

CENTRAL BANK OF IRAQ

FINANCIAL STATEMENTS

31 DECEMBER 2024



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

Report on the Audit of the Financial Statements

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 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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.



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

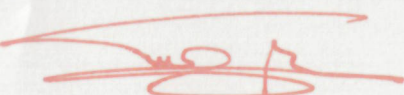


Mustafa Fouad Abbas and Co.
(A member firm of Ernst & Young Global Limited)
Baghdad – Iraq
17 April 2025

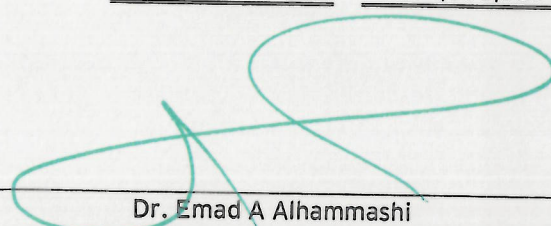
CENTRAL BANK OF IRAQ

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2024

	Notes	2024 IQD million	2023 IQD million
ASSETS			
Gold reserve	3	17,837,890	12,295,447
Cash and balances with central banks	4	22,250,319	23,380,007
Balances at banks and other financial institutions	5	30,577,824	38,160,335
Financial investments at amortized cost	6	58,247,589	70,079,251
Loans to governmental and commercial banks	7	12,705,161	12,312,690
Due from Ministry of Finance	8	42,779,741	43,898,662
Property and equipment, net	9	1,348,038	1,228,386
Intangible assets, net	10	8,633	22,673
Other assets	11	3,339,123	3,201,538
TOTAL ASSETS		189,094,318	204,578,989
LIABILITIES AND EQUITY			
LIABILITIES			
Currency issued	12	100,543,204	101,481,022
Treasury bills issued		152,393	149,507
Deposits of local banks and other financial institutions	13	44,155,267	65,288,857
Due to foreign governments and banks	14	51,393	53,482
Due to International Monetary Fund	15	22	22
Due to governmental institutions	16	7,884,955	10,640,274
Other liabilities	17	381,748	435,472
TOTAL LIABILITIES		153,168,982	178,048,636
EQUITY			
Capital	18	10,000,000	10,000,000
General reserve	19	6,310,317	11,550,273
Emergency reserve	19	6,107,901	6,107,901
Gold revaluation reserve	20	7,257,567	3,766,016
Lands and buildings revaluation reserve	21	346,119	346,119
Retained earnings	22	5,903,432	(5,239,956)
TOTAL EQUITY		35,925,336	26,530,353
TOTAL LIABILITIES AND EQUITY		189,094,318	204,578,989



Ali M. Ismaiel
Governor of the Central Bank of Iraq



Dr. Emad A Alhammashi
Director General of Accounting Directorate

The accompanying notes from (1) to (36) are integral part of these financial statements

CENTRAL BANK OF IRAQ

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2024

	Notes	2024 IQD million	2023 IQD million
REVENUES			
Interest income	23	6,442,689	6,278,328
Interest expense		(682,294)	(1,020,369)
Net interest income		5,760,395	5,257,959
Net fees and commissions income	24	984,309	703,475
Gold revaluation gain	20	3,491,551	300,907
CBI's share of gain in an associate		-	916
Other income		34,074	74,833
Gross profit		10,270,329	6,338,090
EXPENSES			
Employees' expenses		(48,506)	(70,514)
General and administrative expenses	25	(59,075)	(142,865)
Depreciation and amortization	9,10	(24,146)	(16,244)
Allowance for credit losses		(415,026)	(232,827)
Total Expenses		(546,753)	(462,450)
PROFIT FOR THE YEAR		9,723,576	5,875,640
LOSSES FROM CHANGES IN EXCHANGE RATES	26	(328,593)	(10,814,689)
NET INCOME		9,394,983	(4,939,049)
ADD: OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,394,983	(4,939,049)

The accompanying notes from (1) to (36) are integral part of these financial statements

CENTRAL BANK OF IRAQ

STATEMENT OF CHANGE IN EQUITY YEAR ENDED 31 DECEMBER 2024

		Capital	General	Emergency	Gold	Lands and	Retained	Total
		IQD	reserve	reserve	revaluation	buildings	earnings	
	Notes	million	IQD	IQD	reserve	revaluation	IQD	IQD
		million	million	million	IQD	reserve	million	million
		million	million	million	million	million	million	million
Balance at 1 January 2024		10,000,000	11,550,273	6,107,901	3,766,016	346,119	(5,239,956)	26,530,353
Total comprehensive income for the year		-	-	-	-	-	9,394,983	9,394,983
Gold revaluation reserve for the year	20	-	-	-	3,491,551	-	(3,491,551)	-
Transfers to reserves	22	-	(5,239,956)	-	-	-	5,239,956	-
Capital increase	18	-	-	-	-	-	-	-
Balance at 31 December 2024		<u>10,000,000</u>	<u>6,310,317</u>	<u>6,107,901</u>	<u>7,257,567</u>	<u>346,119</u>	<u>5,903,432</u>	<u>35,925,336</u>
Balance at 1 January 2023		5,000,000	14,540,071	5,605,351	3,465,109	346,119	2,512,752	31,469,402
Total comprehensive income for the year		-	-	-	-	-	(4,939,049)	(4,939,049)
Gold revaluation reserve for the year	20	-	-	-	300,907	-	(300,907)	-
Transfers to reserves	22	-	2,010,202	502,550	-	-	(2,512,752)	-
Capital increase	18	5,000,000	(5,000,000)	-	-	-	-	-
Balance at 31 December 2023		<u>10,000,000</u>	<u>11,550,273</u>	<u>6,107,901</u>	<u>3,766,016</u>	<u>346,119</u>	<u>(5,239,956)</u>	<u>26,530,353</u>

The accompanying notes from (1) to (36) are integral part of these financial statements

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

	Note	2024 IQD million	2023 IQD million
OPERATING ACTIVITIES			
Profit for the year		9,394,983	(4,939,049)
Adjustments for:			
Depreciation of property and equipment		10,106	8,766
Amortization of intangible assets		14,040	7,478
Revaluation of Gold Reserve		(3,491,551)	(300,907)
Foreign currency exchange loss		(1,399,118)	1,383,900
Allowance for credit losses		415,026	232,827
CBI's share of gain in associate		-	(916)
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		4,943,486	(3,607,901)
CHANGES IN ASSETS AND LIABILITIES			
Deposits with maturities more than 3 months		10,470,299	(8,671,982)
Loans to governmental and commercial banks		(810,721)	(1,554,226)
Due from Ministry of Finance		1,118,921	2,109,250
Other assets		(114,254)	969,490
Currency issued		(937,818)	13,919,454
Deposits of local banks and other financial institutions		(21,345,139)	5,919,402
Due to foreign governments and banks		(662)	(70,039)
Due to governmental institutions		(2,852,442)	(13,199,824)
Other liabilities		(55,298)	117,712
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(9,583,628)	(4,068,664)
INVESTING ACTIVITIES			
Financial investments at amortized cost		12,669,421	5,614,360
Foreign currency investments at the IMF		-	427,220
Investment in associate		-	50,000
Purchase of property and equipment		(129,758)	(144,878)
Purchase of intangible assets		-	(6,848)
Purchase of gold bullion		(2,050,892)	(973,885)
NET CASH FLOWS FROM INVESTING ACTIVITIES		10,488,771	4,965,969
FINANCING ACTIVITIES			
Treasury bills		2,886	(276,154)
NET CASH FLOWS USED IN (FROM) FINANCING ACTIVITIES		2,886	(276,154)
Net increase in cash and cash equivalents		908,029	621,151
Effect of foreign currency translation on cash and cash equivalents		211,931	(248,642)
Cash and cash equivalents beginning of the year		16,346,456	15,973,947
CASH AND CASH EQUIVALENTS, END OF THE YEAR	27	17,466,416	16,346,456

The accompanying notes from (1) to (36) are integral part of these financial statements

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 Sulaymaniyah.

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 2024 do not include the figures of Sulaymaniyah branch.

On 23 October 2016, the CBI Board of Directors decided to open new branch in Sulaymaniyah 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 27 March 2025.

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.

2. 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.

2.2 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 2024 except for the adoption of new amendments on the standards effective as of 1 January 2024 shown below:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

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

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Company's/Group's/Bank's financial statements.

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

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

The amendments to IAS 1 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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have resulted in additional disclosures in Note but have not had an impact on the classification of the Bank liabilities.

Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

As a result of implementing the amendments, the Company/Group/Bank has provided additional disclosures about its supplier finance arrangement in Note.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to address the accounting and disclosure requirements for contracts referencing nature-dependent electricity, such as wind, solar, and hydro power. These amendments aim to provide clearer guidance on the classification, measurement, and recognition of these contracts, which are inherently variable due to their dependence on natural conditions. The changes seek to improve the consistency and comparability of financial statements by clarifying whether such contracts should be treated as financial instruments or executory contracts and how they should be measured. Additionally, the amendments enhance disclosure requirements to provide greater transparency about the risks and financial

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

impacts associated with these contracts, thereby offering users more relevant and reliable information. This initiative supports the global transition to renewable energy by addressing the unique accounting challenges posed by nature-dependent electricity contracts.

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted but will need to be disclosed.

Lack of exchangeability - Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Bank financial statements' 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. This standard will result in new presentation of the income statement with some new required totals, in addition to the disclosure of management-defined performance measures.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's/Group's/Bank's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19. Amendments

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

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

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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. ACCOUNTING POLICIES (continued)

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 Sulaymaniyah branch

As explained in note (1), 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 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 2024 do not include the figures of Sulaymaniyah 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

In the banks 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024**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 2024:

Currency	Exchange rate for foreign currencies per IQD as at 31 December 2024	Exchange rate for foreign currencies per IQD as at 31 December 2023
USD	1,300.000	1,300.000
EUR	1,345.890	1,434.680
GBP	1,626.430	1,654.770
AUD	804.310	885.300
CNY	178.099	183.155
SDR	1,695.369	1,744.171

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 Reuters and Refinitiv gold market platform as of 31 December 2024. 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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.
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NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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.

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

	2024 IQD million	2023 IQD million
Gold reserve at CBI vault	458,546	368,477
Gold reserve abroad	17,375,740	11,924,077
Gold coins at CBI vault	3,604	2,893
	17,837,890	12,295,447

The movement on the gold reserve during 2023 and 2024 was as follows:

	2024 IQD million	2023 IQD million
Balance at 1 January	12,295,447	11,020,655
Gold bullion purchased during the year	2,050,892	973,885
Change in fair value	3,491,551	300,907
	17,837,890	12,295,447

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

4. CASH AND BALANCES WITH CENTRAL BANKS

	2024 IQD million	2023 IQD million
Cash on hand	2,092,316	323,566
Time deposit with Banque de France	13,012,135	13,830,171
Current account with Federal Reserve Bank of New York	2,698	2,757
Current account with Bank of England	24,129	7,966
Current account with Central Bank of United Arab Emirates	68	68
Current account with Banque de France	346,925	58,498
Current account with Reserve Bank of Australia	7,662	4,053
Current account with People Bank of China	13,635	11,250
Overnight deposits with Federal Reserve Bank of New York	2,459,989	6,092,320
Time deposit Bank of England	4,290,762	3,049,358
	22,250,319	23,380,007

Non-interest bearing unrestricted and non-impaired deposits are amounted to IQD 395,117 million (2023: IQD 84,592 million).

Interest bearing unrestricted and non-impaired deposits are amounted to IQD 19,762,886 million (2023: IQD 22,971,849 million).

Unrestricted and non-impaired deposits with maturity more than 3 months are amounted to IQD 12,122,469 million (2023: IQD 16,201,232 million).

	2024 IQD million			
Cash and balances with central banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	22,250,319	-	-	22,250,319
Standard grade	-	-	-	-
Impaired	-	-	-	-
	22,250,319	-	-	22,250,319
Less: allowance for credit losses	-	-	-	-
	22,250,319	-	-	22,250,319

	2023 IQD million			
Cash and balances with central banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	23,380,007	-	-	23,380,007
Standard grade	-	-	-	-
Impaired	-	-	-	-
	23,380,007	-	-	23,380,007
Less: allowance for credit losses	-	-	-	-
	23,380,007	-	-	23,380,007

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

5. BALANCES AT BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 IQD million	2023 IQD million
Current accounts with local banks	58,991	149,850
Due from governmental banks	-	-
Current accounts with foreign banks	1,375,410	2,156,332
Time deposits with foreign banks	28,717,397	35,032,780
Overnight investment accounts with foreign banks	426,052	821,399
Frozen and old outstanding deposits with foreign banks *	515,990	530,499
	<u>31,093,840</u>	<u>38,690,860</u>
Allowance for credit losses **	(516,016)	(530,525)
	<u>30,557,824</u>	<u>38,160,335</u>

Non-interest bearing unrestricted and non-impaired deposits are amounted to IQD 1,434,401 million (2023: IQD 2,306,182 million).

Interest bearing unrestricted and non-impaired deposits are amounted to IQD 29,143,449 million (2023: IQD 35,854,179 million).

Unrestricted and non-impaired deposits with maturity more than 3 months are amounted to IQD 23,239,284 million (2023: IQD 28,992,680 million).

Restricted and impaired deposits are amounted to IQD 515,990 million (2023: IQD 530,499 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 2024. A full provision had been booked for these balances.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

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

	2024			
	IQD million			
Balances at banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
High standard grade	30,577,850	-	-	30,577,850
Standard grade	-	-	-	-
Impaired	-	-	515,990	515,990
	<u>30,577,850</u>	<u>-</u>	<u>515,990</u>	<u>31,093,840</u>
Less: allowance for credit losses**	(26)	-	(515,990)	(516,016)
	<u>30,577,824</u>	<u>-</u>	<u>-</u>	<u>30,577,824</u>

	2023			
	IQD million			
Balances at banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
High standard grade	38,160,361	-	-	38,160,361
Standard grade	-	-	-	-
Impaired	-	-	530,499	530,499
	<u>38,160,361</u>	<u>-</u>	<u>530,499</u>	<u>38,690,860</u>
Less: allowance for credit losses**	(26)	-	(530,499)	(530,525)
	<u>38,160,335</u>	<u>-</u>	<u>-</u>	<u>38,160,335</u>

** The movement of the allowance for expected credit losses during 2024 was as follows:

	2024			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	26	-	530,499	530,525
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	-	-	-	-
Adjustments for foreign currency translation	-	-	(14,509)	(14,509)
At Year end	<u>26</u>	<u>-</u>	<u>515,990</u>	<u>516,016</u>

The movement on allowance for expected credit losses during 2023 was as the follows:

	2023			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	26	-	588,486	588,512
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	-	-	-	-
Adjustments for foreign currency translation	-	-	(57,987)	(57,987)
At Year end	<u>26</u>	<u>-</u>	<u>530,499</u>	<u>530,525</u>

6. FINANCIAL INVESTMENTS AT AMORTIZED COST

	2024 IQD million	2023 IQD million
Bonds issued by foreign governments and foreign governmental banks	34,955,146	50,003,156
Bonds issued by financial and international institutions	16,697,058	12,774,935
Bonds issued by banks and foreign financial institutions	3,534,522	3,679,930
Sukuk issued by foreign Islamic banks	3,061,569	3,321,209
Treasury bills issued by foreign governments	-	300,727
Allowance for expected credit losses*	(706)	(706)
	58,247,589	70,079,251

The average interest rates on financial investments at amortized cost are between 0.00% and 4.006% maturing between 2025 and 2034 (2023: 2024 and 2030).

	2024 IQD million		
Financial investments at amortized cost	Stage 1	Stage 2	Stage 3
High standard grade	58,248,295	-	-
Standard grade	-	-	-
Impaired	-	-	-
	58,248,295	-	-
Less: allowance for credit losses*	(706)	-	-
	58,247,589	-	-

	2023 IQD million		
Financial investments at amortized cost	Stage 1	Stage 2	Stage 3
High standard grade	70,079,957	-	-
Standard grade	-	-	-
Impaired	-	-	-
	70,079,957	-	-
Less: allowance for credit losses*	(706)	-	-
	70,079,251	-	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

6. FINANCIAL INVESTMENTS AT AMORTIZED COST (continued)

* The movement of the allowance for expected credit losses during 2024 was as follows:

	2024			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	706	-	-	706
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	-	-	-	-
At Year end	706	-	-	706

* The movement of the allowance for expected credit losses during 2023 was as follows:

	2023			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	706	-	-	706
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	-	-	-	-
At Year end	706	-	-	706

7. LOANS TO GOVERNMENTAL AND COMMERCIAL BANKS

	2024	2023
	IQD million	IQD million
Loans to governmental banks *	11,528,428	10,481,058
Loans to commercial banks **	2,002,804	2,239,453
Allowance for expected credit losses ***	(826,071)	(407,821)
	<u>12,705,161</u>	<u>12,312,690</u>

	2024			
	IQD million			
Loans to governmental and commercial banks	Stage 1	Stage 2	Stage 3	Total
High standard grade	11,528,428	-	-	11,528,428
Standard grade	387,028	1,507,484	-	1,894,512
Impaired	-	-	108,292	108,292
	<u>11,915,456</u>	<u>1,507,484</u>	<u>108,292</u>	<u>13,531,232</u>
Less: allowance for credit losses ***	(693,548)	(125,031)	(7,492)	(826,071)
	<u>11,221,908</u>	<u>1,382,453</u>	<u>100,800</u>	<u>12,705,161</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

7. LOANS TO GOVERNMENTAL AND COMMERCIAL BANKS (continued)

Loans to governmental and commercial banks	2023			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
High standard grade	10,481,058	-	-	10,481,058
Standard grade	595,786	1,640,101	-	2,235,887
Impaired	-	-	3,566	3,566
	11,076,844	1,640,101	3,566	12,720,511
Less: allowance for credit losses				
***	(197,718)	(207,237)	(2,866)	(407,821)
	10,879,126	1,432,864	700	12,312,690

* CBI granted loans to specialized governmental banks amounted to IQD 11,528,428 million (2023: IQD 10,481,058 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 2,002,804 million (2023: IQD 2,239,453 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 2024 was as follows:

	2024			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	197,718	207,237	2,866	407,821
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	495,830	(82,206)	4,626	418,250
At Year end	693,548	125,031	7,492	826,071

*** The movement of the allowance for expected credit losses during 2023 was as follows:

	2023			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	85,231	90,607	2,303	178,141
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	112,487	116,630	563	229,680
At Year end	197,718	207,237	2,866	407,821

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

8. DUE FROM MINISTRY OF FINANCE

	2024 IQD million	2023 IQD million
Due from Ministry of Finance	755,519	1,255,519
Government of Iraq treasury bills *	42,024,222	42,643,143
	<u>42,779,741</u>	<u>43,898,662</u>

	2024 IQD million			
Due from Ministry of Finance	Stage 1	Stage 2	Stage 3	Total
High standard grade	42,779,741	-	-	42,779,741
Standard grade	-	-	-	-
Impaired	-	-	-	-
	42,779,741	-	-	42,779,741
Less: allowance for expected credit losses	-	-	-	-
	42,779,741	-	-	42,779,741

	2023 IQD million			
Due from Ministry of Finance	Stage 1	Stage 2	Stage 3	Total
High standard grade	43,898,662	-	-	43,898,662
Standard grade	-	-	-	-
Impaired	-	-	-	-
	43,898,662	-	-	43,898,662
Less: allowance for expected credit losses	-	-	-	-
	43,898,662	-	-	43,898,662

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

8. 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, and the National Pension Agency):

Bank name	Issuance year	Renewal date	Due date	Interest %	Balance IQD million
Al-Rafidain Bank	2015	23-Feb-2024	23-Feb-2024	1.99%	1,000,000
Al-Rafidain Bank	2015	25-Mar-2024	25-Mar-2024	1.99%	2,331,088
Al-Rasheed Bank	2015	29-Mar-2024	28-Mar-2025	1.99%	594,305
Al-Rasheed Bank	2015	10-Nov-2024	9-Nov-2025	4.99%	200,000
Al-Rasheed Bank	2016	24-Jan-2024	23-Jan-2025	4.99%	1,500,000
Al-Rafidain Bank	2016	14-Feb-2024	13-Feb-2025	4.99%	1,500,000
Al-Rasheed Bank	2016	14-Mar-2024	13-Mar-2025	4.99%	1,000,000
Al-Rasheed Bank	2016	29-Oct-2024	29-Oct-2025	4.99%	1,000,000
Al-Rafidain Bank	2016	6-Dec-2024	6-Dec-2025	4.99%	1,000,000
Al-Rafidain Bank	2020	28-June-2024	27-June-2025	1.99%	500,000
Al-Rafidain Bank	2020	28-June-2024	27-June-2025	4.99%	500,000
Al-Rasheed Bank	2020	28-June-2024	27-June-2025	1.99%	500,000
Al-Rasheed Bank	2020	28-June-2024	27-June-2025	3.99%	450,000
Directorate of Public Pension	2020	27-June-2024	26-June-2025	3.99%	1,440,000
Directorate of Public Pension	2020	27-June-2024	26-June-2025	1.99%	250,000
Directorate of Public Pension	2020	27-June-2024	26-June-2025	1.99%	360,000
Al-Rafidain Bank	2020	20-June-2024	19-June-2025	3.99%	450,000
Al-Rafidain Bank	2020	20-June-2024	19-June-2025	3.99%	134,250
Al-Rasheed Bank	2020	20-June-2024	19-June-2025	3.99%	134,250
Al-Rafidain Bank	2020	22-June-2024	21-June-2025	2.99%	2,000,000
Al-Rasheed Bank	2020	22-June-2024	21-June-2025	2.99%	1,300,000
Al-Rasheed Bank	2020	17-Aug-2024	16-Aug-2025	2.99%	3,000,000
Al-Rafidain Bank	2020	17-Aug-2024	16-Aug-2025	2.99%	2,000,000
Al-Rasheed Bank	2020	15-Nov-2024	14-Nov-2025	1.99%	8,000,000
Al-Rafidain Bank	2020	8-Dec-2024	7-Dec-2025	1.99%	4,000,000
Al-Rafidain Bank	2021	12-Aug-2024	11-Aug-2025	1.99%	1,000,000
Al-Rasheed Bank	2021	16-Aug-2024	15-Aug-2025	1.99%	1,000,000
Al-Rafidain Bank	2021	14-Dec-2024	13-Dec-2025	1.99%	1,000,000
Al-Rasheed Bank	2021	14-Dec-2024	13-Dec-2025	1.99%	1,000,000
Al-Rasheed Bank	2024	7-Nov-2024	6-Nov-2025	3.99%	480,055
Al-Rafidain Bank	2024	7-Nov-2024	6-Nov-2025	3.99%	480,055
Al-Rafidain Bank	2024	29-Dec-2024	29-Dec-2025	3.99%	1,920,219
					<u>42,024,222</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

9. PROPERTY AND EQUIPMENT, NET

2024	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	323,818	122,490	772,753	68,867	7,268	1,295,196
At 1 January	-	-	125,955	3,798	5	129,758
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2024	323,818	122,490	898,708	72,665	7,273	1,424,954
Accumulated Depreciation:						
At 1 January	-	12,888	-	49,790	4,132	66,810
Depreciation charged for the year	-	7,344	-	2,316	446	10,106
Disposals	-	-	-	-	-	-
At 31 December 2024	-	20,232	-	52,106	4,578	76,916
Net book value	323,818	102,258	898,708	20,559	2,695	1,348,038
2023	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	645,860	52,772	5,378	1,150,318
Additions	-	-	126,893	16,095	1,890	144,878
Disposals	-	-	-	-	-	-
At 31 December 2023	323,818	122,490	772,753	68,867	7,268	1,295,196
Accumulated Depreciation:						
At 1 January	-	6,136	-	48,027	3,881	58,044
Depreciation charged for the year	-	6,752	-	1,763	251	8,766
Disposals	-	-	-	-	-	-
At 31 December 2023	-	12,888	-	49,790	4,132	66,810
Net book value	323,818	109,602	772,753	19,077	3,136	1,228,386

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

10. INTANGIBLE ASSETS, NET

	2024 IQD million	2023 IQD million
Balance at 1 January	22,673	23,303
Additions	-	6,848
Amortization for the year	(14,040)	(7,478)
Balance at 31 December	<u>8,633</u>	<u>22,673</u>

11. OTHER ASSETS

	2024 IQD million	2023 IQD million
Interest receivable	2,828,087	2,859,372
Loans to employees	277,751	207,289
Advances on acquisition of property and equipment	25,364	36,851
Accrued revenue	166,552	60,005
Golden coins for sale	4,168	5,293
Others	37,213	35,964
Allowance for expected credit losses *	(12)	(3,236)
	<u>3,339,123</u>	<u>3,201,538</u>

	2024 IQD million			
Other financial assets	Stage 1	Stage 2	Stage 3	Total
High standard grade	2,828,087	-	-	2,828,087
Standard grade	444,303	-	-	444,303
Impaired	-	-	-	-
	<u>3,272,390</u>	<u>-</u>	<u>-</u>	<u>3,272,390</u>
Less: allowance for expected credit losses *	(12)	-	-	(12)
	<u>3,272,378</u>	<u>-</u>	<u>-</u>	<u>3,272,378</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

11. OTHER ASSETS (Continued)

	2023			
	IQD million			
Other financial assets	Stage 1	Stage 2	Stage 3	Total
High standard grade	2,859,372	-	-	2,859,372
Standard grade	267,294	-	-	267,294
Impaired	-	-	-	-
	3,126,666	-	-	3,126,666
Less: allowance for expected credit losses *	(3,236)	-	-	(3,236)
	3,123,430	-	-	3,123,430

* The movement of the allowance for expected credit losses during 2024 was as follows:

	2024			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	3,236	-	-	3,236
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	(3,224)	-	-	(3,224)
At Year end	12	-	-	12

* The movement of the allowance for expected credit losses during 2023 was as follows:

	2023			
	IQD million			
	Stage 1	Stage 2	Stage 3	Total
At 1 January	89	-	-	89
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Net remeasurement of ECL	3,147	-	-	3,147
At Year end	3,236	-	-	3,236

12. CURRENCY ISSUED

	2024	2023
	IQD million	IQD million
Banknotes	100,543,204	101,481,022
	<u>100,543,204</u>	<u>101,481,022</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

13. DEPOSITS OF LOCAL BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 IQD million	2023 IQD million
Current accounts *	37,146,576	59,956,017
Time deposit	6,960,237	5,331,127
Due to Sulaymaniyah branch **	48,454	1,713
	<u>44,155,267</u>	<u>65,288,857</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 (2023: equivalent to 15%) and equivalent to 10% of the total of their customers' saving and time deposits (2023: equivalent to 10%). The local banks current accounts at CBI include a compulsory reserve of IQD 10,826,664 million as of 31 December 2024 (2023: IQD 12,441,598 million) and a balance in USD amounted to USD 1,798,695,101 equivalent to IQD 2,338,304 million (2023: balance in USD 1,905,198,382 equivalent to IQD 2,476,758 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.

14. DUE TO FOREIGN GOVERNMENTS AND BANKS

	2024 IQD million	2023 IQD million
Due to foreign governments and financial institutions	9	9
Overdraft accounts	23,732	25,159
Others	27,652	28,314
	<u>51,393</u>	<u>53,482</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

15. DUE TO INTERNATIONAL MONETARY FUND

	2024 SDR	2024 IQD million	2023 SDR	2023 IQD million
IMF securities	-	-	-	-
IMF No. 1 Account including Currency Valuation Adjustments	-	-	-	-
IMF No. 2 Account including Currency Valuation Adjustments	12,580	22	12,580	22
	<u>12,580</u>	<u>22</u>	<u>12,580</u>	<u>22</u>

On 13 August 2023 according to the approval of the Governor, Central bank of Iraq derecognized the IMF accounts which comprise liabilities in the form of securities account and IMF accounts number (1) and kept IMF account (2) in the balance sheet.

16. DUE TO GOVERNMENTAL INSTITUTIONS

	2024 IQD million	2023 IQD million
Due to Ministry of Finance	7,173,082	10,127,473
Due to other governmental institutions	711,873	512,801
	<u>7,884,955</u>	<u>10,640,274</u>

17. OTHER LIABILITIES

	2024 IQD million	2023 IQD million
Dormant accounts	217,687	186,091
Accounts payable	50,838	98,414
Interest payable	23,541	81,766
Others	89,682	69,201
	<u>381,748</u>	<u>435,472</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

18. 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 19 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.

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 10,000,000 million where increase was transferred from the general reserve.

19. 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.

20. GOLD REVALUATION RESERVES

	2024 IQD million	2023 IQD million
Gold revaluation reserve, beginning of year	3,766,016	3,465,109
Gold revaluation gain for the year	3,491,551	300,907
Gold revaluation reserve, end of year	<u>7,257,567</u>	<u>3,766,016</u>

21. 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 2024 amounted to IQD 346,119 million was recorded in lands and buildings revaluation reserve within equity.

22. 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 2024, CBI's Board of Directors decided to transfer the accumulated losses of the year of 2023 amounted to IQD 5,239,956 million to general reserve.

On 31 March 2023, CBI's Board of Directors decided to transfer the retained earnings of the year of 2022 amounted to IQD 2,512,752 million to general reserve and emergency reserve.

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

23. INTEREST INCOME

	2024 IQD million	2023 IQD million
Financial Investments at Amortized Cost	2,171,915	2,116,975
Due from Ministry of Finances	1,245,673	1,340,803
Balances at banks	2,561,940	2,366,644
Loans granted to local banks	38,400	24,531
Overnight deposits	378,853	388,656
Others	45,908	40,719
	<u>6,442,689</u>	<u>6,278,328</u>

24. NET FEES AND COMMISSIONS INCOME

	2024 IQD million	2023 IQD million
Fee and commission income	1,007,092	714,855
Fee and commission expense	(22,783)	(11,380)
	<u>984,309</u>	<u>703,475</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2024 IQD million	2023 IQD million
Currency printing and shipping expenses	6,977	66,293
Professional and consultations fees	18,582	32,357
Insurance	10,593	16,486
Subscriptions	2,820	11,479
Contributions to others	4,791	4,674
Maintenance	3,080	3,685
Traveling expenses	2,856	2,411
Training expenses	1,491	1,310
Fuel expense	534	606
General communication and internet	38	350
Transportation	402	272
Others	6,911	2,942
	<u>59,075</u>	<u>142,865</u>

26. LOSSES FROM CHANGES IN EXCHANGE RATES

	2024 IQD million	2023 IQD million
Losses from changes in exchange rates	(328,593)	(10,814,689)
	<u>(328,593)</u>	<u>(10,814,689)</u>

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

27. CASH AND CASH EQUIVALENTS

	2024 IQD million	2023 IQD million
Cash and balances with central banks	22,250,319	23,380,007
Current accounts with foreign banks	1,375,410	2,156,332
Current accounts with local banks	58,991	149,850
Overnight investment accounts with foreign banks	426,052	821,399
Time deposits with foreign banks	28,717,397	35,032,780
Less: Deposit with maturities more than 3 months	(35,361,753)	(45,193,912)
	<u>17,466,416</u>	<u>16,346,456</u>

28. 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.

29. RISK MANAGEMENT**29.1 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.

29.2 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	
	2024	2023
	IQD million	IQD million
Balances with central banks	20,158,003	23,056,441
Balances at banks and other financial institutions	30,577,824	38,160,335
Financial investments at amortized cost	58,247,589	70,079,251
Loans to governmental and commercial banks	12,705,161	12,312,690
Due from Ministry of Finance	42,779,741	43,898,662
Other assets	3,272,378	3,123,430
Total credit risk exposure	167,740,696	190,630,809

29. RISK MANAGEMENT (continued)

29.2 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 2024		
	Fitch	Moody's	S&P
Federal Reserve Bank of New York	AA+	Aaa	AA+
Banque de France	A	A1	/
Central Bank of United Arab Emirates	AA-	Aa2	/
Bank of England	AA-	Aa3	AA
Reserve Bank of Australia	AAA	Aaa	AAA
Arab Monetary Fund	AA-	Aa2	AA
Citibank	A+	Aa3	A+
Euroclear	AA	/	AA
Abu Dhabi first bank	AA-	Aa3	AA-
Standard Chartered Bank	A+	A1	A+
MUFG Bank, Ltd	A	A1	A
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 2024

29. RISK MANAGEMENT (continued)

29.2 Credit risk (continued)

The credit ratings for the treasury securities that are held by the Bank for 2024 are as follows according to Fitch, Moody's, and S&P credit rating agencies:

	Credit rating As at 31 December 2024		
	Fitch	Moody's	S&P
Bank for International Settlements	AAA	Aaa	AAA
JPMorgan Chase Bank National Association	AA	Aa1	AA-
China Citic Bank	BBB+	A3	/
People's Bank of China	A+	A1	A+
U.S. Department of the Treasury	AA+	Aaa	AA+
Islamic Development Bank	AAA	Aaa	AAA
International Bank for Reconstruction and Development	AAA	/	AAA
Kreditanstalt für Wiederaufbau (KfW)	AAA	Aaa	AAA
European Investment Bank	AAA	Aaa	/
Asian Development Bank	AAA	Aaa	/
Asian Infrastructure Investment Bank	AAA	Aaa	/
Government of France	/	Aa3	/
Norges Bank	AAA	/	/
European Bank for Reconstruction and Development	AAA	Aaa	/
Caisse d'amortissement de la dette	/	Aa3	/

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 2024

29. RISK MANAGEMENT (continued)

29.2 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	2024	2023
	IQD million	IQD million
U.S. Department of the Treasury	26,017,441	40,844,105
Bank for International Settlements	16,988,110	19,663,397
Banque de France	13,359,060	13,888,669
Arab Monetary Fund	7,838,088	12,285,279
Bank of England	4,964,989	3,514,284
Islamic Development Bank	2,931,996	3,191,734
Federal Reserve Bank of New York	2,455,786	6,095,076
MUFG Bank, Ltd	2,814,691	1,559,646
European Investment Bank	2,448,247	1,789,115
International Bank for Reconstruction and Development	2,360,805	1,863,299
Development Bank of Singapore DBS	1,793,532	3,872,790
Kreditanstalt für Wiederaufbau (KfW)	1,871,772	1,844,203
Asian Development Bank	1,793,025	1,532,415
Asian Infrastructure Investment Bank	1,306,883	1,320,202
Norges Bank	1,286,353	1,128,480
Standard Chartered Bank	1,217,255	784,490
European Bank for Reconstruction and Development	1,108,080	914,737
Caisse d'amortissement de la dette	1,090,336	903,638
JPMorgan Chase Bank National Association	1,021,653	1,456,292
First Abu Dhabi Bank PJSC	1,079,464	759,186
Government of Canada	837,804	689,114
Japan Bank for International Cooperation	724,045	530,225
African Development Bank	710,095	632,211
International Finance Corporation	647,099	544,416
Citibank N. A	635,555	874,665
Other Banks	9,622,993	8,665,241
	108,925,157	131,146,909

29.3 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 2024

29. RISK MANAGEMENT (continued)

29.3 Liquidity risk (continued)

The liquidity gap analysis of assets and liabilities based on contractual maturities as at December 31, 2024 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	-	-	-	-	-	17,837,890	17,837,890
Cash and balances with central banks	2,486,019	12,824,529	3,563,584	3,376,187	-	-	22,250,319
Balances at banks and other financial institutions	1,434,401	13,085,633	6,994,789	9,063,001	-	-	30,577,824
Financial investments at amortized cost	-	3,997,500	6,244,589	8,949,277	39,056,223	-	58,247,589
Loans to governmental and commercial banks	-	1,361,267	1,361,267	2,722,534	7,260,093	-	12,705,161
Due from Ministry of Finance	-	7,925,392	4,000,000	30,098,829	755,520	-	42,779,741
Property and equipment, net	-	-	-	-	-	1,348,038	1,348,038
Intangible assets, net	-	-	-	-	-	8,633	8,633
Other assets	-	752,389	470,796	1,004,293	600,609	511,036	3,339,123
TOTAL ASSETS	3,920,420	39,946,710	22,635,025	55,214,121	47,672,445	19,705,597	189,094,318
LIABILITIES							
Currency issued	100,543,204	-	-	-	-	-	100,543,204
Treasury bills issued	-	152,393	-	-	-	-	152,393
Deposits of local banks and other financial institutions	37,195,030	6,960,237	-	-	-	-	44,155,267
Due to foreign governments and banks	51,393	-	-	-	-	-	51,393
Due to International Monetary Fund	22	-	-	-	-	-	22
Due to governmental institutions	7,884,955	-	-	-	-	-	7,884,955
Other liabilities	140,520	23,541	-	-	-	217,687	381,748
TOTAL LIABILITIES	145,815,124	7,136,171	-	-	-	217,687	153,168,982
TOTAL EQUITY	-	-	-	-	-	35,925,336	35,925,336
TOTAL LIABILITIES AND EQUITY	145,815,124	7,136,171	-	-	-	36,143,023	189,094,318
ITEM GAP	(141,894,704)	32,810,539	22,635,025	55,214,121	47,672,445	(16,437,426)	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

29. RISK MANAGEMENT (continued)

29.3 Liquidity risk (continued)

The liquidity gap analysis of assets and liabilities based on contractual maturities as at December 31, 2023 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	-	-	-	-	-	12,295,447	12,295,447
Cash and balances with central banks	408,158	10,879,205	4,896,148	7,196,496	-	-	23,380,007
Balances at banks and other financial institutions	2,306,182	17,042,508	9,377,539	9,434,106	-	-	38,160,335
Financial investments at amortized cost	-	4,899,563	6,691,120	9,990,899	48,497,669	-	70,079,251
Loans to governmental and commercial banks	-	1,149,185	1,149,185	2,298,369	7,715,951	-	12,312,690
Due from Ministry of Finance	-	9,175,393	4,809,250	28,658,500	1,255,519	-	43,898,662
Property and equipment, net	-	-	-	-	-	1,228,386	1,228,386
Intangible assets, net	-	-	-	-	-	22,673	22,673
Other assets	-	799,889	525,542	979,072	554,869	342,166	3,201,538
TOTAL ASSETS	2,714,340	43,945,743	27,448,784	58,557,442	58,024,008	13,888,672	204,578,989
LIABILITIES							
Currency issued	101,481,022	-	-	-	-	-	101,481,022
Treasury bills issued	-	149,507	-	-	-	-	149,507
Deposits of local banks and other financial institutions	44,656,806	869,181	-	4,461,946	-	15,300,924	65,288,857
Due to foreign governments and banks	53,482	-	-	-	-	-	53,482
Due to International Monetary Fund	22	-	-	-	-	-	22
Due to governmental institutions	10,640,274	-	-	-	-	-	10,640,274
Other liabilities	167,615	39,104	-	42,662	-	186,091	435,472
TOTAL LIABILITIES	156,999,221	1,057,792	-	4,504,608	-	15,487,015	178,048,636
TOTAL EQUITY	-	-	-	-	-	26,530,353	26,530,353
TOTAL LIABILITIES AND EQUITY	156,999,221	1,057,792	-	4,504,608	-	42,017,368	204,578,989
ITEM GAP	(154,284,881)	42,887,951	27,448,784	54,052,834	58,024,008	(28,128,696)	-

29. RISK MANAGEMENT (continued)

29.4 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.

29.4.1 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 4.91% during the year 2024 (2023: 5%)

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

29. RISK MANAGEMENT (continued)

29.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of 31 December 2024:

	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	-	-	-	-	-	17,837,890	17,837,890
Cash and balances with central banks	4,546,352	8,278,177	3,563,584	3,376,187	-	2,486,019	22,250,319
Balances at banks and other financial institutions	8,596,292	4,489,341	6,994,789	9,063,001	-	1,434,401	30,577,824
Financial investments at amortized cost	195,000	3,802,500	6,244,589	8,949,277	39,056,223	-	58,247,589
Loans to governmental and commercial banks	680,634	680,634	1,361,267	2,722,534	7,260,092	-	12,705,161
Due from Ministry of Finance	1,500,000	6,425,392	4,000,000	30,098,829	755,520	-	42,779,741
Property and equipment, net	-	-	-	-	-	1,348,038	1,348,038
Intangible assets, net	-	-	-	-	-	8,633	8,633
Other assets	376,195	376,195	470,796	1,004,293	600,609	511,035	3,339,123
TOTAL ASSETS	15,894,473	24,052,239	22,635,025	55,214,121	47,672,444	23,626,016	189,094,318
LIABILITIES							
Currency issued	-	-	-	-	-	100,543,204	100,543,204
Treasury bills issued	152,393	-	-	-	-	-	152,393
Deposits of local banks and other financial institutions	-	6,960,237	-	-	-	37,195,030	44,155,267
Due to foreign governments and banks	-	-	-	-	-	51,393	51,393
Due to International Monetary Fund	-	-	-	-	-	22	22
Due to governmental institutions	7,173,082	-	-	-	-	711,873	7,884,955
Other liabilities	-	23,541	-	-	-	358,207	381,748
TOTAL LIABILITIES	7,325,475	6,983,778	-	-	-	138,859,729	153,168,982
TOTAL EQUITY	-	-	-	-	-	35,925,336	35,925,336
TOTAL LIABILITIES AND EQUITY	7,325,475	6,983,778	-	-	-	174,785,065	189,094,318
ITEM GAP	8,568,998	17,068,461	22,635,025	55,214,121	47,672,444	(151,159,049)	-
ACCUMULATED GAP	8,568,998	25,637,459	48,272,484	103,486,605	151,159,049	-	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

29. RISK MANAGEMENT (continued)

29.4.1 Interest rate risk (continued)

Following are the interest rate gaps as of 31 December 2023:

	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	-	-	-	-	-	12,295,447	12,295,447
Cash and balances with central banks	7,978,300	2,900,905	4,896,148	7,196,496	-	408,158	23,380,007
Balances at banks and other financial institutions	6,456,431	10,586,077	9,377,539	9,434,106	-	2,306,182	38,160,335
Financial investments at amortized cost	1,098,041	3,801,522	6,691,120	9,990,899	48,497,669	-	70,079,251
Loans to governmental and commercial banks	574,592	574,592	1,149,185	2,298,369	7,715,952	-	12,312,690
Due from Ministry of Finance	1,750,000	7,425,393	4,809,250	28,658,500	1,255,519	-	43,898,662
Property and equipment, net	-	-	-	-	-	1,228,386	1,228,386
Intangible assets, net	-	-	-	-	-	22,673	22,673
Other assets	399,945	399,945	525,542	979,072	554,869	342,165	3,201,538
TOTAL ASSETS	18,257,309	25,688,434	27,448,784	58,557,442	58,024,009	16,603,011	204,578,989
LIABILITIES							
Currency issued	-	-	-	-	-	101,481,022	101,481,022
Treasury bills issued	149,507	-	-	-	-	-	149,507
Deposits of local banks and other financial institutions	-	869,181	-	4,461,946	-	59,957,730	65,288,857
Due to foreign governments and banks	-	-	-	-	-	53,482	53,482
Due to International Monetary Fund	-	-	-	-	-	22	22
Due to governmental institutions	10,127,473	-	-	-	-	512,801	10,640,274
Other liabilities	10,064	29,040	-	42,662	-	353,706	435,472
TOTAL LIABILITIES	10,287,044	898,221	-	4,504,608	-	162,358,763	178,048,636
TOTAL EQUITY	-	-	-	-	-	26,530,353	26,530,353
TOTAL LIABILITIES AND EQUITY	10,287,044	898,221	-	4,504,608	-	188,889,116	204,578,989
ITEM GAP	7,970,265	24,790,213	27,448,784	54,052,834	58,024,009	(172,286,105)	-
ACCUMULATED GAP	7,970,265	32,760,478	60,209,262	114,262,096	172,286,105	-	-

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024****29. RISK MANAGEMENT (continued)****29.4 Market risk (continued)****29.4.2 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 Average	
	2024	2023
Iraqi Dinar	40.38%	34.87%
US Dollar	54.14%	58.09%
Euro	4.61%	5.50%
SDR	0.00%	0.00%
Others	0.87%	1.54%

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

29. RISK MANAGEMENT (continued)

29.4 Market risk (continued)

29.4.2 Currency risk (continued)

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

31 December 2024	IQD IQD million	USD IQD million	EUR IQD million	SDR IQD million	Others IQD million	Total IQD million
ASSETS						
Gold reserve	17,837,890	-	-	-	-	17,837,890
Cash and balances with central banks	-	17,146,039	5,023,009	-	81,271	22,250,319
Balances at banks and other financial institutions	-	29,637,219	918,027	-	22,578	30,577,824
Financial investments at amortized cost	-	53,992,410	2,737,145	-	1,518,034	58,247,589
Loans to governmental and commercial banks	12,705,161	-	-	-	-	12,705,161
Due from Ministry of Finance	42,779,741	-	-	-	-	42,779,741
Property and equipment, net	1,348,038	-	-	-	-	1,348,038
Intangible assets, net	8,633	-	-	-	-	8,633
Other assets	1,671,948	1,607,162	30,849	-	29,164	3,339,123
TOTAL ASSETS	76,351,411	102,382,830	8,709,030	-	1,651,047	189,094,318
LIABILITIES AND EQUITY						
Currency issued	100,543,204	-	-	-	-	100,543,204
Treasury bills issued	152,393	-	-	-	-	152,393
Deposits of local banks and other financial institutions	32,358,817	6,455,254	5,341,196	-	-	44,155,267
Due to foreign governments and banks	51,393	-	-	-	-	51,393
Due to International Monetary Fund	22	-	-	-	-	22
Due to governmental institutions	4,305,956	3,578,702	297	-	-	7,884,955
Other liabilities	328,649	34,700	18,399	-	-	381,748
TOTAL LIABILITIES	137,740,434	10,068,656	5,359,892	-	-	153,168,982
Equity	35,925,336	-	-	-	-	35,925,336
TOTAL LIABILITIES AND EQUITY	173,665,770	10,068,656	5,359,892	-	-	189,094,318
NET	(97,314,359)	92,314,174	3,349,138	-	1,651,047	-

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

29. RISK MANAGEMENT (continued)

29.4 Market risk (continued)

29.4.2 Currency risk (continued)

31 December 2023	IQD IQD million	USD IQD million	EUR IQD million	SDR IQD million	Others IQD million	Total IQD million
ASSETS						
Gold reserve	12,295,447	-	-	-	-	12,295,447
Cash and balances with central banks	-	18,310,250	5,040,784	-	28,973	23,380,007
Balances at banks and other financial institutions	-	34,510,568	2,607,024	-	1,042,743	38,160,335
Financial investments at amortized cost	-	64,496,010	3,534,615	-	2,048,626	70,079,251
Loans to governmental and commercial banks	12,312,690	-	-	-	-	12,312,690
Due from Ministry of Finance	43,898,662	-	-	-	-	43,898,662
Property and equipment, net	1,228,386	-	-	-	-	1,228,386
Intangible assets, net	22,673	-	-	-	-	22,673
Other assets	1,575,453	1,527,825	68,038	-	30,222	3,201,538
TOTAL ASSETS	71,333,311	118,844,653	11,250,461	-	3,150,564	204,578,989
LIABILITIES AND EQUITY						
Currency issued	101,481,022	-	-	-	-	101,481,022
Treasury bills issued	149,507	-	-	-	-	149,507
Deposits of local banks and other financial institutions	51,783,797	8,007,045	5,498,015	-	-	65,288,857
Due to foreign governments and banks	53,482	-	-	-	-	53,482
Due to International Monetary Fund	22	-	-	-	-	22
Due to governmental institutions	2,643,891	7,996,099	284	-	-	10,640,274
Other liabilities	368,507	18,247	48,718	-	-	435,472
Total liabilities	156,480,228	16,021,391	5,547,017	-	-	178,048,636
Equity	26,530,353	-	-	-	-	26,530,353
TOTAL LIABILITIES AND EQUITY	183,010,581	16,021,391	5,547,017	-	-	204,578,989
NET	(111,677,270)	102,823,262	5,703,444	-	3,150,564	-

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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 2024

30. 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
	2024	2023		
Gold reserve	17,837,890	12,295,447	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 2024		31 December 2023		
	Total carrying amount	Total fair value	Total carrying amount	Total fair value	Fair value level
	IQD million		IQD million		
Financial assets not measured in fair value					
Cash and balances with central banks	22,250,319	22,250,319	23,380,007	23,380,007	Level 2
Balances at banks and other financial institutions	30,577,824	30,577,824	38,160,335	38,160,335	Level 2
Financial investments at amortized cost	58,247,589	56,471,377	70,079,251	70,805,707	Level 1
Loans to commercial and governmental banks	12,705,161	12,705,161	12,312,690	12,312,690	Level 2
Due from Ministry of Finance	42,779,741	42,779,741	43,898,662	43,898,662	Level 2
	<u>166,560,634</u>	<u>164,784,422</u>	<u>187,830,945</u>	<u>188,557,401</u>	
Financial liabilities not measured in fair value					
Currency issued	100,543,204	100,543,204	101,481,022	101,481,022	Level 2
Treasury bills issued	152,393	152,393	149,507	149,507	Level 2
Deposits of local banks and other financial institutions	44,155,267	44,155,267	65,288,857	65,288,857	Level 2
Due to foreign governments and banks	51,393	51,393	53,482	53,482	Level 2
Due to IMF	22	22	22	22	Level 2
Due to governmental institutions	7,884,955	7,884,955	10,640,274	10,640,274	Level 2
	<u>152,787,234</u>	<u>152,787,234</u>	<u>177,613,164</u>	<u>177,613,164</u>	

31. 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:

<u>31 December 2024</u>	<u>Iraq IQD million</u>	<u>Foreign countries IQD million</u>	<u>Total IQD million</u>
Revenues	2,365,178	5,118,677	7,483,855
Total Assets	61,187,496	127,906,822	189,094,318
Total Liabilities	153,117,568	51,414	153,168,982
<u>31 December 2023</u>	<u>Iraq IQD million</u>	<u>Foreign countries IQD million</u>	<u>Total IQD million</u>
Revenues	2,174,931	4,894,001	7,068,932
Total Assets	59,954,657	144,624,332	204,578,989
Total Liabilities	177,995,132	53,504	178,048,636

CENTRAL BANK OF IRAQ

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2024

32. RELATED PARTY TRANSACTIONS

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

	2024	2023
	IQD	IQD
	million	million
ASSETS		
Current accounts with local banks	58,991	149,850
Loans to governmental banks	10,835,859	10,287,710
Due from Ministry of Finance	755,519	1,255,519
Government of Iraq treasury bills	42,024,222	42,643,143
Other assets	1,227,978	1,309,217
LIABILITIES		
Treasury bills issued	60,000	39,869
Deposits of governmental banks	30,518,045	52,482,129
Due to Ministry of Finance	7,173,082	10,127,473
Due to other governmental institutions	711,873	512,801
INCOME STATEMENT		
Interest income from Ministry of Finance	1,245,673	1,340,803
Interest expense on treasury bills issued	88,728	123,927
Interest expenses on governmental banks deposits	164,337	102,632
Interest expenses on overnight investment for MOF	287,747	656,138

33. ACCOUNTS MANAGED ON BEHALF OF THE MOF

The Central Bank maintains records of cash payments and receipts for the Development Fund for Iraq (DFI), which was established in May 2003 and recognized by UN Security Council Resolution 1483 of 2003. The DFI's bank accounts are managed by the Central Bank of Iraq on behalf of the Ministry of Finance and are included as part of the CBI's accounting records.

To avoid the lifting of the DFI's immunity due to the expiration of the US presidential order protecting Iraqi assets, on May 27, 2014, the balance of the DFI account was transferred to the CBI's account at the Federal Reserve Bank of New York. A second account was opened at the Federal Reserve Bank of New York to deposit oil shipments, reclaimed funds, and frozen assets, under the name "Iraq 2." At the same time, a corresponding current account was opened for the Ministry of Finance to record the amounts deposited in this account. The Central Bank of Iraq also maintains records of cash payments and receipts related to the economic agreement signed between the Iraqi government and the Chinese government. 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.

34. COMMITMENTS AND CONTINGENT LIABILITIES

Various parties have filed lawsuits in various countries against the Central Bank of Iraq (CBI) to settle outstanding debts owed by ministries and institutions affiliated with the Iraqi government, in its capacity as Iraq's representative, amounting to IQD 1,350,290 million (2023: IQD 1,323,004 million). Based on the Ministry of Finance's letter No. 744 dated May 12, 2019, the institutions involved in the foreign lawsuits will bear the consequences of these lawsuits, not the CBI.

35. OFF-BALANCE SHEET

- On October 13, 2015, the Board of Directors of the Central Bank of Iraq decided to cancel recognition of all International Monetary Fund accounts (assets and liabilities) from its records and that these accounts be managed outside the budget on the basis that these accounts belong to the Ministry of Finance.
- On May 26, 2016, the Central Bank returned some IMF accounts to the Central Bank's accounting records. These accounts consist of assets represented by the subscription share and liabilities represented by Special Drawing Rights guarantees and IMF accounts No. (1) and (2).
- On August 13, 2023, the Central Bank re-excluded all IMF accounts (except IMF Account No. 2) from the Central Bank's records to off-balance sheet accounts.
- The process of removing the IMF accounts from the bank's records and transferring them to the records of the Ministry of Finance was supported by an agreement signed between the Central Bank of Iraq and the Ministry of Finance.
- The IMF accounts of the Ministry of Finance and managed outside the Central Bank of Iraq's statement of financial position as of December 31, 2024, consist of reserves available at the IMF in the amount of SDR 289,950,000 (2023: SDR 289,950,000), IMF holdings of SDR 93,123,971 (2023: SDR 81,654,220), and SDR allocations in the amount of SDR 2,729,172,979 (2023: SDR 2,729,172,979).
- The Ministry of Finance issued receivables in favor of the International Monetary Fund for the IMF guarantees and valuation differences accounts for the IMF balances as of April 30, 2023, amounting to 2,407,705 million Iraqi dinars. As for the IMF account No. (1), amounting to 7,312 million Iraqi dinars, it is not considered among the receivables issued by the Ministry of Finance and instead was recorded outside the records of the Central Bank of Iraq in its capacity as the financial agent of the Iraqi government.

36. COMPARATIVE FIGURES

Some of the comparative figures for the year 2023 have been reclassified to correspond with those of 31 December 2024 presentation. The reclassification did not have any effect on profit or equity of 2023.