Trade Bank of Iraq
Consolidated Financial Statements
31 December 2021

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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF TRADE BANK OF IRAQ
Baghdad - Iraq

Opinion

We have audited the consolidated financial statements of Trade Bank of Iraq and its subsidiary (collectively known as "the Bank"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

As indicated in note 3 to the consolidated financial statements, the "Cash and balances with Central Bank of Iraq" included "Balances with Central Bank of Iraq - Kurdistan region" which amounted to USD 3,088 million as at 31 December 2021. As a result of the ongoing political situation, the Bank was unable to utilize these outstanding balances for its operations. We were unable to determine the amount of impairment provision for these balances as at 31 December 2021.

The Federal General Budget Law of the Republic of Iraq for the year 2021, which was approved by Parliament on 6 April 2021 included an article which stipulated that the "Balances with Central Bank of Iraq - Kurdistan region" should be settled during a period of seven years starting in the year 2021. The outstanding balances should be made available to the Bank by the Iraqi Ministry of Finance in monthly instalments from the Kurdistan Region's entitlements in the Federal Budget Law. However, up to the date of this report, no instalments have been made available by the Iraqi Ministry of Finance.

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.

Emphasis of matter – Basis of Preparation and Accounting and Restriction on Use

We draw attention to note 2 to the consolidated financial statements, which describes the basis of preparation and accounting. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Bank's management and the shareholder (Government of Iraq) and should not be used by other parties.

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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 exist, 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 entities or business activities within the Group (the Bank and its subsidiary) 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.

19 July 2022

Mustafa Fouad Abbas
Mustafa Fouad Abbas & Co.
(A member firm of Ernst & Young Global Limited)
Baghdad – Iraq

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

Assets	Notes	31 December 2021 USD (000)	31 December 2020 USD (000)	1 January 2020 USD (000)
Cash and balances with Central Bank of Iraq	3	7,123,051	5,122,724	5,416,152
Due from banks and other financial institutions	4	12,241,741	8,140,617	11,845,294
Direct credit facilities	5	5,483,087	5,874,391	6,455,678
Financial assets at amortized cost	6	718,244	884,727	2,020,958
Financial assets at fair value through profit or loss	7	1,989,923	3,907,333	2,171,916
Financial assets at fair value through other comprehensive income	8	5,564	5,564	2,356
Investment in an associate	9	24,295	16,512	-
Due from Ministry of Finance	10	755,815	723,358	281,128
Property and equipment	11	40,073	42,007	54,257
Intangible assets		2,561	3,108	4,644
Other assets	12	620,079	552,128	236,521
Total assets		29,004,433	25,272,469	28,488,904
Liabilities and equity				
Liabilities				
Due to banks and other financial institutions	13	208,807	109,435	1,927,937
Customers' accounts	14	17,324,369	14,718,684	13,648,732
Margin accounts	15	8,023,844	7,281,898	9,251,978
Other liabilities	16	270,949	202,753	277,878
Total liabilities		25,827,969	22,312,770	25,106,525
Equity				
Share capital	17	3,000,000	3,000,000	2,346,882
General reserve		236,764	236,764	236,764
Special reserve	18	7,647	7,647	7,647
Investments revaluation reserve		2,597	2,623	2,269
Foreign currency translation reserve		(703,271)	(703,271)	(71,058)
Retained earnings		632,717	415,926	859,865
Total attributable to equity holders of the parent		3,176,454	2,959,689	3,382,369
Non-controlling interest		10	10	10
Total equity		3,176,464	2,959,699	3,382,379
Total liabilities and equity		29,004,433	25,272,469	28,488,904

PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ

CHIEF FINANCIAL OFFICER - TRADE BANK OF IRAQ

The accompanying notes from 1 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 USD (000)	31 December 2020 USD (000)
Interest income	20	309,389	428,931
Interest expense	21	(28,327)	(25,541)
Net interest income		281,062	403,390
Commission income	22	109,505	122,583
Commission expense		(4,378)	(4,242)
Net interest and commission income		386,189	521,731
Net gain from foreign currency exchange		70,530	798,342
Net gains on financial assets at fair value through profit or loss	23	48,316	66,804
The Bank's share from the result of investment in an associate	9	(436)	-
Other operating income		1,036	1,071
Net operating income		505,635	1,387,948
Employees' expenses		(43,222)	(44,372)
Administrative expenses	24	(19,491)	(23,001)
Depreciation and amortization		(5,901)	(8,466)
Allowance for expected credit losses, net	3,4,5,6, 12 & 16	(220,230)	(963,452)
Litigation expenses	16	-	(7,855)
Total expenses		(288,844)	(1,047,146)
Profit for the year		216,791	340,802
Attributable to:			
Shareholders of the Bank		216,791	340,802
Non-controlling interest		-	-
Profit for the year		216,791	340,802

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

	31 December 2021 USD (000)	31 December 2020 USD (000)
Profit for the year	216,791	340,802
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation (loss) gain on financial assets at fair value through other comprehensive income	(26)	354
Exchange differences arising from the translation of foreign operations	-	(632,213)
Total other comprehensive income for the year	(26)	(631,859)
Total comprehensive income for the year	216,765	(291,057)
Attributable to:		
Shareholder of the Bank	216,765	(291,057)
Non-controlling interest	-	-
Total comprehensive income for the year	216,765	(291,057)

PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ

CHIEF FINANCIAL OFFICER - TRADE BANK OF IRAQ

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

	Share capital	General reserve	Special reserve	Investments revaluation reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
31 December 2021									
Balance at 1 January 2021	3,000,000	236,764	7,647	2,623	(703,271)	415,926	2,959,689	10	2,959,699
Total comprehensive income for the year	-	-	-	(26)	-	216,791	216,765	-	216,765
Balance at 31 December 2021	3,000,000	236,764	7,647	2,597	(703,271)	632,717	3,176,454	10	3,176,464
31 December 2020									
Balance at 1 January 2020 - before restatement	2,346,882	236,764	7,647	2,269	(71,058)	1,156,266	3,678,770	10	3,678,780
Restatement (note 2.7)	-	-	-	-	-	(296,401)	(296,401)	-	(296,401)
Balance at 1 January 2020 - after restatement	2,346,882	236,764	7,647	2,269	(71,058)	859,865	3,382,369	10	3,382,379
Total comprehensive income for the year	-	-	-	354	(632,213)	340,802	(291,057)	-	(291,057)
Capital increase (note 17)	653,118	-	-	-	-	(673,435)	(20,317)	-	(20,317)
Cash dividends distributed to the public treasury (note 19)	-	-	-	-	-	(111,306)	(111,306)	-	(111,306)
Balance at 31 December 2020	3,000,000	236,764	7,647	2,623	(703,271)	415,926	2,959,689	10	2,959,699

PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ

CHIEF FINANCIAL OFFICER - TRADE BANK OF IRAQ

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	Notes	31 December 2021 USD (000)	31 December 2020 USD (000)
Operating activities:			
Profit for the year		216,791	340,802
Adjustments:			
Change in fair value of financial assets at fair value through profit or loss		(48,316)	(73,882)
Depreciation and amortization		5,901	8,466
Allowance for credit losses, net		220,230	963,452
Litigation expenses		-	7,855
The Bank's share from the result of investment in associates		436	-
Loss from sale of financial assets at fair value through profit or loss		-	7,853
Effect of foreign currency differences		-	(713,651)
Cash flows from operating activities before changes in assets and liabilities		395,042	540,895
Changes in assets and liabilities:			
Balances with CBI		(289,291)	696,175
Time deposits with banks and other financial institutions maturing after 3 months		(3,695,101)	(493,804)
Direct credit facilities		215,799	(100,372)
Acquisition of Financial assets at fair value through profit and loss		-	(2,030,369)
Redemption of Financial assets at fair value through profit and loss		1,965,726	360,206
Due from Ministry of Finance		179,882	(88,630)
Other assets		(86,582)	(64,256)
Due to banks and other financial institutions		99,372	(1,823,007)
Customers' accounts		2,605,685	(482,089)
Margin accounts		741,946	(3,314,006)
Litigations paid during the year		-	(220)
Other liabilities		(10,457)	(114,725)
Net cash flows from (used in) operating activities		2,122,021	(6,914,202)
Investing activities:			
Purchase of financial assets at amortized cost		(28,214)	(152,104)
Maturity of financial assets at amortized cost		55,764	1,110,228
Purchase of financial assets at fair value through other comprehensive income		(26)	-
Purchase of Investment in an associate		(8,219)	-
Purchase of property and equipment and intangible assets		(2,718)	(4,807)
Purchase of intangible assets		(93)	(162)
Net cash flows from investing activities		16,494	953,155
Financing activities:			
Dividends paid to the public treasury		-	(111,306)
Dividend paid to non-controlling interest		-	(1)
Proceeds from CBI loan		18,536	6,125
Dividends received		-	775
Leases paid during the year		(1,163)	(577)
Net cash flows from (used in) financing activities		17,373	(104,984)
Net increase (decrease) in cash and cash equivalents		2,155,888	(6,066,031)
Effect of foreign currency differences on cash and cash equivalents		-	2,482,949
Effect of foreign currency translation		-	(205,538)
Cash and cash equivalents, beginning of the year		8,089,843	11,878,463
Cash and cash equivalents, end of the year	25	10,245,731	8,089,843

PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ

CHIEF FINANCIAL OFFICER - TRADE BANK OF IRAQ

The accompanying notes from 1 to 36 are an integral part of these consolidated financial statements

(1) GENERAL INFORMATION

Trade Bank of Iraq (the "Bank") is an independent governmental bank established on 17 July 2003 in accordance with Coalition Provisional Authority Order No. 20 of 2003. The Bank acquired the banking license by Central Bank of Iraq (CBI) on 18 January 2004 and it is registered office is in Baghdad.

The Bank provides its banking services through its head office located in Al-Rasheed St. - Baghdad, and through its twenty-seven branches across Iraq and one branch in Kingdom of Saudi Arabia and a representative office in United Arab Emirates.

The Bank has 99.88% ownership interest in a subsidiary, Information Windows Co. for Electronic Payment & IT Services Limited ("the Subsidiary"), which has been registered in Iraq on 23 March 2019. The principal activity of the Subsidiary is electronic payment and IT support services. The Bank and its subsidiary are collectively known as ("the Bank").

The consolidated financial statements were authorized for issuance by the Bank's Board of Directors on 19 July 2022.

(2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

2.1 Basis of Preparation

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented in US Dollars (USD). The Bank's functional currency is Iraqi Dinar (IQD). All amounts are rounded to the nearest thousand US Dollars except when otherwise indicated.

For all periods up to 31 December 2020, the Bank prepared its financial statements in accordance with locally generally accepted accounting principles (Local GAAP) and the instructions of Central Bank of Iraq (CBI). These financial statements for the year ended 31 December 2021 are the first the Bank has prepared in accordance with IFRS. Refer to note 2.7 for information on how the Bank adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through other compressive income which are measured at fair value and financial assets at fair value through profit and loss which are measured at net assets value.

The accompanying consolidated financial statements are prepared for the Bank's management and the shareholder (Government of Iraq). As a result, the consolidated financial statements may not be suitable for any other purpose.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2021. Control is achieved when the bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if, and only if, the bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 Basis of Consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Subsidiary is a mixed shareholding company incorporated in accordance with the Companies' Law in Iraq, its paid-in capital is IQD 10 billion (equivalent to USD 8.46 million) of which the Bank owns 99.88% as at 31 December 2021.

The financial statements of the Subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

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. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES

As mentioned above in note 2.1, the Bank prepared its financial statements for all periods up to 31 December 2020 in accordance with locally generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2021 are the first the Bank has prepared in accordance with IFRS. 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 2020 except for the adoption of new amendments on the standards effective as of 1 January 2021 shown below:

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease Modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (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 the 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.

This standard is not applicable to the Bank.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not applicable to 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments 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.

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

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable on the Bank.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

Revenue and expense recognition

- 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.

- Fee and commission income
  Fee and commission income and expenses that are integral to the financial asset or liability are included in the measurement of the effective interest rate.

  Fee and commission income related to issuance and amending financial guarantees is recognized in straight line method over the life of financial guarantee.

  Other fee and commission income, including account servicing fee, transfer commission, branch coordination commission are recognized as the related services are performed.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central bank of Iraq and due from banks and other financial institutions maturing within three months, less restricted balances owing to the Bank and time deposits with banks and other financial institutions maturing after three months.

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 recognized at the fair value plus, for an item not recorded at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Premiums and discounts are amortized 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 recognized 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 marketplace.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)

Classification and measurement of financial instruments (continued)

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 amortized 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 recognized 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. Amortized 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 amortization is included in "interest income" in the consolidated statement of income.

c) Financial assets at fair value through other comprehensive income

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

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

These financial assets are not subject to impairment testing. Dividend income is recognized in the consolidated statement of income when the Bank’s right to receive the payment is established.

d) Financial assets at amortized cost

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

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

e) Financial assets at fair value through profit or loss

Financial assets which do not meet the business model for financial assets at amortized cost and are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)
Classification and measurement of financial instruments (continued)

Financial instruments at fair value through profit or loss are initially measured at fair value, unless if the Bank classified the financial investments as not for trading at fair value through other comprehensive income at the purchase date. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated statement of income. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated statement of income.

Dividends are recorded 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 2021. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the year ended 31 December 2021 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weights to the downside scenarios.

Expected credit losses are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The EAD is the expected amount of exposure at the point of default which is mainly determined by the current exposure value for funded exposures. The EAD for unfunded exposures including undrawn commitments are determined by historical behavioural analysis and regulatory Credit Conversion Factors (CCF). The LGD quantifies the potential loss from an exposure in the event of default. The key determinants of LGD are, among others, past recovery / loss data for each segment, external loss data, expected recovery period, discount rate, regulatory guidance etc. Management overlays may be applied to the model outputs if consistent with the objective of a significant increase in the credit risk.

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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.

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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)
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.

Investment in an associate
The Bank's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Bank's share of net assets of the associate Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The interim condensed consolidated statement of income and other comprehensive income reflect the share of the results of the associate. Profits and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, impairment is measured as the difference between the recoverable amount of the associate and it's carrying value and is recognized in the interim condensed consolidated statement of income.

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

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

Offsetting

Financial 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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost excluding the costs of day to day servicing, 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. 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:

Item of property and equipment	Useful life Years
Buildings	10
Furniture & fixtures	1
Vehicles	1
Tools & equipment	1
Leasehold improvements	5

Work in progress comprise the costs incurred to construct and expand property and equipment items as of the financial statements date. These costs include costs of direct labor, direct materials, equipment, and contractors' costs. After completion, work in progress are transferred to their prospective property and equipment items. 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 'Adminstrative expenses' in the consolidated statement of income in the year the asset is derecognized.

Intangible assets

Intangible assets consist of software programs, which are measured at cost less accumulated amortization and impairment losses. Amortization is recognized in the consolidated statement of income on a straight-line basis over the estimated life. The estimated useful life of these intangible assets is between 3 to 5 years.

Impairment of non-financial assets

The Bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The impairment loss recognized in the consolidated statement of income unless the assets is recorded in accordance with revaluation model. Any impairment for revalued assets should be treated according to that standard.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (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

The Bank is a governmental entity and its income is exempted from income tax according to Iraqi Tax Law Number (113) of the year 1982, and its subsequent amendments. However, the Subsidiary is subject to corporate income tax. Current tax liabilities of the Subsidiary for the current and prior years are measured at the amount expected to be paid in accordance with Iraqi Tax Law.

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.
The Bank's employees are subject to personal income tax.

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.

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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 Summary of significant accounting policies (continued)

Assets seized by the bank

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

2.6 Significant accounting judgment and estimates

The preparation of the 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. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)
2.6 Significant accounting judgment and estimates (Continued)

Measurement of the Expected Credit Loss (ECL) allowance

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

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

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

Inputs, assumptions, and techniques used for ECL calculation – IFRS 9 Methodology
Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk (SICR)
As per IFRS 9, SICR can be assessed at a collective/portfolio level if common risk characteristics are shared. Any instruments that are assessed collectively must possess shared credit risk characteristics. The Bank has followed the following criteria to determine the ECL calculation at collective basis vs on individual basis as follow:

- Retail Portfolio: on Collective Basis based on the product level (Loans, Housing Loans, Car Loans, and Credit Cards)
- Corporate Portfolio: individual basis at customer/ facility level
- Financial Institutions: Individual Basis at Bank/ facility Level.
- Debt instruments measured at amortized cost: Individual Level at Instrument level.

To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank’s existing risk management processes.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 6 Significant accounting judgment and estimates (Continued)

Inputs, assumptions, and techniques used for ECL calculation – IFRS 9 Methodology (Continued)

Our assessment of significant increases in credit risk will be performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:
1. We have established thresholds for significant increases in credit risk based on movement in the customer's internal credit grade and the related PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the customers' accounts/ facilities during the assessment period is considered as indicator for SICR.
3. IFRS 9 (Financial Instruments) includes a presumption of a significant increase in credit risk for financial instruments that have defaulted and matured for more than 30 days.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as mentioned in the "Definition of default" below.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios
The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 6 Significant accounting judgment and estimates (Continued)

Inputs, assumptions, and techniques used for ECL calculation – IFRS 9 Methodology (Continued)

Stress testing

- Stress testing at the Bank level is an integral part of the risks review and evaluation. Stress testing provides information on the financial integrity and risk matrix at the bank. It also provides early warning indicators regarding the Bank's capital.
- Stress testing is an integral part of the corporate governance system and risk management process as they notify the bank departments on the impact of unexpected negative events associated with various risks. The stress testing significantly impacts the administrative and strategic decisions and provide the board of directors and the executive management with indicators on the size of the capital required to encounter any losses that might result from changes that impact the bank's position and creditworthiness. Stress testing is considered important as it has a future-oriented nature in evaluating risks, compared to other methods that depend on historical data without taking into considerations the future events.
- Stress testing is carried out at the levels of sensitive and analytical scenarios and their impact is reflected on capital adequacy ratio, profits and losses in a set of levels, including: moderate, medium and severe.
- The results of stress testing are analyzed and evaluated to identify their impact on the type of the bank's assets and financial position either through the size of the expected losses and/or their impact on the Bank's reputation and capital adequacy. The results of stress testing are used in capital planning and identification of their impact on generating additional capital according to the Internal Capital Adequacy Assessment Process (ICAAP).
- Scenarios prepared are proportionate to the nature and type of risks encountering the bank from the least influential to the most influential, including scenarios determining size of losses the Bank may bear in order to identify uncovered risks. The scenarios' scope is identified accurately, reviewed periodically and amended as per the changes at the bank level, banking industry level and economy level in general.

Due to the COVID-19 pandemic that started at the beginning of 2020 and its impact on the global and national economy, the Bank has prepared stress testing based on the impacted sectors from least to most impacted in order to deal with the expected losses arising from the pandemic which might affect the Bank's position and solvency. This was based on two main pillars:

- Making changes to the expected credit losses by assuming a number of scenarios that depend on estimating the impact of COVID-19 pandemic on macroeconomic indicators
- Reflecting Management Overlay is assessing the impact on certain sectors or specific customers based on studying each sector or customer individually in order to each reasonable expectation for the outcomes of this event.

Definition of default:

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 6 Significant accounting judgment and estimates (Continued)

Estimated life:
When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

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.

Useful life of property and equipment

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

Going concern

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

Fair value of financial instruments

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

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 6 Significant accounting judgment and estimates (Continued)

COVID-19 Impact

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

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

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

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

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

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

2. 7 First- time adoption of IFRS

These financial statements, for the year ended 31 December 2021, are prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Bank prepared its financial statements in accordance with local generally accepted accounting principles and the instructions of the Central Bank of Iraq (local GAAP).

The date of adoption of the IFRS by the Bank is 1 January 2020. Retroactive adjustments have been made to the consolidated statement of financial position as of 1 January 2020 as well as the statement of comprehensive income for the year 2020. The following are the main amendments by the Bank to amend its statutory financial statements prepared according to local GAAP, which included the statement of financial position as of 1 January 2020 and the financial statements as of 31 December 31, 2020.

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Reconciliation of equity as at 1 January 2020 (date of transition to IFRS)

Assets	Notes	Local standards USD (000)	Reclassification and remeasurement USD (000)	IFRS as at 1 January 2020 USD (000)
Cash and balances with Central Bank of Iraq	A	5,439,937	(23,785)	5,416,152
Due from banks and other financial institutions	A	11,859,751	(14,457)	11,845,294
Direct credit facilities	A	6,695,654	(239,976)	6,455,678
Financial assets at amortized cost	A	2,051,036	(30,078)	2,020,958
Financial assets at fair value through profit or loss		2,171,916	-	2,171,916
Financial assets at fair value through other comprehensive income		2,356	-	2,356
Due from Ministry of Finance		281,128	-	281,128
Property and equipment		54,257	-	54,257
Intangible assets		4,644	-	4,644
Other assets	B	232,468	4,053	236,521
Total assets		28,793,147	(304,243)	28,488,904
Liabilities and equity				
Liabilities				
Due to banks and other financial institutions		1,927,937	-	1,927,937
Customers' accounts		13,648,732	-	13,648,732
Margin accounts		9,251,978	-	9,251,978
Other liabilities	A & B	285,720	(7,842)	277,878
Total liabilities		25,114,367	(7,842)	25,106,525
Equity				
Share capital		2,346,882	-	2,346,882
General reserve		236,764	-	236,764
Special reserve		7,647	-	7,647
Investments revaluation reserve		2,269	-	2,269
Foreign currency translation reserve		(71,058)	-	(71,058)
Retained earnings		1,156,266	(296,401)	859,865
Total attributable to equity holders of the parent		3,678,770	(296,401)	3,382,369
Non-controlling interest		10	-	10
Total equity		3,678,780	(296,401)	3,382,379
Total liabilities and equity		28,793,147	(304,243)	28,488,904

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Reconciliation of equity as at 31 December 2020

Assets	Notes	Local standards USD (000)	Reclassification and remeasurement USD (000)	IFRS as at 31 December 2020 USD (000)
Cash and balances with Central Bank of Iraq	A	5,148,962	(26,238)	5,122,724
Due from banks and other financial institutions	A	8,159,341	(18,724)	8,140,617
Direct credit facilities	A	6,015,014	(140,623)	5,874,391
Financial assets at amortized cost	A	897,933	(13,206)	884,727
Financial assets at fair value through profit or loss		3,907,333	-	3,907,333
Financial assets at fair value through other comprehensive income		5,564	-	5,564
Investment in an associate		16,512	-	16,512
Due from Ministry of Finance		723,358	-	723,358
Property and equipment		42,007	-	42,007
Intangible assets		3,108	-	3,108
Other assets	B	548,337	3,791	552,128
Total assets		25,467,469	(195,000)	25,272,469
Liabilities and equity				
Liabilities				
Due to banks and other financial institutions		109,435	-	109,435
Customers' accounts		14,718,684	-	14,718,684
Margin accounts		7,281,898	-	7,281,898
Other liabilities	A & B	205,900	(3,147)	202,753
Total liabilities		22,315,917	(3,147)	22,312,770
Equity				
Share capital		3,000,000	-	3,000,000
General reserve		236,764	-	236,764
Special reserve		7,647	-	7,647
Investments revaluation reserve		2,623	-	2,623
Foreign currency translation reserve		(703,271)	-	(703,271)
Retained earnings		607,779	(191,853)	415,926
Total attributable to equity holders of the parent		3,151,542	(191,853)	2,959,689
Non-controlling interest		10	-	10
Total equity		3,151,552	(191,853)	2,959,699
Total liabilities and equity		25,467,469	(195,000)	25,272,469

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Reconciliation of consolidated statement of income for the year ended 31 December 2020

	Notes	Local standards USD (000)	Re-classification and remeasurement USD (000)	IFRS for the year ended 31 December 2020 USD (000)
Interest income		428,931	-	428,931
Interest expense	B	(25,192)	(349)	(25,541)
Net interest income		403,739	(349)	403,390
Commission income		122,583	-	122,583
Commission expense		(4,242)	-	(4,242)
Net interest and commission income		522,080	(349)	521,731
Net gain from foreign currency exchange		798,342	-	798,342
Net gains on financial assets at fair value through profit or loss		66,804	-	66,804
Other operating income		1,071	-	1,071
Net operating income		1,388,297	(349)	1,387,948
Employees' expenses		(44,372)	-	(44,372)
Administrative expenses	B	(23,947)	946	(23,001)
Depreciation and amortization	B	(7,835)	(631)	(8,466)
Allowance for expected credit losses, net	A	(1,068,034)	104,582	(963,452)
Litigation expenses		(7,855)	-	(7,855)
Total expenses		(1,152,043)	104,897	(1,047,146)
Profit for the year		236,254	104,548	340,802
Attributable to:				
Shareholders of the Bank		236,254	104,548	340,802
Non-controlling interest		-	-	-
Profit for the year		236,254	104,548	340,802

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Reconciliation of consolidated statement of comprehensive income for the year ended 31 December 2020

	Local standards	Reclassification and remeasurement	IFRS for the year ended 31 December 2020
	USD (000)	USD (000)	USD (000)
Profit for the year	236,254	104,548	340,802
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Revaluation gain on financial assets at fair value through other comprehensive income	354	-	354
Exchange differences arising from the translation of foreign operations	(632,213)	-	(632,213)
Total other comprehensive income for the year	(631,859)	-	(631,859)
Total comprehensive income for the year	(395,605)	104,548	(291,057)
Attributable to:			
Shareholder of the Bank	(395,605)	104,548	(291,057)
Non-controlling interest	-	-	-
Total comprehensive income for the year	(395,605)	104,548	(291,057)

Notes to the reconciliation of equity as at 1 January 2020 and 31 December 2020 and total comprehensive income for the year ended 31 December 2020

A. Financial instruments

The adoption of IFRS has fundamentally changed the Bank's accounting for impairment losses for financial assets by replacing the incurred credit loss method in accordance with local standards with the expected credit losses (ECL) method based on future expectations. Expected credit losses result from the probability of default (PD), the exposure default (EAD) and the loss given default (LGD). The PD represents the probability that the borrower will default on its financial obligations, either over the next twelve months or over the remaining life of the obligation. The EAD is an estimate of the exposure at a future date, considering expected changes in the funded exposures after the financial reporting date including the principal and interest on the principal amount outstanding. The exposure value of unfunded exposures including undrawn commitments is determined by the impact of behavioural analysis experience and regulatory credit transfer factors. LGD determines the potential loss from exposure in the event of default. The main determinants of loss in the event of a default are, among other things, the historical recovery/loss data of each segment, external loss data, expected payback period, discount rate, regulatory guidance, and other factors. Management overlays can be applied to model outcomes if consistent with the objective of significantly increasing credit risk.

The following table relates to the effect of the allowance for expected credit losses on financial assets in accordance with IFRS 9 and as of January 1, 2020:

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Notes to the reconciliation of statement of financial position as at 1 January 2020 and 31 December 2020 (continued)

A. Financial instruments (continued)

Expected credit losses allowance (ECL allowance)

The effect of applying the Bank's business model for financial assets	Retained earnings
	USD (000)
Cash and balances with Central Bank of Iraq	(23,785)
Due from banks and other financial institutions	(14,457)
Direct credit facilities	(239,976)
Financial assets at amortized cost	(30,078)
Other liabilities – Indirect credit facilities	12,187
Total	(296,109)

The table below shows the effect of the ECL allowance in accordance with IFRS 9 in the consolidated statement of income for the year ended 31 December 2020:

It resulted in decrease of the ECL allowance by USD 104,582 Thousand, from USD 1,068,034 Thousand to USD 963,452 Thousand.	Consolidated statement of income
	USD (000)
Allowance charged to cash and balances with the Central Bank of Iraq	(2,453)
Allowance charged on balances with banks and other financial institutions	(4,267)
Allowance charged on direct credit facility	99,353
Allowance charged on financial assets at amortized cost	16,872
Allowance charged to indirect credit facility	(4,923)
Net effect (decrease in ECL allowance)	104,582

2. Basis of Preparation and Summary of Significant Accounting Policies (Continued)

2. 7 First- time adoption of IFRS (Continued)

Notes to the reconciliation of statement of financial position as at 1 January 2020 and 31 December 2020 (continued)

B. Leases

Under Local GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, as explained in Note 2.5, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Bank applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, IFRS 16 impact on the consolidated financial statement of the Bank as following:

- Right of use – under other assets caption: USD 4,422 Thousand as of 1 January 2020 (31 December 2020: USD 3,791 Thousand).
- Lease liability -under other liability caption: USD 4,345 Thousand as of 1 January 2020 (31 December 2020: USD 4,117 Thousand).
- Rent prepayments – under other assets caption: reversed an amount of USD 369 Thousand as of 1 January 2020 from rent prepayments under other assets caption to retained earnings.
- Rent expenses – under administrative expenses: reversed an amount of USD 946 Thousand during the year ended 31 December 2020.

	Right-of-use asset	Lease liability
	USD (000)	USD (000)
As at 1 January 2020	4,422	4,345
Amortization	(631)	-
Payments	-	(577)
Interest expense	-	349
Balance as at 31 December 2020	3,791	4,117

(3) CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Cash on hand	128,684	273,198	106,950
Balances with Central Bank of Iraq:			
Current accounts *	5,873,743	3,991,362	4,346,740
Statutory cash reserve **	1,176,341	884,402	945,046
Time deposits ***	-	-	41,201
Total balances with Central Bank of Iraq	7,050,084	4,875,764	5,332,987
	7,178,768	5,148,962	5,439,937
Allowance for estimated credit losses	(55,717)	(26,238)	(23,785)
	7,123,051	5,122,724	5,416,152

* This item includes balances with Central Bank of Iraq at Kurdistan Region amounted to USD 3,088,000 thousands as at 31 December 2021 (31 December 2020: USD 3,090,648 thousands). As a result of ongoing political and economic situations in Iraq, the Bank was unable to utilize or collect these outstanding balances. There is no official restriction on these balances.

The Federal General Budget Law of the Republic of Iraq for the year 2021 which was approved on 6 April 2021 included an article which stipulates that the balances owed to the Bank from Kurdistan region should be settled during a period of 7 years starting from the year 2021. The outstanding balances should be rescheduled by the Iraqi Ministry of Finance (MOF) on monthly instalments from Kurdistan Region's entitlements in the Federal General Budget. However, and up to the date of this report, no transfers of any instalments took place to settle part of the outstanding balances.

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

***This item represents a 7-day time deposit with an interest rate of 1.5%.

Balances with Central Bank of Iraq	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	3,962,084	-	-	3,962,084
Standard grade	-	-	-	-
Low grade	-	-	3,088,000	3,088,000
	3,962,084	-	3,088,000	7,050,084
Less: allowance for ECL*	(55,717)	-	-	(55,717)
	3,906,367	-	3,088,000	6,994,367

(3) CASH AND BALANCES WITH CENTRAL BANK OF IRAQ (CONTINUED)

Balances with Central Bank of Iraq	31 December 2020 USD (000) Stage 1	Stage 2	Stage 3	Total
High standard grade	1,785,116	-	-	1,785,116
Standard grade	-	-	-	-
Low grade	-	-	3,090,648	3,090,648
	1,785,116	-	3,090,648	4,875,764
Less: allowance for ECL*	(26,238)	-	-	(26,238)
	1,758,878	-	3,090,648	4,849,526

Balances with Central Bank of Iraq	1 January 2020 USD (000) Stage 1	Stage 2	Stage 3	Total
High standard grade	1,606,808	-	-	1,606,808
Standard grade	-	-	-	-
Low grade	-	-	3,726,179	3,726,179
	1,606,808	-	3,726,179	5,332,987
Less: allowance for ECL*	(23,785)	-	-	(23,785)
	1,583,023	-	3,726,179	5,309,202

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

	31 December 2021 USD (000) Stage 1	Stage 2	Stage 3	Total
At 1 January	26,238	-	-	26,238
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	29,479	-	-	29,479
At year end	55,717	-	-	55,717

	31 December 2020 USD (000) Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 - before Restatement	-	-	-	-
Remeasurement adjustments resulting from the application of IFRS 9 (note 2.7)	23,785	-	-	23,785
Balance at 1 January 2020 - after Restatement	23,785	-	-	23,785
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	2,453	-	-	2,453
Balance at end of the year	26,238	-	-	26,238

(4) DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021 USD (000)	31 December 2020 USD (000)	1 January 2020 USD (000)
Current accounts inside Iraq	28	28	34
Current accounts outside Iraq	4,247,294	3,075,887	3,878,037
Time deposits outside Iraq *	8,022,887	5,083,820	7,981,680
	12,270,209	8,159,735	11,859,751
Allowance for estimated credit losses	(28,468)	(19,118)	(14,457)
	12,241,741	8,140,617	11,845,294

* Time deposits include deposits with maturity of more than 3 months amounted to USD 4,938,905 thousand (31 December 2020: USD 1,243,804 thousand).

Due from banks and other financial institutions	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	12,253,768	-	-	12,253,768
Standard grade	-	1,048	-	1,048
Low grade	-	-	15,393	15,393
	12,253,768	1,048	15,393	12,270,209
Less: allowance for ECL*	(28,062)	(13)	(393)	(28,468)
	12,225,706	1,035	15,000	12,241,741

Due from banks and other financial institutions	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	8,144,341	-	-	8,144,341
Standard grade	-	-	-	-
Low grade	-	-	15,394	15,394
	8,144,341	-	15,394	8,159,735
Less: allowance for ECL*	(12,193)	-	(6,925)	(19,118)
	8,132,148	-	8,469	8,140,617

(4) Balances with Banks and Other Financial Institutions (continued)

Due from banks and other financial institutions	1 January 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	11,859,751	-	-	11,859,751
Standard grade	-	-	-	-
Low grade	-	-	-	-
	11,859,751	-	-	11,859,751
Less: allowance for ECL*	(14,457)	-	-	(14,457)
	11,845,294	-	-	11,845,294

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

	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	12,193	-	6,925	19,118
Transfer from stage 1	6,925	-	(6,925)	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	8,944	13	393	9,350
At year end	28,062	13	393	28,468

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 - before Restatement	-	-	-	-
Remeasurement adjustments resulting from the application of IFRS 9 (note 2.7)	14,457	-	-	14,457
Balance at 1 January 2020 - after Restatement	14,457	-	-	14,457
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(2,264)	-	7,014	4,750
Effect of foreign currency translation	-	-	(89)	(89)
Balance at end of the year	12,193	-	6,925	19,118

(5) DIRECT CREDIT FACILITIES

	31 December 2021 USD (000)	31 December 2020 USD (000)	1 January 2020 USD (000)
Loans:			
Governmental	4,875,171	4,977,747	4,937,408
Corporates	1,038,556	1,203,686	1,120,236
Retail	801,919	731,562	699,398
	6,715,646	6,912,995	6,757,042
Overdrafts:			
Corporates	1,961,546	1,912,938	1,994,220
Retails	28	2,506	1,961
	1,961,574	1,915,444	1,996,181
Total	8,677,220	8,828,439	8,753,223
Interest in suspense (A)	(981,878)	(917,298)	(787,406)
Allowance for expected credit losses (B)	(2,212,255)	(2,036,750)	(1,510,139)
Balance at end of the year	5,483,087	5,874,391	6,455,678

Non-performing credit facilities amounted to USD 3,545,310 thousand as at 31 December 2021 (31 December 2020: USD 3,630,955 thousand) representing 40.86% (31 December 2020: 41.13%) of gross direct credit facilities.

Non-performing credit facilities, net of interest in suspense, amounted to USD 2,563,432 thousand as at 31 December 2021 (31 December 2020: 2,713,657 thousand) representing 33.31% of gross credit facilities after deducting the interest in suspense (31 December 2020: 34.3%).

Allowance for credit losses for non-performing credit facilities net of interest in suspense coverage ratio was 86.3% as at 31 December 2021 (31 December 2020: 75.06%).

The details of the classification of the grades of these assets for the year ended 31 December 2021 are as follows:

	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	3,989,835	-	885,336	4,875,171
Standard grade	765,835	376,240	358,417	1,500,492
Low, net of suspended interest	-	-	1,319,679	1,319,679
	4,755,670	376,240	2,563,432	7,695,342
Less: allowance for ECL	(87,905)	(47,389)	(2,076,961)	(2,212,255)
	4,667,765	328,851	486,471	5,483,087

(5) DIRECT CREDIT FACILITIES (CONTINUED)

The details of the classification of the grades of these assets for the year ended 31 December 2020 are as follows:

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	4,088,688	-	889,059	4,977,747
Standard grade	642,723	465,228	106,033	1,213,984
Low, net of suspended interest	828	17	1,718,565	1,719,410
	4,732,239	465,245	2,713,657	7,911,141
Less: allowance for ECL	(94,112)	(54,718)	(1,887,920)	(2,036,750)
	4,638,127	410,527	825,737	5,874,391

The details of the classification of the grades of these assets for the year ended 1 January 2020 are as follows:

	1 January 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	3,833,356	-	1,104,052	4,937,408
Standard grade	906,610	289,339	27,194	1,223,143
Low, net of suspended interest	-	-	1,805,266	1,805,266
	4,739,966	289,339	2,936,512	7,965,817
Less: allowance for ECL*	(106,930)	(6,503)	(1,396,706)	(1,510,139)
	4,633,036	282,836	1,539,806	6,455,678

A. Interest in suspense

The movement on interest in suspense is as follows:

	31 December 2021 USD (000)	31 December 2020 USD (000)
Balance at 1 January	917,298	787,406
Additions during the year	353,775	340,455
Recoveries during the year	(289,195)	(204,470)
Written-off during the year	-	-
Effect of foreign currency translation	-	(6,093)
Balance at end of the year	981,878	917,298

(5) DIRECT CREDIT FACILITIES (CONTINUED)

B. Allowance for credit Losses

The movement on allowance for credit losses is as follows:

	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	94,112	54,718	1,887,920	2,036,750
Transfer to stage 1	56,892	(53,305)	(3,587)	-
Transfer to stage 2	(40,780)	114,373	(73,593)	-
Transfer to stage 3	(42)	(96)	138	-
Net movement for the year	(22,277)	(68,301)	266,083	175,505
Balance at end of the year	87,905	47,389	2,076,961	2,212,255

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 - before Restatement	14,862	25,844	1,229,457	1,270,163
Remeasurement adjustments resulting from the application of IFRS 9 (note 2.7)	92,068	(19,341)	167,249	239,976
Balance at 1 January 2020 - after Restatement	106,930	6,503	1,396,706	1,510,139
Transfer to stage 1	118,438	(20,513)	(97,925)	-
Transfer to stage 2	(346)	82,253	(81,907)	-
Transfer to stage 3	(5,261)	(2,599)	7,860	-
Net movement for the year	(101,948)	5,456	1,063,127	966,635
Effect of foreign currency translation	(23,701)	(16,382)	(399,941)	(440,024)
Balance at end of the year	94,112	54,718	1,887,920	2,036,750

(6) FINANCEIAL ASSETS AT AMORTIZED COST

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Government of Iraq bonds *	298,373	455,778	752,714
Treasury bills **	429,369	442,155	1,298,322
	727,742	897,933	2,051,036
Less: allowance for ECL	(9,498)	(13,206)	(30,078)
	718,244	884,727	2,020,958

* The average rate of USD bonds with a total amount of USD 228,732 thousands is 4.85% which will mature during the period between 2022 and 2028. The average interest rate of IQD bonds with total amount of USD 69,641 thousand is 6% which will mature during the period between 2022 and 2025.

** Treasury bills are issued by Ministry of Finance and Central Bank of Iraq with an average interest rate of 2% and mature in eight months.

(6) FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

The details of the classification of the grades of these assets for the year ended 31 December 2021 are as follows:

	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	727,742	-	-	727,742
Standard grade	-	-	-	-
Low, net of suspended interest	-	-	-	-
	727,742	-	-	727,742
Less: allowance for ECL*	(9,498)	-	-	(9,498)
	718,244	-	-	718,244

The details of the classification of the grades of these assets for the year ended 31 December 2020 are as follows:

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	897,933	-	-	897,933
Standard grade	-	-	-	-
Low, net of suspended interest	-	-	-	-
	897,933	-	-	897,933
Less: allowance for ECL*	(13,206)	-	-	(13,206)
	884,727	-	-	884,727

The details of the classification of the grades of these assets for the year ended 1 January 2020 are as follows:

	1 January 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	2,051,036	-	-	2,051,036
Standard grade	-	-	-	-
Low, net of suspended interest	-	-	-	-
	2,051,036	-	-	2,051,036
Less: allowance for ECL*	(30,078)	-	-	(30,078)
	2,020,958	-	-	2,020,958

(6) FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

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

	31 December 2021 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	13,206	-	-	13,206
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net movement for the year	(3,708)	-	-	(3,708)
Balance at end of the year	9,498	-	-	9,498

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020 - before Restatement	-	-	-	-
Remeasurement adjustments resulting from the application of IFRS 9 (note 2.7)	30,078	-	-	30,078
Balance at 1 January 2020 - after Restatement	30,078	-	-	30,078
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net movement for the year	(16,872)	-	-	(16,872)
Balance at end of the year	13,206	-	-	13,206

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise of unquoted investment fund outside Iraq. The main activity of this fund is to invest in time deposits with foreign banks. The fund is open-ended fund and the Bank can redeem its shares in the fund at any time. The fund is measured at the net assets value as provided by the investment manager.

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Quoted share	2,617	2,641	2,288
Unquoted shares	2,947	2,923	68
	5,564	5,564	2,356

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Balance at 1 January	5,564	2,356	1,649
Purchases during the year	26	2,854	-
Change in fair value	(26)	354	707
Balance at end of the year	5,564	5,564	2,356

(9) INVESTMENT IN AN ASSOCIATE

	31 December 2021						
	Country of incorporation	Percentage of ownership	Fair value	Published financial statements date	Principle activity	Date of acquisition	Carrying amount
							USD (000)
Al-Nasik Islamic Bank for investment and Islamic finance	Iraq	24.07%	Unquoted	2020	Banking	2020	24,295
							24,295

The details of movement on investment in associate are as follows:

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Balance at 1 January	16,512	-
Purchase of an additional shares during the year	8,219	16,512
The Bank's share from the result of investment in an associate	(436)	-
Balance at end of the year	24,295	16,512

The Bank share of investment in associate are as follows:

	31 December 2021
	USD (000)
Total Assets	26,866
Total Liabilities	2,573
Total Revenues	380
Total Expenses	816
Net losses	(436)

(10) DUE FROM MINISTRY OF FINANCE

This account represents the uncollected amounts from the matured contractor bonds and its related accrued interest income. In addition to the paid amount by the Bank on behalf of the Ministry of Electricity (MOE) related to the due letter of credits on MOF.

(11) PROPERTY AND EQUIPMENT

2021	Land USD (000)	Buildings USD (000)	Furniture & fixtures USD (000)	Vehicles USD (000)	Tools & equipment USD (000)	Leasehold improvements USD (000)	Work in progress USD (000)	Total USD (000)
Cost:								
Balance at 1 January 2021	14,740	49,710	13,762	1,387	2,241	9,147	362	91,349
Additions	-	9	1,401	-	55	3	1,250	2,718
Transfer from Work in progress	-	-	-	24	-	-	(24)	-
Disposals	-	-	-	(167)	-	-	-	(167)
Balance at 31 December 2021	14,740	49,719	15,163	1,244	2,296	9,150	1,588	93,900
Accumulated Depreciation:								
Balance at 1 January 2021	-	26,786	13,272	1,387	2,241	5,656	-	49,342
Depreciation charge for the year	-	2,293	1,505	5	55	794	-	4,652
Disposals	-	-	-	(167)	-	-	-	(167)
Balance at 31 December 2021	-	29,079	14,777	1,225	2,296	6,450	-	53,827
Net book value as at 31 December 2021	14,740	20,640	386	19	-	2,700	1,588	40,073

(11) PROPERTY AND EQUIPMENT (CONTINUED)

2020	Land USD (000)	Buildings USD (000)	Furniture & fixtures USD (000)	Vehicles USD (000)	Tools & equipment USD (000)	Leasehold improvements USD (000)	Work in progress USD (000)	Total USD (000)
Cost:								
Balance at 1 January 2020	17,287	59,784	14,842	1,554	2,662	10,844	1,645	108,618
Additions	914	975	1,138	159	105	1,139	377	4,807
Transfer from Work in progress	-	632	935	-	-	-	(1,567)	-
Effect of foreign currency translation	(3,461)	(11,681)	(3,153)	(326)	(526)	(2,836)	(93)	(22,076)
Balance at 31 December 2020	14,740	49,710	13,762	1,387	2,241	9,147	362	91,349
Accumulated Depreciation:								
Balance at 1 January 2020	-	29,940	14,809	1,554	2,662	5,396	-	54,361
Depreciation charge for the year	-	3,125	1,580	159	105	1,141	-	6,110
Effect of foreign currency translation	-	(6,279)	(3,117)	(326)	(526)	(881)	-	(11,129)
Balance at 31 December 2020	-	26,786	13,272	1,387	2,241	5,656	-	49,342
Net book value as at 31 December 2020	14,740	22,924	490	-	-	3,491	362	42,007

(12) OTHER ASSETS

	31 December 2021 USD (000)	31 December 2020 USD (000)	1 January 2020 USD (000)
Margins held by others	468,897	496,539	88,026
Interest receivables	137,598	42,836	109,869
Other receivables	29,886	17,338	39,472
Commission receivables	12,129	5,946	8,916
Right of use of assets (Net accumulated amortization) *	3,182	3,791	4,422
Assets repossessed by the bank	616	616	761
Prepaid expenses	71	545	566
Allowance for assets repossessed by the bank **	(616)	(616)	-
Allowance for credit losses on financial assets ***	(31,684)	(14,867)	(15,511)
	620,079	552,128	236,521

* Below is the movement on right of use of assets:

	31 December 2021 USD (000)	31 December 2020 USD (000)
Balance at 1 January	3,791	4,422
Amortization during the year	(609)	(631)
Balance at end of the year	3,182	3,791

** According to Central Bank of Iraq letter Number 9/3/165 dated on 3 June 2020, all banks operating in Iraq should book allowances for assets repossessed as a result of defaulted debts starting the second year from the seize date. The movement on assets repossessed by the bank are as follows:

	31 December 2021 USD (000)	31 December 2020 USD (000)
Balance at 1 January	616	-
Net movement during the year	-	756
Effect of foreign currency translation	-	(140)
Balance at end of the year	616	616

*** The movement on allowance for credit losses on financial assets is as follows:

	31 December 2021 USD (000)	31 December 2020 USD (000)
Balance at 1 January	14,867	15,511
Net movement during the year	16,817	1,563
Effect of foreign currency translation	-	(2,207)
Balance at end of the year	31,684	14,867

(13) DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Current accounts	91,019	88,464	1,883,423
Time deposits	117,788	20,971	44,514
	208,807	109,435	1,927,937

(14) CUSTOMERS' ACCOUNTS

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Current and call accounts	15,737,600	13,823,397	11,899,458
Time deposits	850,448	305,313	1,015,259
Saving accounts	613,039	516,089	662,322
Other deposits	123,282	73,885	71,693
	17,324,369	14,718,684	13,648,732

(15) MARGIN ACCOUNTS

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Against LCs	7,523,381	6,907,944	8,792,085
Against LGs	119,365	85,934	98,647
Other margins	381,098	288,020	361,246
	8,023,844	7,281,898	9,251,978

(16) OTHER LIABILITIES

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Ministry of Finance development bonds	68,493	-	-
Other payables	36,536	59,012	116,494
Deferred income	33,062	27,402	40,336
Litigation provision *	25,725	25,725	24,088
CBI loan **	24,661	6,125	-
Accounts under reconciliation	18,953	31,482	19,436
Interest payables	18,563	3,561	15,758
Certified cheques	13,142	12,236	22,482
Allowance for indirect credit facilities ***	12,334	19,547	20,930
Accrued expenses	5,803	5,296	5,897
Lease liabilities	3,264	4,117	4,345
Stamp fees payables	1,228	904	1,073
Frozen customers' balances by court order	847	1,085	1,574
Abroad transfers	462	509	527
Dividend payables to non-controlling interest	-	-	1
Others	7,876	5,752	4,937
	270,949	202,753	277,878

(16) OTHER LIABILITIES (CONTINUED)

* The movement on provision for litigation is as follows:

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Balance at 1 January	25,725	24,088
Additions during the year	-	7,855
Paid during the year	-	(220)
Effect of foreign currency translation	-	(5,998)
Balance at end of the year	25,725	25,725

** During 2020, the Banks operating in Iraq signed an agreement with CBI in an amount of IQD 1 trillion as part of CBI's plan to grant loans to commercial and government banks in order to achieve economic and social development through granting loans for supporting small and medium projects with low interest rates. The granted amount during the year totaled to USD 6,125 thousand to the Bank. The terms of the loan agreement are as below:

1. Interest of Trade bank of Iraq must not exceed 2%,
2. Interest of Central Bank of Iraq must not exceed 2%,
3. Length of the loan to the guarantor must not exceed 10 years from the grant date.
4. Length of the loan to Trade Bank of Iraq must not exceed 10 years from the grant date.

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Balance at 1 January	6,125	-
Additions during the year	18,536	6,125
Balance at end of the year	24,661	6,125

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

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Balance at 1 January	19,547	20,930
Net movement during the year	(7,213)	(4,923)
Effect of foreign currency translation	-	3,540
Balance at end of the year	12,334	19,547

(17) SHARE CAPITAL

Based on the Prime Minister's approval on 12 February 2020, the share capital of the Bank was raised by an amount of IQD 796 billion (equivalent to USD 653 million) to IQD 3.55 trillion (equivalent to USD 3 billion) through capitalization from retained earnings.

(18) SPECIAL RESERVE

The Government of Iraq had granted the Bank lands to be used in the Bank's operational activities in its capacity as owner as unconditional grant. The lands were recognized within properties owned by the Bank and as special reserve in equity.

(19) CASH DIVIDENDS DISTRIBUTED TO THE PUBLIC TREASURY

The Prime Minister's office approved on 12 February 2020 the distribution of 20% of the realized profit for the year 2019 which amounted to USD 111,306 thousand to the public treasury of Government of Iraq.

(20) INTEREST INCOME

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Direct credit facilities	221,800	264,748
Deposits held with banks and other financial institution	48,579	85,449
Financial assets at amortized cost	39,010	78,734
	309,389	428,931

(21) INTEREST EXPENSE

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Customers' deposits	21,754	19,241
Saving accounts	5,965	5,801
CBI loan	298	150
Leases	310	349
	28,327	25,541

(22) COMMISSION INCOME

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Indirect credit facilities	56,182	71,248
Bank transfers	28,490	28,498
Other commissions	24,833	22,837
	109,505	122,583

(23) NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Unrealized gain	48,316	73,882
Realized gains from the investment funds	-	775
Loss from sale of financial asset at fair value through profit and loss	-	(7,853)
	48,316	66,804

(24) ADMINISTRATIVE EXPENSES

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Bank Charges	7,865	7,333
Travel and transportation	3,480	3,395
Subscriptions	2,199	1,832
Donations for others	1,898	5,575
Office supplies	490	499
Rent	430	1,264
Maintenance	416	464
Insurance expenses	395	61
Fuel and oil	393	316
Research and consultancy	354	194
Advertising	68	193
Others	1,503	1,875
	19,491	23,001

(25) CASH AND CASH EQUIVALENTS

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

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Cash and balances with Central Bank of Iraq	7,178,768	5,148,962
Due from banks and other financial institutions	12,270,209	8,159,735
Less:		
Statutory cash reserve	(1,176,341)	(884,402)
Balances with CBI - Kurdistan Region *	(3,088,000)	(3,090,648)
Time deposits with banks and other financial institution maturing after 3 months	(4,938,905)	(1,243,804)
	10,245,731	8,089,843

* These balances were deducted from cash and cash equivalents as they are not available for use of the Bank.

(26) RELATED PARTY TRANSACTIONS

Trade Bank of Iraq is governmental entity that has transactions with CBI, other government-owned banks and ministries and other governmental institutions in the normal course of business and with commercial interests and commissions' rates. Related party transactions in consolidated statement of financial position and off-balance sheet and consolidated statement of income are as follows:

	31 December 2021	31 December 2020
	USD (000)	USD (000)
Consolidated statement of financial position:		
Balances with CBI	7,050,084	4,875,764
Due from banks and other financial institutions	28	28
Direct credit facilities	4,877,557	4,979,409
Financial assets at amortized cost	727,742	897,933
Due from Ministry of Finance	755,815	723,358
Due to banks and other financial institutions	138,844	24,734
Customers' deposits	10,970,326	9,804,189
Margin accounts	7,780,969	7,123,851
Other liabilities	68,493	-
Off-balance sheet items:		
Letters of guarantees	100,538	105,608
Letters of credit	8,295,046	8,067,834
Consolidated statement of income:		
Interest income	39,009	104,086
Interest expense	298	150

Bonuses and compensations of the chairman and members of board of directors and key management personnel amounted to USD 1,733 thousand incurred during the year ended 31 December 2021 (31 December 2020: USD 2,474 thousand).

(27) RISK MANAGEMENT

The Bank's board of directors is responsible for general policies of risk management and approval of risk management strategies, The Bank manages its various banking risks in different ways and have documented comprehensive strategy for risks and means of controlling and mitigating them.

Credit Risk

Credit risks is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on levels of risk in accordance with the Central Bank of Iraq's instructions. Also, the Bank obtains adequate collaterals from customers.

Credit Risk Exposures

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown after allowances and suspended interest and before and after the effect of mitigation through the use of collaterals and other credit risk mitigations.

1) Credit exposures (Net of allowance for impairment of credit losses and interests and commissions in suspense)

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Consolidated statement of financial position items:			
Balances at Central Bank of Iraq	6,994,367	4,849,526	5,309,202
Due from banks and other financial institutions	12,241,741	8,140,617	11,845,294
Direct credit facilities	5,483,087	5,874,391	6,455,678
Financial assets at amortized cost	718,244	884,727	2,020,958
Due from Ministry of Finance	755,815	723,358	281,128
Other assets	616,826	547,792	230,772
	26,810,080	21,020,411	26,143,032
Off-balance sheet items:			
Letters of guarantee	2,149,209	1,894,652	2,774,616
Letters of credits	8,295,046	8,905,587	10,153,696
	10,444,255	10,800,239	12,928,312
Net maximum credit risk exposure before consideration of credit risk mitigations	37,254,335	31,820,650	39,071,344
Credit risk mitigations:			
Cash margins	11	81	570
Real Estate	1,148,342	921,555	450,193
Stock shares	64,029	56,837	1,868
Counter guarantees	99,554	15,000	-
Others	286,814	-	-
	1,598,750	993,473	452,631
Net maximum credit risk exposure after consideration of credit risk mitigation	35,655,585	30,827,177	38,618,713

The above exposure is based on the balance as stated in the consolidated statement of financial position.

(27) RISK MANAGEMENT (continued)

Credit Risk (continued)

2) Credit exposures are classified by the level of risks according to the following table:

31 December 2021	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Banks and other financial Institutions USD (000)	Total USD (000)
Low risk	9,435,475	-	-	12,253,740	21,689,215
Acceptable risk	-	634,482	910,013	470,696	2,015,191
Watch list	-	22,188	31,052	-	53,240
Non- performing:					
Substandard debts	-	14,084	35	1,048	15,167
Doubtful debts	-	25,684	552	-	26,236
Bad debts	3,973,365	105,509	2,196,048	55,609	6,330,531
Total	13,408,840	801,947	3,137,700	12,781,093	30,129,580
Less: Interest in suspense	-	-	(981,878)	-	(981,878)
Less: Allowance for credit losses	(274,734)	(26,640)	(1,976,096)	(60,152)	(2,337,622)
Net	13,134,106	775,307	179,726	12,720,941	26,810,080

31 December 2020	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Banks and other financial Institutions USD (000)	Total USD (000)
Low risk	7,495,094	-	-	-	7,495,094
Acceptable risk	-	510,524	525,087	8,646,798	9,682,409
Watch list	-	42,826	72,022	-	114,848
Non- performing:					
Substandard debts	-	14,531	3,545	-	18,076
Doubtful debts	-	54,644	33,642	-	88,286
Bad debts	3,979,736	111,543	2,525,164	32,732	6,649,175
Total	11,474,830	734,068	3,159,460	8,679,530	24,047,888
Less: Interest in suspense	-	-	(917,298)	-	(917,298)
Less: Allowance for credit losses	(250,990)	(16,305)	(1,808,899)	(33,985)	(2,110,179)
Net	11,223,840	717,763	433,263	8,645,545	21,020,411

(27) RISK MANAGEMENT (continued)

Credit Risk (continued)

2) Credit exposures are classified by the level of risks according to the following table (continued):

1 January 2020	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Banks and other Financial Institutions USD (000)	Total USD (000)
Low risk	7,768,098	-	-	-	7,768,098
Acceptable risk	-	525,716	717,487	11,996,131	13,239,334
Watch list	-	60,635	1,998	-	62,633
Non- performing:					
Substandard debts	-	15,423	1,328	-	16,751
Doubtful debts	-	2,316	8,108	-	10,424
Bad debts	4,834,495	97,269	2,495,404	-	7,427,168
Total	12,602,593	701,359	3,224,325	11,996,131	28,524,408
Less: Interest in	-	-	(787,406)	-	(787,406)
Less: Allowance for credit losses	(263,591)	(15,753)	(1,284,658)	(29,968)	(1,593,970)
Net	12,339,002	685,606	1,152,261	11,966,163	26,143,032

3) The following table shows the distribution of collaterals measured at fair value over direct credit facilities:

2021	Retails USD (000)	Corporates USD (000)	Banks and other Financial Institutions USD (000)	Total USD (000)
Acceptable risk	150,497	335,650	7,192	493,339
Watch list	581	27,496	-	28,077
Non-performing:				
Substandard debts	329	142	-	471
Doubtful debts	182	1,647	-	1,829
Bad debts	382,049	692,985	-	1,075,034
Total	533,638	1,057,920	7,192	1,598,750
Comprising of:				
Cash margins	11	-	-	11
Real Estate	472,184	676,158	-	1,148,342
Stock shares	46,755	10,082	7,192	64,029
Letters of guarantee	-	99,554	-	99,554
Others	14,688	272,126	-	286,814
Total	533,638	1,057,920	7,192	1,598,750

The fair values of collaterals shown are to the extent to the values of the loans.

(27) RISK MANAGEMENT (continued)
Credit Risk (continued)

4) Credit concentration based on geographic distribution is as follows:

2021	Inside Iraq USD (000)	Outside Iraq USD (000)	Total USD (000)
Balances at Central Bank of Iraq	6,994,367	-	6,994,367
Due from banks and other financial institutions	28	12,241,713	12,241,741
Direct credit facilities	5,483,087	-	5,483,087
Financial assets at amortized cost	500,598	217,646	718,244
Due from Ministry of Finance	755,815	-	755,815
Other assets	135,800	481,026	616,826
Total 31 December 2021	13,869,695	12,940,385	26,810,080
Total 31 December 2020	12,177,069	8,843,342	21,020,411
Total 1 January 2020	14,091,140	12,051,892	26,143,032

5) Concentration in credit exposures based on economic sectors is as follows:

31 December 2021	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Treasury USD (000)	Total USD (000)
Balances at Central Bank of Iraq	6,994,367	-	-	-	6,994,367
Due from banks and other financial institutions	28	-	-	12,241,713	12,241,741
Direct credit facilities	4,665,652	775,307	42,128	-	5,483,087
Financial assets at amortized cost	718,244	-	-	-	718,244
Due from Ministry of Finance	755,815	-	-	-	755,815
Other assets	-	-	137,598	479,228	616,826
Total	13,134,106	775,307	179,726	12,720,941	26,810,080

31 December 2020	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Treasury USD (000)	Total USD (000)
Balances at Central Bank of Iraq	4,849,526	-	-	-	4,849,526
Due from banks and other financial institutions	28	-	-	8,140,589	8,140,617
Direct credit facilities	4,766,201	717,763	390,427	-	5,874,391
Financial assets at amortized cost	884,727	-	-	-	884,727
Due from Ministry of Finance	723,358	-	-	-	723,358
Other assets	-	-	42,836	504,956	547,792
Total	11,223,840	717,763	433,263	8,645,545	21,020,411

(27) RISK MANAGEMENT (continued)

Credit Risk (continued)

1 January 2020	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Treasury USD (000)	Total USD (000)
Balances at Central Bank of Iraq	5,309,202	-	-	-	5,309,202
Due from banks and other Financial institutions	34	-	-	11,845,260	11,845,294
Direct credit facilities	4,727,680	685,606	1,042,392	-	6,455,678
Financial assets at amortized cost	2,020,958	-	-	-	2,020,958
Due from Ministry of Finance	281,128	-	-	-	281,128
Other assets	-	-	109,869	120,903	230,772
Total	12,339,002	685,606	1,152,261	11,966,163	26,143,032

Market Risk

Market risk is the risk of fluctuation and changes in the fair value or the cash flows from financial instrument due to changes in market prices, interest rates, currency rates, and equity prices. These risks are monitored based on specific policies and procedures carried out through specialized committees and concerned business units.

Sensitivity analysis is based on estimating the possible loss as a result of changes in the interest and foreign exchange rates. The fair value is calculated based on the present value of future cash flows adjusted for changes in interest rates.

1. Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Bank's profit for one year. Based on the floating rate of short-term deposits at banks held at 31 December 2021. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown:

		2021	2020
Currency	Increase in interest rate	Sensitivity of net interest income	Sensitivity of net interest income
	Basis Point	USD (000)	USD (000)
USD	10	10,824	10,935
EUR	10	1,178	50
IQD	10	2,046	2,693

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.

(27) RISK MANAGEMENT (continued)

Market Risk (continued)

2. Currency Risk

Foreign currency risk is the risk of change in the value of financial instruments as a result of change in foreign currency rates. The Iraqi Dinar is the functional currency of the Bank. The Board sets position limits for each foreign currency in the Bank. These positions are monitored on daily basis, and hedging strategies are adopted to ensure that the foreign currency positions held are within the approved limits.

The following table illustrates the possible effect of Iraqi Dinar against currencies on consolidated statement of income and consolidated statement of changes in shareholder's equity, assuming that all other variables remain constant:

2021

Currency	*Change in currency exchange rate* %	*Effect on profit and loss* USD (000)	*Effect on equity* USD (000)
USD	5	137,317	131
EUR	5	627	-
Others	5	113	-

2020

Currency	*Change in currency exchange rate* %	*Effect on profit and loss* USD (000)	*Effect on equity* USD (000)
USD	5	177,246	132
EUR	5	3,418	-
Others	5	(472)	-

In the event of an opposite change in the indicator, the effect will remain constant but with an opposite sign.

3. Equity Price Risk

Equity price risk arises from the change in the fair value of equity investments measured at fair value through other comprehensive income. The Bank manages this risk by distributing its equity investments over various geographic and economic sectors. Most of the Bank's equity investments measured at fair value through other comprehensive income are listed on the Nasdaq stock exchange.

The following table illustrates the accumulative change in fair value as a result of possible reasonable changes in the equity prices while assuming that all other variables remain constant:

		2021	2020
Market	*Increase in equity price* %	*Effect on equity* USD (000)	*Effect on equity* USD (000)
Nasdaq	1	26	26
Iraq	1	29	29

In the event of an opposite change in the indicator, the effect will be for the same amount but in an opposite direction.

(27) RISK MANAGEMENT (continued)

4. Interest rate gap

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

2021	Less than month	1 – 3 months	3 – 6 months	6 – 12 months	More than one year	Non-interest bearing	Total
	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Cash and balances at Central Bank of Iraq	-	-	-	-	3,088,000	4,035,051	7,123,051
Due from banks and other financial institutions	3,502,336	5,303,877	124,978	-	-	3,310,550	12,241,741
Direct credit facilities	3,741	1,509,225	4,559	57,546	3,908,016	-	5,483,087
Financial assets at amortized cost	-	-	-	423,328	294,916	-	718,244
Financial assets at fair value through profit or loss	-	-	-	-	-	1,989,923	1,989,923
Financial assets at fair value through other comprehensive income	-	-	-	-	-	5,564	5,564
Investment in an associate	-	-	-	-	-	24,295	24,295
Due from Ministry of Finance	-	-	-	-	-	755,815	755,815
Property and equipment	-	-	-	-	-	40,073	40,073
Intangible assets	-	-	-	-	-	2,561	2,561
Other assets	-	-	-	-	-	620,079	620,079
Total Assets	3,506,077	6,813,102	129,537	480,874	7,290,932	10,783,911	29,004,433
Due to banks and financial Institutions	-	37,276	1,986	78,526	-	91,019	208,807
Customers' accounts	1,120	7,419	23,887	810,534	161	16,481,248	17,324,369
Margin accounts	560,626	1,047,418	698,670	827,859	4,508,173	381,098	8,023,844
Other liabilities	-	-	-	-	27,925	243,024	270,949
Total Liabilities	561,746	1,092,113	724,543	1,716,919	4,536,259	17,196,389	25,827,969
Interest rate sensitivity gap	2,944,331	5,720,989	(595,006)	(1,236,045)	2,754,673	(6,412,478)	3,176,464

2020	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Total Assets	3,531,212	1,598,687	179,932	836,622	8,790,924	10,335,092	25,272,469
Total Liabilities	499,409	902,911	580,422	1,063,302	4,278,090	14,988,636	22,312,770
Interest rate sensitivity gap	3,031,803	695,776	(400,490)	(226,680)	4,512,834	(4,653,544)	2,959,699

(27) RISK MANAGEMENT (Continued)

5. Concentration in currency risk

31 December 2021	USD	IQD	EUR	GBP	CHF	Others	Total
Assets	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Cash and balances with Central Bank of Iraq	1,487,177	5,630,717	4,132	1,025	-	-	7,123,051
Due from banks and other financial Institutions	10,644,906	28	1,581,449	10,146	325	4,887	12,241,741
Direct credit facilities	4,438,650	1,022,901	21,536	-	-	-	5,483,087
Financial assets at amortized cost	649,440	68,804	-	-	-	-	718,244
Financial assets at fair value through profit or loss	1,989,923	-	-	-	-	-	1,989,923
Financial assets at fair value through other comprehensive income	2,619	2,899	46	-	-	-	5,564
Investment in an associate	-	24,295	-	-	-	-	24,295
Due from Ministry of Finance	655,893	99,922	-	-	-	-	755,815
Property and equipment	-	40,073	-	-	-	-	40,073
Intangible assets	-	2,561	-	-	-	-	2,561
Other assets	549,418	23,262	37,276	10,110	-	13	620,079
Total Assets	20,418,026	6,915,462	1,644,439	21,281	325	4,900	29,004,433
Liabilities							
Due to banks and financial Institutions	43,239	164,772	796	-	-	-	208,807
Customers' accounts	10,091,859	6,061,495	1,170,776	239	-	-	17,324,369
Margin accounts	7,468,485	74,946	456,401	21,284	991	1,737	8,023,844
Other liabilities	65,493	201,538	3,918	-	-	-	270,949
Total Liabilities	17,669,076	6,502,751	1,631,891	21,523	991	1,737	25,827,969
Net concentration in the consolidated statement of financial position	2,748,950	412,711	12,548	(242)	(666)	3,163	3,176,464

31 December 2020	USD	IQD	EUR	GBP	CHF	Other	Total
Total Assets	19,031,129	5,638,802	572,158	25,176	1,471	3,733	25,272,469
Total Liabilities	15,483,578	6,285,581	503,793	26,105	13,599	114	22,312,770
Net concentration in the statement of financial position	3,547,551	(646,779)	68,365	(929)	(12,128)	3,619	2,959,699

1 January 2020	USD	IQD	EUR	GBP	CHF	Other	Total
Total assets	19,966,233	7,638,882	840,971	24,631	14,235	3,952	28,488,904
Total liabilities	19,241,121	5,164,002	660,497	26,545	14,252	108	25,106,525
Concentration within balance sheet, net	725,112	2,474,880	180,474	(1,914)	(17)	3,844	3,382,379

(27) RISK MANAGEMENT (Continued)

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due, or to finance its activities without bearing additional costs or losses. The liquidity policy was approved by the Board of Directors.

The asset and liability management policy is carried out by ALCO which works on diversifying the funding sources and matching between their maturity dates, in addition to maintaining sufficient reserves of cash, cash equivalents and trading investments to militate against liquidity risks.

The table below summarizes the undiscounted cash flows of the contractual obligations:

31 December 2021	Less than 1 Month USD (000)	1-3 months USD (000)	3 – 6 months USD (000)	6-12 Months USD (000)	1-5 years USD (000)	No fixed maturity USD (000)	Total USD (000)
Due to banks and financial institutions	-	37,276	1,986	78,526	-	91,019	208,807
Customers' accounts	1,120	7,419	23,887	810,534	161	16,481,248	17,324,369
Margin accounts	560,626	1,047,418	698,670	827,859	4,508,173	381,098	8,023,844
Other liabilities	-	-	-	-	27,925	243,024	270,949
Total Liabilities	561,746	1,092,113	724,543	1,716,919	4,536,259	17,196,389	25,827,969
Total Assets	3,506,077	6,813,102	129,537	480,874	7,290,932	10,783,911	29,004,433

31 December 2020	Less than 1 month USD (000)	1-3 months USD (000)	3 – 6 months USD (000)	6-12 Months USD (000)	1-5 Years USD (000)	No fixed Maturity USD (000)	Total USD (000)
Due to banks and financial institutions	-	-	1,185	19,786	-	88,464	109,435
Customers' accounts	2,923	240,734	8,808	46,577	-	14,419,642	14,718,684
Margin accounts	496,486	662,177	570,429	996,939	4,267,848	288,019	7,281,898
Other liabilities	-	-	-	-	10,242	192,511	202,753
Total Liabilities	499,409	902,911	580,422	1,063,302	4,278,090	14,988,636	22,312,770
Total Assets	3,531,212	1,598,687	179,932	836,622	8,790,924	10,335,092	25,272,469

(27) RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

1 January 2020	Less than 1 month USD (000)	1-3 months USD (000)	3 – 6 months USD (000)	6-12 Months USD (000)	1-5 years USD (000)	No fixed Maturity USD (000)	Total USD (000)
Due to banks and financial institutions	-	179	46,797	5,338	-	1,875,623	1,927,937
Customers' accounts	194,378	4,786	185,683	589,145	-	12,674,740	13,648,732
Margin accounts	242,272	2,048,918	1,058,124	859,971	5,037,063	5,630	9,251,978
Other liabilities	-	-	-	-	4,345	273,533	277,878
Total Liabilities	436,650	2,053,883	1,290,604	1,454,454	5,041,408	14,829,526	25,106,525
Total Assets	8,100,748	1,985,877	701,946	714,479	8,729,540	8,256,314	28,488,904

(27) RISK MANAGEMENT (continued)

Liquidity Risk (continued)

Off-balance sheet items

31 December 2021	Less than one year USD (000)	More than one year USD (000)	Total USD (000)
Letters of guarantee	1,324,384	824,825	2,149,209
Letters of credit	3,709,941	4,585,105	8,295,046
Total	5,034,325	5,409,930	10,444,255

31 December 2020	Less than one year USD (000)	More than one year USD (000)	Total USD (000)
Letters of guarantee	177,116	1,717,536	1,894,652
Letters of credit	749,972	8,155,615	8,905,587
Total	927,088	9,873,151	10,800,239

1 January 2020	Less than one year USD (000)	More than one year USD (000)	Total USD (000)
Letters of guarantee	1,775,611	999,005	2,774,616
Letters of credit	4,953,535	5,200,161	10,153,696
Total	6,729,146	6,199,166	12,928,312

(28) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

31 December 2021	Within 1 year USD (000)	More than 1 year USD (000)	Total USD (000)
Assets			
Cash and balances at Central Bank of Iraq	4,035,051	3,088,000	7,123,051
Due from banks and financial institutions	8,931,191	3,310,550	12,241,741
Direct credit facilities	1,575,071	3,908,016	5,483,087
Financial assets at amortized cost	423,328	294,916	718,244
Financial assets at fair value through profit or loss	1,989,923	-	1,989,923
Financial assets at fair value through other comprehensive income	-	5,564	5,564
Investment in an associate	-	24,295	24,295
Due from Ministry of Finance	-	755,815	755,815
Property and equipment	-	40,073	40,073
Intangible assets	-	2,561	2,561
Other assets	616,897	3,182	620,079
Total Assets	17,571,461	11,432,972	29,004,433
Liabilities			
Due to banks and financial institution	208,807	-	208,807
Customers' accounts	17,324,208	161	17,324,369
Margin accounts	3,515,671	4,508,173	8,023,844
Other liabilities	243,024	27,925	270,949
Total Liabilities	21,291,710	4,536,259	25,827,969
Net	(3,720,249)	6,896,713	3,176,464

(28) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2020	Within 1 year	More than 1 year	Total
	USD (000)	USD (000)	USD (000)
Assets			
Cash and balances at Central Bank of Iraq	2,032,076	3,090,648	5,122,724
Due from banks and financial institutions	8,140,617	-	8,140,617
Direct credit facilities	377,460	5,496,931	5,874,391
Financial assets at amortized cost	685,173	199,554	884,727
Financial assets at fair value through profit or loss	3,907,333	-	3,907,333
Financial assets at fair value through other comprehensive income	-	5,564	5,564
Investment in an associate	-	16,512	16,512
Due from Ministry of Finance	723,358	-	723,358
Property and equipment	-	42,007	42,007
Intangible assets	-	3,108	3,108
Other assets	548,337	3,791	552,128
Total Assets	16,414,354	8,858,115	25,272,469
Liabilities			
Due to banks and financial institution	109,435	-	109,435
Customers' accounts	14,718,684	-	14,718,684
Margin accounts	3,014,050	4,267,848	7,281,898
Other liabilities	192,511	10,242	202,753
Total Liabilities	18,034,680	4,278,090	22,312,770
Net	(1,620,326)	4,580,025	2,959,699

(28) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

1 January 2020	Within 1 year USD (000)	More than 1 year USD (000)	Total USD (000)
Assets			
Cash and balances at Central Bank of Iraq	1,689,737	3,726,415	5,416,152
Due from banks and financial institutions	11,845,294	-	11,845,294
Direct credit facilities	1,515,239	4,940,439	6,455,678
Financial assets at amortized cost	1,692,035	328,923	2,020,958
Financial assets at fair value through profit or loss	2,171,916	-	2,171,916
Financial assets at fair value through other comprehensive income	-	2,356	2,356
Due from Ministry of Finance	281,128	-	281,128
Property and equipment	-	54,257	54,257
Intangible assets	-	4,644	4,644
Other assets	232,468	4,053	236,521
Total Assets	19,427,817	9,061,087	28,488,904
Liabilities			
Due to banks and financial institution	1,927,937	-	1,927,937
Customers' accounts	13,648,732	-	13,648,732
Margin accounts	4,214,915	5,037,063	9,251,978
Other liabilities	273,533	4,345	277,878
Total Liabilities	20,065,117	5,041,408	25,106,525
Net	(637,300)	4,019,679	3,382,379

(29) ASSETS, LIABILITIES AND REVENUES GEOGRAPHIC DISTRIBUTION

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

2021	Iraq USD (000)	Outside Iraq USD (000)	Total USD (000)
Revenues	365,261	173,515	538,776
Total Assets	14,071,460	14,932,973	29,004,433
Total Liabilities	18,304,588	7,523,381	25,827,969

2020	Iraq USD (000)	Outside Iraq USD (000)	Total USD (000)
Revenues	1,177,403	240,328	1,417,731
Total Assets	12,518,920	12,753,549	25,272,469
Total Liabilities	15,404,826	6,907,944	22,312,770

(30) 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 profit or loss and financial assets at fair value through other comprehensive income at the end of each reporting year and the table below shows information related to determining the fair value:

	Fair value USD (000)				
	31 December 2021	31 December 2020	1 January 2020		
	USD (000)	USD (000)	USD (000)	Fair value level	Method of valuation and observable inputs
Financial assets at fair value through profit or loss	1,989,923	3,907,333	2,171,916	Level 2	Net assets value
Financial assets at fair value through other comprehensive income	2,617	2,641	2,288	Level 1	Based on price quotations in financial markets
Financial assets at fair value through other comprehensive income	2,947	2,923	68	Level 2	Through comparison of similar financial instruments

B. Fair value of financial assets and liabilities of the Bank that are not measured in fair value:

	31 December 2021		31 December 2020		1 January 2020		
	Total carrying amount	Total fair value	*Total carrying amount*	Total fair value	Total carrying amount	Total fair value	Fair value level
	USD (000)		USD (000)		USD (000)		
Financial assets not measured at fair value							
Cash and balances with Central Bank of Iraq	7,123,051	7,123,051	5,122,724	5,122,724	5,416,152	5,416,152	Level 2
Due from banks and other financial institutions	12,241,741	12,241,741	8,140,617	8,140,617	11,845,294	11,845,294	Level 2
Direct credit facilities	5,483,087	5,483,087	5,874,391	5,874,391	6,455,678	6,455,678	Level 2
Financial assets at amortized cost	718,244	750,579	884,727	901,692	2,020,958	2,027,282	Level 1 and 2
	25,566,123	25,598,458	20,022,459	20,039,424	25,738,082	25,744,406	
Financial liabilities not measured at fair value							
Due to banks and other financial institutions	208,807	208,807	109,435	109,435	1,927,937	1,927,937	Level 2
Customers' accounts	17,324,369	17,324,369	14,718,684	14,718,684	13,648,732	13,648,732	Level 2
Margin accounts	8,023,844	8,023,844	7,281,898	7,281,898	9,251,978	9,251,978	Level 2
	25,557,020	25,557,020	22,110,017	22,110,017	24,828,647	24,828,647	

(31) CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding commitments and contingent liabilities are as follows:

	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Letters of guarantee	2,149,209	1,894,652	2,774,616
Letters of credit	8,295,046	8,905,587	10,153,696
	10,444,255	10,800,239	12,928,312

(32) CAPITAL MANAGEMENT

Capital Adequacy	31 December 2021	31 December 2020	1 January 2020
	USD (000)	USD (000)	USD (000)
Primary capital items:			
Share capital	3,000,000	3,000,000	2,346,882
General reserve	236,764	236,764	236,764
Special reserve	7,647	7,647	7,647
Foreign currency translation reserve	(703,271)	(703,271)	(71,058)
Retained earnings	632,717	415,926	859,865
Total Primary capital	3,173,857	2,957,066	3,380,100
Supplementary Capital:			
Investments revaluation reserve	1,299	1,312	1,135
General provisions	1,019,937	962,570	832,424
Total Supplementary Capital	1,021,236	963,882	833,559
Total supplementary and primary Capital	4,195,093	3,920,948	4,213,659
Total risk weighted assets in the consolidated statement of financial position	5,883,394	5,345,783	5,683,775
Total risk weighted assets off the consolidated statement of financial position	207,664	253,793	1,085,551
	6,091,058	5,599,576	6,769,326
Capital adequacy ratio	68.87%	70.02%	62.25%

The Bank calculated capital adequacy at 31 December 2021 according to the CBI's regulations that requires the capital adequacy ratio to be not less than 12%.

(33) 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.

(34) LAWSUITS

There are lawsuits filed against the Bank totalling to USD 503 million as of 31 December 2021. The management and the Banks's lawyers believe that the Bank will not be held liable for any amounts in excess of the amounts provided as at 31 December 2021.

(35) IMPACT OF COVID-19

The Bank considered the potential impact of the uncertainties caused by the COVID-19 pandemic together with the associated economic support and relief measures of government and central bank in its estimation of ECL requirements for the year ended 31 December 2021.

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

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

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

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

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

(36) COMPARATIVE FIGURES

Except for reclassification and remeasurement adjustments in note 2.7, some of the comparative figures for the year 2020 have been reclassified to correspond with those of 31 December 2021 presentation. The reclassification did not have any effect on the profit for the year ended 31 December 2021 or equity as at 31 December 2020.