

CENTRAL BANK OF IRAQ
FINANCIAL STATEMENTS
DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT TO THE MINISTRY OF FINANCE AND THE GOVERNORATE OF CENTRAL BANK OF IRAQ

We have audited the accompanying financial statements of Central Bank of Iraq (CBI), which comprise the statement of financial position as at December 31, 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

As further discussed in note (34) to the financial statements, there are lawsuits in different countries against CBI for the settlement of past due debts of CBI and other Iraqi governmental institutions amounting to IQD 1,326,684 million (2014: IQD 1,354,505 million). The final outcome of these lawsuits and effects on CBI's financial statements as of December 31, 2015, if any, is uncertain and have not been quantified and provided for. We did not receive confirmations from some of CBI's legal advisors and due to the unavailability of sufficient information, we could not extend our audit procedures to ensure the completeness of these lawsuits and their effect on the financial statements as of December 31, 2015, if any.

Qualified Opinion

In our opinion, except for the effect of matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of CBI as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a Matter

1. As further explained in note (1) to the financial statements, CBI does not control the financial and administrative affairs of its Erbil and Sulaymania branches, as these branches are technically related to CBI and for all other matters they are related to Kurdistan Regional Government (KRG) and their operations are financed by KRG. In addition, CBI did not receive the financial statements of its branches in Sulaymania and Erbil and does not have access to their accounting records. Therefore, the accompanying financial statements do not include the financial statements of Sulaymania and Erbil branches. CBI does not have any information to quantify the significance of the branches financial statements and its effect on CBI's financial statements as of December 31, 2015.

Also, on October 13, 2015 CBI's Board of Directors and based on the Prime Minister's approval decided that both Erbil and Sulaymania branches are not subject to the management and supervision of CBI and are not considered as part of CBI's financial system, and there is no financial obligation on CBI resulted from their financial obligations as both of them are part of the administrative, technical and financial system of Kurdistan Regional Government (KRG)'s Ministry of Finance and Economy.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis of a Matter (continued)

2. As further explained in note (5) to the financial statements, the CBI's financial statements as of December 31, 2015 include old outstanding balances at foreign banks in the amount of IQD 489,999 million (2014: IQD 1,690,552 million). An impairment loss of IQD 489,999 million has been provided for as of December 31, 2015 (2014: IQD 1,690,552 million). During 2015 the CBI's Board of Directors took a decision to write off the balances at the American banks that were previously transferred to the US Treasury amounting to IQD 1,183,996 million along with the related allowance. Due to the absence of the details, the CBI did not prepare reconciliations of certain frozen and old outstanding deposits at foreign banks as at December 31, 2015.

3. According to CBI's Board of Directors resolution dated October 13, 2015 and as further explained in notes (9), (17), (27) and (35) to the financial statements, the Board decided to derecognize all of the International Monetary Fund (IMF) accounts from CBI's records and to transfer them to the Ministry of Finance (MoF) records. These accounts comprise of assets in the form of quota subscription and SDR holdings at IMF which amounted to IQD 2,059,488 million and IQD 3,754,573 million at December 31, 2015 and October 13, 2015 respectively (December 31, 2014: IQD 2,854,863 million), and liabilities in the form of SDR allocations and other IMF accounts which amounted to IQD 3,526,584 million and IQD 3,525,626 million as at December 31, 2015 and October 13, 2015 respectively (December 31, 2014: IQD 3,753,163 million). The derecognition and transfer of the IMF accounts to MoF was not supported by signed agreements with MoF neither IMF. Also, confirmation for the related MoF account at December 31, 2015 was not received and reconciliation was not prepared. The aforementioned accounting treatment resulted in recognizing loss amounting to IQD 228,947 million during the year 2015 which represents the difference between the IMF assets and liabilities accounts.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other matters

The financial statements of CBI as at and for the year ended December 31, 2014 were audited by another auditor who expressed a qualified opinion on June 30, 2015 due to the following:

1. Ministry of Finance did not return frozen balances amounts that have been returned to DFI account.
2. Not receiving confirmations from some of CBI's legal advisors.




Ernst & Young
Baghdad - Iraq
August 30, 2016

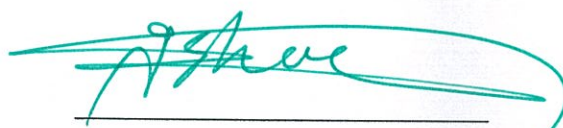
CENTRAL BANK OF IRAQ

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

	Notes	2015 IQD Million	2014 IQD Million
<u>ASSETS</u>			
Gold reserve	3	3,627,247	4,039,626
Cash and balances with central banks	4	4,511,665	10,039,356
Due from banks and other financial institutions	5	16,369,485	16,430,509
Held to maturity investments	6	38,613,909	45,192,610
Loans to commercial banks	7	7,500	-
Due from Ministry of Finance	8	8,580,912	2,455,520
Foreign currencies investments at International Monetary Fund	9	-	2,854,863
Property and equipment, Net	10	191,942	182,610
Intangible assets, Net	11	10,787	6,936
Other assets	12	562,268	405,133
TOTAL ASSETS		72,475,715	81,607,163
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Currency issued	13	38,585,119	39,883,686
Treasury bills issued	14	1,080,130	853,399
Deposits of local banks and other financial institutions	15	24,484,967	31,679,751
Due to foreign governments and banks	16	39,799	39,909
Due to International Monetary Fund	17	-	3,753,163
Due to governmental institutions	18	5,929,109	2,004,003
Other liabilities	19	120,004	127,057
TOTAL LIABILITIES		70,239,128	78,340,968
<u>EQUITY</u>			
Capital	20	1,000,000	100,000
General reserve	21	1,462,461	4,358,758
Emergency reserve	21	1,089,690	1,089,690
Gold revaluation reserve	22	(698,335)	(285,956)
Accumulated losses	23	(617,229)	(1,996,297)
TOTAL EQUITY		2,236,587	3,266,195
TOTAL LIABILITIES AND EQUITY		72,475,715	81,607,163



Dr. Ali M. Ismaiel
Governor of the Central Bank of Iraq



Ihsan shamran
A. Head of Accounting Department

25.8.2016

The attached notes 1 to 35 form part of these financial statements.

CENTRAL BANK OF IRAQ

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2015

	Notes	2015 IQD Million	2014 IQD Million
REVENUES			
Interest income	24	435,653	329,490
Interest expense	25	(64,079)	(70,922)
Net interest income		<u>371,574</u>	<u>258,568</u>
Net fee and commission income	26	571,346	1,236,292
Gold revaluation loss	22	(412,379)	(200,066)
Foreign currency translation loss		(1,228,792)	(2,683,004)
Other income		16,536	3,297
Gross loss		<u>(681,715)</u>	<u>(1,384,913)</u>
EXPENSES			
Employees' expenses		(39,281)	(28,255)
General and administrative expenses		(68,297)	(91,391)
Depreciation and amortization		(11,368)	(4,716)
Loss from derecognizing IMF accounts	27	(228,947)	-
Loss from terrorism acts		-	(687,088)
LOSS FOR THE YEAR		<u>(1,029,608)</u>	<u>(2,196,363)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,029,608)</u>	<u>(2,196,363)</u>

The attached notes 1 to 35 form part of these financial statements.

CENTRAL BANK OF IRAQ

STATEMENT OF CHANGE IN EQUITY YEAR ENDED DECEMBER 31, 2015

		<i>Capital</i>	<i>General reserve</i>	<i>Emergency reserve</i>	<i>Gold revaluation reserve</i>	<i>Retained earnings (accumulated losses)</i>	<i>Total</i>
		<i>IQD</i>	<i>IQD</i>	<i>IQD</i>	<i>IQD</i>	<i>IQD</i>	<i>IQD</i>
		<i>Million</i>	<i>Million</i>	<i>Million</i>	<i>Million</i>	<i>Million</i>	<i>Million</i>
	<i>Notes</i>						
Balance at January 1, 2015		100,000	4,358,758	1,089,690	(285,956)	(1,996,297)	3,266,195
Total comprehensive income for the year		-	-	-	-	(1,029,608)	(1,029,608)
Transfers from reserves	21	-	(1,996,297)	-	-	1,996,297	-
Gold revaluation reserve for the year	22	-	-	-	(412,379)	412,379	-
Capital increase	20	900,000	(900,000)	-	-	-	-
Balance at December 31, 2015		<u>1,000,000</u>	<u>1,462,461</u>	<u>1,089,690</u>	<u>(698,335)</u>	<u>(617,229)</u>	<u>2,236,587</u>
Balance at January 1, 2014		100,000	2,069,144	517,286	(85,890)	2,862,018	5,462,558
Total comprehensive income for the year		-	-	-	-	(2,196,363)	(2,196,363)
Transfers to reserves	21	-	2,289,614	572,404	-	(2,862,018)	-
Gold revaluation reserve for the year	22	-	-	-	(200,066)	200,066	-
Balance at December 31, 2014		<u>100,000</u>	<u>4,358,758</u>	<u>1,089,690</u>	<u>(285,956)</u>	<u>(1,996,297)</u>	<u>3,266,195</u>

The attached notes 1 to 35 form part of these financial statements.

CENTRAL BANK OF IRAQ

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

	Notes	2015 IQD Million	2014 IQD Million
OPERATING ACTIVITIES			
Loss for the year		(1,029,608)	(2,196,363)
Adjustments for:			
Depreciation of property and equipment		6,689	4,015
Amortization of intangible assets		4,679	701
Revaluation of Gold Reserve		412,379	200,066
Loss from derecognizing IMF accounts		228,947	-
OPERATING LOSS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		(376,914)	(1,991,581)
CHANGES IN ASSETS AND LIABILITIES			
Loans to commercial banks		(7,500)	-
Due from Ministry of Finance		(6,125,392)	299,999
Other assets		(157,135)	15,533
Currency issued		(1,298,567)	(746,350)
Deposits of local banks and other financial institutions		(7,194,784)	(10,530,495)
Due to foreign governments and banks		(110)	21,534
Due to International Monetary Fund		(3,982,110)	(72,403)
Due to governmental institutions		3,925,106	(16,538)
Other liabilities		(7,053)	82,195
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(15,224,459)	(12,938,106)
INVESTING ACTIVITIES			
Held to maturity investments		6,578,701	5,900,528
Foreign currencies investments at IMF		2,854,863	1,089,160
Purchase of property and equipment		(16,021)	(42,434)
Intangible assets		(8,530)	(7,637)
Gold purchased		-	(2,336,487)
NET CASH FLOWS FROM INVESTING ACTIVITIES		9,409,013	4,603,130
FINANCING ACTIVITIES			
Treasury bills		226,731	(89,767)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		226,731	(89,767)
Net decrease in cash and cash equivalents		(5,588,715)	(8,424,743)
Cash and cash equivalents beginning of the year		26,469,865	34,894,608
CASH AND CASH EQUIVALENTS, END OF THE YEAR	28	20,881,150	26,469,865

The attached notes 1 to 35 form part of these financial statements.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. ACTIVITIES

The Central Bank of Iraq ("CBI" - also referred to in these financial statements as "the Bank") is a governmental entity that was established under the Central Bank of Iraq Law Number 43 of 1947 as amended, and carrying out its activities under the Central Bank Law of 2004 issued by the Coalition Provisional Authority Order Number 56.

The primary objectives of the CBI are to achieve and maintain domestic price stability and to foster and maintain a stable and competitive market-based financial system. Subject to these objectives, the CBI shall promote sustainable growth, employment and prosperity in Iraq.

In accordance with the Central Bank Law, the main functions of the CBI in achieving its objectives include the following:

- a. Formulate and implement monetary policy, including exchange rate policy.
- b. Hold and manage all official foreign reserves of Iraq, other than working balances of the Government of Iraq.
- c. Hold gold and manage the Government of Iraq reserves of gold.
- d. Provide liquidity services to banks.
- e. Issue and manage Iraqi currency.
- f. Establish, oversee and promote sound and efficient payment systems.
- g. Issue licenses or permits to banks and to regulate and supervise banks.

The CBI's head office is located in Baghdad with four branches in Basrah, Mosul, Erbil and Sulaymania. However, CBI does not control the financial and administrative affairs of Erbil and Sulaymania branches, as these branches are technically related to CBI and for all other issues they are related to Kurdistan Regional Government (KRG) and they are financed by KRG.

As a result, CBI does not have access to the accounting records of its Erbil and Sulaymania branches. Therefore, the accompanying financial statements do not include the financial statements of Sulaymania and Erbil branches. CBI does not have any information to quantify the significance of the branches financial statements and its effect on CBI's financial statements as of December 31, 2015 and 2014.

On 13 October 2015, CBI Board of Directors and based on the Prime Minister's approval decided that both Erbil and Sulaymania branches are not subject to the management and supervision of CBI and are not considered as part of CBI's financial system, and there is no financial obligation on CBI resulted from their financial obligations as both of them are part of the administrative, technical and financial system of KRG's Ministry of Finance and Economy.

The Financial Statements were authorized for issuing by the Governor of Central Bank of Iraq on 30 August 2016

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with Central Bank Law of 2004 issued by the Coalition Provisional Authority Order Number 56.

The financial statements have been prepared under the historical cost basis except for gold reserve that has been measured at fair value.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The financial statements have been presented in Iraqi Dinar "IQD", which is the functional and presentation currency of the CBI. All amounts in the financial statements are rounded to the nearest million IQD unless otherwise stated.

Changes in accounting policies:

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2014.

Standards issued but not yet effective:

The following standards and interpretations have been issued but are not yet effective:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IAS 1 Presentation of Financial Statements - Amendments to IAS 1

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

These amendments are not expected to impact the Bank's financial position or performance. The application of the amendments are not expected to have a significant impact on the Bank's disclosures.

The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

2. ACCOUNTING POLICIES (continued)

Standards issued but not yet effective: (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank's financial statements.

2.2 Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

2.2.1 Impairment losses on loans and advances

The Bank reviews its financial assets at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

2.2.2 Reassess the useful lives of tangible and intangible assets

A periodic review is performed by the management to reassess the useful lives of tangible and intangible assets for the purpose of annual depreciations and amortizations based on the general condition of the assets and the estimations of the expected useful lives, and any identified impairment is recorded in the statement of profit or loss.

2.2.3 Legal provision

Legal provision is calculated for any legal liabilities according to the lawyer's opinion.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates (continued)

2.2.4 Separation of Erbil and Sulaymania branches

As explained in note (1), CBI Board of Directors and based on the Prime Minister's approval decided that both Erbil and Sulaymania branches are not subject to the management and supervision of CBI and are not considered as part of CBI's financial system, and there is no financial obligation on CBI resulted from their financial obligations as both of them are part of the administrative, technical and financial system of KRG's Ministry of Finance and Economy.

2.3 Summary of significant accounting policies

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

2.3.1 Foreign currency translations

The financial statements of CBI are presented in Iraqi Dinar (IQD) which is CBI's functional currency.

Foreign currency transactions are recorded in IQD at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities in foreign currencies are translated into IQD at rates of exchange prevailing at the date of the statement of financial position. Any gains or losses are taken to the income statement.

Below is exchange rates for foreign currencies per IQD as at 31 December 2015:

<u>Currency</u>	<u>Exchange rate for foreign currencies per IQD as at 31 December 2015</u>	<u>Exchange rate for foreign currencies per IQD as at 31 December 2014</u>
USD	1,182.000	1,166.000
EUR	1,291.453	1415.641
GBP	1,750.542	1819.893
AUD	861.442	-
SDR	1,639.269	1689.312

2.3.2 Gold Reserve

Gold is stated on the basis of the closing price in London gold market as of December 31, 2015. CBI maintains the gold as part of its foreign reserve management and does not have a present intent to dispose off. The gains or losses on the revaluation of gold at market price are taken to the income statement, then transferred within statement of changes in equity such that the cumulative gain revaluation reserve is disclosed in a separate component in equity.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.3 Recognition of financial instruments

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss

2.3.4 Held-to-maturity investment

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

2.3.5 De-recognition of financial assets and 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, and the difference in the respective carrying amounts is recognized in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.6 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the 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.

2.3.7 Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.3.8 Fair value

- The Bank values financial instruments, such as derivatives and non-financial assets, at fair value at the date of the financial statements.
- Fair value represents the price that will be obtained when selling the assets or the amount that will be paid to transfer the commitment of the regulated transaction between the participants in the market.
- In the absence of the primary market, the most suitable market will be used to trade assets and liabilities.
- A fair value measurement of a non-financial assets 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.

2.3.9 Impairment of financial assets

The Bank assesses at each statement of financial position 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 impairment loss to be recognized in the statement of profit or loss.

Impairment is determined as follows:

For assets carried at amortized cost, impairment 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 statement of profit or loss. 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 statement of profit or loss.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.10 Recognition of income and expense

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

- **Interest and similar income and expense**
For all 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.
- **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.
Other fee and commission income, including account servicing fee, transfer commission, branch coordination commission are recognized as the related services are performed.

2.3.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks, current accounts with local banks and amounts due from banks on demand or with an original maturity of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

2.3.12 Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. 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:

Buildings	20 years
Motor Vehicles	5 years
Other furniture and equipment	3 to 5 years

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' or 'Other operating expenses' in the income statement in the year the asset is derecognized.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.13 Intangible assets

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

2.3.14 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.

2.3.15 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.

2.3.16 Fiduciary Assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Bank.

2.3.17 Issued currency

The liability of the CBI towards banknotes and coins issued as a legal tender in Iraq under the Central Bank of Iraq Law of 2004 is stated at the face value. The issued banknotes and coins that are returned to the CBI are reduced from the issued currency balance. Any unissued and returned banknotes and coins kept in the CBI vaults are not reflected in the financial statements. The cost of printing the banknotes and melting of coins is recorded in the income statement when incurred.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.18 Local banks reserves and deposits

All local banks reserves and deposits are carried at cost, less amounts repaid.

2.3.19 Due to foreign governments and bank

All due to foreign governments and banks balances are carried at amortized cost, less amounts repaid

3. GOLD RESERVE

	2015 IQD Million	2014 IQD Million
Gold reserve in CBI vault	172,517	192,131
Gold reserve abroad	3,453,403	3,846,018
Gold coins at CBI vault	1,327	1,477
	<u>3,627,247</u>	<u>4,039,626</u>

4. CASH AND BALANCES WITH CENTRAL BANKS

	2015 IQD Million	2014 IQD Million
Cash on hand	2,218,349	6,183,518
Allowance for cash on hand losses of Mosul branch	(98,418)	(98,418)
Overnight deposits with Federal Reserve Bank of New York	1,643,926	1,143,837
Current account with Federal Reserve Bank of New York	(129,480)	(10,347)
Current account with Central Bank of United Arab Emirates	1,195	1,181
Current account with Banque de France	428	208
Current account with Bank of England	15	-
Current account with Reserve Bank of Australia	80	-
Current account with De Nederlandsche Bank N.V.	193	461
Current account with Banca D'Italia	3	4
Cash seized by Banca D'Italia *	38,744	-
Time deposit with Bank of England	-	2,232,637
Time deposit with Reserve Bank of Australia	241,635	-
Time deposit with Banque de France	594,995	586,275
	<u>4,511,665</u>	<u>10,039,356</u>

* During 2015, Court of Rome ordered CBI to pay EUR 30 million (equivalent to IQD 38,744 million) to Novaparc Healthcare International Limited. Banca D'Italia seized the amount from CBI's current account as a result to the Court of Roma's order, the effect of this litigation is undeterminable until the date of issuance of the financial statements.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Current accounts with local banks	8,788	757
Due from governmental banks	5,436	5,959
Current accounts with foreign banks	13,433	196,423
Time deposits with foreign banks	16,347,264	16,233,329
Frozen and old outstanding deposits with foreign banks*	<u>489,999</u>	<u>1,690,552</u>
	<u>16,864,920</u>	<u>18,127,020</u>
Allowance for impairment losses of due from local banks	(5,436)	(5,959)
Allowance for impairment losses of deposits with foreign banks*	<u>(489,999)</u>	<u>(1,690,552)</u>
	<u>16,369,485</u>	<u>16,430,509</u>

* The United Nations Security Council (UNSC) decided in its Resolution number 1483 (2003), that all member states in which there are funds or other financial assets or economic resources for the previous Government of Iraq or its state bodies, corporations, or agencies, located outside Iraq as of 22 May 2003 shall freeze those funds or other financial assets or economic resources and immediately cause their transfer to the Development Fund for Iraq (DFI), unless those funds are themselves subject of a prior judicial, administrative, or arbitral lien or judgment. During the years 2005, 2006 and 2007 the CBI wrote off balances at foreign banks totaling IQD 1,071,942 million. The provided for and the written off accounts include balances for an amount of IQD 401,310 million (2014: IQD 401,310 million) that have been transferred from certain foreign banks to the Development Fund for Iraq (DFI) account as required by the United Nations Security Council Resolution (UNSCR) 1483 (2003). The Ministry of Finance (MoF) has not returned the funds to the CBI although a resolution has been issued by the Council of Ministers ordering the return of the funds to the CBI. During 2012, a letter was sent to the Council of Ministers again requesting the return of these funds from the MoF and in 2013 a letter was sent to the Ministry of Finance (MoF). Given the non-responding from the Ministry of Finance to pay back these amounts, the CBI Board took a decision during 2014 to stop demanding the Ministry of Finance for these funds and to consider this matter finalized. Some banks did not transfer the balances to the Development Fund for Iraq account, and the balances in the American banks were transferred to the US Treasury. Correspondence with these banks are still ongoing for the purpose of settlement of these balances in the records. Due to the absence of the details, the CBI did not prepare reconciliations of certain frozen and old outstanding deposits at foreign banks as at 31 December 2015.

During 2015 the CBI's Board of Directors decided to write off the balances in the American banks that were transferred to the US Treasury amounting to IQD 1,183,996 million along with the related allowance.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

The movement on allowance for impairment losses of deposits with foreign banks during 2015 was as the following:

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Balance at 1 January	1,690,552	1,742,892
Written off balances during the year	(1,183,996)	-
Adjustments for foreign currency translation	(16,557)	(52,340)
Balance at 31 December	<u>489,999</u>	<u>1,690,552</u>

6. HELD TO MATURITY INVESTMENTS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Federal Reserve Bank of New York - Bonds and bills (net)	20,028,809	27,521,803
Banque De France - Bonds (net)	8,954,214	9,760,841
Banca D'Italia - Bonds (net)	-	42,517
De Nederlandsche Bank N.V. -Bonds (net)	5,604,321	6,119,936
Bank of England - Bonds (net)	4,026,565	1,747,513
	<u>38,613,909</u>	<u>45,192,610</u>

7. LOANS TO COMMERCIAL BANKS

During 2015, CBI granted loans amounted to IQD 7,500 million to commercial banks as part of CBI's plan to grant the commercial banks a total amount of IQD 1,000,000 million for financing small and medium projects with low interest rates and administrative margins that do not exceed 5.5% in order to achieve economic and social development.

8. DUE FROM MINISTRY OF FINANCE

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Due from Ministry of Finance*	2,355,519	2,455,520
Government of Iraq treasury bills**	6,225,393	-
	<u>8,580,912</u>	<u>2,455,520</u>

* On 21 February 2006, a restructuring agreement was signed between CBI and MOF for the settlement of the total balance of IQD 5,393,890 million due to the CBI as of December 31, 2005. The balance should be settled over 7.5 years starting on 31 March 2006,

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

8. DUE FROM MINISTRY OF FINANCE (continued)

through 30 equal quarterly installments of IQD 179,796 million each. An annual interest rate of 5% will be charged on the outstanding balance.

The MoF shall finance the quarterly repayments by issuing one year Treasury bills every quarter bearing an annual interest rate of 5%, which CBI could then auction to local banks.

The MoF did not settle installments related to the year 2008 that should be settled and paid to the CBI in 2009 amounting to IQD 719,184 million. On 24 December 2009, the CBI and the MOF agreed to reschedule the remaining balance due to the CBI, amounting to IQD 3,955,519 and to start making payments to the CBI from 1 March 2011, through equal quarterly installments of IQD 100,000 million each. During the years 2011, 2012, 2013 and 2014, fifteen installments were paid amounting to IQD 1,500,000 million.

During 2015 one installment was paid from the Ministry of Finance to the Central Bank of Iraq amounting to IQD 100,000 million related to the last installment of 2014. Rescheduling of the remaining amount was under discussion between the CBI and MoF, however there was no signed agreement between the CBI and MoF until the date of Financial Statements' issuance.

** During 2015, CBI purchased Government of Iraq treasury bills through open markets (AL-Rasheed and AL-Rafidain Banks) with 364 days maturities and interest rates between 1.99% and 7.48%.

9. FOREIGN CURRENCIES INVESTMENTS AT IMF

	2015		2014	
	SDR	IQD Million	SDR	IQD Million
International Monetary Fund				
Quota Subscription	-	-	1,184,000,000	2,007,578
Special Drawing Rights (SDR)				
Holdings with IMF	-	-	501,556,013	847,285
	<u>-</u>	<u>-</u>	<u>1,685,556,013</u>	<u>2,854,863</u>

On 13 October 2015, CBI Board of Directors decided to derecognize all IMF accounts (assets and liabilities) from the records and to manage these accounts off-balance sheet on the basis that these accounts are related to Ministry of Finance. The balances of the derecognized assets at 13 October 2015 amounted to IQD 3,754,573 million (Quota subscription and SDR holdings at IMF).

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

10. PROPERTY AND EQUIPMENT

	Land	Buildings	Projects under construction	Computers, Furniture & Fixtures	Vehicles	Total
2015	IQD million	IQD million	IQD million	IQD million	IQD million	IQD million
Cost at 1 January	75,993	2,821	82,056	31,696	5,286	197,852
Additions	-	-	12,900	2,939	182	16,021
Disposals	-	-	-	(245)	-	(245)
Transfers from Projects under construction	-	18,072	(18,072)	-	-	-
Cost at 31 December 2015	75,993	20,893	76,884	34,390	5,468	213,628
Accumulated Depreciation:						
At 1 January	-	952	-	10,637	3,653	15,242
Depreciation charge for the year	-	1,045	-	5,541	103	6,689
Disposals	-	-	-	(245)	-	(245)
At 31 December 2015	-	1,997	-	15,933	3,756	21,686
Net book value	75,993	18,896	76,884	18,457	1,712	191,942
	Land	Buildings	Projects under construction	Computers, Furniture & Fixtures	Vehicles	Total
2014	IQD million	IQD million	IQD million	IQD million	IQD million	IQD million
Cost at 1 January	75,993	2,821	49,660	23,176	4,254	155,904
Additions	-	-	32,396	8,781	1,257	42,434
Disposals	-	-	-	(261)	(225)	(486)
Cost at 31 December 2014	75,993	2,821	82,056	31,696	5,286	197,852
Accumulated Depreciation:						
At 1 January	-	812	-	7,098	3,803	11,713
Depreciation charge for the Year	-	140	-	3,800	75	4,015
Disposals	-	-	-	(261)	(225)	(486)
At 31 December 2014	-	952	-	10,637	3,653	15,242
Net book value	75,993	1,869	82,056	21,059	1,633	182,610

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

11. INTANGIBLE ASSETS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Balance at 1 January	6,936	-
Additions	8,530	7,637
Amortization for the year	<u>(4,679)</u>	<u>(701)</u>
Balance at 31 December	<u><u>10,787</u></u>	<u><u>6,936</u></u>

12. OTHER ASSETS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Interest receivable	481,072	325,819
Loans to employees	80,723	80,091
Allowance for impairment losses of loans to employees	(1,000)	(1,000)
Golden coins for sale	1,242	-
Others	<u>231</u>	<u>223</u>
	<u><u>562,268</u></u>	<u><u>405,133</u></u>

13. CURRENCY ISSUED

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Banknotes	<u>38,585,119</u>	<u>39,883,686</u>
	<u><u>38,585,119</u></u>	<u><u>39,883,686</u></u>

14. TREASURY BILLS ISSUED

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Face value	1,086,090	859,290
Unamortized discount	<u>(5,960)</u>	<u>(5,891)</u>
	<u><u>1,080,130</u></u>	<u><u>853,399</u></u>

The discounted treasury bills are auctioned off to local banks with interest rates that range between 2.5% and 5% (2014: interest rates range between 3.8% and 8.9%) in accordance with the instructions issued by CBI.

Treasury bills are issued with original maturity of three months. Total treasury bills issued during the year 2015 amounted to IQD 4,832,000 million (2014: 3,481,840 million). The purpose of issuing these Treasury bills is to ensure that proper control over market liquidity is maintained.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

15. DEPOSITS OF LOCAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Current accounts *	24,143,286	31,273,620
Time deposits	332,000	382,500
Due to Sulaymania and Erbil branches **	7,833	-
Others	1,848	23,631
	<u>24,484,967</u>	<u>31,679,751</u>

* According to the CBI regulations, all banks operating in Iraq should maintain a compulsory reserve at CBI equivalent to 15% of total customers' deposits in Iraqi Dinar and foreign currencies (in 2014, all banks operating in Iraq had to maintain a compulsory reserve at CBI of 15% of total customers' deposits in Iraqi Dinar and foreign currencies). The local banks current accounts at CBI include a compulsory reserve of IQD 3,967,660 million as of December 31, 2015 (2014: IQD 8,591,104 million) and a balance in USD amounted to USD 913,792,507 equivalent to IQD 1,080,102 million (2014: balance in USD 1,692,556,304 equivalent to IQD 1,973,521 million). Compulsory reserve represents a non-interest bearing liability.

* Current accounts includes a current receivable balance from Warka Bank amounting to IQD 40,567 million (2014: 16,707 million) which was set off with a payable balance for the same bank.

** On 13 October 2015, CBI Board of Directors and based on Prime Minister's approval decided to exclude Erbil and Sulaymania branches from its financial, administrative and technical system and to consider them as separate banks.

16. DUE TO FOREIGN GOVERNMENTS AND BANKS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Due to foreign governments and financial institutions	9	9
Overdraft accounts	35,540	35,443
Others	4,250	4,457
	<u>39,799</u>	<u>39,909</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

17. DUE TO INTERNATIONAL MONETARY FUND

	<i>2015</i> <i>SDR</i>	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>SDR</i>	<i>2014</i> <i>IQD Million</i>
SDR allocations	-	-	1,134,495,508	1,916,517
IMF securities	-	-	1,014,329,000	1,831,259
Currency Holdings:				
IMF No. 1 Account including Currency Valuation Adjustments	-	-	2,971,000	5,364
IMF No. 2 Account including Currency Valuation Adjustments	-	-	12,580	23
	<u>-</u>	<u>-</u>	<u>2,151,808,088</u>	<u>3,753,163</u>

On 13 October 2015 CBI Board of Directors decided to derecognize all IMF accounts (assets and liabilities) from the records and to manage these accounts off-balance sheet on the basis that these accounts are related to Ministry of Finance. The balances of the derecognized liabilities at 13 October 2015 amounted to IQD 3,525,626 million (SDR allocations, IMF securities, IMF No. 1 Account and IMF No. 2 Account).

18. DUE TO GOVERNMENTAL INSTITUTIONS

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Due to Ministry of Finance	4,390,179	1,034,304
Due to other governmental institutions	1,538,930	940,480
Due to Sulaymania and Erbil branches	-	29,219
	<u>5,929,109</u>	<u>2,004,003</u>

19. OTHER LIABILITIES

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Interest payable	12,933	10,520
Accounts payable	14,203	10,883
Inter-branch balances:		
Suspense balances	-	(1,991)
Inter-branch balances with Basrah and Mosul branches*	44,411	71,726
Others	48,457	35,919
	<u>120,004</u>	<u>127,057</u>

* This balance represents pending checks with Basra and Mosul branches and which were settled before the issuance date of these financial statements.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

20. CAPITAL

According to Article 5 of the Central Bank of Iraq Law of 2004, the authorized capital of CBI shall be IQD 100,000 million and shall be fully paid by the Republic of Iraq in exchange for 100% of CBI's capital stock. CBI has the right to increase its capital in any amounts approved by the Minister of Finance. The authorized capital stock of CBI shall be held solely by the Republic of Iraq, shall not pay any dividend and shall not be transferable or subject to any encumbrances.

On 10 December 2015, CBI Board of Directors and based on the Minister of Finance approval, decided to increase the capital to be IQD 1,000,000 million and the increase was transferred from the general reserve account.

21. RESERVES

According to Article 5 of the Central Bank of Iraq Law of 2004, CBI shall hold a general reserve account, an unrealized profit reserve account and other reserves required by International Financial Reporting Standards.

22. GOLD REVALUATION RESERVES

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Gold revaluation reserve, beginning of year	(285,956)	(85,890)
Gold revaluation gain (loss) for the year	<u>(412,379)</u>	<u>(200,066)</u>
Gold revaluation reserve, end of year	<u>(698,335)</u>	<u>(285,956)</u>

23. RETAINED EARNINGS (ACCUMULATED LOSSES)

According to Article 6 of the Central Bank of Iraq Law of 2004, within three months after the end of each financial year, CBI shall determine its net profits available for distribution or its net losses. If CBI incurs a net operating loss for any financial year, that loss shall first be charged to the general reserve and subsequently to Capital.

In a period of three months after the end of each financial year, the Board shall distribute the net profits available for distribution as follows:

- 80 percent of any profits available for distribution shall be transferred to the general reserve account until this reserve reaches a sum equal to 10% of the total assets of the CBI;
- Any remaining net profits available for distribution shall be transferred to emergency reserve.

On 14 September 2014, CBI's Board of directors decided to allocate the retained earnings as at 31 December 2013 which amounted to IQD 2,862,018 million to the general reserve and emergency reserves accounts.

On 23 December 2015, CBI's Board of Directors decided to allocate an amount of IQD 1,996,297 million from the accumulated loss balance as at 31 December 2014 to the general reserve account.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

24. INTEREST INCOME

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Treasury bills and bonds	172,162	144,070
Due from banks	43,873	49,920
Due from Ministry of Finance	214,001	130,228
Overnight deposits	3,588	2,660
Others	2,029	2,612
	<u>435,653</u>	<u>329,490</u>

25. INTEREST EXPENSE

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Local banks time deposits	2,493	26,798
Treasury bills	54,438	40,300
Others	7,148	3,824
	<u>64,079</u>	<u>70,922</u>

26. NET FEE AND COMMISSION INCOME

	<i>2015</i> <i>IQD Million</i>	<i>2014</i> <i>IQD Million</i>
Fee and commission income*	933,978	1,238,765
Fee and commission expense**	<u>(362,632)</u>	<u>(2,473)</u>
	<u>571,346</u>	<u>1,236,292</u>

* Fee and commission income for the year 2015 includes the commission income of IQD 4,664 million (2014: IQD 113,119 million) earned from the transfers transactions ordered by the Ministry of Finance from the Development Fund for Iraq account. During first quarter of 2015 CBI bought the US Dollars from the Ministry of Finance with a commission equivalent to 0.1% of the exchange rate applied to translate the amounts ordered into Iraqi Dinar.

** On 3 April 2015 the CBI Board of Directors decided to increase the US Dollar purchase price from IQD 1,166 per USD to IQD 1,180 per USD while the official exchange rate until 1 December 2015 was IQD 1,166 per USD, which resulted in total commission expense amounted to IQD 360,754 million.

27. LOSS FROM DERECOGNIZING IMF ACCOUNTS

The derecognition of IMF accounts from CBI's records to MoF records resulted in a loss amounted to IQD 228,947 million representing the variances between IMF assets and liabilities that were transferred to MoF.

28. CASH AND CASH EQUIVALENTS

	<i>2015</i>	<i>2014</i>
	<i>IQD Million</i>	<i>IQD Million</i>
Cash and balances with central banks	4,511,665	10,039,356
Current accounts with foreign banks	13,433	196,423
Current accounts with local banks	8,788	757
Time deposits with foreign banks	16,347,264	16,233,329
	<u>20,881,150</u>	<u>26,469,865</u>

29. TAXES

According to Article 44 of the Central Bank Law of 2004, the CBI is exempted from taxes on income or profit and certain other taxes and customs as stated in the Law.

30. RISK MANAGEMENT**30.1 Introduction**

The Bank has a risk management unit that manages the Investment Directorate's operational and financial risks which the Investment Directorate is to a certain extent exposed to. A detailed risk management program was developed. This program includes a general risk management framework which involves identifying, analyzing, measuring, evaluating and monitoring risk, evaluating performance, and monitoring the compliance with the limits and standards set for the risks. The Bank also has drafted procedures to deal with financial risks represented by investment guidelines issued by the board of directors which sets limits and standards for dealing with these risks and allows the management of these risks within the limits and levels set forth in these principle guidelines, as well as monitoring cases of exposure to risk to determine if that exposure extends beyond the acceptable limits. For the purpose of assessing the strengths and weaknesses in performances, the standards set by the risk management unit for dealing with operational and financial risks faced by the Investment Directorate, are reviewed on a regular basis according to the prevailing macroeconomic conditions and the possible effects of financial and macroeconomic shocks, and corrective measures are taken to mitigate these effects.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements are detailed below:

	<u>Gross maximum exposure</u>	
	<u>2015</u>	<u>2014</u>
	<i>IQD Million</i>	<i>IQD Million</i>
Cash and balances with central banks (Excluding cash on hand)	2,391,734	3,855,838
Due from banks	16,369,485	16,430,509
Held to maturity investments	38,613,909	45,192,610
Loans to commercial banks	7,500	-
Due from Ministry of Finance	8,580,912	2,455,520
Foreign currencies investments at International Monetary Fund	-	2,854,863
Other assets	562,268	405,133
Total	<u>66,525,808</u>	<u>71,194,473</u>
Total credit risk exposure	<u>66,525,808</u>	<u>71,194,473</u>

Balances with foreign banks: the CBI is exposed to credit risk related to deposits with foreign banks including correspondent banks which are selected based on their credit ratings set by the credit rating agencies S&P or Moody's for investor services. The Board of Directors therefore sets limits as per the credit ratings that the Bank has exposure on, where deposits are not made with foreign banks with a credit rating below AA-. The ratings of these banks are monitored; and in any instance of deviation from the set limits, a report is submitted to the investment committee for corrective measures to be taken.

The schedule below presents the credit ratings of the central banks the CBI has credit exposure to according to Moody's or S&P credit rating agency:

Country	<i>Credit rating</i>	
	<i>As at 31 December 2015</i>	
	<u>Moody's</u>	<u>S&P</u>
United States	Aaa	AA+
France	Aa2	AA
Netherland	Aaa	AAA
England	Aa1	AAA
Australia	Aaa	AAA

Investment securities: the CBI relies on long term credit ratings from Standard and Poor's and Moody's. According to risk management policy, the qualified party issuing securities to the CBI must fall above a credit rating of AA - given by these two institutions. The credit ratings are monitored on a daily basis by the risk management department to check that the Bank's investments are within the set criteria.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

The credit ratings for the treasury securities that are held by the Bank for 2015 are as follows according to Moody's and S&P credit rating agency:

Country	Credit rating	
	As at 31 December 2015	
	Moody's	S&P
United States	Aaa	AA+
France	Aa2	AA
Netherland	Aaa	AAA
England	Aa1	AAA

Local banks: the CBI provides 3 types of banking facilities to the local banks that are experiencing liquidity shortages, and they are the following:

- Primary credit facilities
- Secondary credit facilities
- Last resort facilities

In order to hedge the risk of defaulting on payment, the Bank imposes the following conditions to reduce the likelihood of this type of risk:

- Submitting real estate or securities as collateral.
- The maximum loan period is 90 days.
- In case a bank requests the last resort loan, the Ministry of Finance needs to guarantee the payment in case the bank defaults.

Concentration arises when a number of counterparties which are engaged in similar business activities, or activities in the same geographic region, or when they have similar economic features and for which have an impact on their ability to meet contractual obligations in case they are faced by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Bank's performance towards the developments affecting a particular industry or geographic location. In order to avoid concentration risk, the CBI has diversified its risk by investing in several foreign banks as follows:

	31 December 2015 IQD million	31 December 2014 IQD million
Bank		
Federal Reserve Bank of New York	21,543,255	28,655,293
Bank of England	4,026,580	4,163,109
De Nederlandsche Bank	5,604,514	6,120,397
Banque de France	9,549,637	10,347,324
Banca D'Italia	3	42,521
Reserve Bank of Australia	241,715	-
Bank of International Settlement	7,874,465	7,900,901
Arab Monetary Fund	8,485,752	8,345,296
Other banks	1,676	2,534
	<u>57,327,597</u>	<u>65,577,375</u>

30. RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

Impaired loans and advances

Impaired loans are loans and advances for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. Interest on the impaired loans is suspended and a provision for impairment loss is recognized in the income statement according to management best estimates taking into consideration collaterals if any.

Allowances for impairment

In order to reduce credit risk, CBI establishes an allowance for impairment losses on its doubtful loans and frozen deposits, especially balances with local and foreign banks which suffer from liquidity problems. CBI has fully provided for its impaired loans which amount to IQD 496,435 million in 2015 (2014: IQD 1,696,511 million).

Write-off policy

The Bank writes off a loan or an investment in a debt security balance and any related allowances for impairment losses, when the Bank determines that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

30.3 Liquidity risk

Liquidity risk is the risk that the CBI will be unable to meet its liabilities when they fall due. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The CBI takes into consideration the following criteria to avoid those risks:

- The party issuing securities is rated AA- or above.
- The extent of the financial instruments to be easily liquidated without incurring loss on the investment.
- The term of the deposits does not exceed six months.
- The value of reserves invested in term deposits for each bank must not exceed USD 10 billion.

There is an arrangement between the CBI and the Ministry of Finance that enables the CBI to improve its liquidity in foreign currencies through the financing of the Ministry of Finance needs of local currency in exchange of US Dollars.

30.4 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.

30. RISK MANAGEMENT (continued)

30.4 Market risk

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.

30.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The CBI is exposed to interest rate risk as a result of possible mismatches of interest rate re-pricing of assets and liabilities. During 2015 the CBI decreased the interest rate of time deposit, whereas the interest rate of time deposit of local banks with CBI averages 1% for the deposit of 7 days (2014: 1.5%).

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of December 31, 2015:

	<i>Less than month IQD Million</i>	<i>1 month to 3 months IQD Million</i>	<i>3 months to 6 months IQD Million</i>	<i>6 months to 1 year IQD Million</i>	<i>More than 1 year IQD Million</i>	<i>Non interest items IQD Million</i>	<i>Total IQD Million</i>
ASSETS							
Gold reserve	-	-	-	-	-	3,627,247	3,627,247
Cash and balances with central banks	1,885,562	-	594,995	-	-	2,031,108	4,511,665
Due from banks	-	8,485,752	7,861,513	-	-	22,220	16,369,485
Held to maturity investments	-	-	-	6,374,720	32,239,189	-	38,613,909
Loans to commercial banks	-	-	-	-	7,500	-	7,500
Due from Ministry of Finance	-	-	-	6,225,393	2,355,519	-	8,580,912
Foreign currencies investments at IMF	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	191,942	191,942
Intangible assets	-	-	-	-	-	10,787	10,787
Other assets	-	-	-	-	-	562,268	562,268
TOTAL ASSETS	1,885,562	8,485,752	8,456,508	12,600,113	34,602,208	6,445,572	72,475,715
LIABILITIES							
Currency issued	-	-	-	-	-	38,585,119	38,585,119
Treasury bills issued	-	1,080,130	-	-	-	-	1,080,130
Deposits of local banks	332,000	-	-	-	-	24,152,967	24,484,967
Due to foreign governments and banks	-	-	-	-	-	39,799	39,799
Due to International Monetary Fund	-	-	-	-	-	-	-
Due to governmental institutions	-	-	-	-	-	5,929,109	5,929,109
Other liabilities	-	-	-	-	-	120,004	120,004
TOTAL LIABILITIES	332,000	1,080,130	-	-	-	68,826,998	70,239,128
TOTAL EQUITY	-	-	-	-	-	2,236,587	2,236,587
TOTAL LIABILITIES AND EQUITY	332,000	1,080,130	-	-	-	71,063,585	72,475,715
ITEM GAP	1,553,562	7,405,622	8,456,508	12,600,113	34,602,208	(64,618,013)	-
ACCUMULATED GAP	1,553,562	8,959,184	17,415,692	30,015,805	64,618,013	-	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of December 31, 2014:

	<i>Less than month IQD Million</i>	<i>1 month to 3 months IQD Million</i>	<i>3 months to 6 months IQD Million</i>	<i>6 months to 1 year IQD Million</i>	<i>More than 1 year IQD Million</i>	<i>Non interest items IQD Million</i>	<i>Total IQD Million</i>
ASSETS							
Gold reserve	-	-	-	-	-	4,039,626	4,039,626
Cash and balances with central banks	3,954,256	-	-	-	-	6,085,100	10,039,356
Due from banks	16,430,509	-	-	-	-	-	16,430,509
Held to maturity investments	-	-	14,114,054	-	31,078,556	-	45,192,610
Due from Ministry of Finance	-	100,000	100,000	200,000	2,055,520	-	2,455,520
Foreign currencies investments at IMF	-	-	-	-	2,854,863	-	2,854,863
Property and equipment	-	-	-	-	-	182,610	182,610
Intangible assets	-	-	-	-	-	6,936	6,936
Other assets	-	-	-	-	-	405,133	405,133
TOTAL ASSETS	20,384,765	100,000	14,214,054	200,000	35,988,939	10,719,405	81,607,163
LIABILITIES							
Currency issued	-	-	-	-	-	39,883,686	39,883,686
Treasury bills issued	-	853,399	-	-	-	-	853,399
Deposits of local banks	382,500	-	-	-	-	31,297,251	31,679,751
Due to foreign governments and banks	-	-	-	-	-	39,909	39,909
Due to International Monetary Fund	-	1,831,259	-	-	-	1,921,904	3,753,163
Due to governmental institutions	-	-	-	-	-	2,004,003	2,004,003
Other liabilities	-	-	-	-	-	127,057	127,057
TOTAL LIABILITIES	382,500	2,684,658	-	-	-	75,273,810	78,340,968
TOTAL EQUITY	-	-	-	-	-	3,266,195	3,266,195
TOTAL LIABILITIES AND EQUITY	382,500	2,684,658	-	-	-	78,540,005	81,607,163
ITEM GAP	20,002,265	(2,584,658)	14,214,054	200,000	35,988,939	(67,820,600)	-
ACCUMULATED GAP	20,002,265	17,417,607	31,631,661	31,831,661	67,820,600	-	-

30. RISK MANAGEMENT (continued)

30.4 Market risk (continued)

30.4.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In order to avoid this risk, the CBI depends on diversifying its foreign currency reserves according to best international practices and standards in this field that define the limits and parameters for each currency reserve and the weight of each major currency in the global economy.

The risk management department and investment committee review these components and weights to measure deviations from the basic standards for currencies and take the required corrective measures to return to the basic standards. The Bank's weighted currency asset portfolio consists of the following:

	<i>Weight</i>	
	<u>2015</u>	<u>2014</u>
Iraqi Dinar	12.55	3.74
US Dollar	57.24	64.60
Euro	20.44	19.74
SDR	-	3.50
Others	9.77	8.42

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4 Market risk (continued)

30.4.2 Currency risk (continued)

Below is the Bank's statement of financial position by currency:

31 December 2015	<i>IQD</i> <i>IQD Million</i>	<i>USD</i> <i>IQD Million</i>	<i>EUR</i> <i>IQD Million</i>	<i>SDR</i> <i>IQD Million</i>	<i>Others</i> <i>IQD Million</i>	<i>Total</i> <i>IQD Million</i>
ASSETS						
Gold reserve	-	3,627,247	-	-	-	3,627,247
Cash and balances with central banks	-	4,229,165	40,770	-	241,730	4,511,665
Due from banks	-	13,575,685	2	-	2,793,798	16,369,485
Held to maturity investments	-	20,028,808	14,558,536	-	4,026,565	38,613,909
Loans to commercial banks	7,500	-	-	-	-	7,500
Due from Ministry of Finance	8,580,912	-	-	-	-	8,580,912
Foreign currencies investments at IMF	-	-	-	-	-	-
Property and equipment	191,942	-	-	-	-	191,942
Intangible assets	10,787	-	-	-	-	10,787
Other assets	301,321	23,805	213,710	-	23,432	562,268
TOTAL ASSETS	9,092,462	41,484,710	14,813,018	-	7,085,525	72,475,715
LIABILITIES AND EQUITY						
Currency issued	38,585,119	-	-	-	-	38,585,119
Treasury bills issued	1,080,130	-	-	-	-	1,080,130
Deposits of local banks	20,231,797	4,252,912	258	-	-	24,484,967
Due to foreign governments and banks	4,260	6,955	-	-	28,584	39,799
Due to International Monetary Fund	-	-	-	-	-	-
Due to governmental institutions	1,522,751	4,406,358	-	-	-	5,929,109
Other liabilities	67,438	52,566	-	-	-	120,004
Equity	2,236,587	-	-	-	-	2,236,587
TOTAL LIABILITIES AND EQUITY	63,728,082	8,718,791	258	-	28,584	72,475,715
NET	(54,635,620)	32,765,919	14,812,760	-	7,056,941	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4 Market risk (continued)

30.4.2 Currency risk (continued)

31 December 2014	<i>IQD</i> <i>IQD Million</i>	<i>USD</i> <i>IQD Million</i>	<i>EUR</i> <i>IQD Million</i>	<i>SDR</i> <i>IQD Million</i>	<i>Others</i> <i>IQD Million</i>	<i>Total</i> <i>IQD Million</i>
ASSETS						
Gold reserve	-	4,039,626	-	-	-	4,039,626
Cash and balances with central banks	-	7,804,168	2,551	-	2,232,637	10,039,356
Due from banks	757	13,351,915	184,440	-	2,893,397	16,430,509
Held to maturity investments	-	27,521,803	15,923,294	-	1,747,513	45,192,610
Due from Ministry of Finance	2,455,520	-	-	-	-	2,455,520
Foreign currencies investments at IMF	-	-	-	2,854,863	-	2,854,863
Property and equipment	182,610	-	-	-	-	182,610
Intangible assets	6,936	-	-	-	-	6,936
Other assets	405,133	-	-	-	-	405,133
TOTAL ASSETS	3,050,956	52,717,512	16,110,285	2,854,863	6,873,547	81,607,163
LIABILITIES AND EQUITY						
Currency issued	39,883,686	-	-	-	-	39,883,686
Treasury bills issued	853,399	-	-	-	-	853,399
Deposits of local banks	26,155,270	5,524,481	-	-	-	31,679,751
Due to foreign governments and banks	39,909	-	-	-	-	39,909
Due to International Monetary Fund	-	-	-	3,753,163	-	3,753,163
Due to governmental institutions	1,136,930	866,939	134	-	-	2,004,003
Other liabilities	127,057	-	-	-	-	127,057
Equity	3,266,195	-	-	-	-	3,266,195
TOTAL LIABILITIES AND EQUITY	71,462,446	6,391,420	134	3,753,163	-	81,607,163
NET	(68,411,490)	46,326,092	16,110,151	(898,300)	6,873,547	-

30.4.3 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.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4 Market risk (continued)

30.4.3 Fair value of financial instruments (continued)

31 December 2015	Level 1 IQD Million	Level 2 IQD Million	Level 3 IQD Million	Total fair value IQD Million	Total carrying amount IQD Million
ASSETS					
Cash and balances with central banks	-	4,511,665	-	4,511,665	4,511,665
Due from banks	-	16,369,485	-	16,369,485	16,369,485
Held to maturity investments	38,577,893	-	-	38,577,893	38,613,909
Loans to commercial banks	-	7,500	-	7,500	7,500
Due from Ministry of Finance	-	8,580,912	-	8,580,912	8,580,912
TOTAL ASSETS	38,577,893	29,469,562	-	68,047,455	68,083,471
LIABILITIES					
Currency issued	-	38,585,119	-	38,585,119	38,585,119
Treasury bills issued	-	1,080,130	-	1,080,130	1,080,130
Deposits of local banks	-	24,484,967	-	24,484,967	24,484,967
Due to foreign governments and banks	-	39,799	-	39,799	39,799
Due to governmental institutions	-	5,929,109	-	5,929,109	5,929,109
TOTAL LIABILITIES	-	70,119,124	-	70,119,124	70,119,124

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

30. RISK MANAGEMENT (continued)

30.4 Market risk (continued)

30.4.3 Fair value of financial instruments (Continued)

31 December 2014	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	<i>IQD Million</i>	<i>IQD Million</i>	<i>IQD Million</i>	<i>IQD Million</i>	<i>IQD Million</i>
ASSETS					
Cash and balances with central banks	-	10,039,356	-	10,039,356	10,039,356
Due from banks	-	16,430,509	-	16,430,509	16,430,509
Held to maturity investments	45,370,737	-	-	45,370,737	45,192,610
Due from Ministry of Finance	-	2,455,520	-	2,455,520	2,455,520
Foreign currencies investments at IMF	-	2,854,863	-	2,854,863	2,854,863
TOTAL ASSETS	<u>45,370,737</u>	<u>31,780,248</u>	<u>-</u>	<u>77,150,985</u>	<u>76,972,858</u>
LIABILITIES					
Currency issued	-	39,883,686	-	39,883,686	39,883,686
Treasury bills issued	-	853,399	-	853,399	853,399
Deposits of local banks	-	31,679,751	-	31,679,751	31,679,751
Due to foreign governments and banks	-	39,909	-	39,909	39,909
Due to International Monetary Fund	-	3,753,163	-	3,753,163	3,753,163
Due to governmental institutions	-	2,004,003	-	2,004,003	2,004,003
TOTAL LIABILITIES	<u>-</u>	<u>78,213,911</u>	<u>-</u>	<u>78,213,911</u>	<u>78,213,911</u>

31. ASSETS, LIABILITIES AND REVENUES GEOGRAPHIC DISTRIBUTION

The CBI operates in one geographic market; Iraq. However, the CBI has assets and liabilities in foreign countries. Following is a summary of the CBI's total assets and total liabilities in Iraq and in foreign countries and the total revenues generated in Iraq and in foreign countries:

	<i>Iraq</i>	<i>Foreign Countries</i>	<i>Total</i>
	<u>2015</u>	<u>2015</u>	<u>2015</u>
	<i>IQD Million</i>	<i>IQD Million</i>	<i>IQD Million</i>
Revenues	1,166,385	219,784	1,386,169
Total Assets	11,388,900	61,086,815	72,475,715
Total Liabilities	70,201,770	37,358	70,239,128

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

31. ASSETS, LIABILITIES AND REVENUES GEOGRAPHIC DISTRIBUTION (continued)

	<u>Iraq</u>	<u>Foreign</u> <u>Countries</u>	<u>Total</u>
	2014	2014	2014
	IQD Million	IQD Million	IQD Million
Revenues	594,496	977,056	1,571,552
Total Assets	9,003,845	72,603,318	81,607,163
Total Liabilities	74,539,823	3,801,145	78,340,968

32. RELATED PARTY TRANSACTIONS

The CBI is a governmental entity and enters into transactions with governmental banks, ministries and other governmental institutions in the ordinary course of business at commercial interest and commission rates. Transactions with related parties included in the statement of financial position and income statement are as follows:

	<u>2015</u> <u>IQD</u> <u>Million</u>	<u>2014</u> <u>IQD</u> <u>Million</u>
ASSETS		
Due from Ministry of Finance	2,355,519	2,455,520
Government of Iraq treasury bills	6,225,393	-
Current accounts with local banks	8,788	757
Due from a governmental bank	5,436	5,959
Allowance for impairment losses of due from governmental banks	(5,436)	(5,959)
LIABILITIES		
Deposits of governmental banks	14,917,119	11,447,033
Due to Ministry of Finance	4,390,179	1,034,304
Due to other governmental institutions	1,538,930	940,480
Due to Sulaymania and Erbil branches	-	29,219
INCOME STATEMENT		
Interest income from Ministry of Finance	214,001	130,228
Interest expenses on governmental banks deposits	3,199	18,159
Fee and commission income from Ministry of Finance	4,664	113,119
Fee and commission expense to Ministry of Finance	360,754	-

33. ACCOUNTS MANAGED ON BEHALF OF THE MOF

The CBI maintains the cash payments and receipts records of the Development Fund for Iraq (DFI), which was established during May 2003 and recognized by the United Nations Security Council Resolution (UNSCR) 1483 (2003). The DFI's bank accounts are managed by the CBI on behalf of the Ministry of Finance (MOF). As at 31 December 2007 the DFI accounts have been excluded from the CBI's financial statements, which resulted in unreconciled debit difference of IQD 11,823 million between the DFI assets balances and the related liability balances in the CBI records. This difference has been provided for in the CBI's financial statements and an audit has been performed in the later years for the difference to become IQD 5,390 million (equivalent to USD 4,622,657). During 2015 the CBI's Board of Directors decided to write off this difference and therefore the related allowance was written off from the CBI's records.

On 27 May 2014, the immunity over the Development Fund for Iraq account was cleared and the Bank decided to transfer all this balance to CBI's account at the Federal Reserve Bank of New York. Also a decision was taken to open a second account at the Federal Reserve Bank of New York named Iraq 2, in which all the balances from the oil shipments, amounts recovered and frozen balances shall be deposited in this account, and at the same time an account was opened against the current account of the Ministry of Finance in which all amounts are deposited in it.

34. COMMITMENTS AND CONTINGENT LIABILITIES

There are lawsuits in different countries against the CBI for the settlement of past due debt of the CBI, Iraqi ministries and other governmental institutions for the amount of IQD 1,326,684 million as of December 31, 2015 (2014: IQD 1,354,505 million).

Many of the lawsuits may relate to debts reconciled or settled under the Government of Iraq's External Debt Reconciliation Project. However, to the financial statements issuance date, there are no sufficient information regarding the balances that have been reconciled, settled or exempted as of December 31, 2015, and the balances that will be reconciled and settled subsequent to year end.

Due to the unavailability of sufficient information, the final outcome of these lawsuits and its effect on the CBI's financial statements, if any, is uncertain and could not be quantified and provided for as of December 31, 2015.

The CBI management believes that these commitments, if any, would be the liability of Ministry of Finance and not the CBI, however, the Ministry of Finance did not confirm its commitment to pay the outcomes of these lawsuits up to the date of these financial statements.

35. OFF-BALANCE SHEET

- The Central Bank of Iraq, in its role as the banker of the Ministry of Finance and the fiscal agent of the Government of Iraq, as stipulated in the Central Bank Law of Iraq (Article 4, section 1.d), holds promissory notes in its off balance sheet amounting to IQD 1,521,200 million (2014: IQD 1,321,731 million), which represent The World bank and International Monetary Fund financing to Iraq for budget support and therefore for the use of the Ministry of Finance.
- On 13 October 2015, CBI Board of Directors decided to derecognize all IMF accounts (assets and liabilities) from the records and to manage these accounts off-balance sheet on the basis that these accounts are related to Ministry of Finance. The balances of the derecognized assets and liabilities at December 31, 2015 amounted to IQD 2,059,488 million and IQD 3,526,584 million respectively.