

INDEPENDENT AUDITOR'S REPORT
To the Governor of Central Bank of Iraq
Baghdad - Iraq

Opinion

We have audited the financial statements of Central Bank of Iraq (the Bank), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the 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 financial statements in Iraq, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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.



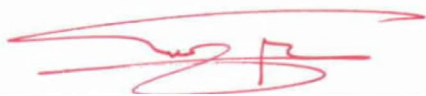
Mustafa Fouad Abbas and Co.
 (A member firm of Ernst & Young Global Limited)
 Baghdad – Iraq
 1 May 2023

CENTRAL BANK OF IRAQ
FINANCIAL STATEMENTS
31 DECEMBER 2022

CENTRAL BANK OF IRAQ

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022

	Notes	2022 IQD million	2021 IQD million
ASSETS			
Gold reserve	3	11,020,655	8,171,560
Cash and balances with central banks	4	23,901,786	13,538,008
Balances at banks and other financial institutions	5	29,277,337	24,262,964
Financial assets at fair value through profit or loss	6	-	679,853
Financial investments at amortized cost	7	76,540,233	44,111,124
Loans to governmental and commercial banks	8	10,988,144	5,482,893
Due from Ministry of Finance	9	46,007,912	46,007,912
Foreign currencies investments at International Monetary Fund	10	2,651,143	2,788,099
Investment in associate	11	49,084	49,172
Property and equipment, net	12	1,092,274	942,987
Intangible assets, net	13	23,303	6,949
Other assets	14	4,194,202	2,291,889
TOTAL ASSETS		205,746,073	148,333,410
LIABILITIES AND EQUITY			
LIABILITIES			
Currency issued	15	87,561,568	76,561,599
Treasury bills issued		425,661	-
Deposits of local banks and other financial institutions	16	59,700,030	34,510,525
Due to foreign governments and banks	17	98,636	33,553
Due to International Monetary Fund	18	2,233,927	2,233,927
Due to governmental institutions	19	23,937,228	5,654,160
Other liabilities	20	319,621	297,320
TOTAL LIABILITIES		174,276,671	119,291,084
EQUITY			
Capital	21	5,000,000	3,000,000
General reserve	22	14,540,071	15,315,940
Emergency reserve	22	5,605,351	5,299,318
Gold revaluation reserve	23	3,465,109	3,550,785
Lands and buildings revaluation reserve	24	346,119	346,119
Retained earnings	25	2,512,752	1,530,164
TOTAL EQUITY		31,469,402	29,042,326
TOTAL LIABILITIES AND EQUITY		205,746,073	148,333,410



Ali M. Ismaiel
Governor of the Central Bank of Iraq



Rabab Hassan Ahmed
Director General of Accounting Directorate

The accompanying notes from (1) to (41) are integral part of these financial statements

CENTRAL BANK OF IRAQ

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2022

	<u>Notes</u>	<u>2022</u> <u>IQD million</u>	<u>2021</u> <u>IQD million</u>
REVENUES			
Interest income	26	3,098,293	1,800,354
Interest expense		<u>(219,087)</u>	<u>(2,618)</u>
Net interest income		2,879,206	1,797,736
Net fees and commissions income	27	636,835	424,495
Gold revaluation (loss) gain	23	(85,676)	(318,763)
Gains from financial assets at fair value through profit or loss	28	1,816	196
Foreign currency exchange (loss) gain	29	(703,877)	(543,594)
CBI's share of loss in an associate	11	(88)	(828)
Other income		<u>12,460</u>	<u>30,899</u>
Gross profit		2,740,676	1,390,141
EXPENSES			
Employees' expenses		(56,939)	(53,374)
General and administrative expenses	30	(117,657)	(86,839)
Depreciation and amortization	12,13	(9,372)	(8,207)
Allowance for credit losses		<u>(129,632)</u>	<u>(30,320)</u>
PROFIT FOR THE YEAR		2,427,076	1,211,401
ADD: OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Unrealized gains from land and building revaluation	12	-	134,063
Total other comprehensive income		<u>-</u>	<u>134,063</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,427,076	1,345,464

The accompanying notes from (1) to (41) are integral part of these financial statements

CENTRAL BANK OF IRAQ

STATEMENT OF CHANGE IN EQUITY YEAR ENDED 31 DECEMBER 2022

	Notes	Capital IQD million	General reserve IQD million	Emergency reserve IQD million	Gold revaluation reserve IQD million	Lands and buildings revaluation reserve IQD million	Retained earnings IQD million	Total IQD million
Balance at 1 January 2022		3,000,000	15,315,940	5,299,318	3,550,785	346,119	1,530,164	29,042,326
Total comprehensive income for the year		-	-	-	-	-	2,427,076	2,427,076
Gold revaluation reserve for the year	23	-	-	-	(85,676)	-	85,676	-
Transfers to reserves	25	-	1,224,131	306,033	-	-	(1,530,164)	-
Capital increase	21	2,000,000	(2,000,000)	-	-	-	-	-
Balance at 31 December 2022		<u>5,000,000</u>	<u>14,540,071</u>	<u>5,605,351</u>	<u>3,465,109</u>	<u>346,119</u>	<u>2,512,752</u>	<u>31,469,402</u>
Balance at 1 January 2021		3,000,000	4,309,866	2,547,799	3,869,548	212,056	13,757,593	27,696,862
Total comprehensive income for the year		-	-	-	-	134,063	1,211,401	1,345,464
Gold revaluation reserve for the year	23	-	-	-	(318,763)	-	318,763	-
Transfers to reserves	25	-	11,006,074	2,751,519	-	-	(13,757,593)	-
Balance at 31 December 2021		<u>3,000,000</u>	<u>15,315,940</u>	<u>5,299,318</u>	<u>3,550,785</u>	<u>346,119</u>	<u>1,530,164</u>	<u>29,042,326</u>

The accompanying notes from (1) to (41) are integral part of these financial statements

CENTRAL BANK OF IRAQ

STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2022

	Notes	2022 IQD million	2021 IQD million
OPERATING ACTIVITIES			
Profit for the year		2,427,076	1,211,401
Adjustments for:			
Depreciation of property and equipment		7,796	6,475
Amortization of intangible assets		1,576	1,732
Revaluation of Gold Reserve		85,676	318,763
Foreign currency exchange loss		728,721	530,279
Unrealized loss from financial assets at fair value through profit or loss		1,464	5,131
Allowance for credit losses		129,632	30,320
CBI's share of loss in associate		88	828
Land impairment reversal gain		-	(20,089)
Other income		-	(3,117)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		3,382,029	2,081,723
CHANGES IN ASSETS AND LIABILITIES			
Deposits with maturities more than 3 months		(20,235,807)	10,649,569
Financial assets at fair value through profit or loss		678,389	(11,786)
Loans to governmental and commercial banks		(5,634,520)	(3,542,148)
Due from Ministry of Finance		-	(4,000,000)
Other assets		(1,906,230)	(1,153,694)
Currency issued		10,999,969	10,530,365
Deposits of local banks and other financial institutions		25,135,703	11,112,044
Due to foreign governments and banks		66,625	(112)
Due to governmental institutions		18,283,087	(1,676,244)
Other liabilities		22,235	90,404
NET CASH FLOWS FROM OPERATING ACTIVITIES		30,791,480	24,080,121
INVESTING ACTIVITIES			
Financial investments at amortized cost		(32,959,406)	(12,569,030)
Purchase of property and equipment		(157,083)	(189,902)
Purchase of intangible assets		(17,930)	(320)
Purchase of gold bullion		(2,934,771)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(36,069,190)	(12,759,252)
FINANCING ACTIVITIES			
Treasury bills		425,661	(31,720)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		425,661	(31,720)
Net (decrease) increase in cash and cash equivalents		(4,852,049)	11,289,149
Effect of foreign currency translation on cash and cash equivalents		(43,881)	(52,053)
Cash and cash equivalents beginning of the year		20,869,877	9,632,781
CASH AND CASH EQUIVALENTS, END OF THE YEAR	31	15,973,947	20,869,877

The accompanying notes from (1) to (41) are integral part of these financial statements

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

1. ACTIVITIES

The Central Bank of Iraq ("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 Number 56 of 2004 as amended.

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 of Iraq 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 Basra, Mosul, Erbil and Sulaymania.

On 13 October 2015, CBI Board of Directors and upon the approval of the Prime Minister decided that Sulaymaniyah branch is not subject to the administration and supervision of the CBI and is not considered as part of the CBI's financial system as the CBI does not currently control the administrative and financial operations of this branch, and the CBI does not have any obligations in return for its obligations, since it is part of the administrative, technical and financial system of the Ministry of Finance and Economy of the Kurdistan Regional Government. Consequently, the financial statements of the CBI as of 31 December 2022 do not include the figures of Sulaymaniyah branch.

On 23 October 2016, the CBI Board of Directors decided to open new branch in Sulaymania and to be part of CBI's financial, administrative and technical system. However, CBI did not announce the official date for opening the new branch until the date of these financial statements.

The financial statements were authorized for issue by the Governor of Central Bank of Iraq on 30 March 2023.

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 of Iraq Law Number 56 of 2004 as amended.

The financial statements have been prepared under the historical cost basis except for Lands and buildings due to adoption of revaluation model in accordance with IAS 16 for these classes of assets. In addition to gold reserve and financial asset at fair value through profit or loss which have been measured at fair value.

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.

2. ACCOUNTING POLICIES (continued)

2.2 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 financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

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

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

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

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

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

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

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

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

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

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

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

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

2. ACCOUNTING POLICIES (continued) 2.3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

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

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

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

Definition of Accounting Estimates - Amendments to IAS 8

In February 2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

2. ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

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

In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

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

2.4 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:

2.4.1 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 income.

2.4.2 Legal provision

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

2.4.3 Separation of Sulaymania branch

As explained in note (1), on 13 October 2015, CBI Board of Directors and upon the approval of the Prime Minister decided that Sulaymania branch is not subject to the administration and supervision of the CBI and is not considered as part of the CBI's financial system as the CBI does not currently control the administrative and financial operations of this branch, and CBI does not have any obligations in return for its obligations, since it's part of the administrative, technical and financial system of the Ministry of Finance and Economy of the Kurdistan Regional Government. Consequently, the financial statements of the CBI as of 31 December 2022 do not include the figures of Sulaymania branch.

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.4 Business model

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- Management's evaluation of the performance of the portfolio; and
- Management's strategy in terms of earning contractual interest revenues or generating capital gains.

2.4.5 Allowance for expected credit losses

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Bank computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs).

The bank's policy in determining the shared characteristics (specifications) that credit risks and credit losses have been measured on collective basis or individual basis as follows:

- Balances with central banks: individually at bank level
- Balances at banks and other financial institutions: individually at bank level
- Financial investments at amortized cost: individually at debt instrument level
- Due from Ministry of Finance: individually at debt instrument level
- Loans to governmental and commercial banks: individually at bank level
- Loans to employees: collectively at loan type level (housing loans, loans with maturity of seven years and loans for medical purposes)

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.5 Allowance for expected credit losses (continued)

IFRS 9 Methodology: Inputs, assumptions and techniques used for ECL calculation

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Bank while determining the impact assessment, are:

▪ **Assessment of Significant Increase in Credit Risk (SICR)**

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

The assessment of significant increases in credit risk will be performed periodically for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in the financial instruments' PDs relative to initial recognition.
2. Restructuring and/or Rescheduling on the financial asset during the assessment period is considered as indicator for SICR.
3. Instruments which are 30 days past due have experienced a significant increase in credit risk as per the IFRS 9. According to the methodology issued by the Bank, it is presumed the occurrence of significant increase in credit risk of financial asset with 30 days past due.

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

▪ **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment in cooperation with international expert in this area.

Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

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

2. ACCOUNTING POLICIES (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.5 Allowance for expected credit losses (continued)

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios (continued)**

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers the future macroeconomic scenarios information for the next five years.

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

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used by IFRS 9 steering committee. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due or the obligor is considered unlikely to pay its credit obligations in full.

- **Expected Life**

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

Governing the implementation requirements of IFRS 9:

To ensure proper compliance of the IFRS 9 implementation, a steering committee was formed consisting of the Director General of Accounting directorate, the Director General of Public Debt directorate and Director General of Investment directorate in addition to the Head of Risk management department with the responsibilities to provide decisions on the work plan regarding implementation and adoption of IFRS 9 to ensure all relevant policies and procedures are updated in line with the new requirements, in addition to present the ECL results to the key management and related Committees of the Board of Directors.

2.4.6 Fair value of financial instruments

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

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies

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

2.5.1 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 are exchange rates for foreign currencies per IQD as at 31 December 2022:

Currency	Exchange rate for foreign currencies per IQD as at 31 December 2022	Exchange rate for foreign currencies per IQD as at 31 December 2021
USD	1,450.000	1,450.000
EUR	1,545.845	1,641.835
GBP	1,747.540	1,956.630
AUD	982.810	1,051.105
CNY	208.259	227.662
SDR	1,929.718	2,029.406

2.5.2 Financial Assets and Liabilities

Balances with central banks, Balances at banks and other financial institutions, financial investments at amortized cost, Loans to governmental and commercial banks, Due from Ministry of Finance and Loans to employees

The Bank measures Balances with central banks, Balances at banks and other financial institutions, financial investments at amortized cost, Loans to governmental and commercial banks, Due from Ministry of Finance and Loans to employees at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business model assessment

The Bank determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.2 Financial Assets and Liabilities (continued)

Business model assessment (continued)

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Gold reserve

Gold reserve initially stated at fair value at acquisition date (purchase costs are recorded in the statement of income upon acquisition) and subsequently measured in fair value. Gold is stated on the basis of the closing price in London gold market as of 31 December 2022. CBI maintains the gold as part of its foreign reserve management and does not have a present intent to dispose of. The gains or losses on the revaluation of gold at market price including the change in fair value resulting from translation of non-monetary assets stated at foreign currency are taken to the income statement. The cumulative gain revaluation reserve is disclosed in "Gold revaluation reserve within the statement of changes in equity. Gains or losses resulting from the sale of these financial assets or part of them are taken to the statement of income.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.2 Financial Assets and Liabilities (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Interest earned on instruments designated at fair value through profit or loss is accrued in interest income using the effective interest rate, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at fair value through profit or loss is recorded using contractual interest rate.

Treasury bills issued, Deposits of local banks and other financial institutions, Due to foreign governments and banks, Due to governmental institutions and Employees' accounts

The Bank measures Treasury bills issued, Deposits of local banks and other financial institutions, Due to foreign governments and banks, Due to governmental institutions and Employees' accounts at amortized cost.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

De-recognition of financial assets and liabilities

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

- The rights to receive cash flows from the financial asset have expired;
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset
- 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 statement of income.

Offsetting

Financial assets and financial liabilities are offset and presented in the net amount in the statement of financial position only when there is a legally enforceable right of set-off and intends either to settle on a net basis or to realise the financial asset and settle the same time.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.3 Impairment of financial assets

Overview of the ECL principles

The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'.

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment periodically, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial assets are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 also include financial assets where the credit risk has improved and have been reclassified from Stage 2.
- Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 also include financial assets where the credit risk has improved and have been reclassified from Stage 3.
- Stage 3: Financial assets considered credit impaired. The Bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.3 Impairment of financial assets (continued)

The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The machinery of the ECL calculations is outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanism of the ECL method is summarized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.3 Impairment of financial assets (continued)

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets which are considered credit-impaired, the Bank recognizes the lifetime expected credit losses for that credit exposure. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than Stage 1 and Stage 2.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- Oil price indices
- Financial market performance indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, governmental guarantees, other non-financial assets and credit enhancements.

Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed periodically. However, some collaterals, for example, cash or securities, are valued daily.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.3 Impairment of financial assets (continued)

Modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, (rather than taking possession or to otherwise enforce collection of collateral). The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

2.5.4 Fair value

The Bank measures financial instruments is at fair value at each financial statements' 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.

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.

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.4 Fair value (continued)

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.

2.5.5 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 Balances at 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.

2.5.6 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 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. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.7 Property and equipment

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized since the date of revaluation. Valuations are performed by internal or external valuers with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Unrealized gain from revaluation of lands and buildings is recorded in other comprehensive income and credited to "lands and buildings revaluation reserve" in equity.

However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in statement of income, the increase is recognized in statement of income. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the lands and buildings revaluation reserve.

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	10 to 30 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.

2.5.8 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. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.9 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 statement of income unless the assets is recorded in accordance with revaluation model set by another standard (For example, according to revaluation model of IAS 16). Any impairment for revalued assets should be treated according to that standard.

2.5.10 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.

2.5.11 Fiduciary Assets

Assets held in a fiduciary capacity are not reported in the statement of financial position of the Bank.

2.5.12 Issued currency

The liability of the CBI towards banknotes 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 that are returned to the CBI are reduced from the issued currency balance. Any un-issued and returned banknotes 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 statement of income when incurred.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

2. ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

2.5.13 Investment in associate

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

Under the equity method, the investment in the associate is carried in the 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 statement of income 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 statement of income.

3. GOLD RESERVE

	2022 IQD million	2021 IQD million
Gold reserve at CBI vault	361,076	362,620
Gold reserve abroad	10,656,802	7,806,152
Gold coins at CBI vault	2,777	2,788
	<u>11,020,655</u>	<u>8,171,560</u>

The movement on the gold reserve during 2022 and 2021 was as follows:

	2022 IQD million	2021 IQD million
Balance at 1 January	8,171,560	8,490,323
Gold bullion purchased during the year	2,934,771	-
Change in fair value	(85,676)	(318,763)
	<u>11,020,655</u>	<u>8,171,560</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

4. CASH AND BALANCES WITH CENTRAL BANKS

	2022 IQD million	2021 IQD million
Cash on hand	1,685,277	2,718,978
Time deposit with Banque de France	10,011,249	6,037,653
Current account with Federal Reserve Bank of New York	3,048	4,777,069
Current account with Bank of England	542	1,672
Current account with Central Bank of United Arab Emirates	1,526	1,526
Current account with Banque de France	1,233,366	427
Current account with Reserve Bank of Australia	161	342
Current account with People Bank of China	436	341
Overnight deposits with Federal Reserve Bank of New York	7,831,595	-
Time deposit with Reserve Bank of Australia	-	-
Time deposit Bank of England	3,134,586	-
Current account with De Nederlandsche Bank N.V.	-	-
	<u>23,901,786</u>	<u>13,538,008</u>

Non-interest bearing unrestricted and non-impaired deposits are amounted to IQD 1,239,079 million (2021: IQD 4,781,377 million).

Interest bearing unrestricted and non-impaired deposits are amounted to IQD 20,977,430 million (2021: IQD 6,037,653 million).

Unrestricted and non-impaired deposits with maturity more than 3 months are amounted to IQD 11,179,529 million (2021: IQD 3,776,516 million).

Cash and balances with central banks	2022 IQD million			Total
	Stage 1	Stage 2	Stage 3	
High standard grade	23,901,786	-	-	23,901,786
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>23,901,786</u>	<u>-</u>	<u>-</u>	<u>23,901,786</u>
Less: allowance for credit losses	-	-	-	-
	<u>23,901,786</u>	<u>-</u>	<u>-</u>	<u>23,901,786</u>

Cash and balances with central banks	2021 IQD million			Total
	Stage 1	Stage 2	Stage 3	
High standard grade	13,538,008	-	-	13,538,008
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>13,538,008</u>	<u>-</u>	<u>-</u>	<u>13,538,008</u>
Less: allowance for credit losses	-	-	-	-
	<u>13,538,008</u>	<u>-</u>	<u>-</u>	<u>13,538,008</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

5. BALANCES AT BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2022</u> IQD million	<u>2021</u> IQD million
Current accounts with local banks	259,476	367,457
Due from governmental banks	4,602	5,362
Current accounts with foreign banks	239,871	16,437
Time deposits with foreign banks	27,618,016	23,441,588
Overnight investment accounts with foreign banks	1,160,000	437,541
Frozen and old outstanding deposits with foreign banks *	583,884	599,748
	<u>29,865,849</u>	<u>24,868,133</u>
Allowance for credit losses **	(588,512)	(605,169)
	<u>29,277,337</u>	<u>24,262,964</u>

Non-interest bearing unrestricted and non-impaired deposits are amounted to IQD 499,347 million (2021: IQD 383,894 million).

Interest bearing unrestricted and non-impaired deposits are amounted to IQD 28,778,016 million (2021: IQD 23,879,129 million).

Unrestricted and non-impaired deposits with maturity more than 3 months are amounted to IQD 26,025,673 million (2021: IQD 13,154,638 million).

Restricted and impaired deposits are amounted to IQD 588,486 million (2021: IQD 605,110 million).

* 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.

Some banks did not transfer the balances to the Development Fund for Iraq account, and the balances at the American banks were transferred to the US Treasury. Correspondence with these banks is 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 balances at foreign banks as at 31 December 2022. A full provision had been booked for these balances.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

5. BALANCES AT BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

Balances at banks and other financial institutions	2022 IQD million			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	29,277,363	-	-	29,277,363
Standard grade	-	-	-	-
Impaired	-	-	588,486	588,486
	<u>29,277,363</u>	<u>-</u>	<u>588,486</u>	<u>29,865,849</u>
Less: allowance for credit losses**	(26)	-	(588,486)	(588,512)
	<u>29,277,337</u>	<u>-</u>	<u>-</u>	<u>29,277,337</u>

Balances at banks and other financial institutions	2021 IQD million			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	24,263,023	-	-	24,263,023
Standard grade	-	-	-	-
Impaired	-	-	605,110	605,110
	<u>24,263,023</u>	<u>-</u>	<u>605,110</u>	<u>24,868,133</u>
Less: allowance for credit losses**	(59)	-	(605,110)	(605,169)
	<u>24,262,964</u>	<u>-</u>	<u>-</u>	<u>24,262,964</u>

** The movement of the allowance for expected credit losses during 2022 was as follows:

	2022 IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	59	-	605,110	605,169
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(33)	-	-	(33)
Adjustments for foreign currency translation	-	-	(16,624)	(16,624)
At Year end	<u>26</u>	<u>-</u>	<u>588,486</u>	<u>588,512</u>

The movement on allowance for expected credit losses during 2021 was as the follows:

	2021 IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	128	-	634,478	634,606
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(69)	-	117	48
Written off balances	-	-	(117)	(117)
Adjustments for foreign currency translation	-	-	(29,368)	(29,368)
At Year end	<u>59</u>	<u>-</u>	<u>605,110</u>	<u>605,169</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 IQD million	2021 IQD million
Bonds and treasury bills held for trading	-	679,853
	<u>-</u>	<u>679,853</u>

7. FINANCIAL INVESTMENTS AT AMORTIZED COST

	2022 IQD million	2021 IQD million
Bonds issued by foreign governments and foreign governmental banks	49,414,873	22,151,640
Bonds issued by financial and international institutions	4,487,908	844,161
Bonds issued by banks and foreign financial institutions	3,615,312	1,977,709
Sukuk issued by foreign Islamic banks	3,625,000	3,625,000
Treasury bills issued by foreign governments	15,397,846	15,512,989
Allowance for expected credit losses*	(706)	(375)
	<u>76,540,233</u>	<u>44,111,124</u>

The average interest rates on financial investments at amortized cost are between 0.00% and 4.56% (2021: 0.02% and 3.6%) maturing between 2023 and 2029 (2021: 2022 and 2028).

Financial investments at amortized cost	2022 IQD million			Total
	Stage 1	Stage 2	Stage 3	
High standard grade	76,540,939	-	-	76,540,939
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>76,540,939</u>	<u>-</u>	<u>-</u>	<u>76,540,939</u>
Less: allowance for credit losses*	(706)	-	-	(706)
	<u>76,540,233</u>	<u>-</u>	<u>-</u>	<u>76,540,233</u>

Financial investments at amortized cost	2021 IQD million			Total
	Stage 1	Stage 2	Stage 3	
High standard grade	44,111,499	-	-	44,111,499
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>44,111,499</u>	<u>-</u>	<u>-</u>	<u>44,111,499</u>
Less: allowance for credit losses*	(375)	-	-	(375)
	<u>44,111,124</u>	<u>-</u>	<u>-</u>	<u>44,111,124</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

7. FINANCIAL INVESTMENTS AT AMORTIZED COST (continued)

* The movement of the allowance for expected credit losses during 2022 was as follows:

	2022			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	375	-	-	375
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	331	-	-	331
At Year end	706	-	-	706

* The movement of the allowance for expected credit losses during 2021 was as follows:

	2021			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	338	-	-	338
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	37	-	-	37
At Year end	375	-	-	375

8. LOANS TO GOVERNMENTAL AND COMMERCIAL BANKS

	2022	2021
	IQD million	IQD million
Loans to governmental banks *	8,843,182	4,808,945
Loans to commercial banks **	2,323,103	722,820
Allowance for expected credit losses ***	(178,141)	(48,872)
	10,988,144	5,482,893

	2022			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
Loans to governmental and commercial banks				
High standard grade	8,843,182	-	-	8,843,182
Standard grade	1,821,274	498,279	-	2,319,553
Impaired	-	-	3,550	3,550
	10,664,456	498,279	3,550	11,166,285
Less: allowance for credit losses ***	(85,231)	(90,607)	(2,303)	(178,141)
	10,579,225	407,672	1,247	10,988,144

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

8. LOANS TO GOVERNMENTAL AND COMMERCIAL BANKS (continued)

Loans to governmental and commercial banks	2021			Total
	IQD million			
	Stage 1	Stage 2	Stage 3	
High standard grade	4,808,945	-	-	4,808,945
Standard grade	473,039	226,464	-	699,503
Impaired	-	-	23,317	23,317
	<u>5,281,984</u>	<u>226,464</u>	<u>23,317</u>	<u>5,531,765</u>
Less: allowance for credit losses ***	(8,305)	(24,846)	(15,721)	(48,872)
	<u>5,273,679</u>	<u>201,618</u>	<u>7,596</u>	<u>5,482,893</u>

* CBI granted loans to specialized governmental banks amounted to IQD 8,843,182 million (2021: IQD 4,808,944 million) as part of CBI's plan to grant the specialized governmental banks loans for financing large projects with an annual interest rate that do not exceed 1% with maturities of 10 to 15 years in order to achieve economic and social development.

** CBI granted loans to commercial banks amounted to IQD 2,323,103 million (2021: IQD 722,820 million) as part of CBI's plan to grant the commercial banks a total amount of IQD 4,000,000 million for financing small and medium projects with low interest rates and administrative margins that do not exceed 1% with maturities between 5 to 10 years in order to achieve economic and social development.

*** The movement of the allowance for expected credit losses during 2022 was as follows:

	2022			Total
	IQD million			
	Stage 1	Stage 2	Stage 3	
At 1 January	8,305	24,846	15,721	48,872
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	76,926	65,761	(13,418)	129,269
At Year end	<u>85,231</u>	<u>90,607</u>	<u>2,303</u>	<u>178,141</u>

*** The movement of the allowance for expected credit losses during 2021 was as follows:

	2021			Total
	IQD million			
	Stage 1	Stage 2	Stage 3	
At 1 January	18,620	-	-	18,620
Transfer from stage 1	(9,803)	6,157	3,646	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(512)	18,689	12,075	30,252
At Year end	<u>8,305</u>	<u>24,846</u>	<u>15,721</u>	<u>48,872</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9. DUE FROM MINISTRY OF FINANCE

	2022 IQD million	2021 IQD million
Due from Ministry of Finance	1,555,519	1,555,519
Government of Iraq treasury bills	44,452,393	44,452,393
	<u>46,007,912</u>	<u>46,007,912</u>

	2022 IQD million			Total
	Stage 1	Stage 2	Stage 3	
Due from Ministry of Finance				
High standard grade	46,007,912	-	-	46,007,912
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>46,007,912</u>	<u>-</u>	<u>-</u>	<u>46,007,912</u>
Less: allowance for expected credit losses	-	-	-	-
	<u>46,007,912</u>	<u>-</u>	<u>-</u>	<u>46,007,912</u>

	2021 IQD million			Total
	Stage 1	Stage 2	Stage 3	
Due from Ministry of Finance				
High standard grade	46,007,912	-	-	46,007,912
Standard grade	-	-	-	-
Impaired	-	-	-	-
	<u>46,007,912</u>	<u>-</u>	<u>-</u>	<u>46,007,912</u>
Less: allowance for expected credit losses	-	-	-	-
	<u>46,007,912</u>	<u>-</u>	<u>-</u>	<u>46,007,912</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

9. DUE FROM MINISTRY OF FINANCE (continued)

The following is a list of treasury bills of the Republic of Iraq issued by the Ministry of Finance and which the Central Bank of Iraq discounted through the secondary market (Al-Rasheed Bank, Al-Rafidain Bank, Trade Bank of Iraq, and the National Pension Agency):

Bank name	Issuance year	Renewal date	Due date	Interest %	Balance IQD million
Al-Rafidain Bank	2015	23 Feb 2022	22 Feb 2023	1.99%	1,000,000
Al-Rafidain Bank	2015	25 Mar 2022	24 Mar 2023	1.99%	2,331,088
Al-Rasheed Bank	2015	29 Mar 2022	28 Mar 2023	1.99%	1,094,305
Al-Rafidain Bank	2015	18 Aug 2022	17 Aug 2023	4.99%	100,000
Al-Rasheed Bank	2015	18 Aug 2022	17 Aug 2023	4.99%	500,000
Al-Rafidain Bank	2015	4 Nov 2022	3 Nov 2023	4.99%	400,000
Al-Rasheed Bank	2015	10 Nov 2022	9 Nov 2023	4.99%	200,000
Al-Rasheed Bank	2016	24 Jan 2022	23 Jan 2023	4.99%	2,000,000
Al-Rafidain Bank	2016	14 Feb 2022	13 Feb 2023	4.99%	2,000,000
Al-Rasheed Bank	2016	14 Mar 2022	13 Mar 2023	4.99%	1,000,000
Al-Rasheed Bank	2016	19 Jun 2022	18 Jun 2023	4.99%	500,000
Al-Rafidain Bank	2016	9 Oct 2022	8 Oct 2023	4.99%	500,000
Al-Rasheed Bank	2016	29 Oct 2022	28 Oct 2023	4.99%	1,000,000
Al-Rafidain Bank	2016	6 Dec 2022	5 Dec 2023	4.99%	1,000,000
Al-Rasheed Bank	2020	26 Dec 2022	25 Dec 2023	4.99%	500,000
Al-Rafidain Bank	2020	28 Jun 2022	27 Jun 2023	1.99%	500,000
Al-Rafidain Bank	2020	28 Jun 2022	27 Jun 2023	4.99%	500,000
Al-Rasheed Bank	2020	28 Jun 2022	27 Jun 2023	1.99%	500,000
Al-Rasheed Bank	2020	28 Jun 2022	27 Jun 2023	3.99%	59,250
Al-Rasheed Bank	2020	28 Jun 2022	27 Jun 2023	3.99%	450,000
Directorate of Public Pension	2020	27 Jun 2022	26 Jun 2023	3.99%	1,690,000
Directorate of Public Pension	2020	27 Jun 2022	26 Jun 2023	1.99%	250,000
Directorate of Public Pension	2020	27 Jun 2022	26 Jun 2023	1.99%	360,000
Al-Rafidain Bank	2020	20 Jun 2022	19 Jun 2023	3.99%	59,250
Al-Rafidain Bank	2020	20 Jun 2022	19 Jun 2023	3.99%	450,000
Al-Rafidain Bank	2020	20 Jun 2022	19 Jun 2023	3.99%	134,250
Al-Rasheed Bank	2020	20 Jun 2022	19 Jun 2023	3.99%	134,250
Trade bank of Iraq	2020	20 Jun 2022	19 Jun 2023	3.99%	940,000
Al-Rafidain Bank	2020	22 Jun 2022	21 Jun 2023	2.99%	2,000,000
Al-Rasheed Bank	2020	22 Jun 2022	22 Jun 2023	2.99%	1,300,000
Al-Rasheed Bank	2020	17 Aug 2022	16 Aug 2023	2.99%	3,000,000
Al-Rafidain Bank	2020	17 Aug 2022	16 Aug 2023	2.99%	2,000,000
Al-Rasheed Bank	2020	15 Nov 2022	14 Nov 2023	1.99%	8,000,000
Al-Rafidain Bank	2020	8 Dec 2022	7 Dec 2023	1.99%	4,000,000
Al-Rafidain Bank	2021	12 Aug 2022	11 Aug 2023	1.99%	1,000,000
Al-Rasheed Bank	2021	16 Aug 2022	15 Aug 2023	1.99%	1,000,000
Al-Rafidain Bank	2021	14 Dec 2022	13 Dec 2023	1.99%	1,000,000
Al-Rasheed Bank	2021	14 Dec 2022	13 Dec 2023	1.99%	1,000,000
					44,452,393

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

10. FOREIGN CURRENCIES INVESTMENTS AT IMF

	2022		2021	
	SDR	IQD million	SDR	IQD million
International Monetary Fund Quota Subscription	1,373,850,000	2,651,143	1,373,850,000	2,788,099
	<u>1,373,850,000</u>	<u>2,651,143</u>	<u>1,373,850,000</u>	<u>2,788,099</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.

On 26 May 2016 according to the approval of the Governor, CBI recognized again some of IMF accounts in CBI accounting records. These accounts comprise of the Quota account asset and liabilities in the form of securities account and IMF accounts number (1) and (2).

The de-recognition and transfer of the IMF accounts to MOF was supported by an agreement signed between MOF and CBI.

11. INVESTMENT IN ASSOCIATE

2022									
	Country of incorporation	Date of incorporation	Date of acquisition	Company's capital	Ownership rate	Investment Carrying Value	Fair Value	published financial statements date	Principal Activity
				IQD million		IQD million			
Hammurabi Commercial Bank	Iraq	2020	2020	<u>201,000</u> <u>201,000</u>	24.88%	<u>49,084</u> <u>49,084</u>	Unquoted	2021	Banking operations
2021									
	Country of incorporation	Date of incorporation	Date of acquisition	Company's capital	Ownership rate	Investment Carrying Value	Fair Value	published financial statements date	Principal Activity
				IQD million		IQD million			
Hammurabi Commercial Bank	Iraq	2020	2020	<u>201,000</u> <u>201,000</u>	24.88%	<u>49,172</u> <u>49,172</u>	Unquoted	2020	Banking operations

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

11. INVESTMENT IN ASSOCIATE (continued)

The following is a summary of the financial information for the investment of the Central Bank of Iraq in an associate company:

	2022 IQD million
Total assets	210,321
Total Liabilities	13,001
Total Revenue	3,402
Total Expenses	3,311
CBI's share of loss of the year	(88)

The movement in investments in an associate company is as follows:

	2022 IQD million	2021 IQD million
At 1 January	49,172	50,000
CBI's share of loss of the year	(88)	(828)
	<u>49,084</u>	<u>49,172</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. PROPERTY AND EQUIPMENT, NET

2022	Land IQD million	Buildings IQD million	Projects under construction IQD million	Computers, Furniture & Fixtures IQD million	Vehicles IQD million	Total IQD million
Cost or revaluation						
At 1 January	323,818	122,490	489,739	51,824	5,378	993,249
Additions	-	-	156,121	962	-	157,083
Disposals	-	-	-	(14)	-	(14)
At 31 December 2022	<u>323,818</u>	<u>122,490</u>	<u>645,860</u>	<u>52,772</u>	<u>5,378</u>	<u>1,150,318</u>
Accumulated Depreciation:						
At 1 January	-	-	-	46,437	3,825	50,262
Depreciation charged for the year	-	6,136	-	1,604	56	7,796
Disposals	-	-	-	(14)	-	(14)
At 31 December 2022	<u>-</u>	<u>6,136</u>	<u>-</u>	<u>48,027</u>	<u>3,881</u>	<u>58,044</u>
Net book value	<u>323,818</u>	<u>116,354</u>	<u>645,860</u>	<u>4,745</u>	<u>1,497</u>	<u>1,092,274</u>
2021	Land IQD million	Buildings IQD million	Projects under construction IQD million	Computers, Furniture & Fixtures IQD million	Vehicles IQD million	Total IQD million
Cost or revaluation						
At 1 January	236,564	93,491	301,440	50,819	5,421	687,735
Additions	565	-	188,299	1,038	-	189,902
Disposals	-	-	-	(33)	(43)	(76)
Revaluation	86,689	47,374	-	-	-	134,063
Disposal of accumulated depreciation	-	(18,375)	-	-	-	(18,375)
Transfer to other assets	(20,089)	-	-	-	-	(20,089)
Recovery of land impairment provision	20,089	-	-	-	-	20,089
At 31 December 2021	<u>323,818</u>	<u>122,490</u>	<u>489,739</u>	<u>51,824</u>	<u>5,378</u>	<u>993,249</u>
Accumulated Depreciation:						
At 1 January	-	13,781	-	44,647	3,810	62,238
Depreciation charged for the year	-	4,594	-	1,823	58	6,475
Disposals	-	-	-	(33)	(43)	(76)
Disposal of accumulated depreciation	-	(18,375)	-	-	-	(18,375)
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,437</u>	<u>3,825</u>	<u>50,262</u>
Net book value	<u>323,818</u>	<u>122,490</u>	<u>489,739</u>	<u>5,387</u>	<u>1,553</u>	<u>942,987</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

12. PROPERTY AND EQUIPMENT, NET (Continued)

Whether lands and buildings were measured using cost model, the book value for these lands and buildings as of 31 December 2022 would be as follows:

	Lands IQD million	Buildings IQD million
Cost	89,501	56,177
Accumulated Depreciation	-	(16,296)
Net book value	89,501	39,881

13. INTANGIBLE ASSETS, NET

	2022 IQD million	2021 IQD million
Balance at 1 January	6,949	8,361
Additions	17,930	320
Amortization for the year	(1,576)	(1,732)
Balance at 31 December	23,303	6,949

14. OTHER ASSETS

	2022 IQD million	2021 IQD million
Interest receivable	3,839,675	1,978,942
Loans to employees	231,875	215,356
Advances on investment	-	20,088
Advances on acquisition of property and equipment	54,896	68,537
Accrued revenue	41,846	-
Golden coins for sale	4,724	4,465
Mutual accounts with Basra, Mosul and Erbil branches	-	3,568
Others	21,275	956
Allowance for expected credit losses *	(89)	(23)
	4,194,202	2,291,889

	2022 IQD million			
	Stage 1	Stage 2	Stage 3	Total
Other financial assets				
High standard grade	3,839,675	-	-	3,839,675
Standard grade	273,721	-	-	273,721
Impaired	-	-	-	-
	4,113,396	-	-	4,113,396
Less: allowance for expected credit losses *	(89)	-	-	(89)
	4,113,307	-	-	4,113,307

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

14. OTHER ASSETS (Continued)

	2021			Total
	IQD million			
Other financial assets	Stage 1	Stage 2	Stage 3	
High standard grade	1,978,942	-	-	1,978,942
Standard grade	215,356	-	-	215,356
Impaired	-	-	-	-
	<u>2,194,298</u>	<u>-</u>	<u>-</u>	<u>2,194,298</u>
Less: allowance for expected credit losses *	(23)	-	-	(23)
	<u>2,194,275</u>	<u>-</u>	<u>-</u>	<u>2,194,275</u>

* The movement of the allowance for expected credit losses during 2022 was as follows:

	2022			Total
	IQD million			
	Stage 1	Stage 2	Stage 3	
At 1 January	23	-	-	23
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	66	-	-	66
At Year end	<u>89</u>	<u>-</u>	<u>-</u>	<u>89</u>

* The movement of the allowance for expected credit losses during 2021 was as follows:

	2021			Total
	IQD million			
	Stage 1	Stage 2	Stage 3	
At 1 January	40	-	-	40
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(17)	-	-	(17)
At Year end	<u>23</u>	<u>-</u>	<u>-</u>	<u>23</u>

15. CURRENCY ISSUED

	2022	2021
	IQD million	IQD million
Banknotes	<u>87,561,568</u>	<u>76,561,599</u>
	<u>87,561,568</u>	<u>76,561,599</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

16. DEPOSITS OF LOCAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022 IQD million	2021 IQD million
Current accounts *	54,537,469	34,503,443
Time deposit	5,161,902	-
Due to Sulaymaniyah branch **	659	242
Others	-	6,840
	<u>59,700,030</u>	<u>34,510,525</u>

* According to the CBI regulations, all banks operating in Iraq should maintain a compulsory reserve at CBI equivalent to 15% of the total of their customers' current accounts in Iraqi Dinar and foreign currencies (2021: equivalent to 15%) and equivalent to 10% of the total of their customers' saving and time deposits (2021: equivalent to 10%). The local banks current accounts at CBI include a compulsory reserve of IQD 5,655,886 million as of 31 December 2022 (2021: IQD 4,940,043 million) and a balance in USD amounted to USD 2,284,626,458 equivalent to IQD 3,312,708 million (2021: balance in USD 1,451,427,148 equivalent to IQD 2,104,569 million). Compulsory reserve represents a non-interest-bearing liability.

** These balances are due to Sulaymaniyah branch which are not subject to the management and supervision of CBI and are not considered as part of CBI's financial system.

17. DUE TO FOREIGN GOVERNMENTS AND BANKS

	2022 IQD million	2021 IQD million
Due to foreign governments and financial institutions	66,862	9
Overdraft accounts	27,189	28,731
Others	4,585	4,813
	<u>98,636</u>	<u>33,553</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

18. DUE TO INTERNATIONAL MONETARY FUND

	2022 SDR	2022 IQD million	2021 SDR	2021 IQD million
IMF securities	1,369,690,500	2,227,143	1,369,690,500	2,227,143
IMF No. 1 Account including Currency Valuation Adjustments	4,159,500	6,763	4,159,500	6,763
IMF No. 2 Account including Currency Valuation Adjustments	12,580	21	12,580	21
	<u>1,373,862,580</u>	<u>2,233,927</u>	<u>1,373,862,580</u>	<u>2,233,927</u>

As further explained in note (10) IMF accounts comprise of assets in the form of Quota account and liabilities in the form of securities account and IMF accounts number (1) and (2).

19. DUE TO GOVERNMENTAL INSTITUTIONS

	2022 IQD million	2021 IQD million
Due to Ministry of Finance	23,708,382	5,446,732
Due to other governmental institutions	228,846	207,428
	<u>23,937,228</u>	<u>5,654,160</u>

20. OTHER LIABILITIES

	2022 IQD million	2021 IQD million
Dormant accounts	159,155	144,649
Accounts payable	83,330	48,765
Interest payable	8,370	-
Others	68,766	103,906
	<u>319,621</u>	<u>297,320</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

21. CAPITAL

According to Article 5 of the Central Bank of Iraq Law of 2004 and its amendment issued on 2 January 2018, the declared capital of CBI shall be IQD 1,000,000 million. The Republic of Iraq exclusively owns the shares of the Central Bank in full, and their ownership cannot be transferred or mortgaged, and no profits are distributed in exchange for these shares.

On 21 June 2020, CBI's Board of Directors based on the approval of Minister of Finance decided to increase the capital of the Bank to 3,000,000 million where increase was transferred from the general reserve.

On 22 May 2022, CBI's Board of Directors based on the approval of Minister of Finance decided to increase the capital of the Bank to 5,000,000 million where increase was transferred from the general reserve.

22. GENERAL RESERVE AND EMERGENCY RESERVE

According to Article 5 paragraph 4 of the Central Bank of Iraq Law of 2004, CBI shall hold a general reserve account, an unrealized profit reserve account and any other reserves in line with International Financial Reporting Standards.

23. GOLD REVALUATION RESERVES

	<u>2022</u> IQD million	<u>2021</u> IQD million
Gold revaluation reserve, beginning of year	3,550,785	3,869,548
Gold revaluation gain for the year	<u>(85,676)</u>	<u>(318,763)</u>
Gold revaluation reserve, end of year	<u>3,465,109</u>	<u>3,550,785</u>

24. LANDS AND BUILDINGS REVALUATION RESERVE

Effective 31 December 2017, CBI made a voluntary change in its accounting policy for subsequent measurement of lands and buildings classes of property and equipment from cost to revaluation model. Unrealized gain from revaluation as of 31 December 2022 amounted to IQD 346,119 million was recorded in lands and buildings revaluation reserve within equity.

25. RETAINED EARNINGS

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% 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 31 March 2022, CBI's Board of Directors decided to transfer the retained earnings of the year of 2021 amounted to IQD 1,530,164 million to general reserve and emergency reserve.

On 21 March 2021, CBI's Board of Directors decided to transfer the retained earnings of the year of 2020 amounted to IQD 13,757,593 million to general reserve and emergency reserve.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

26. INTEREST INCOME

	2022 IQD million	2021 IQD million
Financial Investments at Amortized Cost	1,024,134	402,771
Due from Ministry of Finances	1,372,025	1,291,217
Balances at banks	529,416	49,167
Loans granted to local banks	57,997	53,945
Overnight deposits	103,771	2,615
Others	10,950	639
	<u>3,098,293</u>	<u>1,800,354</u>

27. NET FEES AND COMMISSIONS INCOME

	2022 IQD million	2021 IQD million
Fee and commission income	639,906	426,640
Fee and commission expense	(3,071)	(2,145)
	<u>636,835</u>	<u>424,495</u>

28. GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 IQD million	2021 IQD million
Realized gains	3,280	5,327
Unrealized gains (including the change in foreign exchange rate)	(1,464)	(5,131)
	<u>1,816</u>	<u>196</u>

29. FOREIGN CURRENCY EXCHANGE (LOSS) GAIN

	2022 IQD million	2021 IQD million
Foreign currency exchange (loss) gain	(703,877)	(543,594)
	<u>(703,877)</u>	<u>(543,594)</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 IQD million	2021 IQD million
Currency printing and shipping expenses	60,351	39,618
Donations to Ministry of Health	15,000	8,000
Insurance	19,358	12,977
Maintenance	5,302	12,567
Contributions to others	4,077	3,907
Subscriptions	3,600	2,264
Traveling expenses	1,869	919
Professional and consultations fees	2,298	2,520
Training expenses	542	98
Fuel expense	927	535
Transportation	449	475
General communication and internet	349	260
Others	3,535	2,699
	<u>117,657</u>	<u>86,839</u>

31. CASH AND CASH EQUIVALENTS

	2022 IQD million	2021 IQD million
Cash and balances with central banks	23,901,786	13,538,008
Current accounts with foreign banks	239,871	16,437
Current accounts with local banks	259,476	367,457
Overnight investment accounts with foreign banks	1,160,000	437,541
Time deposits with foreign banks	27,618,016	23,441,588
Less: Deposit with maturities more than 3 months	<u>(37,205,202)</u>	<u>(16,931,154)</u>
	<u>15,973,947</u>	<u>20,869,877</u>

32. 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.

33. RISK MANAGEMENT

33.1 Introduction

The Bank has a risk management department 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 principal 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.

33.2 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 after taking the expected credit losses into account but without taking any collateral and other credit enhancements into account are detailed below:

	Gross maximum exposure	
	2022	2021
	IQD million	IQD million
Balances with central banks	22,216,509	10,819,030
Balances at banks and other financial institutions	29,277,337	24,262,964
Financial investments at amortized cost	76,540,233	44,111,124
Loans to governmental and commercial banks	10,988,144	5,482,893
Due from Ministry of Finance	46,007,912	46,007,912
Foreign currencies investments at International Monetary Fund	2,651,143	2,788,099
Other assets	4,113,307	2,194,275
Total credit risk exposure	191,794,585	135,666,297

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

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 of Fitch, Moody's, and Standard & Poor's (S&P) 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 A-. 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 banks the CBI has credit exposure to according to Fitch, Moody's, and S&P credit rating agencies:

	Credit rating		
	As at 31 December 2022		
	Fitch	Moody's	S&P
Federal Reserve Bank of New York	AAA	Aaa	AA+
Banque de France	AAA	Aa2	AA
Central Bank of United Arab Emirates	AA-	Aa2	AA
People Bank of China	A+	A1	A+
Bank of England	AA-	Aa3	AA
Reserve Bank of Australia	AAA	Aaa	AAA
Arab Monetary Fund	-	-	-
Bank of international settlements	AAA	Aaa	AAA
JP Morgan	AA	Aa1	A+
Citibank	A	A	BBB+
Euroclear	AA	-	AA
Abu Dhabi first bank	AA-	Aa3	AA-
Development Bank of Singapore	AA-	Aa1	AA-

Investment securities: the CBI relies on long term credit ratings from Fitch, Moody's, and S&P. According to risk management policy, the qualified party issuing securities to the CBI must fall above a credit rating of A- given by these three rating agencies. 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 31 DECEMBER 2022

The credit ratings for the treasury securities that are held by the Bank for 2022 are as follows according to Fitch, Moody's, and S&P credit rating agencies:

	Credit rating		
	As at 31 December 2022		
	Fitch	Moody's	S&P
U.S. Department of Treasury	AAA	Aaa	AA+
Government of France	AA	Aa2	AA
Government of China	A+	A1	A+
J. P. Morgan Chase	AA	Aa1	A+
Bank of International Settlements	AAA	Aaa	AAA
Asian Infrastructure Investment Bank	A1	A1	A-
Citi Bank	A	A	BBB+
Islamic Development Bank	AAA	Aaa	AAA
Asian Development Bank	AAA	Aaa	AAA
Norges Bank	-	Aaa	AAA
KFW Development Bank	AAA	-	AAA
Standard Chartered Bank	A+	A1	A+
International Bank for Reconstruction and Development	AAA	Aaa	AAA
European Investment Bank	AAA	Aaa	AAA
Development Bank of Singapore	AA-	Aa1	AA-
Arab Petroleum Investments Corporation	AA-	Aa2	AA
European Bank for Reconstruction and Development	AAA	Aaa	AAA
Korea Export-Import Bank	AA-	Aa2	AA
Mitsubishi UFJ Financial Group	A-	A1	A
Nordic Investment Bank	-	Aaa	AAA
New Development Bank	AA	Aa2	AA+
Korea Development Bank	AA-	Aa2	AA

Local banks:

- A. For banks participating in the Central Bank's initiatives to finance small, medium and large projects: The Central Bank of Iraq grants credit facilities in the form of very low-interest loans for the purpose of contributing to the economic and social development in Iraq. The Central Bank of Iraq grants these loans to banks with good financial solvency after studying their ability to pay and studying the projects for which these loans will be granted.
- B. 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.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.2 Credit risk (continued)

In order to avoid concentration risk, the CBI has diversified its risk by investing in several foreign banks as follows:

Bank or Institution	2022	2021
	IQD million	IQD million
U.S. Department of Treasury	59,986,823	31,718,177
Arab Monetary fund	15,817,526	13,395,722
Bank of International Settlements	11,499,240	10,033,859
Banque de France	11,244,615	6,037,654
Federal Reserve Bank of New York	7,834,643	4,777,069
Islamic Development Bank	3,625,000	3,625,000
Bank of England	3,135,128	1,672
J. P. Morgan Chase	2,368,276	1,276,017
Government of France	1,384,772	2,776,641
Government of China	1,081,124	1,052,546
Asian Infrastructure Investment Bank	956,877	-
Citi Bank	894,346	976,219
Asian Development Bank	795,925	-
Norges Bank	745,897	211,316
KFW Development Bank	729,074	637,986
Standard Chartered Bank	580,000	-
International Bank for Reconstruction and Development	579,010	45,897
European Investment Bank	549,418	454,338
Development Bank of Singapore	443,729	-
Arab Petroleum Investments Corporation	362,500	362,500
European Bank for Reconstruction and Development	362,500	-
Korea Export-Import Bank	362,500	145,000
Mitsubishi UFJ Financial Group	362,500	-
Nordic Investment Bank	360,919	27,322
New Development Bank	242,882	145,000
Korea Development Bank	217,500	-
Other Banks	1,252,610	1,126,159
	<u>127,775,334</u>	<u>78,826,094</u>

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

- The party issuing securities is rated A- 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 a year.
- 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.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.3 Liquidity risk (continued)

The liquidity gap analysis of assets and liabilities based on contractual maturities as at December 31, 2022 is as follows:

	On Demand	From 1 day to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	Without maturity	Total
	IQD million	IQD million	IQD million	IQD million	IQD million	IQD million	IQD million
ASSETS							
Gold reserve	-	-	-	-	-	11,020,655	11,020,655
Cash and balances with central banks	2,924,356	14,000,126	2,094,181	4,883,123	-	-	23,901,786
Balances at banks and other financial institutions	499,347	11,468,390	5,807,591	11,502,009	-	-	29,277,337
Financial investments at amortized cost	-	8,561,945	11,537,663	4,713,764	51,726,861	-	76,540,233
Loans to governmental and commercial banks	-	1,177,301	1,177,301	2,354,602	6,278,940	-	10,988,144
Due from Ministry of Finance	-	9,425,393	5,009,250	30,217,750	1,355,519	-	46,007,912
Foreign currencies investments at IMF	-	-	-	-	-	2,651,143	2,651,143
Investment in associate	-	-	-	-	-	49,084	49,084
Property and equipment, net	-	-	-	-	-	1,092,274	1,092,274
Intangible assets, net	-	-	-	-	-	23,303	23,303
Other assets	-	511,838	212,995	346,335	3,042,140	80,894	4,194,202
TOTAL ASSETS	3,423,703	45,144,993	25,838,981	54,017,583	62,403,460	14,917,353	205,746,073
LIABILITIES							
Currency issued	87,561,568	-	-	-	-	-	87,561,568
Treasury bills issued	-	94,623	189,847	141,191	-	-	425,661
Deposits of local banks and other financial institutions	45,118,947	353,000	4,808,902	-	-	9,419,181	59,700,030
Due to foreign governments and banks	98,636	-	-	-	-	-	98,636
Due to International Monetary Fund	2,233,927	-	-	-	-	-	2,233,927
Due to governmental institutions	23,937,228	-	-	-	-	-	23,937,228
Other liabilities	152,097	1,825	6,461	-	-	159,238	319,621
TOTAL LIABILITIES	159,102,403	449,448	5,005,210	141,191	-	9,578,419	174,276,671
TOTAL EQUITY	-	-	-	-	-	31,469,402	31,469,402
TOTAL LIABILITIES AND EQUITY	159,102,403	449,448	5,005,210	141,191	-	41,047,821	205,746,073
ITEM GAP	(155,678,700)	44,695,545	20,833,771	53,876,392	62,403,460	(26,130,468)	-

33.4 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.

Sensitivity analysis is based on estimating the possible loss in fair value 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.

33.4.1 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. The interest rate on time deposits was 10% during the year 2022 (2021: none)

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of 31 December 2022:

	Less than one month IQD million	1 month to 3 months IQD million	3 months to 6 months IQD million	6 months to 1 year IQD million	More than 1 year IQD million	Non-interest bearing items IQD million	Total IQD million
ASSETS							
Gold reserve	-	-	-	-	-	11,020,655	11,020,655
Cash and balances with central banks	11,383,389	2,616,737	2,094,181	4,883,123	-	2,924,356	23,901,786
Balances at banks and other financial institutions	3,944,476	7,523,914	5,807,591	11,502,009	-	499,347	29,277,337
Financial investments at amortized cost	1,184,011	7,377,934	11,537,663	4,713,764	51,726,861	-	76,540,233
Loans to governmental and commercial banks	392,434	784,867	1,177,301	2,354,602	6,278,940	-	10,988,144
Due from Ministry of Finance	2,000,000	7,425,393	5,009,250	30,217,750	1,355,519	-	46,007,912
Foreign currencies investments at IMF	-	-	-	-	-	2,651,143	2,651,143
Investment in associate	-	-	-	-	-	49,084	49,084
Property and equipment, net	-	-	-	-	-	1,092,274	1,092,274
Intangible assets, net	-	-	-	-	-	23,303	23,303
Other assets	164,368	347,470	212,995	346,335	3,042,140	80,894	4,194,202
TOTAL ASSETS	19,068,678	26,076,315	25,838,981	54,017,583	62,403,460	18,341,056	205,746,073
LIABILITIES							
Currency issued	-	-	-	-	-	87,561,568	87,561,568
Treasury bills issued	34,949	59,674	189,847	141,191	-	-	425,661
Deposits of local banks and other financial institutions	310,000	43,000	4,808,902	-	-	54,538,128	59,700,030
Due to foreign governments and banks	-	-	-	-	-	98,636	98,636
Due to International Monetary Fund	-	-	-	-	-	2,233,927	2,233,927
Due to governmental institutions	21,149,102	-	-	-	-	2,788,126	23,937,228
Other liabilities	1,467	358	6,461	-	-	311,335	319,621
TOTAL LIABILITIES	21,495,518	103,032	5,005,210	141,191	-	147,531,720	174,276,671
TOTAL EQUITY	-	-	-	-	-	31,469,402	31,469,402
TOTAL LIABILITIES AND EQUITY	21,495,518	103,032	5,005,210	141,191	-	179,001,122	205,746,073
ITEM GAP	(2,426,840)	25,973,283	20,833,771	53,876,392	62,403,460	(160,660,066)	-
ACCUMULATED GAP	(2,426,840)	23,546,443	44,380,214	98,256,606	160,660,066	-	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of 31 December 2021:

	Less than one month IQD million	1 month to 3 months IQD million	3 months to 6 months IQD million	6 months to 1 year IQD million	More than 1 year IQD million	Non-interest bearing items IQD million	Total IQD million
ASSETS							
Gold reserve	-	-	-	-	-	8,171,560	8,171,560
Cash and balances with central banks	1,781,846	4,115,504	8,216	132,087	-	7,500,355	13,538,008
Balances at banks and other financial institutions	10,663,185	10,409,451	2,792,847	13,433	-	384,048	24,262,964
Financial assets at fair value through profit or loss	679,853	-	-	-	-	-	679,853
Financial investments at amortized cost	2,029,510	8,413,728	10,355,090	3,400,707	19,912,089	-	44,111,124
Loans to governmental and commercial banks	66,766	129,537	194,305	386,607	4,705,678	-	5,482,893
Due from Ministry of Finance	-	-	4,509,250	26,017,750	15,480,912	-	46,007,912
Foreign currencies investments at IMF	-	-	-	-	-	2,788,099	2,788,099
Investment in associate	-	-	-	-	-	49,172	49,172
Property and equipment, net	-	-	-	-	-	942,987	942,987
Intangible assets, net	-	-	-	-	-	6,949	6,949
Other assets	8,435	20,138	203,203	1,073,279	673,887	312,947	2,291,889
TOTAL ASSETS	15,229,595	23,088,358	18,062,911	31,023,863	40,772,566	20,156,117	148,333,410
LIABILITIES							
Currency issued	-	-	-	-	-	76,561,599	76,561,599
Deposits of local banks and other financial institutions	-	-	-	-	-	34,510,525	34,510,525
Due to foreign governments and banks	-	-	-	-	-	33,553	33,553
Due to International Monetary Fund	-	-	-	-	-	2,233,927	2,233,927
Due to governmental institutions	1,764,233	-	-	-	-	3,889,927	5,654,160
Other liabilities	-	-	-	-	-	297,320	297,320
TOTAL LIABILITIES	1,764,233	-	-	-	-	117,526,851	119,291,084
TOTAL EQUITY	-	-	-	-	-	29,042,326	29,042,326
TOTAL LIABILITIES AND EQUITY	1,764,233	-	-	-	-	146,569,177	148,333,410
ITEM GAP	13,465,362	23,088,358	18,062,911	31,023,863	40,772,566	(126,413,060)	-
ACCUMULATED GAP	13,465,362	36,553,720	54,616,631	85,640,494	126,413,060	-	-

33. RISK MANAGEMENT (continued)**33.4 Market risk (continued)****33.4.2 Currency risk**

Currency risk is the risk of counter movement in foreign exchange rates that leads to reduction in the value of the Bank's reserve in foreign exchange.

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:

	Weight	
	2022	2021
Iraqi Dinar	29.98%	36.81%
US Dollar	62.62%	55.74%
Euro	4.70%	3.70%
SDR	1.29%	1.88%
Others	1.42%	1.87%

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.4 Market risk (continued)

33.4.2 Currency risk (continued)

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

31 December 2022	IQD IQD million	USD IQD million	EUR IQD million	SDR IQD million	Others IQD million	Total IQD million
ASSETS						
Gold reserve	-	11,020,655	-	-	-	11,020,655
Cash and balances with central banks	-	19,949,459	3,581,108	-	371,219	23,901,786
Balances at banks and other financial institutions	-	26,751,884	2,318,966	-	206,487	29,277,337
Financial investments at amortized cost	70,488,406	3,747,551	-	-	2,304,276	76,540,233
Loans to governmental and commercial banks	10,988,144	-	-	-	-	10,988,144
Due from Ministry of Finance	46,007,912	-	-	-	-	46,007,912
Foreign currencies investments at IMF	-	-	-	2,651,143	-	2,651,143
Investment in associate	49,084	-	-	-	-	49,084
Property and equipment, net	1,092,274	-	-	-	-	1,092,274
Intangible assets, net	23,303	-	-	-	-	23,303
Other assets	3,513,535	625,676	24,128	-	30,863	4,194,202
TOTAL ASSETS	61,674,252	128,836,080	9,671,753	2,651,143	2,912,845	205,746,073
LIABILITIES AND EQUITY						
Currency issued	87,561,568	-	-	-	-	87,561,568
Treasury bills issued	425,661	-	-	-	-	425,661
Deposits of local banks and other financial institutions	45,626,040	8,976,816	5,097,175	-	-	59,700,030
Due to foreign governments and banks	71,448	2,348	24,840	-	-	98,636
Due to International Monetary Fund	2,233,927	-	-	-	-	2,233,927
Due to governmental institutions	2,712,198	21,224,727	303	-	-	23,937,228
Other liabilities	293,748	19,639	6,234	-	-	319,621
Equity	31,469,402	-	-	-	-	31,469,402
TOTAL LIABILITIES AND EQUITY	170,393,991	30,223,530	5,128,552	-	-	205,746,073
NET	(108,719,739)	98,612,550	4,543,201	2,651,143	2,912,845	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

33. RISK MANAGEMENT (continued)

33.4 Market risk (continued)

33.4.2 Currency risk (continued)

31 December 2021	IQD IQD million	USD IQD million	EUR IQD million	SDR IQD million	Others IQD million	Total IQD million
ASSETS						
Gold reserve	-	8,171,560	-	-	-	8,171,560
Cash and balances with central banks	-	12,995,509	408,058	-	134,441	13,538,008
Balances at banks and other financial institutions	-	23,958,842	240,870	-	63,252	24,262,964
Financial assets at fair value through profit or loss	-	679,853	-	-	-	679,853
Financial investments at amortized cost	-	36,744,585	4,814,726	-	2,551,813	44,111,124
Loans to governmental and commercial banks	5,482,893	-	-	-	-	5,482,893
Due from Ministry of Finance	46,007,912	-	-	-	-	46,007,912
Foreign currencies investments at IMF	-	-	-	2,788,099	-	2,788,099
Investment in associate	49,172	-	-	-	-	49,172
Property and equipment, net	942,987	-	-	-	-	942,987
Intangible assets, net	6,949	-	-	-	-	6,949
Other assets	2,113,621	129,641	28,043	-	20,584	2,291,889
TOTAL ASSETS	54,603,534	82,679,990	5,491,697	2,788,099	2,770,090	148,333,410
LIABILITIES AND EQUITY						
Currency issued	76,561,599	-	-	-	-	76,561,599
Deposits of local banks and other financial institutions	28,186,881	6,287,285	36,359	-	-	34,510,525
Due to foreign governments and banks	4,822	2,348	26,383	-	-	33,553
Due to International Monetary Fund	2,233,927	-	-	-	-	2,233,927
Due to governmental institutions	1,059,731	4,594,108	321	-	-	5,654,160
Other liabilities	281,154	16,127	39	-	-	297,320
Equity	25,491,541	3,550,785	-	-	-	29,042,326
TOTAL LIABILITIES AND EQUITY	133,819,655	14,450,653	63,102	-	-	148,333,410
NET	(79,216,121)	68,229,337	5,428,595	2,788,099	2,770,090	-

34. 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;

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 31 DECEMBER 2022

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A. Fair value of financial assets and liabilities of CBI measured in fair value continuously:

CBI revalues Gold reserve and Financial assets at fair value through profit or loss at fair value at the end of each reporting period and the table below shows information related to determining the fair value of Gold reserve and Financial assets at fair value through profit or loss (methods of valuation and observable inputs).

	Fair value IQD million		Fair value level	Method of valuation and observable inputs
	2022	2021		
Gold reserve	11,020,655	8,171,560	Level 1	Based on price quotations in financial markets
Financial assets at fair value through profit or loss	-	679,853	Level 1	Based on price quotations in financial markets

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

Except for financial instruments in the table below, we believe that the carrying amount of financial assets and liabilities in CBI's financial statements do not differ from their fair value.

	31 December 2022		31 December 2021		Fair value level
	Total carrying amount	Total fair value	Total carrying amount	Total fair value	
	IQD million		IQD million		
Financial assets not measured in fair value					
Cash and balances with central banks	23,901,786	23,901,786	13,538,008	13,538,008	Level 2
Balances at banks and other financial institutions	29,277,337	29,277,337	24,262,964	24,262,964	Level 2
Financial investments at amortized cost	76,540,233	74,640,201	44,111,124	44,087,733	Level 1
Loans to commercial and governmental banks	10,988,144	10,988,144	5,482,893	5,482,893	Level 2
Due from Ministry of Finance	46,007,912	46,007,912	46,007,912	46,007,912	Level 2
Due to International Monetary Fund	2,651,143	2,651,143			
	<u>186,715,412</u>	<u>184,815,380</u>	<u>133,402,901</u>	<u>133,379,510</u>	
Financial liabilities not measured in fair value					
Currency issued	87,561,568	87,561,568	76,561,599	76,561,599	Level 2
Treasury bills issued	425,661	425,661	-	-	Level 2
Deposits of local banks and other financial institutions	59,700,030	59,700,030	34,510,525	34,510,525	Level 2
Due to foreign governments and banks	98,636	98,636	33,553	33,553	Level 2
	2,233,927	2,233,927			
Due to governmental institutions	2,233,927	23,937,228	5,654,160	5,654,160	Level 2
	<u>173,957,050</u>	<u>173,957,050</u>	<u>116,759,837</u>	<u>116,759,837</u>	

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

35. GEOGRAPHIC DISTRIBUTION OF ASSETS, LIABILITIES AND REVENUES

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:

31 December 2022	Iraq IQD million	Foreign countries IQD million	Total IQD million
Revenues	2,086,637	1,665,838	3,752,475
Total Assets	64,058,738	141,687,335	205,746,073
Total Liabilities	171,971,296	2,305,375	174,276,671

31 December 2021	Iraq IQD million	Foreign countries IQD million	Total IQD million
Revenues	1,802,718	455,371	2,258,089
Total Assets	57,523,730	90,809,680	148,333,410
Total Liabilities	117,023,615	2,267,469	119,291,084

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

36. 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. Balances and transactions with related parties included in the statement of financial position and income statement are as follows:

	2022 IQD million	2021 IQD million
ASSETS		
Current accounts with local banks	259,476	367,457
Loans to governmental banks	8,928,967	4,845,049
Loans to associate	5,758	1,500
Due from Ministry of Finance	1,555,519	1,555,519
Government of Iraq treasury bills	44,452,393	44,452,393
Other assets	3,234,011	1,867,341
Due from a governmental bank	4,602	5,362
Allowance for impairment losses of due from governmental Banks	(4,602)	(5,362)
LIABILITIES		
Treasury bills issued		-
Deposits of governmental banks	50,515,906	25,111,279
Deposits of associate	19,234	50,033
Due to Ministry of Finance	23,708,382	5,446,732
Due to other governmental institutions	228,846	207,428
INCOME STATEMENT		
Interest income from Ministry of Finance	1,375,694	1,291,217
Interest expense on treasury bills issued	147	526
Interest expenses on governmental banks deposits	535	-
Interest expenses on overnight investment for MOF	205,884	555

37. 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) and included as part of CBI records.

To avoid immunity clearance over DFI due to expiry of American presidential executive order of protecting Iraqi funds, on 27 May 2014, all these balances were transferred to the 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 at this account, and at the same time a current account of Ministry of Finance was opened against this account.

The Central Bank of Iraq also maintains the cash payments and receipts records of the economic agreement signed between the Iraqi government and the Chinese government, and the bank accounts for this agreement are managed by the Central Bank of Iraq on behalf of the Ministry of Finance outside the accounting records of the Central Bank of Iraq.

38. COMMITMENTS AND CONTINGENT LIABILITIES

various parties have filed lawsuits in different countries against the Central Bank of Iraq as representative of Iraq for the payment of past due debts related to ministries and governmental entities in amount of 1,473,051 million Iraqi dinars (2021: 1,473,093 million Iraqi dinars). According to the Ministry of Finance letter no. 744 dated 12 May 2019, CBI will not bear the results of those lawsuits, rather the related governmental entities will bear the results of those lawsuits.

39. OFF-BALANCE SHEET

- 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.
- On 26 May 2016, the CBI recognized again some of the IMF accounts in CBI accounting records. These accounts comprise of Quota account asset and liabilities in the form of securities account and IMF accounts number (1) and (2).
- The de-recognition and transfer of the IMF accounts to MOF was supported by an agreement signed between MOF and CBI.
- As of 31 December 2022, the IMF accounts related to MOF held off CBI's records comprise of Reserve tranche positions amounted to SDR 289,950,000 (2021: SDR 289,950,000), SDR Holdings amounted to SDR 13,013,672 (2021: SDR 4,144,109), and SDR allocations amounted to SDR 2,729,172,979 (2021: SDR 2,729,172,979).
- The ministry of finance did not pay the currency exchange loss related to the IMF balances as of 30 April 2022 which comprised of IMF securities amounted to IQD 451,917 million, IMF account No. 1 amounted to IQD 1,372 million and IMF account No. 2 amounted to IQD 4 million. MOF issued a promissory note to IMF for the amounts mentioned above and these amounts were recorded on the off-balance sheet of CBI considering that CBI is the financial agent on behalf of MOF.

40. Subsequent events

On February 8, 2023, the Central Bank of Iraq changed the exchange rate of the US dollar from 1,450 Iraqi dinars per US dollar to 1,300 Iraqi dinars per US dollar which in turn changed the exchange rate of other foreign currencies. This subsequent event did not result in any adjustments to the financial statements for the year ending December 31, 2022.

On 22 January 2023, CBI's Board of Directors based on the approval of Minister of Finance decided to increase the capital of the Bank to be 10,000,000 million where increase was transferred from the general reserve. This subsequent event did not result in any adjustments to the financial statements for the year ending December 31, 2022.

41. COMPARATIVE FIGURES

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