

TRADE BANK OF IRAQ
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF TRADE BANK OF IRAQ
BAGHDAD - IRAQ**

Qualified 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 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion below, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation set out in Note 2

Basis for Qualified 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 3,091 million as at 31 December 2020. As a result of the ongoing political situation, the Bank was unable to utilize or collect these outstanding balances. We were unable to determine the amount of required impairment provision for these balances as at 31 December 2020.

Subsequent to the consolidated financial statements date, 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.

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 Ethics Standards Board for Accountants' 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 qualified 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 the basis of preparation set out in Note 2, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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



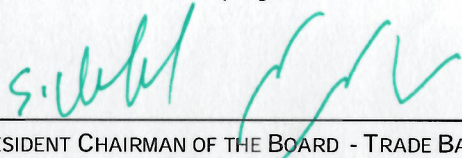
1 August 2021

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

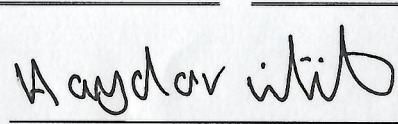
TRADE BANK OF IRAQ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

<u>Assets</u>	<u>Notes</u>	31 December 2020	31 December 2019
		USD (000)	USD (000)
Cash and balances with Central Bank of Iraq	3	5,148,962	5,439,937
Due from banks and other financial institutions	4	8,159,341	11,859,751
Direct credit facilities	5	6,015,014	6,695,654
Financial assets at amortized cost	6	897,933	2,051,036
Financial assets at fair value through profit or loss	7	3,907,333	2,171,916
Financial assets at fair value through other comprehensive income	8	5,564	2,356
Investment in an associate	9	16,512	-
Property and equipment	10	42,007	54,257
Intangible assets		3,108	4,644
Other assets	11	1,271,695	513,596
Total assets		25,467,469	28,793,147
<u>Liabilities and equity</u>			
<u>Liabilities</u>			
Due to banks and other financial institutions	12	109,435	1,927,937
Customers' accounts	13	14,718,684	13,648,732
Margin accounts	14	7,281,898	9,251,978
Other liabilities	15	205,900	285,720
Total liabilities		22,315,917	25,114,367
<u>Equity</u>			
Share capital	16	3,000,000	2,346,882
General reserve		236,764	236,764
Special reserve	17	7,647	7,647
Investments revaluation reserve		2,623	2,269
Foreign currency translation reserve		(703,271)	(71,058)
Retained earnings		607,779	1,156,266
Total attributable to equity holders of the parent		3,151,542	3,678,770
Non-controlling interest		10	10
Total equity		3,151,552	3,678,780
Total liabilities and equity		25,467,469	28,793,147



PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ



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

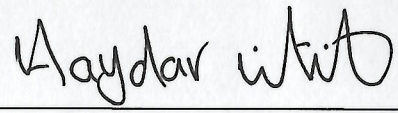
TRADE BANK OF IRAQ

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 USD (000)	31 December 2019 USD (000)
Interest income	19	428,931	516,898
Interest expense	20	(25,192)	(28,192)
Net interest income		403,739	488,706
Commission income	21	122,583	139,689
Commission expense		(4,242)	(5,389)
Net interest and commission income		522,080	623,006
Net gain from foreign currency exchange		798,342	15,709
Net gains on financial assets at fair value through profit or loss	22	66,804	35,492
Other operating income		1,071	610
Net operating income		1,388,297	674,817
Employees' expenses		(44,372)	(44,301)
Administrative expenses	23	(23,947)	(14,484)
Depreciation and amortization		(7,835)	(8,282)
Allowance for expected credit losses, net	4,5,11 & 15	(1,068,034)	(45,991)
Litigation expenses	15	(7,855)	(5,230)
Total expenses		(1,152,043)	(118,288)
Profit for the year		236,254	556,529
Attributable to:			
Shareholders of the Bank		236,254	556,528
Non-controlling interest		-	1
Profit for the year		236,254	556,529



PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ



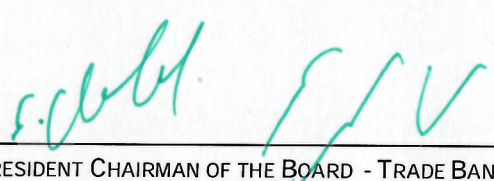
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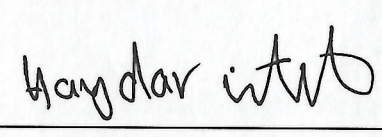
TRADE BANK OF IRAQ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	31 December 2020 USD (000)	31 December 2019 USD (000)
Profit for the year	236,254	556,529
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	707
Exchange differences arising from the translation of foreign operations	(632,213)	-
Total other comprehensive income for the year	(631,859)	707
Total comprehensive income for the year	(395,605)	557,236
Attributable to:		
Shareholder of the Bank	(395,605)	557,235
Non-controlling interest	-	1
Total comprehensive income for the year	(395,605)	557,236



PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ



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TRADE BANK OF IRAQ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020									
Balance at 1 January 2020	2,346,882	236,764	7,647	2,269	(71,058)	1,156,266	3,678,770	10	3,678,780
Total comprehensive income for the year	-	-	-	354	(632,213)	236,254	(395,605)	-	(395,605)
Capital increase (Note 16)	653,118	-	-	-	-	(673,435)	(20,317)	-	(20,317)
Cash dividends distributed to the public treasury (Note 18)	-	-	-	-	-	(111,306)	(111,306)	-	(111,306)
Balance at 31 December 2020	3,000,000	236,764	7,647	2,623	(703,271)	607,779	3,151,542	10	3,151,552
31 December 2019									
Balance at 1 January 2019	2,346,882	236,709	10,608	1,562	(71,058)	686,887	3,211,590	-	3,211,590
Total comprehensive income for the year	-	-	-	707	-	556,528	557,235	1	557,236
Change in non-controlling interest	-	-	-	-	-	-	-	10	10
Transfers to reserves	-	55	-	-	-	(55)	-	-	-
Transfers to retained earnings	-	-	(2,961)	-	-	2,961	-	-	-
The Subsidiary's cash dividend distributed to non-controlling interest	-	-	-	-	-	-	-	(1)	(1)
Cash dividends distributed to the public treasury (Note 18)	-	-	-	-	-	(90,055)	(90,055)	-	(90,055)
Balance at 31 December 2019	2,346,882	236,764	7,647	2,269	(71,058)	1,156,266	3,678,770	10	3,678,780

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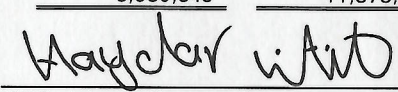
The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

TRADE BANK OF IRAQ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020 USD (000)	31 December 2019 USD (000)
<u>Operating activities:</u>			
Profit for the year		236,254	556,529
Adjustments:			
Change in fair value of financial assets at fair value through profit or loss	22	(73,882)	(33,917)
Depreciation and amortization		7,835	8,282
Allowance for credit losses, net	4,5,11 & 15	1,068,034	45,991
Litigation expenses	15	7,855	5,230
Loss from sale of financial assets at fair value through profit or loss	22	7,853	-
Effect of foreign currency differences		(713,651)	-
Cash flows from operating activities before changes in assets and liabilities		540,298	582,115
Changes in assets and liabilities:			
Balances with CBI		696,175	(283,791)
Time deposits with banks and other financial institutions maturing after 3 months		(493,804)	(701,536)
Direct credit facilities		(100,372)	(1,609,774)
Acquisition of Financial assets at fair value through profit and loss		(2,030,369)	(2,265,018)
Redemption of Financial assets at fair value through profit and loss		360,206	150,000
Other assets		(152,517)	(160,877)
Due to banks and other financial institutions		(1,823,007)	1,744,962
Customers' accounts		(482,089)	4,660,099
Margin accounts		(3,314,006)	884,488
Other liabilities		(115,074)	(88,547)
Litigations paid during the year		(220)	(1,142)
Net cash flows (used in) from operating activities		(6,914,779)	2,910,979
<u>Investing activities:</u>			
Purchase of financial assets at amortized cost		(152,104)	(15,290)
Maturity of financial assets at amortized cost		1,110,228	430,336
Purchase of property and equipment and intangible assets		(4,807)	(6,351)
Purchase of intangible assets		(162)	(622)
Net cash flows from investing activities		953,155	408,073
<u>Financing activities:</u>			
Dividends paid to the public treasury		(111,306)	(90,055)
Capital paid by non-controlling interest		-	10
Dividend paid to non-controlling interest		(1)	-
Proceeds from CBI loan		6,125	-
Dividends received		775	1,575
Net cash flows used in financing activities		(104,407)	(88,470)
Net (decrease) increase in cash and cash equivalents		(6,066,031)	3,230,582
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		11,878,463	8,647,881
Cash and cash equivalents, end of the year	24	8,089,843	11,878,463


 PRESIDENT CHAIRMAN OF THE BOARD - TRADE BANK OF IRAQ


 CFO - TRADE BANK OF IRAQ

The accompanying notes from 1 to 34 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 its 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 1 August 2021.

(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 2020 have been prepared in accordance with the accounting policies detailed below.

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.

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 the Subsidiary as at 31 December 2020. The Subsidiary is fully consolidated from the date on which control is transferred to the Bank. Control is achieved when the Bank has power over the investee and 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.

All balances, transactions, income, and expenses between the Bank and the Subsidiary are eliminated in full. The consolidated financial statements include assets, liabilities and operating results of the Bank management and branches and the Subsidiary.

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 2020.

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 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 interest bearing financial instruments, interest income or expense is recorded using the effective interest rate, 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 except for fees and interest on non performing facilities, on which interest is transferred to the interest in suspense account and 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.

Recognition of financial assets and liabilities

Purchases and sales of financial assets are recognized on the trade date (that being the date at which the sale or purchase takes place).

Direct credit facilities

Direct credit facilities are shown net of allowance of credit losses and interest and commissions in suspense.

Direct credit facilities are categorized into the following stages that are in line with CBI regulations:

- Stage 1: Represented by governmental loans and performing direct credit facilities that are not past due.
- Stage 2: Represented by watch-list direct credit facilities that are past due for no more than 90 days and those direct credit facilities that their credit risks are significantly increased since the initial recognition.
- Stage 3: Represented by non-performing direct credit facilities that are past due for more than 90 days.

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)2.3 Summary of significant accounting policies (continued)

Direct credit facilities (continued)

Allowance for credit losses on direct credit facilities is reviewed on the basis of the principles established by the CBI after taking into account the guarantees that are easy to liquefy in order to calculate the allowance for credit losses of direct credit facilities. The allowance is recorded in the consolidated statement of income.

Interest and commission arising on non-performing facilities is suspended when loans become impaired according to the CBI's regulations.

Loans and the related allowance for credit losses are written off when collection procedures become ineffective. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated statement of income, and cash recoveries of loans that were previously written off are credited to the consolidated statement of income.

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 principal and interest on the outstanding principal amount.

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

The amount of the allowance consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

Reclassification of these assets is prohibited under CBI requirements (in case of selling any of these assets before its maturity date, the result of such transaction will be recorded in the consolidated statement of income in separate line item and should be disclosed in accordance with CBI requirements in this regard).

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.

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.

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

2.3 Summary of significant accounting policies (continued)

Financial assets at fair value through other comprehensive income

The Bank has the final right to value each financial instrument as an equity instrument at fair value through other comprehensive income; however, this classification is not permitted if the investment is an equity instrument held for trading.

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.

Investment in an associate

The Bank's investment in its associate 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 consolidated income statement and the statement of 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 its carrying value, and is recognized in the consolidated statement of income.

Fair value

The Bank measures financial instruments is at fair value at each financial statement date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)2.3 Summary of significant accounting policies (continued)

Fair value (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of allowance for credit losses to be recognized in the consolidated statement of income.

Allowance for credit losses is determined as follows:

- For assets carried at amortized cost, allowance for credit losses is based on the difference between the carrying value and the estimated cash flows discounted at the original effective interest method.
- Impairment is recognized in the consolidated statement of income. If in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognized in the consolidated statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)2.3 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 'Administrative 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)

2.3 Summary of significant accounting policies (continued)

De-recognition of financial assets and financial liabilities

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- 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; or
- Either:
 - (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Foreign currencies

- Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date.
- All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the consolidated statement of income.
- Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

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.

2) BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)2.3 Summary of significant accounting policies (continued)

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.

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.

2.4 Use of estimates

The preparation of the consolidated financial statements and implementation of accounting policies requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as other comprehensive income items. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumption about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future change in such estimates.

The Bank's management believes that its estimates are reasonable and are as follows:

- Allowance for credit losses of direct credit facility: The allowance for credit losses is reviewed on the basis of the principles established by the Central Bank of Iraq.
- Impairment losses on collaterals acquired by the Bank are determined based on appraisal reports prepared by certified appraisers. Valuation is performed on a regular basis.
- The management periodically reassess the useful life of the property and equipment and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. Impairment losses (if any) are recorded in the consolidated statement of income.
- A periodic review is performed by management to financial assets at amortized cost to assess any impairment that will be recognized in the consolidated statement of income for the period.
- Litigation provision is calculated for any litigation liabilities according to the lawyer's opinion.

(3) CASH AND BALANCES WITH CENTRAL BANK OF IRAQ

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Cash on hand	273,198	106,950
Balances with Central Bank of Iraq:		
Current accounts *	3,991,362	4,346,740
Statutory cash reserve **	884,402	945,046
Time deposits ***	-	41,201
	<u>5,148,962</u>	<u>5,439,937</u>

* This item includes balances with Central Bank of Iraq at Kurdistan Region amounted to USD 3,090,648 thousands as at 31 December 2020 (31 December 2019: USD 3,726,179 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.

Subsequent to the consolidated financial statements date, 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.

The Bank is going to sign an agreement with Kurdistan Region Government to settle the outstanding debt balance on a monthly instalment during a period of 7 years starting from the year 2021.

** 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%.

(4) DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Current accounts inside Iraq	28	34
Current accounts outside Iraq	3,075,887	3,878,037
Time deposits outside Iraq *	5,083,820	7,981,680
	<u>8,159,735</u>	<u>11,859,751</u>
Allowance for credit losses **	(394)	-
	<u>8,159,341</u>	<u>11,859,751</u>

* Time deposits include deposits with maturity of more than 3 months amounted to USD 1,243,804 thousand (31 December 2019: USD 750,000 thousand).

(4) DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

** Due to the economic situation and instability in Lebanon, the Central Bank of Iraq issued new instructions requiring Iraqi banks that have balances with Lebanese banks to withdraw these balances and deposit them with banks with classification no less than B, or to fully provided allowance against these balances. The Bank's management decided to fully provide for these balances. The movement on the allowance for credit losses for balances with Lebanese banks as follow:

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	-	-
Additions during the year	483	-
Effect of foreign currency translation	(89)	-
Balance at end of the year	394	-

(5) DIRECT CREDIT FACILITIES

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Loans:		
Governmental	4,977,747	4,937,408
Corporates	1,203,686	1,120,236
Retail	731,562	699,398
	6,912,995	6,757,042
Overdrafts:		
Corporates	1,912,938	1,994,220
Retails	2,506	1,961
	1,915,444	1,996,181
Total	8,828,439	8,753,223
Interest in suspense (A)	(917,298)	(787,406)
Allowance for expected credit losses (B)	(1,896,127)	(1,270,163)
Balance at end of the year	6,015,014	6,695,654

Non-performing credit facilities amounted to USD 2,743,069 thousand as at 31 December 2020 (31 December 2019: USD 2,619,848 thousand) representing 31.07% (31 December 2019: 29.93%) of gross direct credit facilities.

Non-performing credit facilities, net of interest in suspense, amounted to USD 1,825,771 thousand as at 31 December 2020 (31 December 2019: 1,832,442 thousand) representing 23.08% of gross credit facilities after deducting the interest in suspense (31 December 2019: 23.00%).

Allowance for credit losses for non-performing credit facilities net of interest in suspense coverage ratio was 103.85% as at 31 December 2020 (31 December 2019: 69.32%). During the year, CBI has amended the exchange rate for IQD/USD in their instruction No. 9/2/2020 dated on 28 December 2020 from 1182 to 1460 that resulted to the significant increase in the coverage ratio.

(5) DIRECT CREDIT FACILITIES (CONTINUED)

A. Interest in suspense

The movement on interest in suspense is as follows:

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	787,406	838,117
Additions during the year	340,455	487,948
Recoveries during the year	(204,470)	(369,636)
Written-off during the year	-	(169,023)
Effect of foreign currency translation	(6,093)	-
Balance at end of the year	917,298	787,406

B. Allowance for credit Losses

The movement on allowance for credit losses is as follows:

	31 December 2020 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	14,862	25,844	1,229,457	1,270,163
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	29	2,832	1,063,127	1,065,988
Effect of foreign currency translation	(23,701)	(16,382)	(399,941)	(440,024)
Balance at end of the year	104,021	71,435	1,720,671	1,896,127

	31 December 2019 USD (000)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	9,633	4,900	1,184,258	1,198,791
Transfer to stage 1	27,998	(2,010)	(25,988)	-
Transfer to stage 2	(305)	38,605	(38,300)	-
Transfer to stage 3	(374)	(2,869)	3,243	-
Net movement for the year	(22,090)	(12,782)	106,244	71,372
Balance at year end	14,862	25,844	1,229,457	1,270,163

(6) FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Government of Iraq bonds *	455,778	752,716
Treasury bills **	442,155	1,298,320
	<u>897,933</u>	<u>2,051,036</u>

* The average rate of USD bonds with a total amount of USD 396,199 thousands is 4.85% which will mature during the period between 2021 and 2028. The average interest rate of IQD bonds with total amount of USD 59,579 thousand is 6.91% which will mature during the period between 2021 and 2023.

** Treasury bills are issued by Ministry of Finance and Central Bank of Iraq with an average interest rate of 2.8% and mature between two to eight months.

(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 2020	31 December 2019
	USD (000)	USD (000)
Quoted share	2,641	2,288
Unquoted shares	2,923	68
	<u>5,564</u>	<u>2,356</u>

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

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	2,356	1,649
Purchases during the year	2,854	-
Change in fair value	354	707
Balance at end of the year	<u>5,564</u>	<u>2,356</u>

(9) INVESTMENT IN AN ASSOCIATE

	Country of incorporation	Percentage of ownership		Carrying amount of the investment	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
				USD (000)	USD (000)
Al-Nasik Islamic Bank for investment and Islamic finance	Iraq	24.11%	-	16,512	-
				<u>16,512</u>	<u>-</u>

TRADE BANK OF IRAQ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

(10) PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture & fixtures	Vehicles	Tools & equipment	Leasehold improvements	Work in progress	Total
2020	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	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

31 DECEMBER 2020

(10) PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings	Furniture & fixtures	Vehicles	Tools & equipment	Leasehold improvements	Work in progress	Total
2019	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Cost:								
Balance at 1 January 2019	16,937	58,584	12,993	1,420	2,079	9,545	709	102,267
Additions	350	970	1,326	134	-	1,275	2,296	6,351
Transfer from Work in progress	-	230	523	-	583	24	(1,360)	-
Balance at 31 December 2019	17,287	59,784	14,842	1,554	2,662	10,844	1,645	108,618
Accumulated Depreciation:								
Balance at 1 January 2019	-	26,624	12,993	1,420	2,079	4,318	-	47,434
Depreciation charge for the year	-	3,316	1,816	134	583	1,078	-	6,927
Balance at 31 December 2019	-	29,940	14,809	1,554	2,662	5,396	-	54,361
Net book value as at 31 December 2019	17,287	29,844	33	-	-	5,448	1,645	54,257

(11) OTHER ASSETS

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Due from Ministry of Finance	723,533	281,269
Margins held by others	496,539	88,026
Interest receivables	42,836	109,869
Other receivables	17,163	39,331
Commission receivables	5,946	8,916
Assets repossessed by the bank	616	761
Prepaid expenses	545	935
Allowance for assets repossessed by the bank *	(616)	-
Allowance for credit losses on other receivables **	(14,867)	(15,511)
	<u>1,271,695</u>	<u>513,596</u>

* 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 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	-	-
Net movement during the year	756	-
Effect of foreign currency translation	(140)	-
Balance at end of the year	<u>616</u>	<u>-</u>

** The movement on allowance for credit losses of other receivables is as follows:

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	15,511	15,099
Net movement during the year	1,563	412
Effect of foreign currency translation	(2,207)	-
Balance at end of the year	<u>14,867</u>	<u>15,511</u>

(12) DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Current accounts	88,464	1,883,423
Time deposits	20,971	44,514
	<u>109,435</u>	<u>1,927,937</u>

(13) CUSTOMERS' ACCOUNTS

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Current and call accounts	13,823,397	11,899,458
Saving accounts	516,089	662,322
Time deposits	305,313	1,015,259
Other deposits	73,885	71,693
	<u>14,718,684</u>	<u>13,648,732</u>

(14) MARGIN ACCOUNTS

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Against LCs	6,907,944	8,792,085
Against LGs	85,934	98,647
Other margins	288,020	361,246
	<u>7,281,898</u>	<u>9,251,978</u>

(15) OTHER LIABILITIES

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Other payables	59,012	116,494
Accounts under reconciliation	31,482	19,436
Deferred income	27,402	40,336
Allowance for indirect credit facilities *	26,811	33,117
Litigation provision **	25,725	24,088
Certified cheques	12,236	22,482
CBI loan ***	6,125	-
Accrued expenses	5,296	5,897
Interest payables	3,561	15,758
Frozen customers' balances by court order	1,085	1,574
Stamp fees payables	904	1,073
Abroad transfers	509	527
Dividend payables to non-controlling interest	-	1
Others	5,752	4,937
	<u>205,900</u>	<u>285,720</u>

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

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	33,117	58,498
Net movement during the year	-	(25,381)
Effect of foreign currency translation	(6,306)	-
Balance at end of the year	<u>26,811</u>	<u>33,117</u>

** The movement on provision for litigation is as follows:

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Balance at 1 January	24,088	20,000
Additions during the year	7,855	5,230
Paid during the year	(220)	(1,142)
Effect of foreign currency translation	(5,998)	-
Balance at end of the year	<u>25,725</u>	<u>24,088</u>

(15) OTHER LIABILITIES (CONTINUED)

*** During 2020, the Bank signed an agreement with CBI in an amount of IQD 1 billion as part of CBI's plan to grant loans to commercial 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.

(16) 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.

(17) SPECIAL RESERVE

The Government of Iraq had granted the Banks 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.

(18) 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.

The Prime Minister's office approved on 20 May 2019 the distribution of 50% of the realized profit for the year 2018 which amounted to USD 90,055 thousand to the public treasury of Government of Iraq.

(19) INTEREST INCOME

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Direct credit facilities	264,748	233,077
Deposits held with banks and other financial institution	85,449	191,333
Financial assets at amortized cost	78,734	92,488
	<u>428,931</u>	<u>516,898</u>

(20) INTEREST EXPENSE

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Customers' deposits	19,241	22,661
Saving accounts	5,801	5,531
CBI loan	150	-
	<u>25,192</u>	<u>28,192</u>

(21) COMMISSION INCOME

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Indirect credit facilities	71,248	82,788
Bank transfers	28,498	32,486
Other commissions	22,837	24,415
	<u>122,583</u>	<u>139,689</u>

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

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Unrealized gain	73,882	33,917
Realized gains from the investment funds	775	1,575
Loss from sale of financial asset at fair value through profit and loss	(7,853)	-
	<u>66,804</u>	<u>35,492</u>

(23) ADMINISTRATIVE EXPENSES

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Bank Charges	7,333	2,897
Donations for others	5,575	44
Travel and transportation	3,395	3,916
Rent	2,210	1,326
Subscriptions	1,832	1,362
Office supplies	499	654
Maintenance	464	883
Fuel and oil	316	338
Research and consultancy	194	272
Advertising	193	281
Legal expenses	40	40
Others	1,896	2,471
	<u>23,947</u>	<u>14,484</u>

(24) CASH AND CASH EQUIVALENTS

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

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Cash and balances with Central Bank of Iraq	5,148,962	5,439,937
Due from banks and other financial institutions	8,159,735	11,859,751
Less:		
Statutory cash reserve	(884,402)	(945,046)
Balances with CBI - Kurdistan Region *	(3,090,648)	(3,726,179)
Time deposits with banks and other financial institution maturing after 3 months	(1,243,804)	(750,000)
	<u>8,089,843</u>	<u>11,878,463</u>

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

(25) 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 2020 USD (000)	31 December 2019 USD (000)
<u>Consolidated statement of financial position:</u>		
Balances with CBI	4,875,764	5,332,987
Due from banks and other financial institutions	28	34
Direct credit facilities	4,979,409	4,940,047
Financial assets at amortized cost	897,933	2,051,036
Other assets	723,533	281,269
Due to banks and other financial institutions	24,734	57,705
Customers' deposits	9,804,189	11,701,124
Margin accounts	6,840,785	7,743,900
<u>Off-balance sheet items:</u>		
Letters of guarantees	105,608	2,013
Letters of credit	8,067,834	9,975,666
<u>Consolidated statement of income:</u>		
Interest income	104,086	144,426

Bonuses and compensations of the chairman and members of board of directors and key management personnel amounted to USD 2,474 thousand incurred during the year ended 31 December 2020 (31 December 2019: USD 2,364 thousand).

(26) 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)

	2020	2019
	USD (000)	USD (000)
Consolidated statement of financial position items:		
Balances at Central Bank of Iraq	4,875,764	5,332,987
Due from banks and other financial institutions	8,159,341	11,859,751
Direct credit facilities	6,015,014	6,695,654
Financial assets at amortized cost	897,933	2,051,036
Other assets	1,271,150	511,900
	21,219,202	26,451,328
Off-balance sheet items:		
Letters of guarantee	1,894,652	2,774,616
Letters of credits	8,905,587	10,153,696
	10,800,239	12,928,312
Net maximum credit risk exposure before consideration of credit risk mitigations	32,019,441	39,379,640
Credit risk mitigations:		
Cash margins	81	8,891,302
Real Estate	921,555	450,194
Stock shares	56,837	1,868
Counter guarantees	-	2,419,845
Letters of guarantee	15,000	-
	993,473	11,763,209
Net maximum credit risk exposure after consideration of credit risk mitigation	31,025,968	27,616,431

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

(26) RISK MANAGEMENT (continued)Credit Risk (continued)

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

	Governmental	Retails	Corporates	Banks and other financial Institutions	Total
2020	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Low risk	11,475,005	-	-	8,705,028	20,180,033
Acceptable risk	-	510,524	482,251	-	992,775
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	-	111,543	2,525,164	17,163	2,653,870
Total	11,475,005	734,068	3,116,624	8,722,191	24,047,888
Less: Interest in suspense	-	-	(917,298)	-	(917,298)
Less: Allowance for credit losses	-	(123,652)	(1,772,475)	(15,261)	(1,911,388)
Net	11,475,005	610,416	426,851	8,706,930	21,219,202

	Governmental	Retails	Corporates	Banks and other Financial Institutions	Total
2019	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Low risk	12,602,734	-	574,782	8,379,680	21,557,196
Acceptable risk	-	522,875	275,181	-	798,056
Watch list	-	62,807	2,010	-	64,817
Non- performing:					
Substandard debts	-	15,826	1,328	-	17,154
Doubtful debts	-	2,352	8,108	-	10,460
Bad debts	-	97,499	2,146,855	3,832,371	6,076,725
Total	12,602,734	701,359	3,008,264	12,212,051	28,524,408
Less: Interest in suspense	-	(50,993)	(716,880)	(19,533)	(787,406)
Less: Allowance for credit losses	-	(82,257)	(1,101,247)	(102,170)	(1,285,674)
Net	12,602,734	568,109	1,190,137	12,090,348	26,451,328

(26) RISK MANAGEMENT (continued)Credit Risk (continued)

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

2020	Retails USD (000)	Corporates USD (000)	Banks and other Financial Institutions USD (000)	Total USD (000)
Acceptable risk	62,311	-	-	62,311
Watch list	1,418	1,299	-	2,717
Non-performing:				
Substandard debts	574	8,013	-	8,587
Doubtful debts	794	28,582	-	29,376
Bad debts	538,096	352,386	-	890,482
Total	603,193	390,280	-	993,473
Comprising of:				
Cash margins	81	-	-	81
Real Estate	556,357	365,198	-	921,555
Stock shares	46,755	10,082	-	56,837
Letters of guarantee	-	15,000	-	15,000
Total	603,193	390,280	-	993,473

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

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

2020	Inside Iraq USD (000)	Outside Iraq USD (000)	Total USD (000)
Balances at Central Bank of Iraq	4,875,764	-	4,875,764
Due from banks and other financial institutions	28	8,159,313	8,159,341
Direct credit facilities	6,015,014	-	6,015,014
Financial assets at amortized cost	694,676	203,257	897,933
Other assets	771,090	500,060	1,271,150
Total 2020	12,356,572	8,862,630	21,219,202
Total 2019	14,494,669	11,956,659	26,451,328

(26) RISK MANAGEMENT (continued)Credit Risk (continued)

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

2020	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Treasury USD (000)	Total USD (000)
Balances at Central Bank of Iraq	4,875,764	-	-	-	4,875,764
Due from banks and other financial institutions	28	-	-	8,159,313	8,159,341
Direct credit facilities	4,977,747	610,416	426,851	-	6,015,014
Financial assets at amortized cost	897,933	-	-	-	897,933
Other assets	723,533	-	-	547,617	1,271,150
Total	<u>11,475,005</u>	<u>610,416</u>	<u>426,851</u>	<u>8,706,930</u>	<u>21,219,202</u>

2019	Governmental USD (000)	Retails USD (000)	Corporates USD (000)	Treasury USD (000)	Total USD (000)
Balances at Central Bank of Iraq	5,332,987	-	-	-	5,332,987
Due from banks and other Financial institutions	34	-	-	11,859,717	11,859,751
Direct credit facilities	4,937,408	568,109	1,190,137	-	6,695,654
Financial assets at amortized cost	2,051,036	-	-	-	2,051,036
Other assets	281,269	-	-	230,631	511,900
Total	<u>12,602,734</u>	<u>568,109</u>	<u>1,190,137</u>	<u>12,090,348</u>	<u>26,451,328</u>

(26) RISK MANAGEMENT (continued)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 2020. The effect of decreases in interest rate is expected to be equal and opposite to the effect of the increases shown:

2020

Currency	Increase in interest rate	Sensitivity of net interest income
	Basis Point	USD (000)
USD	1%	3,042,699
EUR	1%	(465,250)
IQD	1%	702,215

2019

Currency	Increase in interest rate	Sensitivity of net interest income
	Basis Point	USD (000)
USD	1%	134,421
EUR	1%	2,962
IQD	1%	33,590

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

(26) 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:

2020

	<i>Change in currency exchange rate</i>	<i>Effect on profit and loss</i>	<i>Effect on equity</i>
	<i>%</i>	<i>USD (000)</i>	<i>USD (000)</i>
Currency			
USD	5	186,970	132
EUR	5	3,418	-
Others	5	(472)	-

2019

	<i>Change in currency exchange rate</i>	<i>Effect on profit and loss</i>	<i>Effect on equity</i>
	<i>%</i>	<i>USD (000)</i>	<i>USD (000)</i>
Currency			
USD	5	50,961	115
EUR	5	9,024	-
Others	5	96	-

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

(26) RISK MANAGEMENT (continued)Market Risk (continued)

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:

2020

	<i>Increase in equity price</i>	<i>Effect on equity</i>
	<i>%</i>	<i>USD (000)</i>
Market		
Nasdaq	1	26
Iraq	1	29

2019

	<i>Increase in equity price</i>	<i>Effect on equity</i>
	<i>%</i>	<i>USD (000)</i>
Market		
Nasdaq	1	23
Iraq	1	1

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

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(26) RISK MANAGEMENT (continued)

Interest rate gap

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

2020	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	-	-	-	-	-	5,148,962	5,148,962
Due from banks and other							
financial institutions	3,531,212	1,552,608	-	-	-	3,075,521	8,159,341
Direct credit facilities	-	-	140	377,320	5,637,554	-	6,015,014
Financial assets at amortized cost	-	46,079	179,792	459,302	212,760	-	897,933
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 associates	-	-	-	-	-	16,512	16,512
Property and equipment	-	-	-	-	-	42,007	42,007
Intangible assets	-	-	-	-	-	3,108	3,108
Other assets	-	-	-	-	-	1,271,695	1,271,695
Total Assets	3,531,212	1,598,687	179,932	836,622	5,850,314	13,470,702	25,467,469
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	-	-	-	-	-	205,900	205,900
Total Liabilities	499,409	902,911	580,422	1,063,302	4,267,848	15,002,025	22,315,917
Interest rate sensitivity gap	3,031,803	695,776	(400,490)	(226,680)	1,582,466	(1,531,323)	3,151,552
2019	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Total Assets	8,100,748	1,985,877	701,946	714,479	5,269,362	12,020,735	28,793,147
Total Liabilities	436,650	2,053,883	1,290,604	1,454,454	5,037,063	14,841,713	25,114,367
Interest rate sensitivity gap	7,664,098	(68,006)	(588,658)	(739,975)	232,299	(2,820,978)	3,678,780

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(26) RISK MANAGEMENT (Continued)

Concentration in currency risk

2020	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	1,237,582	3,908,575	1,792	1,013	-	-	5,148,962
Due from banks and other financial Institutions	7,644,523	28	495,660	13,941	1,471	3,718	8,159,341
Direct credit facilities	4,720,151	1,271,478	23,385	-	-	-	6,015,014
Financial assets at amortized cost	825,585	72,348	-	-	-	-	897,933
Financial assets at fair value through profit or loss	3,907,333	-	-	-	-	-	3,907,333
Financial assets at fair value through other comprehensive income	2,641	2,874	49	-	-	-	5,564
Investment in associates	-	16,512	-	-	-	-	16,512
Property and equipment	-	42,007	-	-	-	-	42,007
Intangible assets	-	3,108	-	-	-	-	3,108
Other assets	888,314	321,872	51,272	10,222	-	15	1,271,695
Total Assets	19,226,129	5,638,802	572,158	25,176	1,471	3,733	25,467,469
Liabilities							
Due to banks and financial Institutions	16,442	92,117	876	-	-	-	109,435
Customers' accounts	8,748,313	5,966,615	3,536	220	-	-	14,718,684
Margin accounts	6,651,388	102,349	488,563	25,885	13,599	114	7,281,898
Other liabilities	70,582	124,500	10,818	-	-	-	205,900
Total Liabilities	15,486,725	6,285,581	503,793	26,105	13,599	114	22,315,917
Net concentration in the consolidated statement of financial position	3,739,404	(646,779)	68,365	(929)	(12,128)	3,619	3,151,552
2019	USD	IQD	EUR	GBP	CHF	Other	Total
Total Assets	20,270,476	7,638,882	840,971	24,631	14,235	3,952	28,793,147
Total Liabilities	19,248,963	5,164,002	660,497	26,545	14,252	108	25,114,367
Net concentration in the statement of financial position	1,021,513	2,474,880	180,474	(1,914)	(17)	3,844	3,678,780

(26) 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:

	Less than 1 month	1-3 months	3 – 6 months	6-12 Months	1-5 years	No fixed maturity	Total
2020	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	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	-	-	-	-	-	205,900	205,900
Total Liabilities	499,409	902,911	580,422	1,063,302	4,267,848	15,002,025	22,315,917
Total Assets	3,531,212	1,598,687	179,932	836,622	9,008,153	10,312,863	25,467,469
2019	Less than 1 month	1-3 months	3 – 6 months	6-12 Months	1-5 years	No fixed maturity	Total
	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)	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	-	-	-	-	-	285,720	285,720
Total Liabilities	436,650	2,053,883	1,290,604	1,454,454	5,037,063	14,841,713	25,114,367
Total Assets	8,100,748	1,985,877	701,946	714,479	9,057,034	8,233,063	28,793,147

(26) RISK MANAGEMENT (continued)Liquidity Risk (continued)

Off-balance sheet items

	Less than one year	More than one year	Total
	USD (000)	USD (000)	USD (000)
<u>2020</u>			
Letters of guarantee	177,116	1,717,536	1,894,652
Letters of credit	749,972	8,155,615	8,905,587
Total	<u>927,088</u>	<u>9,873,151</u>	<u>10,800,239</u>
	Less than one year	More than one year	Total
	USD (000)	USD (000)	USD (000)
<u>2019</u>			
Letters of guarantee	1,775,611	999,005	2,774,616
Letters of credit	4,953,535	5,200,161	10,153,696
Total	<u>6,729,146</u>	<u>6,199,166</u>	<u>12,928,312</u>

(27) 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:

	Within 1 year	More than 1 year	Total
	USD (000)	USD (000)	USD (000)
<u>2020</u>			
Assets			
Cash and balances at Central Bank of Iraq	2,058,314	3,090,648	5,148,962
Due from banks and financial institutions	8,159,341	-	8,159,341
Direct credit facilities	377,460	5,637,554	6,015,014
Financial assets at amortized cost	685,173	212,760	897,933
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 associates	-	16,512	16,512
Property and equipment	-	42,007	42,007
Intangible assets	-	3,108	3,108
Other assets	1,271,695	-	1,271,695
Total Assets	<u>16,459,316</u>	<u>9,008,153</u>	<u>25,467,469</u>
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	205,900	-	205,900
Total Liabilities	<u>18,048,069</u>	<u>4,267,848</u>	<u>22,315,917</u>
Net	<u>(1,588,753)</u>	<u>4,740,305</u>	<u>3,151,552</u>

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

	Within 1 year	More than 1	Total
	USD (000)	year USD (000)	USD (000)
<u>2019</u>			
Assets			
Cash and balances at Central Bank of Iraq	1,713,522	3,726,415	5,439,937
Due from banks and financial institutions	11,859,751	-	11,859,751
Direct credit facilities	1,755,215	4,940,439	6,695,654
Financial assets at amortized cost	1,722,113	328,923	2,051,036
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
Property and equipment	-	54,257	54,257
Intangible assets	-	4,644	4,644
Other assets	513,596	-	513,596
Total Assets	<u>19,736,113</u>	<u>9,057,034</u>	<u>28,793,147</u>
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	285,720	-	285,720
Total Liabilities	<u>20,077,304</u>	<u>5,037,063</u>	<u>25,114,367</u>
Net	<u>(341,191)</u>	<u>4,019,971</u>	<u>3,678,780</u>

(28) ASSETS, LIABILITIES AND REVENUES GEOGRAPHIC DISTRIBUTION

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

<u>2020</u>	Iraq	Outside Iraq	Total
	USD (000)	USD (000)	USD (000)
Revenues	1,187,663	230,068	1,417,731
Total Assets	12,694,815	12,772,654	25,467,469
Total Liabilities	18,892,172	3,423,745	22,315,917
 <u>2019</u>			
	Iraq	Outside Iraq	Total
	USD (000)	USD (000)	USD (000)
Revenues	438,186	270,212	708,398
Total Assets	14,550,900	14,242,247	28,793,147
Total Liabilities	25,016,137	98,230	25,114,367

(29) 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)		Fair value level	Method of valuation and observable inputs
	31 December 2020	31 December 2019		
	USD (000)	USD (000)		
Financial assets at fair value through profit or loss	3,907,333	2,171,916	Level 2	Net assets value
Financial assets at fair value through other comprehensive income	2,641	2,288	Level 1	Based on price quotations in financial markets
Financial assets at fair value through other comprehensive income	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 2020		31 December 2019		Fair value level
	Total carrying amount	Total fair value	Total carrying amount	Total fair value	
	USD (000)	USD (000)	USD (000)	USD (000)	
Financial assets not measured at fair value					
Cash and balances with Central Bank of Iraq	5,148,962	5,148,962	5,439,937	5,439,937	Level 2
Due from banks and other financial institutions	8,159,341	8,159,341	11,859,751	11,859,751	Level 2
Direct credit facilities	6,015,014	6,015,014	6,695,654	6,695,654	Level 2
Financial assets at amortized cost	897,933	914,898	2,051,036	2,057,360	Level 1 and 2
	<u>20,221,250</u>	<u>20,238,215</u>	<u>26,046,378</u>	<u>26,052,702</u>	
Financial liabilities not measured at fair value					
Due to banks and other financial institutions	109,435	109,435	1,927,937	1,927,937	Level 2
Customers' accounts	14,718,684	14,718,684	13,648,732	13,648,732	Level 2
Margin accounts	7,281,898	7,281,898	9,251,978	9,251,978	Level 2
	<u>22,110,017</u>	<u>22,110,017</u>	<u>24,828,647</u>	<u>24,828,647</u>	

(30) CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding commitments and contingent liabilities are as follows:

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Letters of guarantee	1,894,652	2,774,616
Letters of credit	8,905,587	10,153,696
	<u>10,800,239</u>	<u>12,928,312</u>

(31) CAPITAL MANAGEMENT

	31 December 2020	31 December 2019
	USD (000)	USD (000)
Capital Adequacy		
Primary capital items:		
Share capital	3,000,000	2,346,882
General reserve	236,764	236,764
Special reserve	7,647	7,647
Foreign currency translation reserve	(703,271)	(71,058)
Retained earnings	607,779	1,156,266
Total Primary capital	<u>3,148,919</u>	<u>3,676,501</u>
Supplementary Capital:		
Investments revaluation reserve	1,312	1,135
General provisions	969,834	844,611
Total Supplementary Capital	<u>971,146</u>	<u>845,746</u>
Total supplementary and primary Capital	<u>4,120,065</u>	<u>4,522,247</u>
Total risk weighted assets in the consolidated statement of financial position	5,345,783	5,683,775
Total risk weighted assets off the consolidated statement of financial position	253,793	1,085,551
	<u>5,599,576</u>	<u>6,769,326</u>
Capital adequacy ratio	<u>73.58%</u>	<u>66.80%</u>

The Bank calculated capital adequacy at 31 December 2020 according to the CBI's regulations that requires the capital adequacy ratio to be not less than 12%.

(32) 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.

(33) LAWSUITS

There are lawsuits filed against the Bank totalling USD 913 million as of 31 December 2020. The management and the Bank's lawyers believe that the Bank will not be held liable for any amounts in excess of the amounts provided as at 31 December 2020.

(34) IMPACT OF COVID-19

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

Significant increase in credit risk

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

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

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

Macro-economic factors

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

Other impacts

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