

Nonetheless, the Commercial Bank of Iraq (CBIQ) remained committed to its priorities of customer service and business development while preserving shareholders' rights. At the same time, the CBIQ continued to apply digital transformation initiatives to deliver customer centric driven process automation solutions in order to improve customer experience, increase revenues and improve cost efficiency.

Financially, CBIQ continued its positive performance with a conservative approach and succeeded in achieving net profits of IQD 11.7 billion in 2022 (2021: IQD 13.0 billion). The bank continued to pursue its prudently diversified strategy through a spread of liquidity deployment in investments and lending while effectively managing assets and liabilities to optimise risk adjusted returns within an acceptable risk framework. The bank also continued to provide customer centric products that were delivered seamlessly to our valued customers in Iraq and to the cross-border customers.

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

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

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

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

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

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المصرف التجاري العراقي
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المصرف التجاري العراقي
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Board of Directors' Report Concerning the

Bank's Operations for the Year Ended on 31 December 2022

Members of the General Assembly,

The Board of Directors of Commercial Bank of Iraq are pleased to provide the shareholders with the annual comprehensive report of the Bank's operations, together with the consolidated financial statements for the year ended 31 December 2022. Pursuant to the provisions of Articles 117 and 134 of the Companies Law No.21 of 1997 (as amended) and pursuant to the Accounting Rule No. (10) issued by the Accounting and Auditing Standards Council, provisions of the Banking Law No. 94 of 2004 and the corporate governance guide for banks issued by the Central Bank of Iraq.

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

First: Background about the Bank

1. Bank Establishment:

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

2. Bank's capital increase:

The Bank's paid-up capital saw a steady increase from IQD 150 million in 1992 to IQD 250 billion in 2014. The most significant change occurred during 2005, when Bahrain-based Ahli United Bank B.S.C. injected a sum of IQD 50 billion in consideration for a 49% equity stake in Bank's share capital, which paved the way to establish a strategic partnership with this leading regional banking group operating across the MENA region and the United Kingdom. At the end of 2022, Ahli United Bank B.S.C's shareholding stood at 80.3%.

Trend of capital growth

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital (IQD Billions)	100	150	250	250	250	250	250	250	250	250	250

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3. Bank's contribution in subsidiary companies:

The Bank has 100% (2021: 100%) of the paid-in capital of IQD 200 million in a subsidiary, Ahli United Brokerage and Investment Company the" Subsidiary", has been registered in Iraq since 3 July 2008 as a private company. The principal activity of the subsidiary is brokerage.

4. Bank's main objectives:

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

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

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

Second: Results of Implementing the Annual Business Plan for the year ended 31 December 2022

Key highlights of Bank's performance during 2022 were:

1. The Bank's net profits after tax for the year reached to IQD 11,662 million (2021: IQD 13,009 million).
2. Shareholders' equity amounted to IQD 326,058 million (2021: IQD 314,543 million).
3. Total reserves stood at IQD 76,058 million (2021: IQD 64,543 million).
4. The total guarantees in favour of customers amounted to Iraqi Dinars 82,411 million (2021: IQD 62,199 million).
5. Cash balances on hand with Central Bank Iraq, local and foreign banks stood at IQD 153,104 million (2021: IQD 178,796 million.

6. The following table present the Bank's Key Performance Indicators for the year ended 31 December 2022 and 31 December 2021:

Bank Financial Ratios	2022	2021
Retained on Average Equity (ROAE)	3.67%	4.20%
Retained on Average Assets (ROAA)	2.27%	2.00%
Net Interest Margin (NIM)	8.62%	10.20%
Cost to Income	55.28%	61.60%
Loans to Assets	2.46%	5.30%
Loans to Customers deposits	7.77%	17.00%
Cash outside country to Capital and reserves	18 %	18%
Liquidity Coverage Ratio (LCR)	574%	578%
Net Stabile Founding Ratio (NSFR)	467%	396%
Capital Adequacy Ratio – Basel III	100.8%	98.9%

7. The following table present the various expense comparison for the year ended 31 December 2022 and 31 December 2021:

Account Name	Year 2022 IQD Millions	Year 2021 IQD Millions
Employees expenses	4,419	3,994
Depreciation expenses	811	793
Other operating expenses	9,709	13,281
Total	**14,939**	**18,068**

Advertising and promotional expenses amounted to IQD 30 million (2021: IQD 34 million) and hospitality costs at IQD 14.2 million (2021: IQD 19.6 million). The donation expenditure amounted to IQD 250 million (2021: 191 million).

8. Branches Profitability:

Branch Code	Branch Name	Year 2022 IQD Millions	Year 2021 IQD Millions
802	Khalani Branch	(127)	(109)
803	Shorja Branch	-	(149)
803	Bawabat Aliraq Branch *	(128)	-
804	Palestine Street Branch	517	130
805	Mansour Branch	(127)	102
807	Khadimain Branch	124	20
808	Aadhamiyah Branch	(71)	215
809	Basra Branch (Al Jazayir)	1,071	935
810	Main Branch & Head Office	9,941	11,404
811	Basra Branch (Times Square)	150	104
812	Najaf Branch	311	314
	Total Branches	**11,661**	**12,966**
	Ahli United Brokerage & Investment Company	1	43
	Total Consolidated NPAT	**11,662**	**13,009**

* During the year 2022, the bank had been replace Shorja branch with Bawabat Aliraq branch as an alternative branch and in according to the Central Bank of Iraq approval number 9/2/9016 dated 13/04/2022.

Third: Reserves and provisions

Account Name	Year 2022 IQD Millions	Year 2021 IQD Millions
Reserves	76,058	64,543
Provisions	21,481	19,430
Total	**97,539**	**83,973**

Fourth: Investments

Account Name	Year 2022 IQD Millions	Year 2021 IQD Millions
Long term investments/Government of Iraq bonds	263,248	287,238
Long term investments/Equity Shares	1,294	1,441
Short term investments/Treasury bills	80,738	-
Total	**345,280**	**288,679**

Fifth: Total revenues

Account Name	Year 2022 IQD Millions	Year 2021 IQD Millions
Net interest income	23,010	17,401
Net fees and commissions	3,016	2,395
Other operating income	999	9,555
Total	**27,025**	**29,351**

Fifth: Total revenues (Continue)

Sixth: Material changes

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

Seventh: Bank's future plans

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

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

Eighth: Accounting policies

Since its inception, the Bank has applied the Unified Accounting System for Banks and Insurance Companies, issued by the Ministry of Finance in 1992 for the preparation of financial statements. The Bank continues to strictly adhere to directions of the Central Bank of Iraq, whether in the general scope of its guidelines or as related to the laws and instructions pertaining to anti-money laundering and maintaining adequate levels of statutory reserves. The Bank adopts Depreciation law number 9 dated 1994 for computing depreciation.

During 2016, the Central Bank of Iraq issued an instruction No. 12/9 on 4 January 2016 to prepare the financial statements according to International Financial Reporting Standards (IFRS).

Ninth: Bank's property

The bank's owned and leased properties are listed below.

No.	List of Branch/Building owned properties
1	Main Branch, Headquarters
2	Khadimain Branch
3	Mansour Branch
4	Khalani Branch
5	Basra\Aljazar Building

No.	List of Branch/Building leased properties
1	Bawabat Aliraq Branch
2	Palestine Street Branch
3	Aadhamiyah Branch
4	Basra (Times Square Mall) Branch
5	Najaf Branch

Tenth: Executives Managers

Names	Job Title
Mr. Faisal Wisam Muhi Alhaimus	Chief Executive Officer (Until 21 Mar 2023)
Mr. Bassam Jawdat Abo Auda Jaber	Deputy CEO (Acting CEO from 22 Mar 2023)
Mr. Mustafa Najem Kadhem Hawwas	Head of Finance (Until 28 Feb 2023) Head of Corporate Banking (From 1 Mar 2023)
Mr. Mahmood Madi Anaeem	Deputy Head of Finance ((Until 28 Feb 2023) Head of Finance (From 1 Mar 2023 and CBI approval issued on 16 Mar 2023)
Mr. Ahmed Raad Abdul Baqi	Head of Internal Audit
Mrs. Dina Hamid Alabood	Head of Human Resources
Mr. Ahmed Sabry Al Rubeay	Head of information Technology
Miss. Ansam Abbass Shafeeq	Head of Banking Operations
Mr. Saif Waleed Almashhdani	Head of Branches and Administration
Mr. Abdul Azeez Jabbar Abdul Azeez	Legal Manager
Mr. Ali Adnan Baqer	Risk Management Manager
Mr. Ahmed Basil Mahmoud	Credit Risk Manager
Miss. Dina George Roman	Compliance Manager
Mr. Mohammed Nazar Abbass Alani	Anti - Money Laundering Manager
Mrs. Shaimaa Abd Muhsen Al Rubeay	Senior – IT Manager
Miss. Fatema Ibrahim Ahmed	Treasury and Investment Manager
Mr. Raad Qasim Jaber	Branches Control Manager
Mr. Ali Kareem Shaghati	Security Manager
Mr. Samer Qais Abdulah	Administration Manager- Civil Engineer
Mr. Zahed Mohammed Ahmed	Customers Awareness Manager
Mr. Zaid Ali Jassem	Information Security Manager
Mrs. Maha Noaman Al Bayati	CEO- Brokerage Company

Eleventh:

A. The bank Key shareholders and the amount of their contribution to the capital as at 31 December 2022, there are no mortgaged shares of The Commercial Bank of Iraq to any other party.

Names	Number of shares	Percentage of Ownership
Ahli United Bank B.S.C.	200,828,588,080	80.30%
International Finance Corporation	12,434,782,600	4.97%
Abbas Ali Naji Al-Rubayee	4,010,162,213	1.68%
Other Shareholders individually below 1% ownership	32,726,467,107	13.02 %
Total	**250,000,000,000**	**100.0%**

B. Normal distribution of Shareholders as of 31 December 2022:

From	To	Number of Shareholders	Number of Shares
1	100,000	1,070	58,511,776
100,001	1,000,000	1,869	795,230,613
1,000,001	5,000,000	710	1,691,399,823
5,000,001	10,000,000	172	1,277,124,930
10,000,001	50,000,000	219	5,196,491,517
50,000,001	100,000,000	55	3,833,466,727
100,000,001 and above		60	237,147,774,614
Total		**4,182**	**250,000,000,000**

C. Bank branches and contact details:

Main Branch and Headquarters (810)
Baghdad/Saddon Street/District 102/Street 9/Building 121
Email: CBIQMainBranch@cbiq.com.iq

Khalani Branch (802)
Baghdad/Khulafa Street/District 104/Street 1 /Building 52
Email: CBIQKhulani@cbiq.com.iq

Bawabat AL-Iraq Branch (803)
Baghdad/Damascus Street/ Iraq Gate Residential Complex/in front of AL-Zawraa Park
Email: Bwabat.Aliraq@cbiq.com.iq

Palestine Street Branch (804)
Baghdad/14 July/District 510/Street 32/Building 33 in front of Mustansiriya University
Email: CBIQPalestine@cbiq.com.iq

Mansour Branch (805)
Baghdad/Mutanabi/District 605/Street 13/Building 87/ Ground Floor
Email: CBIQMansour@cbiq.com.iq

Khadimain Branch (807)
Baghdad/Al-Mutanabi District / District 605 / Street 13 / Building 87 / First Floor
Email: CBIQKadhumain@cbiq.com.iq

Aadhamiyah Branch (808)
Baghdad/Omar Bin Abdul Aziz Street/Heybat Khatun/Mahala 314/Street 19/Building 1/24-Near Antar Square
Email: CBIQAdhamya@cbiq.com.iq

Basra Branch (809)
Basra/Algeria Street / Al-Farsi neighborhood / near Abu Shaer bridge
Email: CBIQ.Basra@cbiq.com.iq

Basra (Times Square) Branch (811)
Basra/Jubaila /Dinar Street/ Time Square Mall / First Floor
Email: CBIQTimesSquare@cbiq.com.iq

Al-Najaf Branch (812)
Al-Najaf/Al-Ameer Street / Al-Rawan Street Intersection

Email: CBIQNajaf@cbiq.com.iq

Twelfth: Organizational Chart

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Thirteenth: Management activities

1. **Salaries, wages and allowances:**
   During the year, salaries and wages paid to 260 staff and personnel at Bank's head office and branches amounting Iraqi Dinars 4,419 million.

2. **Staff training, development and travel:**
   The Bank has been keen on developing its human resources to enhance performance at work by utilizing its professional training centre that is equipped with latest technologies to keep pace with the latest vocational training standards. During the year, the Bank invested IQD 25 million compared with IQD 18.8 million in 2021 in staff training, development, and travel.

   The following are the most important training courses that conducted in 2022:

Course types	Number of courses	Number of participants
Training within the Bank	6	74
Training outside the bank	48	106
Training via Email	3	570
Total	**57**	**750**

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

Branch	Branch Manager
Main	Omer Akram Taha
Khalani	Sawsan Talib Mohamed
Bawabat Aliraq	Jenan Ali Saleh
Palestine	Basma Sabah Mohamed
Mansour	Lamyaa Abdul Razaq Abbass
Khadimain	Hiba Faleh Hassan
Aadhamiya	Younis Ghazi Younis
Basra (Aljazar St.)	Yassein Abdullah Mhesen
Basra (Times Square Mall)	Moayad Jaffer Mohammed
Najaf Branch	Bahaa Mahdi Abdul Zahra

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

Thirteenth: Management activities (Continue):

5. **Maintenance of Bank's buildings and premises:**
   During the year, the bank completed renovation and development works for the buildings owned and leased for the sum of IQD 241 million.

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

   A. Completed Projects:

   - Lunch SMS Service.
   - Build CBS (Credit Bearu system) interface with CBI.
   - Upgrade Internet and Mobile Banking.
   - Automation of charges and commissions.
   - Upgrade B2B.
   - Enable CBI E-Ticket platform.
   - Migrate all CBIQ users to Azure AD (Microsoft cloud) About 213 Users.
   - Migrate all CBIQ 216 mailboxes from on-Prim exchange to Exchange online (Microsoft Cloud).
   - Enabling all CBIQ accounts (216) to Microsoft office APPs (Teams App, SharePoint, OneDrive, etc.).
   - Integration with CBI for Inactive Account Platform.
   - Creating DR environment for Cashier and SigCap Systems.
   - Admin inventory system.
   - Complete customers' accounts registration required by CBI Phase 1.
   - Integration Iraq local backlists with AML System.
   - Shifting the CBIQ core banking to Baghdad.

   B. Under Implementation Projects:

   -
   - Certifying PCI-DSS for CBIQ.
   - Go AML system with CBI.
   - Data center enhancement.

   C. New Projects:

   - E-Statements.
   - ITSM FLOW.
   - CBI Foreign currency exchange platform (Extra).
   - Enhancement of ACH Interface with Equation.
   - Enhancement in RTGS Interface with Equation

Fourteenth: Anti-money laundering

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

Fifteenth: Risk Management

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

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

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

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

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

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

- Reviewing the risk management framework in the bank.
- Reviewing the bank's risk management strategy before approval by the Board.
- Reviewing the bank's risk management policies before approval by the Board.
- Following up the developments that affect risk management in the bank and submitting periodic reports to the Board.
- Verifying that there is no discrepancy between the actual risks that the bank takes, and the level of acceptable risks approved by the Board.
- Ensuring the availability of policies and frameworks for risk management, the programs and tools required for that with periodic review to ensure their effectiveness and amend them if necessary.

Fifteenth: Risk Management (Continue)

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

- Ensuring that the bank manages its risks in an efficient manner, so that the bank carries the appropriate risks against the appropriate return.
- Creating appropriate conditions to insure identifying the risks that have a substantial impact, identifying any bank's activity that may lead to risks greater than the level of acceptable risks, and submitting their reports to the board.
- Verifying that violations of the acceptable levels of risk are addressed, including discussing these violations with executive management then submitting reports to the BOD.
- Reviewing the assumptions and scenarios used within the stress tests, discussing the results of the tests, and reviewing the measures to be taken based on these results before they are approved by the BOD.
- Reviewing the methodology for the internal evaluation of the bank's capital adequacy and submitting it to the BOD for approval, so that this methodology is comprehensive, effective and capable in identifying all risks that the bank may face, they take into account the bank's strategic plan and the capital plan, and review this methodology periodically and verify its application, and ensure that the bank maintains sufficient capital to meet all the risks it faces.
- Reviewing Bank's accepted risk document before the approval of the Board
- Ensuring the independence of risk management.

Second - Risk management independency

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

- Monitoring the bank's executive departments to comply with the determined levels of acceptable risks.
- Reviewing the risk management framework in the bank before the approval of the board.
- Implementing the risk management strategy in addition to developing policies and work procedures to manage all types of risks.
- Educating and raising employees' awareness about risk management.
- Developing methodologies for identifying, measuring, monitoring, and controlling all types of risks.
- Reviewing the assumptions used in preparing the bank's estimated budget and submitting the necessary recommendations to the Risk Committee derived from BOD and a copy for the bank's executive management.

Fifteenth: Risk Management (Continue)

Second - Risk management independency (Continue)

- Conducting stress tests to measure the bank's ability to bear various conditions.
- Studying and reviewing the bank's credit portfolio to ensure its consistency with the bank's credit policy.
- Identifying risks for all products, services, processes, and systems and ensuring that these risks are within the limits. In addition, procedures have been put in place to control and monitor these risks. This also includes identifying the risks in the event of modifications to the products, services, processes, and systems in the bank.
- Supervising the preparation of the business continuity plan and ensuring its effectiveness.

Sixteenth: International Accounting Standard (10) imposes continuity principle.

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

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

The management sometimes takes into consideration some other factors in the current and expected profitability as well as loan payment schedules and prospective alternative sources of financing before settling into the certainty that the assumption of continuity is appropriate and it should also be emphasized that the bank must evaluate the appropriateness of preparing the financial statements on the basis of continuity in the period following the end of the fiscal year and before publishing its financial statements, as the requirements of International Accounting Standard No. 10 regarding the preparation of financial statements must be applied there are indicators prevent the bank to assume business continuity after the end of fiscal year and before the financial statements are published.

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Seventeenth: International Award

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

During the year, the Commercial Bank of Iraq was honored to receive the award of the Best Bank in terms of Trade Finance in Iraq for the year 2021 by the Union of Arab Banks. This prestigious award demonstrates the superiority of CBIQ in its work and the various banking services it provides to its customers.

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

Mohammed Hameed Dragh Al-Dragh
Chairman of the Board

شركة مصطفى فؤاد عباس وشركاؤه
تضامنية
للتدقيق ومراقبة الحسابات

شركة فراس اسماعيل قربان علي وشركاه
فراس قربان
لمراقبة وتدقيق الحسابات (تضامنية)

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Website: https://www.cbiq.com.iq

المصرف التجاري العراقي
شارع السعدون، مبنى ١٢١
بغداد، العراق موبايل: ٧٨٠٥٦٦٢٨٣٥ ٩٦٤+

COMMERCIAL BANK OF IRAQ

CORPORATE GOVERNANCE REPORT

2022

First: Overview

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

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

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

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

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

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

Second : CBIQ organizational structure as on 31 of Dec 2022

Third: The Board of Directors

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

1. Board of Directors Members

Mohammed Hammed AlDaragh (Chairman of the Board of Directors)

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

Faisal Wissam Mohi Al-Haims (Chief Executive Officer)

Member of the Board of Directors since 31/3/2022 and he holds an MBA from Staffordshire University, United Kingdom in 1996.

He has an approximate of 28 years of experience in the field of conventional and Islamic trade finance, in which he has held the following professional positions:

- Chairman of the Jordan Securities Commission 2020-2022.
- Chairman and Executive Director of the Iraqi Trade Bank (TBI).
- Assistant Senior Manager at the Commercial Bank of Iraq 2015-2016 Iraq - Baghdad.
- Managing Director of the Bank of Baghdad 2013-2015 Iraq Baghdad.
- Head of Banking in Iraq Standard Chartered – DIFC 2011-2013 Iraq – Erbil.
- Head of Commercial Banking at Dar es Salaam Bank 2010-2011 Iraq – Baghdad.
- Vice President of Emirates Islamic Bank 2006-2010 Dubai – UAE.
- Managing Director at Mashreq Bank 2002-2006.
- Relationship Manager at Union National Bank 1999-2002Dubai – United Arab Emirates.
- Relationship Manager at Standard Chartered 1998-1999 Dubai United Arab Emirates.
- Relationship Manager at Mashreq Bank 1995-1998 Dubai, United Arab Emirates.

Third: The Board of Directors (Continue)

1. Board of Directors Members

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

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

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

Member of the Board of Directors since 2017, awarded Bachelor's in Business and Economics in the United States of America. He has experience in the Banking Sector for 37 years in which he held several banking positions in major regional banks. He was also Assistant of the Vice President - Arab Banking Corporation from 1991 to 2001. In addition to holding the position of Head of Economics Department in Arab Banking Corporation from 1985 to 1991..

Mirna Michael ElAchkar (Member of the Board of Directors)

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

Jamal Tahir Yahya (Member of the Board of Directors)

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

Third: The Board of Directors (Continue)

1. Board of Directors Members

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

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

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

Mohamed Tamer Abdel Moneim Salama (Board Member)

Member of the Board of Directors since 31/3/2022 and he holds an MBA from the American University in Cairo.
He has 26 years of experience in the field of banking and finance, in which he has held the following positions:

- Regional Head of Credit Risk - Ahli United Bank, Group Head of Credit Risk for the Middle East, and Iraq.
- Senior Manager of Credit Risk Management - Ahli United Bank.
- Senior Manager and Group Leader of Credit Risk Management BNP Paribas Egypt.
- Deputy General Manager of Credit Risk Management Credit Agricole Bank – Egypt.
- Credit Manager Credit Risk Management Barclays Bank – Egypt.
- Head of Credit Risk Management Department Societe General Bank – Egypt.
- Investment Analyst – Privatization Department – Holding Company for Engineering Industries – Egypt.

Nabil Mahmoud Ahmed Kazim (Board Member)

Member of the Board of Directors from 31/3/2022 to 15/11/2022, and he holds a Master of Commerce and Accounting from United Kingdom.
He has occupied the following positions throughout his career in banking and finance:

- Director of Financial Control for Citibank 1995-2008.
- Director of Financial Control for Barclays Bank 2008-2012.
- Head of Treasury Operations Abu Dhabi Commercial Bank 2012-2018.
- Chief Operating Officer of National Bank of Bahrain 2018-2020/
- President of Ahli United Bank 2021-2022.

Third: The Board of Directors (Continue)

1. Board of Directors Members

Maha Abdel Hamid Mohamed Ibrahim (Board Member)

Member of the Board of Directors since 15/11/2022 (replaced by Board Member Mr. Nabil Mahmoud Ahmed Kazem), and she holds a Bachelor of Commerce and Business Administration from Helwan University.
She has a chartered financial analyst certificate obtained in 2006, and has occupied the following positions throughout her career in banking and finance:

- Held several positions in Ahli United Bank in Arab Republic of Egypt, including being the Assistant General Manager of the Automation Department; Deputy General Manager of Credit and Marketing Department; Deputy General Manager; Head of Credit and Marketing Department; General Manager of Credit and Marketing Department; Senior General Manager of Credit; Marketing Department; and Head of Credit Sector.
- Held several positions in CIB in the Arab Republic of Egypt, including being the Administrative Assistant of Credit and Marketing Department; Senior Credit Analyst Credit; Marketing Department; Assistant Director of Credit and Marketing Department; Assistant Director of Investment Management; Director of Investment Department; Assistant Head of Investment Department.
- She was also a senior employee in Misr America International Bank, working in the in the Loans and Collection Department.

2. Composition of the Board of Directors

CBIQ's Board of Directors is composed of 9 principal members in addition to 9 alternate members, with the composition of the Board representing an appropriate mix of professional qualifications, skills and expertise.

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

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

When electing the members of the Board of Directors, the cumulative voting system was applied by granting each shareholder a number of votes equal to the number of shares he owns, so that he\she can grant them all to one candidate or distribute them to more than one candidate when electing the members of the Board of Directors.

Third: The Board of Directors (Continue)

2. Composition of the Board of Directors

Members of the Bank's Board of Directors as at 31 December 2022:
Principal members and respective number of shares:

No.	Names	Representing	Title	Number of shares
1	Mohammed Hameed Dragh Al-Dragh	Self	Board Chairman	500,000
2	Othman Ahmed Yaqoub Hujazi	Ahli United Bank B.S.C.	Deputy Chairman	200,828,588,080
3	Faisal Wissam Mohi Al-Haims	Self	Chief Executive Officer	2,000
4	Hisham Zaghloul Mohamed Abdulmutalib	Self	Board member	250,000
5	Jamal Taher Yahya Al-Takreti	Self	Board member	3,810,474
6	Jamil Elie Jamil Ghattas	Gulf Oasis Oil Services Company	Board member	100,000
7	Mirna Michele Salebi ElAchkar	Self	Board member	250,000
8	Nabil Mahmoud Ahmed Kazim	Self	Board member until 15/11/2022	250,000
9	Mohamed Tamer Abdel Moneim Salama	Self	Board member	250,000

Alternate members and number of shares:

No.	Names	Title	Number of shares
1	Furat AbdulAdheem Abdulrazzak Kubba	Board member	1,960,592
2	Redha Ali Mohammed Ali Mohammed Redha	Board member	25,000
3	Ali Esam Abdulmajeed Rasheed Al-Sabagh	Board member	25,000
4	Saad Jawad Ali Mohamed Saeed	Board member	25,000
5	Walaa Hussain Hashim NasrAllah	Board member	25,000
6	Mudhur Ismaeel Yahya Mohamed	Board member	25,000
7	Yahya Ismaeel Dawood Alhakeem	Board member	25,000
8	Maha Abdel Hamid Mohamed Ibrahim	Board member	25,000
9	Munaf Ahmed Salih Rahim	Board member	10,000

3. Secretary of Council:

According to the Corporate Governance Guide, the Secretary of the Board of Directors, Mr. Abdulaziz Jabbar, was appointed based on the minutes of the Board of Directors No. 287 on 07/25/2022, where the role of the Secretary of the Board is one of the vital and important roles for the bank, as he attends all meetings of the Board of Directors and writes down all deliberations and suggestions Objections and reservations, mentioning the topics discussed, the decisions reached, the names of the members present and voting by each member, keeping and documenting the records and minutes of the council meetings after being signed by the members of the council.

Third: The Board of Directors (Continue)

4. Board responsibilities

The role of the Board of Directors is to strike an appropriate balance as well as to delegate authority within an effective internal control framework implemented by the Bank's executive management.

The Board of Directors is responsible for its management to lead the Bank in the best way, with the aim of maximizing the value of shareholders' investments, achieving the targeted results of the business plan, preserving the rights of customers and the rights of all stakeholders, and achieving everything that remains within the framework of full compliance with the laws, regulations and supervisory instructions regulating the bank's activity.

5. Board's meetings

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

The table below details the Board meetings held during 2022 and the attendance of each member:

No.	Names	Meeting Date					
		6/4/2022	12/6/2022	25/7/2022	28/9/2022	15/11/2022	22/12/2022
1	Mohammed Hameed Dragh Al-Dragh	✓	✓	✓	✓	✓	✓
2	Othman Ahmad Yaqoub Hijazi	✓	✓	✓	✓	✓	✓
3	Hesham Zaghlool Mohamed Abdulmuttaleb	✓	✓	✓	✓	✓	✓
4	Faisal Wissam Mohi Al-Haims	✓	✓	✓	✓	✓	✓
5	Jamal Taher Yahya Al-Tekreeti	✓	✓	✓	✓	✓	✓
6	Mirna Michel Salebi El Achkar	✓	✓	✓	✓	✓	✓
7	Jamil Elie Jamil Ghattas	✓	✓	✓	✓	✓	✓
8	Nabil Mahmoud Ahmed Kazim	✓	✓	✓	-	-	-
9	Mohamed Tamer Abdel Moneim Salama	-	-	-	-	✓	✓

Fourth: Board Committees

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

1. Governance Committee

The Governance Committee's main role is to assist the Board of Directors in discharging its oversight responsibilities relating to sound corporate governance practices and the implementation of governance policies across Bank's units.
The names of the Governance Committee members and their memberships in the Board Committees and attendance at meetings held during 2022 are detailed below:

Members	Meeting Dates	
	12/9/2022	12/12/2022
Mohammed Hameed Dragh Al-Dragh (Chairman)	✓	✓
Mohamed Tamer Abdel Moneim Salama (Member)	✓	✓
Mirna Michel Salebi El Achkar (Member)	✓	✓

Corporate Governance Committee responsibilities and duties:

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

2. Audit Committee

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

The names of the Audit Committee members and their memberships in the Board Committees and attendance at meetings held during 2022 are detailed below:

Members	Meeting Dates	
	21/6/2022	4/12/2022
Jamal Taher Yahya Al-Tekreeti (Chairman)	✓	✓
Mohamed Tamer Abdel Moneim Salama (Member)	✓	✓
Mirna Michel Salebi El Achkar (Member)	✓	✓
Nabil Mahmoud Ahmed Kazim until 15/11/2022	✓	✓
Maha Abdel Hamid Mohamed Ibrahim (Replaced Mr. Nabil as he resignation)	✓	✓

Fourth: Board Committees (Continue)

2. Audit Committee (Continue):

Audit committee's responsibilities and duties

- The extent of Internal Audit adequacy and the follow up with external auditor and discuss his reports.
- Discuss accounting issues with material impact on bank's financial statements.
- Ensure adequacy and efficiency of the bank's internal control systems.
- Ensure compliance to international standards and combatting of money laundering in all bank's activities and operations. The Committee has the right to investigate, search and audit any operation, procedure or regulation that could affect bank's strength and integrity.
- Recommend to the Board of Directors bank's organizational structure, initiate or cancel the organizational formations, merge identify and modify their duties along with the terms of reference.
- Review bank's annual training plan and track its implementation. Moreover, review reports of executive management on human resources situations.
- Review policies and instructions relating to appointments, promotions, resignations and termination of service to all bank personnel, including executive management, against applicable laws.
- Prepare a quarterly report regarding the committee's work after each financial quarter to be submitted to the Board of Directors.
- Audit and approve the accounting procedures, annual audit plan and accounting instructions.
- Confirm bank's complies to disclosures set by International Financial Reporting Standards (IFRS), Central Bank of Iraq instructions and other relevant legislations. Ensure executive management awareness of the amendments to made in IFRS and other relevant standards.
- Ensure bank's annual report includes a report on the adequacy of internal supervision and control systems for financial reporting. The report shall include the following:
  - A paragraph clarifying the responsibility of the internal auditor in cooperating with the executive departments to establish and maintain controlling systems and internal supervision over financial reporting in the bank.
  - A paragraph on the framework used by internal auditor to evaluate and determine effectiveness of internal supervision and controlling systems.
  - Ensure compliance to international standards in all banking activities and operations.
  - Ensure that there is anti-money laundering and terrorist financing body which directly reports to the Board of Directors and responsible for implementing policies of Know Your Customer (KYC) as well as initiates periodic reports about office's activity.
  - Monitor the implementation of U.S. Foreign Account Tax Compliance Act (FATCA)
  - Identify weaknesses in internal supervision and controlling systems that could possibly lead to incorrect statement with substantial impact.
  - A report from the external auditor shows his opinion on the effectiveness of internal control systems.

Fourth: Board Committees (Continue)

2. Audit Committee (Continue):

Audit committee's responsibilities and duties (Continue):

- The committee's relationship with the external auditor: the committee is directly responsible for the following:
  - Proposing eligible candidates eligible to serve as external auditors or recommend their dismissal.
  - Providing direct communication between the external auditor and the committee.
  - Approving the scope of the audit with the external auditor.
  - Receiving audit reports and ensuring that the bank's management takes the necessary corrective measure to timely solve the problems identified by the external auditor.
- The committee's relationship with the internal auditor: the committee is directly responsible for the following:
  - Appointing the internal auditor or recommending his dismissal, promotion or transference after obtaining Central Bank approval.
  - Reviewing and approving the internal audit plan.
  - Requesting reports from the internal audit manager.
  - The Audit Committee should ensure that there are adequate financial and human resources to manage and train internal audit.
  - Ensure independency of internal audit staff and not being assigned to any other operational tasks.
- Monitor bank's compliance, and anti-money laundering and terrorist financing laws, regulations and controls applied on the bank and reporting to the Board.
- Review bank's reports sent to the Central Bank.
- Submit the annual report to the Board of Directors to disclose bank's activities and operations.
- The Committee must have the authority to obtain any information from the executive department and has the right to call any director to attend any of its meetings without having the status of a member of the Committee.
- The committee meets with the external auditor, internal auditor, compliance department officer and anti-money laundering officer at least 4 times a year without the presence of any members of the executive management.
- The Committee reviews and monitors procedures that enable staff report confidentially any error in the financial reports or other matters and ensures that the commission has the necessary arrangements for an independent investigation, protection of the staff member and ensures that the results of the investigation are followed up and processed objectively.
- Review anti-money laundering and terrorist financing reports.
- Follow-up the implementation of business continuity and disaster recovery and crisis programs in coordination with the ICT Committee.
- The Chairman of the Committee presents the minutes of its meetings and recommendations to the Board of Directors for voting.

Fourth: Board Committees (Continue)

3. Risk Management Committee

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

The names of the Risk Committee members and their memberships in the Board Committees and attendance at meetings held during 2022 are detailed below:

Members	Meeting Date			
	30/3/2022	19/5/2022	26/9/2022	23/11/2022
Hesham Zaghlool Mohamed (Chairman)	✓	✓	✓	✓
Othman Ahmad Yaqoub Hijazi (Member)	✓	✓	✓	✓
Jamil Elie Jamil Ghattas (Member)	✓	✓	✓	✓
Faisal Wissam Al-Haims (Member from 6/4/2022)	-	✓	✓	✓
Mohamed Tamer Salama (Member from 6/4/2022)	-	✓	✓	✓

Risk committee's responsibilities and duties:

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

Fourth: Board Committees (Continue)

3. Risk Management Committee (Continue):

Risk committee's responsibilities and duties (Continue):

- Risk committee receives periodic reports from committees emanating from executive management (credit, investment, ICT).
- Review bank investment policy and make recommendations to the Board of Directors for approval as well as oversee the implementation of the investment policy proposed by them.
- Assess the performance of the investment portfolio in terms of return and risk in relation to the bank's internal and external investments and the continuous follow-up of the indicators and movement of domestic and foreign capital markets.

4. Nominating and Compensation Committee

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

The names of the Nominating & Compensation Committee members and their memberships in the Board Committees and attendance at meetings held during 2022 are detailed below:

Members	Meeting Date	
	20/4/2022	13/9/2022
Othman Ahmad Yaqoub Hijazi (Chairman)	✓	✓
Jamil Elie Jamil Ghattas (Member)	✓	✓
Hesham Zaghlool Mohamed Abdulmuttaleb (Member)	✓	✓
Mirna Michel Salebi El Achkar (Member)	✓	✓

Fourth: Board Committees (Continue)

4. Nominating and Compensation Committee (Continue)

Responsibilities of Nominating and Compensation committee

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

Fourth: Board Committees (Continue)

5. Information Technology Governance Committee

Based on the corporate governance and the management of information and communication technology in the banking sector, according to the book of the Central Bank of Iraq No. 14/611 on 04/25/2019, the Information Technology Governance Committee established from the Board of Directors. The committee meets every three months and keeps documented minutes of meetings.

This committee consists of at least three members, if it submits periodic reports to the Board. Below are the details of the names of the members of the Information Technology Governance Committee, their membership in the Board committees, and attendance at the meetings held during the year 2022.

Members	Meeting Date		
	12/6/2022	1/8/2022	28/12/2022
Nabil Mahmoud Ahmed Kazim (Chairman)	✓	✓	Resignation from 15/11/2022
Maha Abdel Hamid Mohamed Ibrahim (Member from 15/11/2022)	-	-	✓
Jamil Elie Jamil Ghattas (Member)	✓		✓
Hesham Zaghlool Mohamed Abdulmuttaleb (Member)	✓		✓
Faisal Wissam Al-Haims (Member)	✓		✓
Mohamed Tamer Salama (Member)	✓		✓

Responsibilities of Information Technology Governance committee

- Adopting strategic plans for information and communication technology and appropriate organizational structures, including steering committees at the level of senior executive management, in particular (the steering committee for information and communication technology), in a way that ensures the achievement of the strategic objectives of the institution and meets them, and achieves the best added value from projects and investments of information and communication technology resources, And the use of the necessary tools and standards to monitor and ensure the extent to which this is achieved, such as the use of IT Balanced Scorecards and the calculation of the rate of return on investment (ROI), and measuring the impact of contributing to increasing financial and operational efficiency.
- Adopting the general framework for managing, controlling and controlling information and communication technology resources and projects that simulates the accepted international best practices in this regard, specifically (COBIT) (Control Objective for Information and Related Technology) in all its versions to achieve the objectives and requirements of these controls through achieving the institutional goals, which are contained in the annex No. (1) in a sustainable manner, and the achievement of the matrix of information objectives and the accompanying technology, contained in Appendix No. (2), and covers information and communication technology governance processes contained in Appendix No. (3). (Described in the controls of corporate governance and management of information and communication technology).

Fourth: Board Committees (Continue)

5. Information Technology Governance Committee

Responsibilities of Information Technology Governance committee (Continue):

- Adopting the matrix of institutional objectives, contained in Appendix No. (1), and the relevant information and technical objectives contained in Appendix No. (2), counting its data as a minimum, and describing the sub-objectives necessary to achieve them.
- Adopting a matrix of responsibilities (RACI Chart) towards the main processes of information and communication technology governance in Appendix No. (3), and the sub-processes emanating from it in terms of: the entity, entities, person, or parties that are initially responsible, and those responsible are finally Accountable, and the consulting parties and those that are informed about all Informed operations in the annex mentioned in this regard.
- Ensuring that there is a general framework for information and communication technology risk management that is compatible with and integrated with the overall general framework for risk management in the organization, in accordance with international standards such as (ISO 31000, ISO 73) and considers all information and communication technology governance processes mentioned in Appendix No. (3) and meets them.
- Approving the budget of information and communication technology resources and projects in line with the strategic objectives of the institution.
- Supervision and review of the progress of information and communication technology operations, resources, and projects to ensure their adequacy and effective contribution to achieving the requirements of the institution and its business.
- View audit reports for information and communication technology, take the necessary measures to address deviations, and make recommendations to take the necessary measures to correct them.
- Submit periodic reports to the Council.
- Developing a special guide for the governance and management of information and related technology, and it may be part of the corporate governance guide, so that the guide takes into account these controls as a minimum, in a manner consistent with its needs and policies, and that the guide is approved by the Council, and the Central Bank of Iraq is provided with it within a maximum period of (6) months) from the date of these controls, so that this guide expresses the private institution's view of the governance and management of information and related technology in terms of its concept, importance and basic principles, and in a manner that takes into account legislation and international best practices in this regard, and the institution through the Information and Communication Technology Governance Committee emanating from the Council should review this guide and update it as needed.

Fifth: Stakeholders Protection

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

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

Sixth: Major shareholders of CBIQ as at 31 December 2022. (There are no mortgaged shares of the Commercial Bank of Iraq to any third party).

Names	Number of shares	Percentage of Ownership
Ahli United Bank B.S.C.	200,828,588,080	80.33%
International Finance Corporation	12,434,782,600	4.97%
Abbas Ali Naji Al-Rubayee	4,010,162,213	1.60%
Other Shareholders individually below 1% ownership	32,726,467,107	Below 1%
Total	**250,000,000,000**	**100.0%**

Seventh: TRANSPARENCY AND DISCLOSURE

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

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

Eighth: Compensation Disclosure

CBIQ's management is keen to maintain the competencies of its employees and motivate them to raise up the level of performance, through the coordination made with both human resources department besides the directors of all departments. The bank annually evaluates performance of all staff on the basis of achievements, goals, skills and qualifications. Employees are also evaluated based on responsibilities assigned to them in addition to the performance report according to specific guidelines.
The Board of Directors also supervises, through the Compensation Committee the process of evaluating the performance of the executive management and employees and determines the levels of their rewards. Annual remuneration of the board of directors is determined in the general assembly meeting of the bank.

The proposed increase in salaries for the year 2022 amounted to IQD 108 Million for all employees who were evaluated at a good level / the required level at least, (IQD 100 Million :2021), which represents 3.4% of the total salaries and within the framework of the estimated budget for the year 2022, which is amounted IQD 143 Million, as shown in the table below:

Estimated Budget to increase staff cost 2022 (Million IQD)	Proposed salary increase for 2022 (Million IQD)
143	108

Performance Bonus:

Distributing of the performance bonus for the year 2021 in proportion to the performance evaluation for all employees whose evaluation came at a good level / the required level at least, at an amount of IQD 264 Million.

The performance bonus for the year 2020 is IQD 300 Million, as the reward for the excellent work will be deducted from the benefits for the year 2021 (Accrued Bonus Pool).

The following table shows the total performance bonuses for the year 2020 that were paid in 2021 and the total performance bonus that was approved for the year 2021 and was paid in 2022:

Performance Bonus 2020 (Million IQD)	Performance Bonus 2021 (Million IQD)	Variances of the approved performance bonus %
300	264	12%

The total value of the Eid salary that was approved for the year 2022 is IQD (276) Million. This amount is disbursed in two phases, where the first phase is 50% of the appropriate amount on the occasion of Eid al-Fitr and the remaining 50% on the occasion of Eid al-Adha.

Ninth: Corporate Social Responsibility and Sustainability

The Board oversees the Bank's corporate social responsibility (CSR) program. As a responsible bank, CBIQ is focused on incorporating sound sustainable practices into its day-to-day operations and identifying new initiatives and opportunities to further contribute to the social and economic well-being of fellow citizens of Iraq. The Bank reviews its CSR outreach on a periodic basis to improve such initiatives, both in terms of scope and quality of delivery. More details on the CSR programs are found in the CBIQ's CSR Report which was first launched in 2019.

Yours faithfully,

Mohammed Hameed Dragh Al-Dragh
Chairman of the Board

المصـــرف التجـاري العـــراقـــي
commercial bank of iraq

Audit Committee Report

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

With reference to the approval of the General Meeting of the Commercial Bank of Iraq held on 25 December 2006 for the formation of the Audit Committee and with reference to the corporate governance requirements issued by the Central Bank of Iraq we are pleased to inform you that the committee has reviewed the financial statements dated 31 December 2022 and the Annual Report of the Commercial Bank of Iraq prepared according to the provisions of the Companies Law No.21 of the Year 1997, as amended, the Regulations and Instructions issued in accordance therewith and according to the recognized audit standards, we examined all the information and disclosures that we deemed necessary for the protection of the Shareholders and for carrying out our duty that we have undertaken according to the applicable legislation and in compliance with the prevailing audit procedures which included the necessary tests of the areas of operations while fully confirming the notes contained in the Auditor's report and in keeping therewith. In our opinion and according to the available information and disclosures, we wish to note the following:

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

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

Yours faithfully,

Jamal Tahir Yahya
Chairman of the Audit Committee

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المصرف التجاري العراقي
شارع السعدون، مبنى ١٢١
بغداد، العراق
موبايل: ٧٨٠٥٦٦٢٨٣٥ ٩٦٤+

Firas I. Korban Ali & Co.

شركة فراس اسماعيل قربان علي وشريكه

لمراقبة وتدقيق الحسابات (قانونية)

Mustafa Fouad Abbas & Co.

For auditing and monitoring Accounts
Members of Iraqi ACA

No: 6/1
Date: 29/3/2023

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 2022, 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 2022, 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.

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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 2022. 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.

Inadequate allowances (ECL) for credit facilities	
Key Audit Matter	**How the key audit matter will be addressed**
This is considered as a key audit matter as the Bank exercises significant judgement to determine when and how much to record as impairment. The provision for credit facilities at amortized cost is determined in accordance with the bank's impairment and provisioning policy, which is aligned to the requirements of IFRS 9. There is a risk that inappropriate impairment provisions are booked, whether from the use of inaccurate	Our audit response included the following: - We obtained an understanding of the Bank's key credit processes comprising granting, booking and tested the operating effectiveness of key controls over these processes. - We read the Bank's impairment provisioning policy and compare it to IFRS 9 requirements. - We assessed the Bank's expected credit loss model, focusing on its alignment of the expected credit loss model and its underlying methodology with IFRS 9 requirements.

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 provision requirements, this audit area is considered a key audit matter.	- We examined a sample of exposures, assess on an individual basis, and perform procedures to evaluate the following: • Appropriateness of the Bank's staging. • Appropriateness of the PD, EAD, LGD and EIR used for different exposures at different stages. • Appropriateness of the internal rating and the objectivity, competence and independence of the experts involved in this exercise. • Soundness and mathematical integrity of the ECL Model. • For exposures moved between stages we checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. We also checked the timely identification of exposures with a significant deterioration in credit quality. • For exposures determined to be individually impaired we re-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. - We assessed the financial statements, disclosures to ensure compliance with IFRS 9.

Other information included in the Bank's 2022 Annual Report

Other information consists of the information included in the Bank's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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 financial statements, our responsibility is to read the other information identified above when it becomes available 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.

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.

Firas I. Korban Ali & Co.

شركة فراس اسماعيل قربان علي وشريكه

لمراقبة وتدقيق الحسابات (تضامنية)

Mustafa Fouad Abbas & Co.

For auditing and monitoring Accounts
Members of Iraqi ACA

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. Capital adequacy stood at 100.8%.
3. The Bank has not entered any currency auction operations for the benefit of the Bank's customers during 2022.
4. We reviewed the internal audit reports; we did not note any major issues.
5. 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.
6. We observed the physical cash count with management at the Main, Al-Mansour, Al-Kadhumain, and Iraq Gate 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

شركة فراس اسماعيل قربان علي وشريكه
فراس قربان
لمراقبة وتدقيق الحسابات (تضامنية)

Mustafa Fouad Abbas
Chartered Public Accountant

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COMMERCIAL BANK OF IRAQ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 IQD (000)	2021 IQD (000)
ASSETS			
Cash and balances with Central Bank	3	95,795,245	122,736,508
Balances with banks	4	57,308,714	56,059,630
Direct credit facilities, net	5	13,029,839	27,136,047
Financial assets at fair value through other comprehensive income	6	1,294,032	1,441,061
Financial assets at amortized cost	7	343,985,630	287,238,815
Property, equipment and right of use assets, net	8	5,420,278	3,931,756
Other assets	9	12,150,185	13,767,848
Total assets		528,983,923	512,311,665
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	10	352,102	335,102
Customers' deposits	11	167,688,516	159,654,573
Current tax liability	12	580,226	73,999
Other liabilities	14	34,305,387	37,705,072
Total liabilities		202,926,231	197,768,746
SHAREHOLDERS' EQUITY			
Paid capital	15	250,000,000	250,000,000
Statutory reserve	15	21,700,165	20,534,060
Other reserves		159,844	159,844
Fair value reserve		87,432	234,461
Retained earnings		54,110,251	43,614,554
Total shareholders' equity		326,057,692	314,542,919
Total liabilities and shareholders' equity		528,983,923	512,311,665

For Commercial Bank of Iraq

Mahmood Madi Anaeem
Head of Finance

Bassam Jaber
Deputy Chief Executive Officer

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

Subject to our report number 1/6 and dated on 29 March 2023

Firas Ismael Korban Ali
Chartered Public Accountant

Mustafa Fouad Abbas
Chartered Public Accountant

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

COMMERCIAL BANK OF IRAQ

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 IQD (000)	2021 IQD (000)
Interest income	17	23,318,325	17,511,400
Interest expense	18	(308,727)	(110,123)
Net interest income		23,009,598	17,401,277
Net fees and commissions	19	3,015,954	2,394,668
Net gains from foreign exchange	20	652,103	2,235,279
Other operating income	21	346,917	7,320,014
Total operating income		27,024,572	29,351,238
Employees' expenses	22	(4,419,058)	(3,994,477)
Depreciation of property, equipment and right of use assets	8	(810,818)	(792,865)
Other operating expenses	23	(9,708,836)	(13,280,783)
Total operating expenses		(14,938,712)	(18,068,125)
Operating profit before allowance for expected credit losses		12,085,860	11,283,113
Net recovery (allowance) for expected credit losses		82,169	1,726,143
Profit before income tax		12,168,029	13,009,256
Income tax expense	12	(506,227)	-
Net profit for the year		11,661,802	13,009,256
		IQD/Fils	IQD/Fils
Basic and diluted earnings per share	13	0/047	0/052

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 IQD (000)	2021 IQD (000)
Net profit for the year		11,661,802	13,009,256
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	6	(147,029)	29,034
Other comprehensive income for the year		(147,029)	29,034
Total comprehensive income for the year		11,514,773	13,038,290

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

2022	Paid capital	Statutory reserve	Other reserves	Fair value reserve	Retained earnings *	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
At 1 January 2022	250,000,000	20,534,060	159,844	234,461	43,614,554	314,542,919
Total comprehensive income	-	-	-	(147,029)	11,661,802	11,514,773
Transfer to reserves	-	1,166,105	-	-	(1,166,105)	-
At 31 December 2022	250,000,000	21,700,165	159,844	87,432	54,110,251	326,057,692

2021	Paid Capital	Statutory Reserve	Other reserves	Fair value Reserve	Retained earnings *	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
At 1 January 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 (Note 16)	-	-	-	-	(6,250,000)	(6,250,000)
At 31 December 2021	250,000,000	20,534,060	159,844	234,461	43,614,554	314,542,919

* 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 in 2020. The distribution of this amount is subject to the approval of Central Bank of Iraq.

COMMERCIAL BANK OF IRAQ

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 IQD (000)	2021 IQD (000)
Operating Activities			
Profit before income tax		12,168,029	13,009,256
Adjustments for:			
Miscellaneous accruals		2,372,790	7,278,019
Depreciation of property, equipment and right of use assets		810,818	792,865
Provision of assets seized by the bank		927,758	-
Finance cost on lease		46,281	65,137
Recovery of income tax credit		-	(5,718,127)
Net recovery for expected credit losses		(82,169)	(1,726,143)
Recovery of penalties imposed by CBI		-	(558,165)
Gain from sale of property		(11,096)	(185,548)
Gain from sale of assets seized by the bank		-	(125,861)
Dividends income		-	(24,912)
Gain from lease termination		(8,243)	(15,932)
Cash flow from operating activities before changes in operating assets and liabilities		16,224,168	12,790,589
Changes in operating assets and liabilities:			
Decrease (increase) in direct credit facilities, net		13,456,653	(6,610,480)
Decrease (increase) in other assets		269,613	(1,612,096)
Increase (decrease) in customers' deposits		8,033,943	(113,090,554)
Decrease in other liabilities		(5,018,841)	(1,880,077)
Decrease in statutory reserve with CBI		987,120	1,802,523
Increase in LGs margin reserve with CBI		(367,408)	(21,530)
Net cash flows from (used in) operating activities before income tax		33,585,248	(108,621,625)
Income tax paid		-	(4,909,538)
Net cash flows from (used in) operating activities		33,585,248	(113,531,163)
Investing Activities			
Purchases of financial assets at amortized cost		(100,737,611)	(125,000,000)
Maturity of financial assets at amortized cost		44,024,913	23,729,119
Purchase of property and equipment and projects in progress		(1,341,160)	(661,698)
Proceeds from sale of property		11,727	193,825
Dividends received		-	24,912
Net cash flows used in investing activities		(58,042,131)	(101,713,842)
Financing Activities			
Dividends paid		(391,093)	(5,263,606)
Lease paid during the year		(241,494)	(279,268)
Net cash flows used in financing activities		(632,587)	(5,542,874)
Net decrease in cash and cash equivalents		(25,089,470)	(220,787,879)
Cash and cash equivalents at beginning of the year	26	153,315,673	374,103,552
Cash and cash equivalents at end of the year	26	128,226,203	153,315,673

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

1. CORPORATE INFORMATION

Commercial Bank of Iraq 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 (2021: 80.3%). The consolidated financial statements of the Bank are consolidated with the Parent's consolidated financial statements.

Pursuant to the acquisition of the Parent by Kuwait Finance House K.S.C.P ("KFH") on 2 October 2022, KFH has become the ultimate parent effective from the acquisition date.

The Bank has 100% (2021: 100%) ownership interest in a subsidiary, Ahli United Brokerage and Investment Company ("the Subsidiary"), which was 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 2022 and the Subsidiary 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 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 (2021: IQD 200,000 thousand) of which the Bank owns 100% as at 31 December 2022 (2021: 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 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the consolidated financial statements of the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments had no impact on the consolidated financial statements of the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)
2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Bank.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the consolidated financial statements of the Bank.

2. ACCOUNTING POLICIES (CONTINUED)
2.4 STANDARDS 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. The Bank intends to adopt these standards, if applicable, when they become effective.

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) which 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. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to Bank.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Bank.

2. ACCOUNTING POLICIES (CONTINUED)
2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

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.

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 fair value through profit and loss (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 of equity investments that are not held for sale in the near future.

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

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value reserve to retained earnings. These financial assets are not subject to impairment testing.
Dividend income is recognized in the consolidated statement of income when the Bank's right to receive the payment is established.

d) Financial assets at amortized cost

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely payment of principal and interest (SPPI) on the outstanding principal amount.
Debt instruments meeting these criteria are initially measured at fair value plus transaction costs. Subsequently they are amortized using the effective interest rate method, less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of income.

Impairment of financial assets

The Bank's allowances for expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from date of initial recognition. The allowance for expected credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. Due to the recent development and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the year ended 31 December 2022. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the year ended 31 December 2022 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.

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

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.

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

Incorporation of forward-looking information

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

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

Definition of default

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

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

Derecognition of financial assets and financial liabilities

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

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

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

Determination of fair value

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

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

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

Offsetting financial instruments

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

Financial guarantees

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

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income in 'Net allowance for expected credit losses'. The premium received is recognized in the consolidated statement of income in 'Net fees and commission income' on a straight-line basis over the life of the guarantee.
The expected loss allowance on financial guarantees is measured on the basis of expected payment to be made to the holder less any amounts that the Bank expects to recover.

Recognition of income and expenses

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

- *Interest and similar income and expense*

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

- *Fees and commissions income*

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

- *Dividend income*

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

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

Cash and cash equivalents

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

Property and equipment

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

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

	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.

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

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.

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 "Property, equipment and right of use assets" at the lower of their carrying value or fair value. These assets should be used by the Bank in its operations or sold within two years from the date of seizure. Otherwise, the Bank is required by the CBI to book provision against these assets after the two-year period lapses.

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 fair value through other comprehensive income (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.

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

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.

3. CASH AND BALANCES WITH CENTRAL BANK

	2022	2021
	IQD (000)	IQD (000)
Cash on hand*	19,481,343	15,673,825
Balances with Central Bank of Iraq:		
Current accounts	51,786,382	81,915,451
Statutory cash reserve **	23,519,328	24,506,448
LGs margin reserve ***	1,008,192	640,784
	76,313,902	107,062,683
	95,795,245	122,736,508

* Cash on hand includes foreign currency balances amounting to IQD 12,196,545 thousand as of 31 December 2022 (2021: IQD 9,227,712 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 2017, 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 WITH BANKS

	2022		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current accounts	84,413	1,706,777	1,791,190
Time deposits	-	55,519,390	55,519,390
Less: Allowance for ECL *	(1,866)	-	(1,866)
	82,547	57,226,167	57,308,714

4. BALANCES WITH BANKS (CONTINUED)

	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

Non-interest-bearing deposits amounted to IQD 1,791,190 thousand (2021: IQD 11,518,846 thousand).
Interest bearing deposits amounted to IQD 55,519,390 thousand (2021: IQD 44,542,653 thousand).

Current and time deposits accounts with banks include foreign currency balances amounting to IQD 57,226,942 thousand as of 31 December 2022 (2021: 55,967,028 IQD thousand). The above Balances with banks do not include any past due or impaired balances as 31 December 2022 and 2021.

	2022 IQD (000)			
Balances with banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	57,310,580	-	-	57,310,580
	57,310,580	-	-	57,310,580
Less: allowance for ECL	(1,866)	-	-	(1,866)
	57,308,714	-	-	57,308,714

	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

4. BALANCES WITH BANKS (CONTINUED)

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

	2022 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	1,869	-	-	1,869
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(3)	-	-	(3)
At 31 December	1,866	-	-	1,866

	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 31 December	1,869	-	-	1,869

5. DIRECT CREDIT FACILITIES, NET

	2022 IQD (000)	2021 IQD (000)
Retail	32,478,680	34,333,454
Corporate	4,179,665	15,670,138
Gross direct credit facilities	36,658,345	50,003,592
Less: allowance for ECL *	(9,062,110)	(9,121,861)
Less: suspended interest**	(14,566,396)	(13,745,684)
	13,029,839	27,136,047

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	2022 IQD (000)			
Direct credit facilities, net	Stage 1	Stage 2	Stage 3	Total
High standard grade	-	-	-	-
Standard grade	11,784,954	1,402,776	-	13,187,730
Impaired (net of suspended interest)	-	-	8,904,219	8,904,219
	11,784,954	1,402,776	8,904,219	22,091,949
Less: allowance for ECL	(99,181)	(276,060)	(8,686,869)	(9,062,110)
	11,685,773	1,126,716	217,350	13,029,839

	2021 IQD (000)			
Direct credit facilities, net	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

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

	2022 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	169,328	60,597	8,891,936	9,121,861
Transfer from stage 1	(17,706)	15,532	2,174	-
Transfer from stage 2	-	(2,406)	2,406	-
Net remeasurement of ECL	(52,441)	202,337	(205,869)	(55,973)
Written-off during the year	-	-	(3,778)	(3,778)
At 31 December	99,181	276,060	8,686,869	9,062,110

5. DIRECT CREDIT FACILITIES, NET (CONTINUED)

	2021 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January:	106,512	180,777	10,519,488	10,806,777
Transfer from stage 1	(5,591)	3,701	1,890	-
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 31 December	169,328	60,597	8,891,936	9,121,861

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

	2022 IQD (000)	2021 IQD (000)
At 1 January	13,745,684	13,739,282
Additions	977,307	1,177,203
Recoveries	(156,595)	(1,170,801)
At 31 December	14,566,396	13,745,684

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 IQD (000)	2021 IQD (000)
Quoted equities	474,558	621,587
Unquoted equities	819,474	819,474
	1,294,032	1,441,061

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

	2022 IQD (000)	2021 IQD (000)
At 1 January	1,441,061	1,412,027
Change in fair value adjustments	(147,029)	29,034
At 31 December	1,294,032	1,441,061

7. FINANCIAL ASSETS AT AMORTIZED COST

	2022 IQD (000)	2021 IQD (000)
Government bonds *	138,435,660	162,460,573
National bonds*	125,000,000	125,000,000
Treasury bills*	80,737,611	-
	344,173,271	287,460,573
Allowance for ECL **	(187,641)	(221,758)
	343,985,630	287,238,815

Carrying amount of financial assets at amortized cost	2022 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	344,173,271	-	-	344,173,271
Standard grade	-	-	-	-
	344,173,271	-	-	344,173,271
Less: allowance for ECL	(187,641)	-	-	(187,641)
	343,985,630	-	-	343,985,630

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

* The average yield rate of Government bonds USD is 7.06% maturing in 2028. The average interest rate of National bonds IQD is 6.64% maturing between 2023 and 2025. The average interest rate of Treasury bills is 3.16% maturing less than one year.

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

	2022 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	221,758	-	-	221,758
Net remeasurement of ECL	(34,117)	-	-	(34,117)
At 31 December	187,641	-	-	187,641

7. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

	2021 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	255,874	-	-	255,874
Net remeasurement of ECL	(34,116)	-	-	(34,116)
At 31 December	221,758	-	-	221,758

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

2022	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Assets seized by the bank **	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Cost:										
At 1 January	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**
Additions	-	133,642	66,938	60,736	142,471	324,594	109,795	-	-	**838,176**
Transfers from work in progress	-	107,594	-	-	493,313	-	29,155	-	-	**630,062**
Transfer from other assets	-	-	-	-	-	-	-	-	1,348,050	**1,348,050**
Assets seized during the year	-	-	-	-	-	-	-	-	705,528	**705,528**
Lease modification	-	-	-	-	-	-	-	(167,009)	-	**(167,009)**
Disposals	-	-	(122,888)	(48,326)	(254,026)	(496,217)	(2,360)	-	-	**(923,817)**
Reclassification	-	(177,758)	(393,967)	-	(115,750)	828,199	(318,482)	-	177,758	-
At 31 December	**274,022**	**5,199,425**	**631,584**	**128,368**	**1,712,644**	**2,036,899**	**4,809,888**	**1,468,964**	**2,231,336**	**18,493,130**
Accumulated depreciation:										
At 1 January	-	3,866,728	708,337	115,958	1,380,960	1,015,970	4,513,847	697,146	-	**12,298,946**
Charge of the year	-	94,782	74,388	6,930	102,110	191,507	152,152	188,949	-	**810,818**
Provision of assets seized by the Bank	-	-	-	-	-	-	-	-	927,758	**927,758**
Disposals	-	-	(122,817)	(48,326)	(253,466)	(496,217)	(2,360)	-	-	**(923,186)**
Reclassification	-	-	(150,547)	-	(300,366)	630,963	(180,050)	-	-	-
At 31 December	-	**3,961,510**	**509,361**	**74,562**	**929,238**	**1,342,223**	**4,483,589**	**886,095**	**927,758**	**13,114,336**
Net book value at 31 December	**274,022**	**1,237,915**	**122,223**	**53,806**	**783,406**	**694,676**	**326,299**	**582,869**	**1,303,578**	**5,378,794**
Work in progress*	-	41,484	-	-	-	-	-	-	-	**41,484**
Net book value at 31 December including Work in Progress	**274,022**	**1,279,399**	**122,223**	**53,806**	**783,406**	**694,676**	**326,299**	**582,869**	**1,303,578**	**5,420,278**

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

** The Bank transferred assets seized by the bank from other assets upon the CBI requirements.

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

2021	Land	Buildings	Equipment and machinery	Vehicles	Furniture	Computers	IT software	Right of use assets	Total
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
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 other 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**

9. OTHER ASSETS

	2022	2021
	IQD (000)	IQD (000)
Suspended accounts *	8,780,294	8,780,294
Interest receivable	5,724,151	6,262,544
Prepaid taxes **	5,718,127	5,718,127
Assets seized by the bank ***	-	1,348,050
Prepayments and others	707,907	439,127
	20,930,479	22,548,142
Allowance for suspended accounts *	(8,780,294)	(8,780,294)
	12,150,185	13,767,848

* 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 2021, 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.

*** The Bank transferred assets seized by the bank to property, equipment and right of use assets upon the CBI requirements.

10. DUE TO BANKS

	2022		
	Inside Iraq	Outside Iraq	Total
	IQD (000)	IQD (000)	IQD (000)
Current and demand deposits	448	351,654	352,102
	448	351,654	352,102

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

11. CUSTOMERS' DEPOSITS

	2022	2021
	IQD (000)	IQD (000)
Current and call deposits	128,889,345	114,857,511
Saving accounts	12,166,188	17,720,954
Cash margin	26,632,983	27,076,108
	167,688,516	159,654,573

Non-interest-bearing deposits amounted to IQD 135,082,328 thousand (2021: IQD 141,933,619 thousand).
Interest-bearing accounts amounted to IQD 32,606,188 thousand (2021: IQD 17,720,954 thousand) including cash margin.

12. CURRENT TAX LIABILITY

Income tax liability

The movement on income tax liability was as follows:

	2022	2021
	IQD (000)	IQD (000)
At January 1	73,999	4,983,537
Charge for the year	506,227	-
Paid during the year	-	(4,909,538)
At December 31	580,226	73,999

The Bank did not make any corporate income tax payment during the year.

The reconciliation between the tax profit and the accounting profit for the years ended 2022 and 2021 is as follows:

	2022	2021
	IQD (000)	IQD (000)
Accounting profit before income tax	12,168,029	13,009,256
Nontaxable income	(11,633,267)	(21,552,168)
Nondeductible expenses	2,840,084	2,792,634
Taxable profit (loss)	3,374,846	(5,750,278)
Current income tax at Iraqi statutory income tax rate of 15% (2021:15%)	506,227	-

Effective income tax rate for 2022 is 4.2% (2021: 0%).

13. EARNINGS PER SHARE

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

	2022	2021
Profit for the year (IQD 000)	11,661,802	13,009,256
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	0/047	0/052

14. OTHER LIABILITIES

	2022	2021
	IQD (000)	IQD (000)
Miscellaneous accruals	23,573,272	22,382,896
Dividends payable	2,984,171	3,375,264
Dormant accounts	184,484	420,550
Lease liabilities *	601,854	957,288
Management fees payable to parent bank	1,296,961	5,380,114
Allowance for indirect credit facilities **	27,834	19,910
Other credit balances	5,636,811	5,169,050
	34,305,387	37,705,072

* The movement of the lease liabilities during the year was follows:

	2022	2021
	IQD (000)	IQD (000)
At 1 January	957,288	535,383
Additions	-	636,036
Lease Modification	(160,221)	-
Paid during the year	(241,494)	(279,268)
Finance cost	46,281	65,137
At 31 December	601,854	957,288

Maturity analysis of undiscounted lease payments to be paid as at 31 December 2022:

	2022	2021
	IQD (000)	IQD (000)
1 year	267,814	246,469
2 years	122,600	161,494
3 years	122,600	161,494
> 3 years	223,260	419,269
	736,274	988,726

14. OTHER LIABILITIES (CONTINUED)

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

	2022 IQD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	19,910	-	-	19,910
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	7,924	-	-	7,924
At 31 December	27,834	-	-	27,834

	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 31 December	19,910	-	-	19,910

15. PAID IN CAPITAL AND STATUTORY RESERVE

Paid in capital

Paid in capital comprises of 250 billion shares (2021: 250 billion shares) at a par value of 1 Iraqi Dinar per share (2021: 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 September 2022, the General Assembly approved in its ordinary meeting the distribution of the cash dividends to the shareholders amounted to IQD 23.5 billion for the years 2020 and 2021 at IQD 11.9 billion and IQD 11.6 billion respectively, subject to CBI's approval. The CBI granted its final approval on 23 January 2023.

17. INTEREST INCOME

	2022 IQD (000)	2021 IQD (000)
Financial assets at amortized cost	20,185,357	14,370,029
Direct credit facilities	2,233,933	3,084,702
Balances with banks	899,035	56,669
	23,318,325	17,511,400

18. INTEREST EXPENSE

	2022 IQD (000)	2021 IQD (000)
Cash margins	247,832	-
Saving accounts	14,614	44,986
Finance cost on lease	46,281	65,137
	308,727	110,123

19. NET FEES AND COMMISSIONS

	2022 IQD (000)	2021 IQD (000)
Fees and commissions income	3,151,367	2,534,895
Fees and commissions expense	(135,413)	(140,227)
	3,015,954	2,394,668

20. NET GAINS FROM FOREIGN EXCHANGE

	2022 IQD (000)	2021 IQD (000)
Net gains from foreign exchange	652,103	779,157
Net gains from foreign currency auction operations	-	1,456,122
	652,103	2,235,279

21. OTHER OPERATING INCOME

	2022	2021
	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	11,096	185,548
Rental income	126,760	150,524
Gain from sale of assets seized by the bank	-	125,861
Dividends income	-	24,912
Other bank charges	209,061	175,877
	346,917	7,320,014

22. EMPLOYEES' EXPENSES

	2022	2021
	IQD (000)	IQD (000)
Basic salary	2,725,318	2,372,391
Allowances	922,866	948,173
Transportation	426,069	387,330
Other allowances	53,230	21,036
	4,127,483	3,728,930
Social security	291,575	265,547
	4,419,058	3,994,477

23. OTHER OPERATING EXPENSES

	2022	2021
	IQD (000)	IQD (000)
Miscellaneous accruals	2,372,790	7,278,019
General and administrative expenses	4,287,235	3,882,210
Professional fees	1,829,642	1,690,715
Provision of assets seized by the bank *	927,758	-
Insurance	227,071	361,279
Audit fees	64,340	68,560
	9,708,836	13,280,783

* The Bank booked provision of assets seized by the bank for an asset that was seized more than two years ago in accordance with the CBI requirements.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	Fair value IQD (000)		Fair value level	Method of valuation and observable inputs
	2022	2021		
Financial assets at fair value through other comprehensive income	474,558	621,587	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:

	2022		2021		
	Total carrying amount	*Total fair value*	*Total carrying amount*	*Total fair value*	Fair value level
	IQD (000)		IQD (000)		
Financial assets at amortized cost	138,435,660	134,003,116	162,460,573	164,129,605	Level 1
Financial assets at amortized cost	205,549,970	205,549,970	124,778,242	124,778,242	Level 2

25. CASH AND CASH EQUIVALENTS

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

	2022	2021
	IQD (000)	IQD (000)
Cash and balances with Central Bank	95,795,245	122,736,508
Add: Balances with banks	57,310,580	56,061,499
Less: Due to banks	(352,102)	(335,102)
Less: Statutory reserve with CBI	(23,519,328)	(24,506,448)
Less: LGs margin reserve	(1,008,192)	(640,784)
	128,226,203	153,315,673

26. RELATED PARTIES BALANCES AND 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:

	2022	2021
	IQD (000)	IQD (000)
Consolidated statement of financial position:		
Balances with banks	57,226,167	55,966,129
Due to banks	351,654	334,654
Other liabilities	1,296,961	5,380,114
Off balance items:		
Letters of guarantee	58,499,575	38,541,244
Consolidated statement of incomes items		
Interest and commission income	996,824	103,590
Management fees	1,296,961	1,440,720

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:

	2022	2021
	IQD (000)	IQD (000)
Executive management salaries and benefits	894,376	646,697
	894,376	646,697

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.

27. RISK MANAGEMENT (CONTINUED)

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.

	Gross maximum exposure	
	2022	2021
	IQD (000)	IQD (000)
Balances with CBI	76,313,902	107,062,683
Balances with banks	57,308,714	56,059,630
Direct credit facilities, net	13,029,839	27,136,047
Financial assets at amortized cost	343,985,630	287,238,815
Interest receivable and other assets	5,871,595	6,538,160
Total	496,509,680	484,035,335
Contingent Liabilities and Commitments		
Letters of guarantee	82,411,039	62,198,563
Undrawn loan commitments	222,599	355,425
Total Credit related commitments	82,633,638	62,553,988
Total credit risk exposure before credit risk mitigation	579,143,318	546,589,323
Credit risk mitigation		
Cash Margin	26,632,983	27,076,108
Real estates	34,004,053	31,613,025
Pledged shares	265,000	265,000
Total Credit risk mitigation	60,902,036	58,954,133
Total credit risk exposure after credit risk mitigation	518,241,282	487,635,190

27. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (continued)

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

Financial assets neither past due nor impaired:

	2022		
	High standard grade	Standard grade	Total
	IQD (000)	IQD (000)	IQD (000)
Banks and other financial institutions	76,313,902	57,310,580	133,624,482
Government - public sector	344,173,271	-	344,173,271
Retail	-	12,632,185	12,632,185
Corporate	-	397,654	397,654
	420,487,173	70,340,419	490,827,592

Financial assets neither past due nor impaired:

	2021		
	High standard grade	Standard	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

Impaired financial assets

	2022		
	Total	ECL	Collateral fair value
	IQD (000)	IQD (000)	IQD (000)
Retail	7,690,759	7,473,408	1,878,900
Corporate	1,213,460	1,213,461	-
	8,904,219	8,686,869	1,878,900

27. RISK MANAGEMENT (CONTINUED)

A. Credit Risk (continued)

	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

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)
2022					
Assets					
Cash and balances with Central Bank	-	-	-	95,795,245	95,795,245
Balances with banks	55,519,390	-	-	1,789,324	57,308,714
Direct credit facilities, net	723,880	1,628,730	10,677,229	-	13,029,839
Financial assets at fair value through other comprehensive income	-	-	-	1,294,032	1,294,032
Financial assets at amortized cost	38,068,964	68,912,147	237,004,519	-	343,985,630
Property, equipment and right of use assets, net	-	-	-	5,420,278	5,420,278
Other assets	-	-	-	12,150,185	12,150,185
Total Assets	94,312,234	70,540,877	247,681,748	116,449,064	528,983,923
Liabilities					
Due to banks	-	-	-	352,102	352,102
Customers' deposits	12,166,188	-	-	155,522,328	167,688,516
Current tax liabilities	-	-	-	580,226	580,226
Other liabilities	-	-	-	34,305,387	34,305,387
Total Liabilities	12,166,188	-	-	190,760,043	202,926,231
Interest rate gap	82,146,046	70,540,877	247,681,748	(74,310,979)	326,057,692
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

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	
	2022 Increase (Decrease)	2021 Increase (Decrease)
	IQD (000)	IQD (000)
+5%	6,791,698	7,960,814
-5%	(6,791,698)	(7,960,814)

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 47,459 thousand (2021: IQD 62,159 thousand) increase or decrease in the fair value reserve.

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.

27. RISK MANAGEMENT (CONTINUED)

F. Liquidity Risk (continued)

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

2022	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	352,102	-	-	-	352,102
Customers' deposits	144,318,623	1,472,526	7,065,343	14,832,024	167,688,516
Total Liabilities	144,670,725	1,472,526	7,065,343	14,832,024	168,040,618

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

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.

2022	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	95,795,245	-	-	-	-	**95,795,245**
Balances with banks	57,308,714	-	-	-	-	**57,308,714**
Direct credit facilities, net	723,880	542,910	1,085,820	10,677,229	-	**13,029,839**
Financial assets at fair value through other comprehensive income	-	-	-	-	1,294,032	**1,294,032**
Financial assets at amortized cost	38,068,964	36,459,364	32,452,783	237,004,519	-	**343,985,630**
Property, equipment and right of use assets, net	-	-	-	-	5,420,278	**5,420,278**
Other assets	2,289,660	3,434,491	6,426,034	-	-	**12,150,185**
Total assets	**194,186,463**	**40,436,765**	**39,964,637**	**247,681,748**	**6,714,310**	**528,983,923**
Liabilities and shareholders' equity						
Due to banks	352,102	-	-	-	-	**352,102**
Customers' deposits	144,318,623	1,472,526	7,065,343	14,832,024	-	**167,688,516**
Current tax liability	-	580,226	-	-	-	**580,226**
Other liabilities	6,643,104	-	27,060,428	601,855	-	**34,305,387**
Shareholders' Equity	-	-	-	326,057,692	-	**326,057,692**
Total liability and shareholders' equity	**151,313,829**	**2,052,752**	**34,125,771**	**341,491,571**	-	**528,983,923**
Net liquidity gap	**42,872,634**	**38,384,013**	**5,838,866**	**(93,809,823)**	**6,714,310**	

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

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**	

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	2022	2021
	IQD (000)	IQD (000)	IQD (000)	IQD (000)	IQD (000)
Total income	2,149,859	2,791,300	22,083,413	27,024,572	29,351,238
Net recovery (allowance) for expected credit losses	65,919	(9,946)	26,196	82,169	1,726,143
Segment results	2,215,778	2,781,354	22,109,609	27,106,741	31,077,381
Unallocated expenses	(1,055,858)	(1,029,847)	(12,853,007)	(14,938,712)	(18,068,125)
Profit before tax	1,159,920	1,751,507	9,256,602	12,168,029	13,009,256
Income tax	-	-	(506,227)	(506,227)	-
Net profit	1,159,920	1,751,507	8,750,375	11,661,802	13,009,256
Other information					
Segment assets	11,175,464	1,854,375	498,383,621	511,413,460	494,612,062
Unallocated assets				17,570,463	17,699,603
Total Assets				528,983,923	512,311,665
Segment liabilities	30,781,324	136,907,192	352,102	168,040,618	159,989,675
Unallocated liabilities				34,885,613	37,779,072
Total Liabilities				202,926,231	197,768,747
Capital expenditure				1,341,160	846,978
Depreciation				810,818	792,865

28. SEGMENT INFORMATION (CONTINUED)

Geographical Information

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

2022	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total IQD (000)
Total Income	26,027,748	996,824	27,024,572
Total Assets	471,757,756	57,226,167	528,983,923
Total Liabilities	201,277,616	1,648,615	202,926,231

2021	Inside Iraq IQD (000)	Outside Iraq IQD (000)	Total 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

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.

	2022 IQD (000)	2021 IQD (000)
Primary capital		
Paid capital	250,000,000	250,000,000
Statutory reserve	21,670,224	20,504,193
Other reserves	247,276	394,305
Retained earnings	53,791,095	43,296,816
Total Primary capital	325,708,595	314,195,314
Supplementary capital		
General provisions	375,242	229,926
Total Supplementary capital	375,242	229,926
Total primary and supplementary capital	326,083,837	314,425,240
Total risk weighted assets	323,376,099	317,816,018
Capital adequacy (%) *	100.8%	98.9%

* 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% (2021: 12.5%). The Bank capital ratio is 100.8% as of 31 December 2022 (2021: 98.9%).

30. CONTINGENT LIABILITIES AND COMMITMENTS

The totals outstanding commitments and contingent liabilities are as follows:

	2022	2021
	IQD (000)	IQD (000)
Letters of guarantee	82,411,039	62,198,563
Undrawn loan commitments	222,599	355,425
	82,633,638	62,553,988

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. SUBSEQUENT EVENTS

On 8 February 2023, the CBI issued its circular No. 5/11/868, in which it changed the exchange rate from IQD 1,460/USD to IQD 1,310/USD, effective on 8 February 2023. The Bank calculated the effect of this change as of the effective date to be loss at IQD 11,653 million.

34. COMPARATIVE FIGURES

Some of the comparative figures for the year 2021 have been reclassified to correspond with those of 31 December 2022 presentation. The reclassification did not have any effect on profits or equity of 2021.